INKTOMI CORP
Form DEFM14A
February 11, 2003

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SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant [X]
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Check the appropriate box:

[ ] Preliminary Proxy Statement [ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
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INKTOMI CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Section 14(g) of the Exchange Act (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing Party:

(4) Date Filed:

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SPECIAL MEETING OF STOCKHOLDERS

MERGER PROPOSED   YOUR VOTE IS VERY IMPORTANT

Dear Inktomi Corporation stockholder:

You are cordially invited to attend a special meeting of stockholders of Inktomi Corporation to be held on March 19, 2003, at 10:00 a.m., local time, at the San Mateo Marriott Hotel located at 1770 South Amphlett Blvd., San Mateo, California 94402.

At the special meeting you will be asked to consider and vote upon a proposal to adopt a merger agreement we signed with Yahoo! Inc. and a wholly-owned subsidiary of Yahoo!. If the merger agreement is adopted and we complete the merger, Inktomi will become a subsidiary of Yahoo! and you will have the right to receive $1.65 in cash in exchange for each outstanding share of our common stock that you own. After the merger is completed, you no longer will own an equity interest in Inktomi, and our common stock will no longer be publicly traded. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement, and you are encouraged to read it in its entirety.

Our board of directors has unanimously approved the merger agreement and the merger, determined that the merger agreement and the merger are fair to and in the best interests of our stockholders and declared the merger agreement advisable, and recommends that you vote FOR adoption of the merger agreement. In reaching this determination, our board of directors considered a number of factors, including the opinion of our financial advisor, which is reproduced in full as Annex C to the attached proxy statement, and which you are encouraged to read in its entirety.

The proposed merger is an important decision for us and our stockholders. We cannot complete the merger unless holders of at least a majority of our outstanding shares of common stock vote to adopt the merger agreement. Both Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, and I have agreed with Yahoo! to vote our shares of Inktomi common stock in favor of the adoption of the merger agreement.

The attached notice of special meeting and proxy statement explain the proposed merger and provide specific information concerning the special meeting. Please read these materials carefully.

Whether or not you plan to attend the special meeting, I urge you to complete, sign, date and promptly return the enclosed proxy card to ensure that your shares will be voted at the special meeting. Your failure to return an executed proxy card will constitute, in effect, a vote against adoption of the merger agreement.

David C. Peterschmidt
Chairman, President and Chief Executive Officer
Inktomi Corporation

The proxy statement is dated February 11, 2003, and is first being mailed to stockholders of Inktomi on or about February 14, 2003.

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INKTOMI CORPORATION

4100 East Third Avenue
Foster City, California 94404
(650) 653-2800

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On March 19, 2003

To the stockholders of Inktomi Corporation:

A special meeting of stockholders of Inktomi Corporation, a Delaware corporation, will be held on March 19, 2003 at 10:00 a.m., local time, at the San Mateo Marriott Hotel located at 1770 South Amphlett Blvd., San Mateo, California 94402, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of December 22, 2002, among Yahoo! Inc., December 2002 Acquisition Corp., a wholly-owned subsidiary of Yahoo!, and Inktomi Corporation; and

2. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The board of directors of Inktomi has fixed the close of business on February 3, 2003 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Inktomi s common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement of it. At the close of business on the record date, Inktomi had outstanding and entitled to vote 163,163,205 shares of common stock. Holders of Inktomi s common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger. See The Merger Appraisal Rights on page 24.

YOUR VOTE IS IMPORTANT. THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF INKTOMI S COMMON STOCK IS REQUIRED TO ADOPT THE MERGER AGREEMENT. EVEN IF YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, WE REQUEST THAT YOU COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY TODAY AND THUS ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE SPECIAL MEETING IF YOU ARE UNABLE TO ATTEND. IF YOU SIGN, DATE AND MAIL YOUR PROXY CARD WITHOUT INDICATING HOW YOU WISH TO VOTE, YOUR PROXY WILL BE COUNTED AS A VOTE IN FAVOR OF ADOPTION OF THE MERGER AGREEMENT. IF YOU FAIL TO RETURN YOUR INKTOMI PROXY CARD, THE EFFECT WILL BE THAT YOUR SHARES WILL NOT BE COUNTED FOR PURPOSES OF DETERMINING WHETHER A QUORUM IS PRESENT AT THE INKTOMI SPECIAL MEETING, AND WILL EFFECTIVELY BE COUNTED AS A VOTE AGAINST ADOPTION OF THE MERGER AGREEMENT. IF YOU DO ATTEND THE SPECIAL MEETING AND VOTE IN PERSON, YOUR VOTE WILL REVOKE ANY PREVIOUSLY RETURNED PROXIES.

By Order of the Board of Directors,

Randy S. Gottfried
Senior Vice President, Chief Financial Officer and Secretary

Foster City, California
February 11, 2003

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Annexes:

Annex A	Agreement and Plan of Merger among Yahoo! Inc., December 2002 Acquisition Corp. and Inktomi Corporation, dated as of December 22, 2002
Annex B	Form of Voting Agreement among Yahoo! Inc., December 2002 Acquisition Corp. and certain stockholders of Inktomi, dated as of December 22, 2002
Annex C	Opinion of Thomas Weisel Partners LLC
Annex D	Section 262 of the Delaware General Corporation Law Appraisal Rights

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHO IS SOLICITING MY PROXY?

A: This proxy is being solicited by our board of directors.

Q: WHAT AM I BEING ASKED TO VOTE ON?

A: You are being asked to vote on the adoption of the merger agreement that we entered into with Yahoo! Inc. which sets out the terms and conditions of the proposed merger of a wholly-owned subsidiary of Yahoo! with and into Inktomi Corporation. As a result of the merger, Inktomi will become a wholly-owned subsidiary of Yahoo!.

Q: WHY IS THE BOARD OF DIRECTORS RECOMMENDING THE MERGER?

A: Our board of directors has considered the merger agreement and the transactions contemplated by it, including the merger, and determined that the merger agreement and the merger are fair to and in the best interests of our stockholders and declared the merger agreement advisable. This determination was based on our board of directors consideration of a number of factors, including the opinion of our financial advisor reproduced in full as Annex C to this proxy statement. A more complete description of the reasons for the merger can be found beginning on page 10.

Q: WHAT INTERESTS DO INKTOMI S DIRECTORS AND EXECUTIVE OFFICERS HAVE IN RECOMMENDING APPROVAL OF THE MERGER AGREEMENT AND THE MERGER?

A: Our directors and executive officers have interests in the merger that are different from the interests of other Inktomi stockholders, including the continuation of certain indemnification arrangements for directors and executive officers and the fact that our executive officers may also be entitled to severance payments and group employee benefit coverage with an aggregate value of $4,297,786 if their employment is terminated other than for cause within 12 months of the merger. For additional details, including the amounts that may be received by each of our directors and executive officers, see The Merger Interests of Inktomi s Directors and Executive Officers in the Merger on page 22.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: As a result of the merger, each share of Inktomi common stock that you own will be automatically converted into the right to receive $1.65 in cash, without interest. For example, if you own 100 shares of Inktomi s common stock, you will have the right to receive $165 in cash in exchange for your shares.

Q: WHAT DO I NEED TO DO NOW?

A: We urge you to read this proxy statement carefully, including its annexes, and to consider how the merger affects you. Then please return your completed, dated and signed proxy card in the postage-paid envelope provided with this proxy statement as soon as possible, so that your shares can be voted at the special meeting of our stockholders.

Q: WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?

A: The failure to return your proxy card will have the same effect as voting against adoption of the merger agreement. If we do not receive the affirmative vote of the holders of a majority of shares of Inktomi common stock outstanding on the record date, February 3, 2003, then we will not be able to effect the merger.

Q: MAY I VOTE IN PERSON?

A: Yes. You may attend the special meeting of Inktomi s stockholders, and vote your shares in person. If you hold shares in street name you must provide a legal proxy executed by your bank or broker in order to vote your shares at the meeting.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice to the Secretary of Inktomi

stating that you would like to revoke your proxy. Second, you can complete, date, and submit a new proxy card. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: IF MY SHARES ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the effect of a vote against adoption of the merger agreement.

Q: SHOULD I SEND IN MY INKTOMI STOCK CERTIFICATES NOW?

A: No. Shortly after the merger is completed, you will receive written instructions for exchanging your shares of Inktomi s common stock for the merger consideration of $1.65 in cash, without interest, per share.

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: We are working toward completing the merger as quickly as possible. In addition to obtaining stockholder approval, we must satisfy all other closing conditions, or they must be properly waived, including the expiration or termination of applicable regulatory waiting periods. We currently expect to complete the merger shortly after the special meeting.

Q: HOW WILL I KNOW THE MERGER HAS OCCURRED?

A: If the merger occurs, we will make a public announcement of this fact.

Q: WILL THE MERGER BE TAXABLE TO ME?

A: Yes. The merger generally will be taxable to you. You will recognize gain or loss equal to the difference between the total amount of cash you receive in the merger for your Inktomi shares and your adjusted tax basis in those shares.

Q: AM I ENTITLED TO APPRAISAL RIGHTS?

A: Yes. You are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger. See The Merger Appraisal Rights on page 24.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have questions regarding the special meeting, this proxy statement or the procedures for voting, please call our proxy solicitor, Innisfree M&A Incorporated, toll-free at 1-877-456-3463. If you would like additional copies, without charge, of this proxy statement you should contact:

INKTOMI CORPORATION

Attn: Investor Relations
4100 East Third Avenue
Foster City, California 94404
Telephone: (650) 653-2800

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SUMMARY TERM SHEET

The following summary term sheet highlights the material information contained in this proxy statement, but does not contain all of the information in this proxy statement that is important to your voting decision. To understand the merger agreement fully and for a more complete description of the terms of the merger, you should carefully read this entire proxy statement, including the annexes, and the documents to which we refer in this proxy statement. See Where You Can Find More Information on page 47. We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary.

The Companies (Page 9)

INKTOMI CORPORATION
4100 East Third Avenue
Foster City, California 94404
Telephone: (650) 653-2800

We provide World Wide Web search services for Internet portal and search destination sites. Inktomi Web Search is a customizable, private label solution that offers portals and destination sites the ability to serve differentiated, highly relevant search results. Inktomi Web Search also provides content publishers access to end users through portal and destination site customers of our search engine services.

YAHOO! INC.
701 First Avenue
Sunnyvale, California 94089
Telephone: (408) 349-3300

Yahoo! Inc. is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Headquartered in Sunnyvale, California, Yahoo! s global network includes 25 world properties and is available in 13 languages.

December 2002 Acquisition Corp. is a wholly-owned subsidiary of Yahoo!. December 2002 Acquisition Corp. was organized solely for the purpose of entering into the merger agreement with Inktomi and completing the merger and has not conducted any business operations.

The Special Meeting of Inktomi s Stockholders (Page 8)

Date, Time and Place. A special meeting of the stockholders of Inktomi will be held on March 19, 2003, at the San Mateo Marriott Hotel located at 1770 South Amphlett Blvd., San Mateo, California 94402 at 10:00 a.m., local time, to consider and vote upon a proposal to adopt the merger agreement.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of Inktomi s common stock at the close of business on February 3, 2003, the record date for the special meeting. You will have one vote at the special meeting for each share of Inktomi s common stock you owned at the close of business on the record date. There are 163,163,205 shares of Inktomi common stock entitled to be voted at the special meeting.

Required Vote. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of Inktomi s common stock outstanding at the close of business on the record date.

Share Ownership of Directors and Management. The directors and executive officers of Inktomi and their affiliates own approximately 2.51% of the shares entitled to vote at the special meeting. David C. Peterschmidt, Chairman, President and Chief Executive Officer of Inktomi, and Dr. Eric A. Brewer, a member of the board of directors and Chief Scientist of Inktomi, have agreed, subject to certain terms and conditions, to vote their shares in favor of adoption of the merger agreement.

The Merger (Page 10)

If our stockholders adopt the merger agreement and all other conditions to completing the merger are satisfied or waived, December 2002 Acquisition Corp. will be merged with and into Inktomi, and Inktomi will become a wholly-owned subsidiary of Yahoo!. As a result of the merger, each share of Inktomi common stock

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you own will automatically convert into the right to receive $1.65 in cash, without interest. After the merger is completed, you no longer will own an equity interest in Inktomi, and our common stock will no longer be publicly traded.

The merger will become effective when a certificate of merger is filed with the Secretary of State of the State of Delaware, which we expect to file as soon as practicable after the special meeting.

The Merger Agreement (Page 30)

A copy of the merger agreement is attached to this document as Annex A. We encourage you to read the merger agreement in its entirety because it is the legal document that contains all of the terms of and conditions to the merger.

Treatment of Inktomi Securities; Merger Consideration (Page 30)

If the merger is completed, you will receive $1.65 in cash, without interest, in exchange for each share of Inktomi s common stock that you own and with respect to which you have not perfected appraisal rights.

If the merger is completed and you hold an outstanding option to purchase our common stock, whether or not then exercisable or vested, your option will be assumed by Yahoo!. Your option will cease to represent a right to acquire shares of our common stock and will convert automatically into an option to purchase shares of Yahoo! common stock, subject to the same terms and conditions (other than the number of underlying shares and the exercise price) as the applicable Inktomi option plan under which the option was issued. The number of shares of Yahoo! common stock (rounded down to the nearest whole share) for which such option will be exercisable will be determined by multiplying the number of shares of our common stock subject to the option by a fraction, with a numerator of $1.65 and a denominator of the average closing price of Yahoo! common stock on the Nasdaq National Market System over the 10 trading days immediately preceding, but not including, the effective date of the merger. The new exercise price per share of Yahoo! common stock (rounded up to the nearest whole cent) will be equal to the per share exercise price of the Inktomi option divided by the fraction described above.

If the merger is completed and you hold stock that is subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock repurchase agreement or other agreement, Yahoo! will, at its option and in its sole discretion, either (i) pay you $1.65 per share upon surrender of your stock certificates, or (ii) pay for such shares over time as they vest according to the requirements of the applicable restricted stock schedule.

Recommendation to Stockholders (Page 16)

Our board of directors has determined that the merger agreement and the merger are fair to you and in your best interests. Accordingly, our board of directors has unanimously approved the merger agreement and the merger and declared the merger agreement advisable. **Our board of directors recommends that you vote FOR adoption of the merger agreement.**

Opinion of Inktomi s Financial Advisor (Page 17)

On December 22, 2002, Thomas Weisel Partners delivered to our board of directors its written opinion that, as of that date, the consideration to be received by our stockholders pursuant to the merger was fair to the stockholders from a financial point of view. A copy of the Thomas Weisel Partners opinion is attached as Annex C to this proxy statement. A summary of the Thomas Weisel Partners opinion is included in this proxy statement; however, you are urged to read the Thomas Weisel Partners opinion carefully in its entirety for the assumptions made, the procedures followed, the matters considered and the limits of the review made by Thomas Weisel Partners in connection with its opinion. The Thomas Weisel Partners opinion is not a recommendation as to how you should vote your shares on the proposed merger.

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Conditions to the Merger (Page 38)

The respective obligations of each of the parties to complete the merger are subject to the satisfaction of several conditions, including the following:

- the merger agreement must be adopted by our stockholders;
- there must not be any law or regulation or any court order or injunction preventing the merger;
- all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act must have expired or been terminated and any required approvals by the European Commission and all other material foreign antitrust approvals must have been obtained; and
- there must not be any pending or overtly threatened action or proceeding by any governmental entity seeking to restrain or prohibit the merger or Yahoo! s ownership or operation of our business.

Our obligation to complete the merger is also subject to the satisfaction or waiver by us, at or prior to the effective time of the merger, of several conditions, including the following:

- Yahoo! s representations and warranties must be true and correct, except with regard to Yahoo! s representations and warranties as would not be reasonably expected to impede the receipt of the merger consideration; and
- Yahoo! s obligations under the merger agreement must be materially performed.

The obligation of Yahoo! to complete the merger is also subject to the satisfaction or waiver by Yahoo!, at or prior to the effective time of the merger, of several conditions, including the following:

- our representations and warranties must be true and correct, except with regard to our representations and warranties as do not, individually or in the aggregate, constitute a material adverse effect on us;
- our obligations under the merger agreement must be materially performed;
- all material governmental and third-party consents and approvals must be received;
- there must not have occurred and be continuing any change or event since December 22, 2002, that has had and continues to have a material adverse effect on Inktomi; and
- holders of more than 15% of our outstanding common stock must not have demanded appraisal rights in accordance with the Delaware General Corporation Law.

Termination of the Merger Agreement (Page 40)

The merger agreement may be terminated:

- by Yahoo! and Inktomi, if we both agree to do so;
- by either Yahoo! or Inktomi, if:
  - the merger is not completed by May 31, 2003 (or, under certain circumstances, by July 31, 2003);
  - any final nonappealable order, decree or ruling issued by a governmental entity permanently restrains or prohibits the merger; or
  - the merger agreement is not adopted by the required vote of our stockholders at the special meeting;
- by Yahoo! if:

we breach any of our representations, warranties, covenants or agreements under the merger agreement or if any representation or warranty of ours shall have become untrue, in either case, such that either Yahoo! s condition relating to representations and warranties or Yahoo! s condition relating to agreements and covenants would not be satisfied at the time of such breach or as of the time such representation or warranty shall have become untrue, subject to a 30-day cure period;

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our board withdraws, amends or modifies, in a manner adverse to Yahoo!, its recommendation in favor of the adoption of the merger agreement;

our board fails to publicly reaffirm its favorable recommendation of the merger agreement within 10 business days after Yahoo! requests us to do so following the public announcement of an alternative acquisition proposal;

our board approves or recommends an alternative acquisition proposal;

we do not convey a statement to our security holders in respect of a tender offer or exchange offer by a third party that our board recommends rejection of such offer; or

we deliver to Yahoo! notice of a change of recommendation by our board; or

by Inktomi if:

Yahoo! breaches any of its representations, warranties, covenants or agreements under the merger agreement or if any representation or warranty of Yahoo! shall have become untrue, in either case, such that either Inktomi s condition relating to representations and warranties or Inktomi s condition relating to agreements and covenants would not be satisfied at the time of such breach or as of the time such representation or warranty shall have become untrue, subject to a 30-day cure period; or

we have provided notice to Yahoo! that we intend to enter into a binding, written agreement for a superior offer, and each of the following events occurs:

we have complied in all material respects with the no solicitation provisions of the merger agreement;

we have delivered to Yahoo! notice of a change of recommendation by our board;

Yahoo! does not make, within 72 hours after receiving our written notice, an offer that our board of directors reasonably concludes in good faith (following consultation with our financial advisor and outside counsel) is at least as favorable to our stockholders as such superior proposal;

we have received opinions from our financial advisor and an additional investment banking firm of national reputation to the effect that the consideration to be provided to our stockholders by the superior offer is superior from a financial point of view to the merger consideration; and

we pay to Yahoo! a cash termination fee of $11,200,000 concurrently with entering into such binding, written agreement.

Termination Fee (Page 42)

We must pay Yahoo! a cash termination fee of $11,200,000 if the merger agreement is terminated by Yahoo! or Inktomi, as applicable, because:

we willfully and materially breach a representation, warranty, covenant or agreement under the merger agreement;

our board withdraws, modifies or amends, in a manner adverse to Yahoo!, its recommendation in favor of the merger agreement;

our board fails to reaffirm its favorable recommendation of the merger agreement within 10 business days after Yahoo! requests us to do so following the public announcement of an alternative acquisition proposal;

our board approves or recommends an alternative acquisition proposal;

our board fails to recommend rejection of an alternative acquisition proposal in the form of a tender or exchange offer;

- we deliver a change of recommendation notice to Yahoo!; or
- we enter into a binding, written agreement with respect to a superior offer.

In addition, we must pay Yahoo! the termination fee if the merger agreement is terminated because the merger fails to be consummated by May 31, 2003 (or, under certain circumstances, July 31, 2003) or the merger agreement is not adopted by the required vote of our stockholders and:

- prior to the termination of the merger agreement, there has been public disclosure of an alternative acquisition proposal; and
- within 12 months of the termination of the merger agreement, an acquisition of Inktomi is completed; provided, that, if the merger agreement is terminated because of its not having been adopted by our stockholders, the alternative acquisition is at a price per share that exceeds the per share merger consideration.

No Solicitation (Page 36)

The merger agreement contains detailed provisions that prohibit us and our subsidiaries, and our officers and directors, from, directly or indirectly, soliciting, initiating, intentionally encouraging, taking any action to facilitate or intentionally induce any inquiry with respect to, or the making, submission or announcement of, any alternative acquisition proposal.

Interests of Inktomi s Directors and Executive Officers in the Merger (Page 22)

When considering the recommendation of our board of directors, you should be aware that a number of Inktomi s executive officers and directors have interests in the merger that are different from the interests of other Inktomi stockholders. For example, if the merger is completed, certain indemnification arrangements for directors and executive officers of Inktomi will be continued and Inktomi s executive officers may also be entitled to severance payments and group employee benefit coverage with an aggregate value of $4,297,786 if their employment is terminated other than for cause within 12 months of the merger. For additional details, including the amounts that may be received by each of our directors and executive officers, see The Merger Interests of Inktomi s Directors and Executive Officers in the Merger on page 22.

Voting Agreements (Page 43)

Simultaneously with the execution and delivery of the merger agreement, David C. Peterschmidt, our Chairman, President and Chief Executive Officer, and Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, who hold 237,437 and 3,850,276 shares of our common stock, respectively, representing in the aggregate approximately 2.51% of our common stock outstanding on the record date, entered into voting agreements with Yahoo!. They agreed, among other things, to vote their shares in favor of the adoption of the merger agreement and granted a proxy and power of attorney for their shares to certain officers of Yahoo!. A copy of the form of voting agreement which they have signed is attached as Annex B to this proxy statement.

Appraisal Rights (Page 24)

Inktomi s stockholders have the right under Delaware law to exercise appraisal rights and to receive payment in cash for the fair value of their shares of our common stock determined in accordance with Delaware law, if such rights are properly perfected. The fair value of shares of our common stock as determined in accordance with Delaware law may be more or less than the merger consideration to be paid to non-dissenting Inktomi stockholders in the merger. To preserve their rights, stockholders who wish to exercise appraisal rights must not vote in favor of the adoption of the merger agreement and must precisely follow specific procedures. These procedures are described in this proxy statement, and the provisions of Delaware law that grant appraisal rights and govern such procedures are attached as Annex D. We encourage you to read these provisions carefully and in their entirety.

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Regulatory Matters (Page 28)

The Hart-Scott-Rodino Antitrust Improvements Act prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has ended or been terminated. Yahoo! and Inktomi each filed the required notification and report forms on January 10, 2003, and requested early termination of the required waiting period. The waiting period expired on February 10, 2003.

Portal Services Agreement (Page 44)

Concurrently with the execution and delivery of the merger agreement, we entered into a portal services agreement with Yahoo!. If the merger agreement is terminated for any reason, except by us as a result of a breach by Yahoo! under the merger agreement, Yahoo! has the option for 30 days to effectuate the agreement and obtain Web search services from us pursuant to the agreement.

FORWARD-LOOKING INFORMATION

This proxy statement may contain forward-looking statements regarding future events. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act. These statements are neither promises nor guarantees, but involve risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including, without limitation, the risks that the merger may not be consummated in a timely manner, if at all, risks regarding employee retention and other risks detailed in our current filings with the SEC, including our most recent filings on Forms 10-Q and 10-K, which discuss these and other important risk factors concerning our operations. See Where You Can Find More Information on page 47.

MARKET PRICE AND DIVIDEND DATA

Our common stock is quoted on the Nasdaq National Market System under the symbol INKT. This table shows, for the periods indicated, the range of high and low closing per share sales prices for our common stock as reported on the Nasdaq National Market System.

	Inktomi Common Stock	
	Low	**High**
FISCAL YEAR ENDED SEPTEMBER 30, 2001		
First quarter	$17.88	$108.94
Second quarter	$ 5.74	$ 18.63
Third quarter	$ 2.79	$ 10.96
Fourth quarter	$ 2.25	$ 9.17
FISCAL YEAR ENDED SEPTEMBER 30, 2002		
First quarter	$ 2.70	$ 7.71
Second quarter	$ 3.45	$ 7.31
Third quarter	$ 0.78	$ 3.82
Fourth quarter	$ 0.25	$ 1.06
FISCAL YEAR ENDING SEPTEMBER 30, 2003		
First quarter	$ 0.26	$ 1.64
Second quarter through February 10, 2003	$ 1.59	$ 1.63

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The following table sets forth the closing sales price per share of our common stock, as reported on the Nasdaq National Market System on December 20, 2002, the last full trading day before the public announcement of the proposed merger, and on February 10, 2003, the last full trading day before the printing of this proxy statement:

	Inktomi s Common Stock
December 20, 2002	$1.17
February 10, 2003	$1.61

We have never declared or paid cash dividends on our common stock. Our current policy is to retain any earnings for use in our business. Following the merger, there will be no further market for our common stock.

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THE SPECIAL MEETING

We are furnishing this proxy statement to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting.

Date, Time and Place

We will hold the special meeting at the San Mateo Marriott Hotel located at 1700 South Amphlett Blvd., San Mateo, California 94402 at 10:00 a.m., local time, on March 19, 2003.

Purpose of Special Meeting

At the special meeting, we will ask holders of our common stock to consider and vote upon a proposal to adopt the merger agreement. Our board of directors has unanimously approved the merger agreement and the merger, has determined that the merger agreement and the merger are fair to and in the best interests of our stockholders and declared the merger agreement advisable. **Our board of directors recommends that you vote FOR the adoption of the merger agreement.**

Record Date; Stock Entitled to Vote; Quorum

Only holders of record of our common stock at the close of business on February 3, 2003 the record date, are entitled to notice of and to vote at the special meeting. On the record date, 163,163,205 shares of our common stock were issued and outstanding and held by approximately 1,336 holders of record. A quorum is present at the special meeting if a majority of the shares of our common stock issued and outstanding and entitled to vote on the record date are represented in person or by proxy. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies. Holders of record of our common stock on the record date are entitled to one vote per share at the special meeting on the proposal to adopt the merger agreement.

Vote Required

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date. If you abstain from voting or do not vote, either in person or by proxy, it will effectively count as a vote against the adoption of the merger agreement.

Voting by Inktomi s Directors, Executive Officers and Certain Stockholders

Under the terms of voting agreements entered into between Yahoo! and each of David C. Peterschmidt, our Chairman, President and Chief Executive Officer, and Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, Mr. Peterschmidt and Dr. Brewer have agreed, subject to the terms and conditions set forth in their respective voting agreements, to vote their shares of our common stock for the adoption of the merger agreement. Mr. Peterschmidt and Dr. Brewer own and are entitled to vote 237,437 and 3,850,276 shares, respectively, of our common stock, or approximately 2.51%, in the aggregate, of the shares of our common stock outstanding on the record date.

Voting of Proxies

All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holders. Properly executed proxies that do not contain voting instructions will be voted FOR the adoption of the merger agreement.

Shares of our common stock represented at the special meeting but not voting, including shares of our common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

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Only shares affirmatively voted for the adoption of the merger agreement, including properly executed proxies that do not contain voting instructions, will be counted as votes in favor of that proposal. If you abstain from voting or do not execute a proxy, it will effectively count as a vote against the adoption of the merger agreement. Brokers who hold shares of our common stock in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those customers shares in the absence of specific instructions from those customers. These non-voted shares will effectively count as votes against the adoption of the merger agreement.

The persons named as proxies by a stockholder may propose and vote for one or more adjournments of the special meeting, including adjournments to permit further solicitations of proxies. No proxy voted against the proposal to adopt the merger agreement will be voted in favor of any such adjournment or postponement.

We do not expect that any matter other than the proposal to adopt the merger agreement will be brought before the special meeting. If, however, our board of directors properly presents other matters, the persons named as proxies will vote in accordance with their judgment as to matters that they believe to be in the best interests of the stockholders.

Revocability of Proxies

The grant of a proxy on the enclosed form of proxy does not preclude a stockholder from voting in person at the special meeting. A stockholder may revoke a proxy at any time prior to its exercise by (a) filing with the Secretary of Inktomi a duly executed revocation of proxy, (b) submitting a duly executed proxy to the Secretary of Inktomi bearing a later date or (c) appearing at the special meeting and voting in person. Attendance at the special meeting will not in and of itself constitute revocation of a proxy. If you have instructed your broker to vote your shares, you must follow directions received from your broker to change these instructions.

Solicitation of Proxies

We have retained Innisfree M&A Incorporated to aid in the solicitation of proxies. Innisfree will receive customary fees and expense reimbursement for its services. The extent to which these proxy soliciting efforts will be necessary depends entirely upon how promptly proxies are received. You should return your proxy without delay. We also reimburse brokers and other custodians, nominees and fiduciaries for their expenses in sending these materials to you and getting your voting instructions.

You should not send your stock certificates, if any, with your proxy. A letter of transmittal with instructions for the surrender of Inktomi common stock certificates will be mailed to our stockholders as soon as practicable after completion of the merger.

THE COMPANIES

Inktomi Corporation

We provide World Wide Web search services for Internet portal and search destination sites. Inktomi Web Search is a customizable, private label solution that offers portals and destination sites the ability to serve differentiated, highly relevant search results. Inktomi Web Search also provides content publishers access to end users through portal and destination site customers of our search engine services.

Inktomi was incorporated in the State of California in February 1996 and reincorporated in the State of Delaware in February 1998. Our principal executive offices are located at 4100 East Third Avenue, Foster City, California 94404, and our telephone number is (650) 653-2800. Additional information regarding Inktomi is contained in our filings with the Securities and Exchange Commission. See Where You Can Find More Information on page 47.

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Yahoo! Inc.

Yahoo! Inc. is a leading provider of comprehensive online products and services to consumers and businesses worldwide. Headquartered in Sunnyvale, California, Yahoo! s global network includes 25 world properties and is available in 13 languages. Yahoo! was incorporated in the State of California in March 1995 and reincorporated in the State of Delaware in 1999. Its principal executive offices are located at 701 First Avenue, Sunnyvale, California 94089, and its telephone number is (408) 349-3300.

December 2002 Acquisition Corp. is a Delaware corporation and a wholly-owned subsidiary of Yahoo!. December 2002 Acquisition Corp. was organized solely for the purpose of entering into the merger agreement with Inktomi and completing the merger and has not conducted any business operations.

THE MERGER

The following discussion summarizes the material terms of the merger. You should read the merger agreement which is attached as Annex A to this proxy statement.

Background to the Merger

Inktomi was originally established to provide Web search services, entering the market in May 1996 as the first OEM search infrastructure provider. Since 1996, we expanded our product offerings to provide additional network infrastructure applications in response to high initial growth rates in Internet traffic and the resulting need for the build out of networking infrastructure. As a result of such expanded product offering, we began our 2002 fiscal year with three main product and service offerings: (i) Web search services, (ii) content networking products and (iii) enterprise search software.

In January 2002, Vishal Makhijani, our Vice President and General Manager of Web Search, met with Scott Gatz, Vice President of Search and Directory for Yahoo!, to discuss the possibility of entering into a business relationship regarding Web search services. At that time, Yahoo! was a reseller and referral agent for our enterprise search products. In addition, until June 2000, we provided Web search results for Yahoo!. We believed that, based on its volume of Internet traffic, adding Yahoo! to our list of Internet portal customers would enable us to significantly enhance our revenues. From time to time over the next two months, our Web search team, led by Mr. Makhijani, met with Mr. Gatz and other Yahoo! representatives to demonstrate Inktomi s Web search product and to discuss a possible commercial agreement.

In April 2002, David C. Peterschmidt, our Chairman, President and Chief Executive Officer, spoke with Terry Semel, Chairman and Chief Executive Officer of Yahoo!, regarding the possibility of entering into a Web search services agreement. That conversation led to additional discussions between Mr. Makhijani and Jeffrey Weiner, then Senior Vice President Corporate Development at Yahoo!, regarding the possible terms of a commercial relationship under which we would provide Web search services to Yahoo!. As discussions between our representatives and Yahoo! s representatives continued over the next several months, Mr. Peterschmidt occasionally spoke with Mr. Semel regarding the progress of the discussions.

In July 2002, we announced that we would focus our business on the Web search and enterprise search markets with the goal of returning to profitability. In conjunction with that strategy, we also announced we would reduce our content networking group. At this time, we also announced a definitive agreement to acquire Quiver, Inc. to augment our enterprise search business.

In July 2002, discussions with Yahoo! regarding a commercial agreement had advanced to a state where the two parties began to exchange drafts of commercial agreements. The discussions also included the possibility of an equity investment in us by Yahoo!. Over the next few months our representatives continued to exchange and discuss proposals and draft agreements for a commercial agreement with Yahoo! s representatives. Although certain details were agreed to, certain significant issues, including pricing, indemnification and access to certain of our intellectual property, remained unresolved.

At various meetings of our board of directors during this period, Mr. Makhijani and other members of our management updated the board on our Web search business, including the status of discussions with Yahoo! concerning the possibility of a commercial relationship.

In early October 2002, while representatives of Inktomi and Yahoo! were still discussing the possible terms of a commercial agreement regarding Web search services, Mr. Weiner indicated to Mr. Makhijani that Yahoo! was interested in exploring an acquisition of Inktomi. Mr. Makhijani responded that our management preferred to complete the commercial negotiations prior to discussing a possible business combination. Nevertheless, Mr. Makhijani suggested that, if Mr. Weiner wanted to discuss Yahoo! s interest in a possible acquisition of Inktomi, he should contact Timothy J. Stevens, our Senior Vice President of Business Development.

On October 10, 2002, we announced a strategic alliance with Satyam Computer Services, Ltd. under which Satyam agreed to assume the support contracts of the majority of our content networking customers and partners. The arrangement with Satyam was intended to enable us to substantially exit the content networking business by the end of our 2003 fiscal year.

On October 10, 2002, Mr. Weiner telephoned Mr. Stevens to discuss Yahoo! s potential interest in acquiring us and requested access to our Web search engineering and business personnel to better understand our technology and business. Mr. Stevens questioned whether a business combination transaction would be as mutually beneficial as a commercial relationship between the companies, but agreed to meet with Mr. Weiner to discuss each company s strategy.

Over the next two weeks, Mr. Stevens and Mr. Weiner spoke several more times regarding Yahoo! s interest in a potential acquisition of Inktomi. During these discussions, Mr. Stevens continued to stress our management s focus on concluding a commercial agreement with Yahoo! regarding Web search services prior to discussing a possible business combination.

On October 23, 2002, Mr. Semel telephoned Mr. Peterschmidt and communicated directly to Mr. Peterschmidt Yahoo! s interest in exploring a possible acquisition of Inktomi. Mr. Semel also repeated Yahoo! s request for access to our Web search engineering and business personnel for the purpose of better understanding our technology and business. Mr. Peterschmidt suggested that a commercial relationship might better serve each party s objectives, but agreed to meet to discuss the matter in greater detail. Later that same day, Mr. Weiner and Mr. Stevens agreed to set up an executive meeting between the two companies to discuss possible ways of moving forward.

On October 28, 2002, representatives of Inktomi, including Mr. Peterschmidt, Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, Mr. Stevens and Mr. Makhijani, and representatives of Yahoo!, including Mr. Semel, Jerry Yang, Chief Yahoo! and a member of Yahoo! s board of directors, Mr. Weiner, now Senior Vice President of Search and Marketplace, and Toby Coppel, Senior Vice President of Corporate Development, met in Sunnyvale, California, to discuss each company s business strategies and objectives, including Yahoo! s interest in pursuing an acquisition of Inktomi and Inktomi s desire to enter into a commercial agreement. The parties agreed that, regardless of the form of business relationship or transaction they might ultimately agree to, it would be helpful for Yahoo! to have a better understanding of Inktomi s technical and business capabilities in the Web search area. In addition, our representatives committed to deliver a revised proposal for a commercial relationship addressing the unresolved negotiation points.

On November 4, 2002, we entered into an additional mutual nondisclosure agreement with Yahoo!, supplementing other nondisclosure arrangements the parties had previously executed in connection with their other commercial relationships and discussions. Over the next few days, representatives of Inktomi and Yahoo! met to discuss our search technology and engineering organization. We also delivered a revised commercial contract proposal, and follow-up discussions ensued between Yahoo! s and our representatives.

On November 11, 2002, Mr. Semel telephoned Mr. Peterschmidt and explained that, after reviewing our commercial contract proposal and the other information we had provided, Yahoo! still wanted to pursue an acquisition of Inktomi rather than enter into a commercial agreement. Mr. Peterschmidt indicated that our

management would be willing to consider an acquisition proposal by Yahoo! and suggested that Yahoo! representatives follow up with Mr. Stevens.

On November 13, 2002, Inktomi and Verity, Inc. jointly announced that we had entered into a definitive agreement providing for us to sell our enterprise search software business to Verity for $25 million in cash. On the same day, we also announced that we would focus exclusively on our Web search business.

In addition to the discussions with Yahoo!, from time to time during 2001 and 2002, Mr. Peterschmidt and other members of our senior management engaged in preliminary discussions with several other parties concerning the possibility of exploring a potential business combination or other strategic transaction. Although none of these discussions ultimately resulted in an agreement on a proposed transaction, we engaged in substantial negotiations with two of these parties. We also executed confidentiality agreements and provided non-public information to these parties and they held due diligence discussions with our management and other representatives. In connection with our discussions with these parties, we also retained nationally recognized investment banks to act as our financial advisors. One of these parties was interested primarily in our content networking and enterprise search technologies. Prior to submission of a final proposal for approval by our board of directors, that party decided not to pursue a business combination with us and terminated discussions with us in late February 2002. The second party (Company X) was mainly interested in our Web search business. Prior to the announcement of our agreement to sell our enterprise search business to Verity, Company X had made several non-binding, conditional proposals to acquire Inktomi or our Web search business, none of which resulted in an agreement on structure or valuation. In connection with our discussions with Company X, we entered into an engagement agreement dated as of October 16, 2002 with Credit Suisse First Boston, or CSFB, to act as our exclusive financial advisor in connection with a potential sale of Inktomi. Pursuant to a separate engagement agreement dated as of October 16, 2002, we also retained CSFB as our exclusive financial advisor in connection with the potential sale of our enterprise search software business.

On November 14, 2002, the Chief Executive Officer of Company X contacted Mr. Peterschmidt to follow up on a proposal to acquire assets of Inktomi which Company X had made in late October 2002 and indicated that Company X remained interested in a possible acquisition of Inktomi.

CSFB terminated its engagement as our exclusive financial advisor in connection with a potential sale of Inktomi on November 15, 2002. Concurrently with its termination of such engagement, and in connection with accepting an engagement to act as Yahoo! s financial advisor in connection with merger and acquisition services, including a potential acquisition of Inktomi, CSFB confirmed to Inktomi that it would implement policies and procedures, including the use of a separate transaction team, designed to prevent the unauthorized disclosure to Yahoo! and its representatives of confidential information provided to CSFB by Inktomi.

On November 19, 2002, representatives of each of Inktomi and Company X, including their respective Chief Executive Officers, met to discuss the possibility of an acquisition of us by Company X, including the potential terms of such a transaction. At that meeting, Mr. Peterschmidt informed Company X s representatives that our management would not consider any proposal that did not contemplate an acquisition of the entire company and that any acquisition proposal would have to include a significant premium to the current market price of our common stock. Mr. Peterschmidt also expressed his belief that Company X s most recent non-binding proposal, which placed a value on Inktomi substantially lower than the terms that were subsequently proposed and agreed to by Yahoo!, was inadequate from a financial point of view and was highly conditional. Mr. Peterschmidt also indicated that Company X was not the only party to have expressed interest in a potential acquisition of Inktomi. Following the meeting, the Chief Executive Officer of Company X indicated to Mr. Peterschmidt that he expected to deliver a proposal within a few days.

Also on November 19, Mr. Stevens contacted Mr. Coppel of Yahoo! and indicated that our management was considering other strategic alternatives. Following that conversation, Yahoo! delivered a due diligence request list and Yahoo! s representatives and legal and financial advisors were granted access to a data room and began to conduct extensive due diligence meetings and reviews.

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On November 20, 2002, we retained Thomas Weisel Partners as our exclusive financial advisor in connection with the potential sale of the company.

On December 3, 2002, Mr. Peterschmidt called Mr. Semel to inform him that there would be a regularly scheduled meeting of our board of directors on December 10 and to inquire whether Yahoo! planned to submit a proposal in time for the board to consider at that meeting. Mr. Semel responded that Yahoo! was interested in submitting a proposal but stated that he did not expect to be in a position to submit a proposal until a day or two after our December 10 board meeting.

That same day, Mr. Peterschmidt telephoned the Chief Executive Officer of Company X and delivered the same message he had given to Mr. Semel. The Chief Executive Officer of Company X indicated that he expected to deliver a proposal prior to our December 10 board meeting.

Over the next several days, we responded to additional due diligence requests by both Yahoo! and Company X, making various personnel available and giving each company additional access to a data room.

On December 9, the Chief Executive Officer of Company X telephoned Mr. Peterschmidt and informed him that Company X would not be submitting a proposal for the following day s board meeting. Mr. Peterschmidt asked when he thought Company X would be prepared to do so. The Chief Executive Officer of Company X responded that he was not in a position to commit to a particular date.

The board of directors of Inktomi held its regularly scheduled meeting on December 10, 2002. At the meeting, Mr. Peterschmidt updated the board on the status of discussions with both Yahoo! and Company X. The board also reviewed in detail with members of management our current business plan and future prospects, on a stand-alone basis, including the risks and uncertainties relating to the Web search market.

On December 11, Mr. Semel telephoned Mr. Peterschmidt and informed him that Yahoo! would be prepared to submit an acquisition proposal to us in the next few days. Later that same day, representatives of CSFB, Yahoo! s financial advisor, contacted representatives of Thomas Weisel Partners to discuss the next steps for making such proposal and sent them a form of exclusivity agreement that Yahoo! wished to have executed by Inktomi prior to presenting its proposal. The representatives of Thomas Weisel Partners later informed CSFB that Inktomi was not prepared to enter into an exclusivity agreement prior to receiving a proposal. Following additional discussions, our representatives agreed to meet with representatives of Yahoo! to receive Yahoo! s proposal and indicated that, if the proposal was attractive enough, subject to authorization from our board of directors, we would be willing to agree on a short period of exclusivity in order to facilitate the negotiation and execution of definitive agreements. In addition, our representatives inquired whether Yahoo! would be interested in using common stock as merger consideration.

On December 12, 2002, Mr. Coppel and other representatives of Yahoo!, CSFB and Davis Polk & Wardwell, or Davis Polk, Yahoo! s outside legal counsel, met with Mr. Stevens and representatives of Thomas Weisel Partners and Skadden, Arps, Slate, Meagher and Flom LLP, or Skadden Arps, Inktomi s outside legal counsel, at the offices of Skadden Arps in Palo Alto, California to present the terms of a proposed transaction, as laid out in a preliminary, non-binding term sheet, as well as a list of open due diligence items. Representatives of Yahoo! and CSFB explained that the proposal contemplated a cash merger at a price of $1.40 per share. Although our representatives had previously inquired whether Yahoo! would be interested in using its common stock as merger consideration, Yahoo! s representatives indicated that Yahoo! was not willing to do so. They further explained that concurrently with the execution of a merger agreement, Yahoo! would expect to enter into (i) employment and non-competition agreements with certain key employees, (ii) voting agreements with our directors and executive officers and (iii) an agreement permitting Yahoo! to enter into a Web search services agreement with us in the event that the merger agreement were terminated under certain circumstances. In addition, the Yahoo! representatives reiterated that their willingness to negotiate the terms of a merger agreement was subject to execution of an exclusivity agreement. At the same meeting, after reviewing the proposed terms, our representatives informed Yahoo! s representatives that the price was significantly below the level that was acceptable to Inktomi. The meeting concluded without agreement to continue discussions.

On December 13, 2002, our board of directors held a telephonic meeting. Mr. Peterschmidt updated the board on the status of discussions with each of Yahoo! and Company X. Mr. Peterschmidt noted that, although representatives of Company X and its advisors continued to conduct due diligence, Company X had neither delivered a proposal nor indicated a date by which it expected to do so. Mr. Peterschmidt also informed the board that he would contact Mr. Semel later that day to discuss Yahoo! s proposal.

Later on December 13, Mr. Peterschmidt telephoned Mr. Semel and the two of them agreed that business representatives from each company should meet over the weekend to discuss the valuation of the proposal submitted by Yahoo!. Shortly thereafter, Mr. Stevens spoke with Mr. Coppel to make arrangements for such meeting.

On December 15, Mr. Stevens, Mr. Makhijani and Randy Gottfried, our Senior Vice President and Chief Financial Officer, met with Mr. Coppel, Gideon Yu, Yahoo! s Treasurer and Vice President of Corporate Finance, Manoj Verma, Yahoo! s Director of Corporate Development, and Dennis Morgan, Yahoo! s Director of Corporate Finance, to discuss the valuation of the proposal submitted by Yahoo!. At the conclusion of such meeting, Yahoo! s representatives indicated they would be prepared to support a price as high as $1.55 per share. However, our representatives believed that their valuation supported a price of at least $1.75 per share. The parties agreed to present this range of valuations to Messrs. Semel and Peterschmidt for further discussion. Our representatives also agreed to provide comments on the forms of term sheet and exclusivity agreement Yahoo! had proposed.

On December 16, Skadden Arps delivered mark-ups of Yahoo! s proposed term sheet and exclusivity agreement to Davis Polk.

On December 17, 2002, representatives of Inktomi, including Mr. Peterschmidt, and representatives of Yahoo!, including Mr. Semel, together with the companies financial advisors, met at the offices of Thomas Weisel Partners in San Francisco in an effort to agree on a valuation. Although the difference between the parties valuations had been narrowed to $1.60-$1.70 per share, and the parties reached an understanding regarding the assumption by Yahoo! of all outstanding Inktomi stock options in the event a merger is consummated, the meeting concluded without agreement on a final value.

Later on December 17, Messrs. Peterschmidt and Semel spoke by telephone and continued to discuss the parties respective valuations of Inktomi. Mr. Semel agreed to increase the per share merger consideration in the proposed transaction to $1.65 per share and indicated that this was the highest price Yahoo! was prepared to pay. Mr. Peterschmidt agreed to discuss the revised proposal with our board of directors the following morning.

Later that evening, representatives of Skadden Arps and Davis Polk negotiated the terms of an exclusivity agreement. In addition, Davis Polk distributed a draft merger agreement to us and our advisors.

Also on December 17, we completed the sale of our enterprise search business to Verity.

On December 18, 2002, a telephonic meeting of our board of directors was held. Mr. Peterschmidt reviewed with the board the discussions with Yahoo!, including the negotiations that resulted in an increase in the consideration per share from $1.40 to $1.65. Mr. Peterschmidt also advised the board that Company X had not submitted a proposal and that, based on his most recent conversation with the Chief Executive Officer of Company X earlier that day, he did not expect it to do so. A representative of Skadden Arps then reviewed with the board its fiduciary duties under applicable law with regard to the proposed transaction with Yahoo!. Representatives of Thomas Weisel Partners then gave a presentation with respect to the proposed merger, including a description of the material terms of the transaction as proposed by Yahoo! at that time and a preliminary financial presentation. At this point, the board discussed the proposed terms of the transaction, including the effects of the no-shop provision and break-up fee on other potential purchasers. The board instructed management to seek to include provisions in the definitive merger agreement that would permit Inktomi to respond to an unsolicited proposal and to terminate the merger agreement in order to accept a higher offer. Mr. Stevens then explained that Yahoo! was prepared to proceed with negotiations only if Inktomi agreed to negotiate exclusively with Yahoo! through December 25, 2002. Upon being polled, all

members of the board indicated that they were in favor of continuing the negotiations with Yahoo! and authorized management to execute the exclusivity agreement.

Following the board meeting on December 18, 2002, Inktomi and Yahoo! executed an exclusivity agreement providing that we would negotiate exclusively with Yahoo! through 9:00 a.m. (PST) on December 25, 2002 regarding a potential acquisition of our company by Yahoo!.

Between December 18 and December 22, 2002, representatives of Inktomi, Skadden Arps and Thomas Weisel Partners and representatives of Yahoo!, Davis Polk and CSFB negotiated the terms of the merger agreement. During this period, we and our advisors responded to additional due diligence requests by Yahoo! and its advisors. We also made certain key employees, including Mr. Makhijani and Dr. Brewer, available to representatives of Yahoo!. As a result of those meetings, representatives of Yahoo! determined not to require non-competition agreements from key employees, other than Mr. Peterschmidt. During this period, Yahoo! made an offer of employment to Mr. Makhijani, discussed with Dr. Brewer the possibility of his joining Yahoo! following completion of the merger, and requested that Mr. Peterschmidt agree not to compete with us for a period of one year following the merger.

On December 19, 2002, Davis Polk delivered to Skadden Arps a draft of the form of voting agreement Yahoo! expected to sign concurrently with the merger agreement. Yahoo! had determined to request such agreements only from Mr. Peterschmidt and Dr. Brewer, as they were the only members of the board of directors owning outstanding shares of our common stock.

Also on December 19, representatives of Yahoo! provided a draft of a binding term sheet for a portal services agreement under which we would provide Web search services to Yahoo! under certain circumstances following termination of the merger agreement. Our representatives subsequently informed Yahoo! s representatives that we were not prepared to execute an agreement that did not contain all necessary terms and conditions. Accordingly, on December 21, our representatives provided Yahoo! with a draft of a complete portal services agreement. The terms of the draft agreement were based on the parties most recent negotiations with respect to a commercial agreement, and were consistent with terms contained in our agreements with other large portal customers. As requested by Yahoo!, the agreement would become effective at Yahoo! s option if the merger agreement were terminated for any reason other than a breach of the merger agreement by Yahoo!. On December 21 and December 22, our representatives and Yahoo! s representatives continued to negotiate the terms of the portal services agreement.

On December 22, 2002, representatives of Yahoo! informed our representatives that Yahoo! s board approved the merger, with one director abstaining.

Later on December 22, our board held a telephonic meeting to consider the proposed merger agreement with Yahoo!. Mr. Peterschmidt updated the board on the status of negotiations on the agreement, explaining that the parties had agreed on all terms, subject only to board approval and completion of the disclosure schedule. A representative of Skadden Arps then reviewed again the board s fiduciary duties under applicable law. The representative of Skadden Arps also presented a summary of the terms of the agreement, a written copy of which had been distributed to each director, together with complete drafts of the merger agreement and form of voting agreements, prior to the meeting. The board then discussed the terms of the merger agreement, including the no-shop provisions, the break-up fee and our ability to terminate the merger agreement in order to accept an unsolicited superior offer, with the representatives of our management and our advisors. Representatives of Thomas Weisel Partners then presented a financial analysis of the transaction and delivered orally (confirmed later that day in writing) Thomas Weisel Partners opinion that, as of the date of the board meeting, the consideration to be received by our stockholders pursuant to the proposed merger was fair to our stockholders from a financial point of view. See Opinion of Inktomi s Financial Advisor on page 17. Mr. Stevens then described the portal services agreement. Mr. Stevens explained that the terms of the portal services agreement were in line with agreements we had entered into with other large portal customers and was an agreement that we would be willing to enter into even in the absence of the merger agreement. Following further discussion, our board of directors unanimously approved the merger agreement and the merger and resolved to recommend that Inktomi stockholders vote in favor of adoption of the merger agreement.

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Following the board meeting, we and Yahoo! finalized and executed the merger agreement and the portal services agreement, and Yahoo! executed voting agreements with Mr. Peterschmidt and Dr. Brewer. Mr. Peterschmidt and Yahoo! also executed an agreement with respect to certain non-competition obligations. Prior to the opening of the financial markets on December 23, 2002, we and Yahoo! issued a joint press release announcing execution of the merger agreement.

Reasons for the Merger and the Recommendation of the Board of Directors

In the course of reaching its decision to unanimously approve the merger agreement, our board of directors consulted with senior management, our legal counsel and our financial advisor, and reviewed a significant amount of information and considered a number of factors, including the following factors:

- the value of the consideration to be received by our stockholders in the merger pursuant to the merger agreement, as well as the fact that stockholders will receive the consideration in cash;

- the fact that the $1.65 per share to be paid as the consideration in the merger represents a premium of approximately 27.9% over the one-month trailing average of $1.29 per share, a premium of approximately 37.1% over the one-week trailing average of $1.20 per share, a premium of approximately 41.0% over the $1.17 closing sale price per share of our common stock on the Nasdaq National Market System on December 20, 2002, the last trading day prior to the public announcement of the execution of the merger agreement, a premium of approximately 38.9% over the trailing average since November 13, 2002, the date of the execution of a definitive agreement to sell our enterprise search software business to Verity, Inc., and a premium of approximately 123.3% over the three-month trailing average of $0.74 per share;

- the opinion of Thomas Weisel Partners dated December 22, 2002 that, as of that date, the merger consideration to be received by our stockholders pursuant to the merger was fair to such stockholders from a financial point of view. A copy of the Thomas Weisel Partners opinion is attached to this proxy statement as Annex C. Such opinion should be read in its entirety for a description of the procedures followed, assumptions and qualifications made, matters considered and limitations of the review undertaken by Thomas Weisel Partners, see Opinion of Inktomi s Financial Advisor on page 17;

- the possible alternatives to the merger (including the possibility of our continuing to operate as an independent entity, and the perceived risks of that alternative), the range of possible benefits to our stockholders of possible alternatives and the timing and the likelihood of accomplishing the goal of such alternatives, and our board of directors assessment that none of such alternatives were reasonably likely to present superior opportunities, or reasonably likely to create greater value for our stockholders, than the merger;

- the then current financial market conditions, and historical market prices, volatility and trading information with respect to our common stock;

- historical and current information concerning our business, financial performance and condition, operations, technology, management and competitive position, and current industry, economic and market conditions;

- the terms and conditions of the merger agreement, including: (i) the no solicitation provisions and our ability to engage in negotiations with, provide any confidential information or data to, and otherwise have certain discussions with, any person relating to an alternative acquisition proposal under certain circumstances; (ii) our ability to terminate the merger agreement in order to accept a superior offer from another party in the exercise of our board s fiduciary duties under specified conditions and upon the payment of a termination fee; (iii) the conditions to Yahoo! s obligation to effect the merger; (iv) the definition of material adverse effect ; (v) the limited ability of Yahoo! to terminate the merger agreement; and (vi) the absence of a financing condition;

- the likelihood that the proposed acquisition will be consummated, in light of the experience, reputation and financial capabilities of Yahoo!; and

- the terms of the portal services agreement.

In the course of its deliberations, our board of directors also considered, among other things, the following negative factors:

- risks and contingencies related to the announcement and pendency of the merger, including the potential impact of the proposed merger on our employees, customers and partners and on our existing relationships with third parties;
- the fact that our stockholders will not benefit from any future increase in our value; and
- the fact that the merger generally will be taxable to our stockholders.

In addition, our board of directors considered the interests of our directors and executive officers described in Interests of Inktomi s Directors and Executive Officers in the Merger on page 22. Our board of directors concluded that the judgment and performance of our directors and executive officers would not be impaired by those interests.

The above discussion of the material factors considered by our board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board. Our board of directors collectively reached the unanimous conclusion to approve the merger agreement and the merger in light of the various factors described above and other factors that each member of our board of directors felt were appropriate. In view of the wide variety of factors considered by our board of directors in connection with its evaluation of the merger and the complexity of these matters, our board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the board of directors. Rather, our board of directors made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with outside legal counsel and its financial advisors, our board of directors determined that the merger agreement and the merger are fair to and in the best interests of our stockholders. Accordingly, our board of directors has unanimously approved the merger agreement and the merger and declared the merger agreement advisable. **Our board of directors recommends that you vote FOR the adoption of the merger agreement.**

Opinion of Inktomi s Financial Advisor

On December 22, 2002, Thomas Weisel Partners delivered to our board of directors its written opinion that, as of that date, the consideration to be received by our stockholders pursuant to the merger was fair to our stockholders from a financial point of view. A copy of the Thomas Weisel Partners opinion is attached as Annex C to this proxy statement. A summary of the Thomas Weisel Partners opinion is included below. However, you are urged to read the Thomas Weisel Partners opinion carefully in its entirety for the assumptions made, the procedures followed, the matters considered and the limits of the review made by Thomas Weisel Partners in connection with its opinion.

On November 20, 2002, our board of directors engaged Thomas Weisel Partners to act as its exclusive financial advisor concerning the possible sale of Inktomi based on its qualifications, expertise and reputation. Thomas Weisel Partners is a nationally recognized merchant bank specializing in advising and investing in companies participating in growth sectors of the economy including: healthcare, technology and consumer. At the time we retained Thomas Weisel Partners, its representatives confirmed that they believed Thomas Weisel Partners would not have a conflict of interest representing us in a potential transaction with Yahoo!.

Our board of directors did not impose any limitations on Thomas Weisel Partners with respect to the investigations made or procedures followed in rendering its opinion. However, as noted in the opinion, although Thomas Weisel Partners assisted us in preliminary discussions with another party that had expressed

interest in proposing an acquisition of us, Thomas Weisel Partners was not instructed by us to solicit, nor did it solicit or assist us in soliciting, third parties that might be interested in acquiring all or any part of us.

Thomas Weisel Partners directed its opinion to our board of directors. The opinion does not constitute a recommendation to you as to how you should vote with respect to the merger. The opinion addresses only the fairness of the consideration to be received by our stockholders from a financial point of view. It does not address the relative merits of the merger or any alternatives to the merger. Further, it does not address our underlying decision to proceed with or effect the merger or any other aspect of the merger. In furnishing its opinion, Thomas Weisel Partners did not admit that it is an expert within the meaning of the term expert as used in the Securities Act, nor did it admit that its opinion constitutes a report or valuation within the meaning of the Securities Act and the rules and regulations promulgated under the Securities Act. The Thomas Weisel Partners opinion includes statements to these effects.

In connection with its opinion, Thomas Weisel Partners, among other things:

- reviewed certain publicly available financial and other data with respect to Inktomi, including our consolidated financial statements for recent years and interim periods to September 30, 2002, and certain other relevant financial and operating data relating to us made available to Thomas Weisel Partners from published sources and from our internal records;

- reviewed the financial terms and conditions of a draft of the merger agreement, dated December 22, 2002, and drafts of other related agreements;

- reviewed certain publicly available information concerning the trading of, and the trading market for, our common stock;

- compared Inktomi from a financial point of view with certain other companies in the Internet services industry which Thomas Weisel Partners deemed to be relevant;

- considered the financial terms, to the extent publicly available, of selected recent business combinations of companies in the Internet services industry which Thomas Weisel Partners deemed to be comparable, in whole or in part, to the merger;

- reviewed the premiums paid in selected recent business combinations in the technology sector;

- reviewed and discussed with representatives of our management certain information of a business and financial nature regarding Inktomi, furnished to Thomas Weisel Partners by our management;

- made inquiries regarding and discussed the merger and the draft merger agreement and other related matters with our legal counsel; and

- performed such other analyses and examinations as Thomas Weisel Partners deemed appropriate.

In preparing its opinion, Thomas Weisel Partners did not assume any responsibility to independently verify the information referred to above and relied on its being accurate and complete in all material respects. Thomas Weisel Partners made the following assumptions, in each case with our consent:

- with respect to the financial forecasts for Inktomi provided to Thomas Weisel Partners by our management, Thomas Weisel Partners assumed for purposes of its opinion, upon the advice of our management, that the forecasts for Inktomi had been reasonably prepared on bases reflecting the best available estimates and judgments of our management at the time of preparation as to the future business strategy and financial performance of Inktomi, and that these forecasts provided a reasonable basis upon which Thomas Weisel Partners could form its opinion;

- that the merger would be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations; and

- that the merger would be consummated in accordance with the terms described in the December 22, 2002 draft of the merger agreement and other related agreements reviewed by Thomas Weisel

Partners, without further amendment, and without any waiver by Yahoo! of any of the conditions to its obligations under the merger agreement.

In addition, for purposes of its opinion:

Thomas Weisel Partners did not assume responsibility for making an independent evaluation, appraisal or physical inspection of our assets or liabilities (contingent or otherwise), nor was Thomas Weisel Partners furnished with any such appraisals; and

Thomas Weisel Partners did not assume responsibility for making any independent evaluation of any legal or financial reporting matters with respect to Inktomi, the merger or the merger agreement.

The Thomas Weisel Partners opinion was based on economic, monetary, market and other conditions in effect, and the information made available to Thomas Weisel Partners, as of the date of its opinion. Thomas Weisel Partners has not assumed any obligation to update, revise or reaffirm its opinion.

The following represents a brief summary of the material financial analyses performed by Thomas Weisel Partners in connection with providing its opinion to our board of directors. Some of the summaries of financial analyses performed by Thomas Weisel Partners include information presented in tabular format. In order to fully understand the financial analyses performed by Thomas Weisel Partners, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Thomas Weisel Partners.

Comparable Companies Analysis. Based on public and other available information, Thomas Weisel Partners calculated the multiples of enterprise value, which Thomas Weisel Partners defined as equity value plus debt less cash and cash equivalents, to estimated revenues for calendar year 2003 for relevant companies in the Internet services industry. Thomas Weisel Partners believes that the following six companies have operations similar to some of the operations of Inktomi, but noted that none of these companies have the same management, composition, size or combination of businesses as Inktomi: Ask Jeeves, Inc., CNET Networks, Inc., FindWhat.com Inc., InfoSpace, Inc., LookSmart Ltd. and Overture Services, Inc. In addition, Thomas Weisel Partners reviewed, but did not consider as equally comparable to Inktomi, the following large-cap Internet services companies: AOL Time Warner Inc., eBay Inc., Terra Networks SA, Ticketmaster and USA Interactive.

The following table sets forth multiples indicated by the analysis and the implied share price range resulting from such analysis.

	Inktomi Metric(1)	Relevant Public Market Multiples	Implied Per Share Value
Enterprise Value/ Calendar Year 2003 Estimated Revenue	$ 49.6 million	1.0x to 2.5x	$0.58 to $1.02

(1) Based on management estimates which include revenue from Web search business but does not include any revenue from enterprise search (sold in December 2002) or content networking (substantially disposed of) businesses.

Thomas Weisel Partners noted that the per share value of the consideration to be received by our stockholders in connection with the merger, $1.65, exceeds this range.

While the comparable company analysis compared us to six public companies in the Internet services industry, Thomas Weisel Partners did not include every company that could be deemed to be a participant in this same industry, or in the specific sectors of this industry.

Comparable Transactions Analysis. Based on public and other available information, Thomas Weisel Partners calculated the multiples of enterprise value to Last Twelve Months (LTM) (defined for Inktomi as the estimated 12 months ended December 31, 2002) and Next Twelve Months (NTM) (defined for Inktomi

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as the estimated 12 months ending December 31, 2003) revenues for the following 11 comparable transactions that have been announced since January 1, 2000.

Announcement Date	Name of Acquiror	Name of Target
October 22, 2002	Microsoft Corporation	Vicinity Corporation
September 18, 2001	Ask Jeeves, Inc.	Teoma Technologies, Inc.
April 27, 2001	TransWestern Publishing Company LLC	WorldPages.com, Inc.
October 27, 2000	Primedia Inc.	About.com, Inc.
July 26, 2000	InfoSpace, Inc.	Go2Net, Inc.
July 18, 2000	CNET Networks, Inc.	Ziff-Davis Inc. (certain assets)
June 28, 2000	Yahoo! Inc.	eGroups, Inc.
June 8, 2000	Inktomi Corporation	Ultraseek Corporation
May 16, 2000	Terra Networks SA	Lycos, Inc.
January 25, 2000	Ask Jeeves, Inc.	Direct Hit Technologies, Inc.
January 19, 2000	CNET Networks, Inc.	mySimon, Inc.

The following table sets forth multiples indicated by this analysis and the implied share price range resulting from such analysis.

	Inktomi Metric(1)	Relevant Public Market Multiples(2)	Implied Per Share Value
Enterprise Value/ NTM Estimated Revenue	$ 49.6 million	0.5x to 2.0x	$0.43 to $0.87
Enterprise Value/ LTM Revenue	$ 46.5 million	1.0x to 4.0x	$0.56 to $1.39

(1) Based on management estimates which include revenue from Web search business but does not include any revenue from enterprise search (sold in December 2002) or content networking (substantially disposed of) businesses.

(2) Transaction multiples were adjusted to reflect current market conditions by indexing enterprise values against the performance of the acquirer s stock price from the transaction s initial announcement date.

Thomas Weisel Partners noted that the per share value of the consideration to be received by our stockholders in connection with the merger, $1.65, exceeds these ranges.

No company or transaction used in the comparable company or comparable transactions analyses is identical to us or the merger. Accordingly, an analysis of the results of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which Inktomi and the transaction are being compared.

Premiums Paid Analysis. Thomas Weisel Partners reviewed the premiums paid by acquirors in selected technology transactions to the closing stock price one day, average stock price one week and average stock price one month prior to the announcement of each transaction. The transactions selected were those with an aggregate value of at least $10 million and announced since January 1, 1998.

The following table sets forth premiums indicated by this analysis and the implied share price range resulting from such analysis.

	Inktomi Metric	Relevant Public Market Multiples	Implied Per Share Value
1 Day	$1.17	16.5% to 52.7%	$1.36 to $1.79
1 Week Average	$1.20	18.6% to 56.3%	$1.43 to $1.88
1 Month Average	$1.29	23.3% to 66.0%	$1.59 to $2.14

Thomas Weisel Partners noted that the per share value of the consideration to be received by Inktomi s stockholders in connection with the merger, $1.65, falls within these ranges.

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Thomas Weisel Partners also derived an average arithmetic range of implied enterprise, implied equity and implied per share values from the comparable companies, comparable transactions and premiums paid analyses summarized above. These average ranges were $118.6 million-$223.6 million (implied enterprise value), $165.3 million-$270.3 million (implied equity value) and $0.99-$1.52 per share (implied per share value). Thomas Weisel Partners noted that the per share value of the consideration to be received by our stockholders in connection with the merger, $1.65, exceeds the upper limit of this average range of implied per share values.

The foregoing description is only a summary of the analyses and examinations that Thomas Weisel Partners considered in connection with its opinion. It is not a comprehensive description of all analyses and examinations actually conducted by Thomas Weisel Partners. The preparation of a fairness opinion necessarily is not susceptible to partial analysis or summary description. Thomas Weisel Partners believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all analyses and factors, would create an incomplete view of the process underlying the analyses set forth in its presentation to our board. In addition, Thomas Weisel Partners may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that this analysis was given greater weight than any other analysis. Accordingly, the ranges of valuations resulting from any particular analysis described above should not be taken to be the view of Thomas Weisel Partners with respect to the actual value of Inktomi. Thomas Weisel Partners did not perform a discounted cash flow analysis because it concluded that it was not appropriate to use such an analysis in evaluating the fairness of the consideration to be received by Inktomi s stockholders from a financial point of view due to the historical operating losses of Inktomi and the possibility of such losses continuing.

In performing its analyses, Thomas Weisel Partners made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. The analyses performed by Thomas Weisel Partners are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by these analyses. These analyses were prepared solely as part of the analysis performed by Thomas Weisel Partners with respect to the financial fairness of the consideration to be received by our stockholders pursuant to the merger, and were provided to our board in connection with the delivery of the Thomas Weisel Partners opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at any time in the future.

We have agreed to pay Thomas Weisel Partners a fee for its financial advisory services, including $500,000 for delivery of its fairness opinion, and approximately $4.15 million, reduced by the $500,000 described previously, contingent upon the consummation of the merger. Further, we have agreed to indemnify Thomas Weisel Partners, its affiliates, and their respective, directors, officers, agents, consultants, employees and controlling persons against specific liabilities, including liabilities under the federal securities laws. Within the past two years Thomas Weisel Partners also acted as an underwriter in connection with an offering of our securities and was paid a fee of approximately $827,000 for those services. Prior to 2001, Thomas Weisel Partners performed various investment banking services for Yahoo! for which it received customary fees. In addition, Mr. Timothy Koogle, who is the former Chairman and Chief Executive Officer of Yahoo! and who continues to serve as a director of Yahoo!, is a member of Thomas Weisel Partners Advisory Board. Prior to the public announcement of the proposed merger, Mr. Koogle did not participate in any meetings or discussions regarding the proposed merger with Yahoo! or Thomas Weisel Partners fairness opinion with any of our representatives or any of the Thomas Weisel Partners personnel working on the engagement.

In the ordinary course of Thomas Weisel Partners business, it may act as a market maker and broker in the publicly traded securities of Inktomi and Yahoo! and consequently receive customary compensation in connection therewith. Thomas Weisel Partners also may actively trade the equity securities of Inktomi or Yahoo! for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in these securities.

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Interests of Inktomi s Directors and Executive Officers in the Merger

When considering the recommendation by our board of directors, you should be aware that a number of our directors and executive officers have interests in the merger that are different from the interests of other Inktomi stockholders. Such interests relate to or arise from, among other things:

- the terms of the merger agreement providing for the continued indemnification of our current directors and executive officers;
- the fact that all of our directors and executive officers own options to acquire our common stock and that these options will be converted into options to acquire Yahoo! common stock;
- the eligibility of our executive officers to receive payments under certain management retention and change of control agreements; and
- the fact that certain of our directors and executive officers have been or may be offered employment positions or other arrangements with Yahoo!.

All such additional interests are described below, to the extent material, and, except as described below, such persons have, to our knowledge, no material interest in the merger apart from those of stockholders generally. Our board of directors was aware of and considered these interests in approving the merger agreement and the merger.

Indemnification and Insurance. The merger agreement provides that Yahoo! or the surviving corporation in the merger will fulfill and honor in all respects our obligations pursuant to any indemnification agreements between us and our directors and officers as of the effective time of the merger and any indemnification provisions under our certificate of incorporation or bylaws as in effect on the date of the merger agreement. The provisions of the certificate of incorporation and bylaws of the surviving corporation in the merger with respect to exculpation and indemnification of directors and officers must be at least as favorable to the directors and officers as those contained in our certificate of incorporation and bylaws as of the date of the merger agreement, and such provisions may not be amended, repealed or otherwise modified for six years from the effective time of the merger in a manner adverse to our directors and officers as of the date of the merger agreement, except as may be required by law. If the surviving corporation in the merger should reincorporate in another U.S. state that prohibits indemnification on terms as favorable as Delaware s laws, the surviving corporation in the merger must provide for the maximum allowable indemnification in its certificate of incorporation and bylaws and Yahoo! must provide supplemental contractual indemnification such that the indemnification provided by such certificate of incorporation and bylaws and such contractual provisions is equivalent to the level of indemnification provided to our directors and officers as of the date of the merger agreement. The merger agreement also provides that for six years after the effective time of the merger, Yahoo! will maintain directors and officers liability insurance for acts or omissions occurring prior to the effective time of the merger covering those persons who were, as of the date of the merger agreement, covered by our directors and officers liability insurance policies, on terms comparable to those in effect on the date of the merger agreement. Yahoo! s obligation to provide this insurance coverage is subject to a cap of 150% of the current annual premium paid by us for our existing insurance coverage. If Yahoo! cannot maintain the existing or equivalent insurance coverage without exceeding the 150% cap, Yahoo! is required to maintain only that amount of insurance coverage that can be obtained by paying an annual premium equal to the 150% cap.

Stock Options. Each of our directors and executive officers holds options to acquire our common stock. See Securities Ownership of Certain Beneficial Owners and Management on page 45. Under the terms of the merger agreement, at the effective time of the merger, each stock option granted under our stock option plans will be assumed by Yahoo! and converted into an option to acquire shares of Yahoo! common stock. See The Merger Agreement Treatment of Inktomi Securities; Merger Consideration on page 30. In addition, under the terms of our stock option plans, our directors and executive officers have the ability to exercise their options prior to full vesting, subject to a repurchase right by us. If, prior to the effective time of the merger, any of our directors or executive officers exercise unvested options and receive shares of our common stock that are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other agreement with us, then, at Yahoo! s option and in Yahoo! s sole discretion,

the right to receive $1.65 in cash per share will either vest upon consummation of the merger or over time upon satisfaction of the vesting requirements associated with the applicable restricted stock schedule.

*Inktomi s Retention Agreements*Each of our executive officers entered into a Management Retention and Change of Control Agreement at the time he became an executive officer that provides for full vesting of all outstanding options and restricted stock in the event such executive officer s employment is constructively terminated within 12 months of a change of control of Inktomi. In addition, our executive officers are subject to the Inktomi Corporation Retention and Change of Control Severance Benefits Plan (Plan No. 14). Pursuant to such plan, each executive officer who is terminated without good cause or is otherwise constructively terminated within 12 months of a change of control of Inktomi and who executes a release of claims agreement with Inktomi will receive severance pay in a lump sum payment equal to:

two years salary at the rate applicable for such officer at the time of termination plus

the amount of such officer s full targeted bonus for the two years following termination pursuant to the Inktomi Management By Objectives Program or an equivalent successor program.

In addition, under such plan, executive officers will receive certain group employee benefit coverage for a period of up to two years. In the event the severance payments provided for under such plan constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, Inktomi will pay an additional amount such that the net amount received by the affected executive officer will be equal to the severance payments provided for under the plan. We estimate that if the merger occurred in the first quarter of the 2003 calendar year and the employment of all the executive officers were terminated without cause immediately following the merger by the surviving corporation, the total severance payments and the estimated cost of group employee benefit coverage, respectively, would be approximately as follows: Dr. Eric A. Brewer, $330,000 and $0; Randy S. Gottfried, $792,000 and $9,264; Vishal Makhijani, $660,000 and $9,264; David C. Peterschmidt, $1,600,000 and $16,542; and Timothy J. Stevens, $858,000 and $22,716. Such estimated payments do not include any additional gross-up amounts described above that may become payable in the event the severance payments constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. The severance plan was adopted on August 28, 2002 and was amended on December 16, 2002 to limit the availability of severance benefits to those employees who continue to be employed by us up to the closing of a change of control transaction.

Employment and Other Arrangements. Vishal Makhijani, our Vice President and General Manager of Web Search, has accepted an offer of employment with Yahoo!, conditioned upon completion of the merger. Mr. Makhijani has been offered an annual salary of $200,000 and will be eligible to participate in the regular Yahoo! employee benefit plans established by Yahoo! generally for its employees, including an annual bonus program. In addition, Mr. Makhijani will participate in a retention bonus program Yahoo! is making available for certain senior technical employees of Inktomi. In connection with Mr. Makhijani s offer of employment from Yahoo! Mr. Makhijani has waived his rights to severance payments under the Inktomi Corporation Retention and Change of Control Severance Benefits Plan (Plan No. 14). See Inktomi s Retention Agreements on page 23. Yahoo! is discussing with Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, the possibility of his joining Yahoo! following completion of the merger. No agreement has been reached between Dr. Brewer and Yahoo! regarding his role at Yahoo! or the level of his salary and benefits.

Non-Compete Agreement. We have an employment agreement with David C. Peterschmidt, our Chairman, President and Chief Executive Officer. The agreement is for no specified length of term, and either party has the right to terminate the agreement at any time with or without cause. The agreement does not provide for any mandatory severance, although we have the right at the time of termination to continue to pay Mr. Peterschmidt his then current salary for up to 12 months, in which case Mr. Peterschmidt may not compete against us during that time period. In connection with the merger agreement, Mr. Peterschmidt agreed with Yahoo! not to compete with us, including as an employee, consultant or in certain other capacities for certain specified companies, for a period of one year following the date of the termination of his

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employment with us. Mr. Peterschmidt did not receive any consideration in connection with such agreement not to compete other than pursuant to the terms of the merger agreement as a holder of Inktomi shares and stock options.

Amendment to Preferred Stock Rights Agreement

We entered into a rights agreement dated as of August 10, 2000, with Wells Fargo Shareowners Services, as amended by Amendment No. 1 to the Preferred Stock Rights Agreement, effective December 22, 2002, between Inktomi and Wells Fargo Shareowners Services (referred to in this proxy statement as the rights agreement). Our board of directors adopted the rights agreement and issued the rights thereunder to protect our shareholders from coercive or otherwise unfair takeover tactics. In general, the rights agreement imposes a significant penalty upon any person or group that acquires 15% or more of our outstanding common stock without approval of our board of directors.

We have amended our rights agreement to render the rights inapplicable to the merger and the voting agreements. Specifically, the amendment ensures that none of Yahoo!, December 2002 Acquisition Corp. or any of their respective affiliates or associates is or will become an Acquiring Person, as defined in the rights agreement, by reason of the merger agreement, the voting agreements, the merger or any other transaction contemplated by the merger agreement or the voting agreements. The amendment also ensures that the Distribution Date, as defined in the rights agreement, will not occur by reason of the merger agreement, the voting agreements, the merger or any other transaction contemplated by the merger agreement or the voting agreements.

Appraisal Rights

The discussion of the provisions set forth below is not a complete summary regarding your appraisal rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of Delaware law, which are attached to this proxy statement as Annex D. Stockholders intending to exercise appraisal rights should carefully review Annex D. Failure to follow precisely any of the statutory procedures set forth in Annex D may result in a termination or waiver of these rights.

If the merger is consummated, dissenting holders of our common stock who follow the procedures specified in Section 262 of the Delaware General Corporate Law within the appropriate time periods will be entitled to have their shares of our common stock appraised by a court and to receive the fair value of such shares in cash as determined by the Delaware Court of Chancery in lieu of the consideration that such stockholder would otherwise be entitled to receive pursuant to the merger agreement.

The following is a brief summary of Section 262, which sets forth the procedures for dissenting from the merger and demanding statutory appraisal rights. Failure to follow the procedures set forth in Section 262 precisely could result in the loss of appraisal rights. This proxy statement constitutes notice to holders of Inktomi s common stock concerning the availability of appraisal rights under Section 262. A stockholder of record wishing to assert appraisal rights must hold the shares of stock on the date of making a demand for appraisal rights with respect to such shares and must continuously hold such shares through the effective time of the merger.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. A written demand for appraisal of shares must be filed with us before the special meeting on March 19, 2003. This written demand for appraisal of shares is in addition to and separate from a vote against the merger. Stockholders electing to exercise their appraisal rights must not vote for the merger. Any proxy or vote against the merger will not constitute a demand for appraisal within the meaning of Section 262.

A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder s name appears on the share certificate. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, this demand must be executed by or for the fiduciary. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may

execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in our common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below and in a timely manner to perfect whatever appraisal rights the beneficial owners may have.

An Inktomi stockholder who elects to exercise appraisal rights should mail or deliver his, her or its written demand to Inktomi at its address at 4100 East Third Avenue, Foster City, California 94404, Attention: President. The written demand for appraisal should specify the stockholder s name and mailing address, and that the stockholder is thereby demanding appraisal of his or her Inktomi common stock. Within ten days after the effective time of the merger, we must provide notice of the effective time of the merger to all of its stockholders who have complied with Section 262 and have not voted for the merger.

Within 120 days after the effective time of the merger, but not after, any stockholder who has satisfied the requirements of Section 262 may deliver to us a written demand for a statement listing the aggregate number of shares not voted in favor of the merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Inktomi, as the surviving corporation in the merger, must mail any such written statement to the stockholder no later than the later of 10 days after the stockholders request is received by us or 10 days after the latest date for delivery of a demand for appraisal under Section 262.

Within 120 days after the effective time of the merger, but not after, either Inktomi or any stockholder who has complied with the required conditions of Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the Inktomi shares of stockholders entitled to appraisal rights. We have no present intention to file such a petition if demand for appraisal is made.

Upon the filing of any petition by a stockholder in accordance with Section 262, service of a copy must be made upon us, which must, within 20 days after service, file in the office of the Register in Chancery in which the petition was filed, a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by us. If a petition is filed by us, the petition must be accompanied by the verified list. The Register in Chancery, if so ordered by the court, will give notice of the time and place fixed for the hearing of such petition by registered or certified mail to us and to the stockholders shown on the list at the addresses therein stated, and notice will also be given by publishing a notice at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or such publication as the court deems advisable. The forms of the notices by mail and by publication must be approved by the court, and the costs thereof will be borne by us. The Delaware Court of Chancery may require the stockholders who have demanded an appraisal for their shares (and who hold stock represented by certificates) to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings and the Delaware Court of Chancery may dismiss the proceedings as to any stockholder that fails to comply with such direction.

If a petition for an appraisal is filed in a timely fashion, after a hearing on the petition, the court will determine which stockholders are entitled to appraisal rights and will appraise the shares owned by these stockholders, determining the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value.

Inktomi stockholders considering seeking appraisal of their shares should note that the fair value of their shares determined under Section 262 could be more, the same or less than the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares. The costs of the appraisal proceeding may be determined by the court and taxed against the parties as the court deems equitable under the circumstances. Upon application of a dissenting stockholder, the court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts, be charged pro rata

against the value of all shares entitled to appraisal. In the absence of a determination or assessment, each party bears his, her or its own expenses. The exchange of shares for cash pursuant to the exercise of appraisal rights will be a taxable transaction for United States federal income tax purposes and possibly state, local and foreign income tax purposes as well. See Certain U.S. Federal Income Tax Consequences on page 27.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote for any purpose the shares subject to demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the merger.

At any time within 60 days after the effective time of the merger, any stockholder will have the right to withdraw his demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his demand for appraisal and receive payment for his shares as provided in the merger agreement only with our consent. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, stockholders rights to appraisal (if available) will cease. Inasmuch as we have no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis. No petition timely filed in the court demanding appraisal may be dismissed as to any stockholder without the approval of the court, which approval may be conditioned upon such terms as the court deems just.

Failure by any Inktomi stockholder to comply fully with the procedures described above and set forth in Annex D to this proxy statement may result in termination of the stockholder s appraisal rights.

Form of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware General Corporation Law, at the effective time of the merger, December 2002 Acquisition Corp., a wholly-owned subsidiary of Yahoo! and a party to the merger agreement, will merge with and into Inktomi. Inktomi will survive the merger as a wholly-owned subsidiary of Yahoo!.

Conversion of Shares; Procedures for Exchange of Certificates

The conversion of our common stock into the right to receive $1.65 per share in cash, without interest, will occur automatically at the effective time of the merger. Promptly after the effective time of the merger, the paying agent will send a transmittal letter to each former Inktomi stockholder. The transmittal letter will contain instructions for obtaining cash in exchange for shares of our common stock. Stockholders should not return stock certificates with the enclosed proxy.

In the event of a transfer of ownership of our common stock that is not registered in the records of our transfer agent, the cash consideration for shares of our common stock may be paid to a person other than the person in whose name the certificate so surrendered is registered if:

- the certificate is properly endorsed or otherwise is in proper form for transfer; and
- the person requesting such payment (a) pays any transfer or other taxes resulting from the payment to a person other than the registered holder of the certificate or (b) establishes to Yahoo! that the tax has been paid or is not applicable.

The cash paid upon conversion of shares of Inktomi s common stock will be issued in full satisfaction of all rights relating to the shares of Inktomi s common stock.

Litigation Related to the Merger

Persons alleging to be shareholders of Inktomi have filed three lawsuits relating to the merger. On January 22, 2003, an alleged holder of Inktomi common stock filed a purported derivative and class action lawsuit captioned *Tuttle v. Myers, et al.*, Case No. CIV 428695, in California Superior Court for the County of San Mateo. The complaint names as defendants each of our five directors and names Inktomi as a nominal defendant. The complaint alleges that, in pursuing the transaction with Yahoo! and approving the merger

agreement, the directors breached their fiduciary duties to the holders of Inktomi common stock and Inktomi by, among other things, engaging in self-dealing, abusing control of the company, failing to obtain the highest price reasonably available for Inktomi and its shareholders, committing waste of corporate assets and failing to properly value Inktomi. The complaint further alleges that the merger agreement resulted from a flawed process and that the directors tailored the terms of the merger to meet the needs of two directors. The complaint also alleges that Inktomi directly breached and/or aided and abetted the directors alleged breaches of fiduciary duties. The complaint seeks, among other things, certification of the litigation as a class action, a declaration that the merger agreement was entered into in breach of the directors fiduciary duties, a preliminary and permanent injunction enjoining Inktomi, the directors and others from consummating the merger, a direction requiring that the directors exercise their fiduciary duties to obtain a transaction which is in the best interests of the Inktomi shareholders, rescission of the merger or any of the terms thereof to the extent implemented, an award of costs, including attorneys and experts fees, and other unspecified relief.

On January 24, 2003, an alleged holder of Inktomi common stock filed a purported class action lawsuit captioned *Malachinski v. Peterschmidt, et al.*, Case No. CIV 428824, in the California Superior Court for the County of San Mateo. On January 29, 2003 an alleged holder of Inktomi common stock filed a purported class action lawsuit captioned *Zakary v. Peterschmidt, et al.*, Case No. CIV 428898, in the same Superior Court. The complaint in the Zakary action is substantially identical to the complaint in the Malachinski action. Both complaints name as defendants three of our five current directors, two of our former directors and Inktomi.

The complaints in the Malachinski and Zakary actions allege that our directors breached their fiduciary duties in connection with the proposed acquisition by Yahoo! by, among other things, approving a transaction in which they allegedly stand to receive financial benefits not shared by the other Inktomi shareholders, retaining a financial advisor (Thomas Weisel Partners) that has business ties to Yahoo!, failing to obtain the best offer possible for Inktomi s shareholders, agreeing to the termination fee provisions of the merger agreement, failing to adequately value Inktomi, and failing to make complete and adequate disclosure of alleged material facts regarding the transaction and the events that preceded the execution of the merger agreement. The plaintiffs seek, among other things, certification of their respective actions as class actions, a declaration that the directors have breached their fiduciary duties, an order requiring the defendants to indemnify the shareholders for the alleged breaches of fiduciary duty, an injunction enjoining the merger or rescinding it, if consummated, an order requiring defendants to make additional disclosures, an award of compensatory and/or rescissory damages, an award of interest, attorneys fees, expert fees and other costs, and other unspecified relief.

On January 29, 2003, the plaintiff in the Malachinski action filed a motion for expedited discovery and an order temporarily enjoining the merger. On January 30, 2003, the Malachinski action was removed from the Superior Court to the United States District Court for the Northern District of California. On January 31, 2003, the Zakary action was removed from the Superior Court to the same District Court. We filed motions to dismiss the Malachinski and Zakary actions on February 5, 2003 and February 6, 2003, respectively.

Based on its review of the three complaints, Inktomi believes that the allegations in the Tuttle, Malachinski and Zakary actions are without merit and intends, along with the directors, to defend the actions vigorously. In the event that holders of a majority of the outstanding shares of Inktomi common stock vote in favor of adoption of the merger agreement, in addition to any other defenses Inktomi and the directors may assert, Inktomi and the directors intend to rely upon the approval of the proposal to adopt the merger agreement in defense of the claims asserted in the actions. Specifically, Inktomi and the directors intend to argue that the approval of the proposal to adopt the merger agreement by holders of a majority of the shares of our common stock constitutes a ratification or acceptance of the conduct that is the subject of plaintiffs complaints. Inktomi and the directors further intend to argue that such ratification or approval constitutes a complete defense to the claims asserted in the complaints or otherwise operates to protect them from liability or increase the plaintiffs burdens of pleading and proof in the actions.

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Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the merger to stockholders. This discussion is based on provisions of the Internal Revenue Code, or the Code, applicable Treasury regulations promulgated under the Code, Internal Revenue Service, or IRS, rulings and judicial interpretations thereof all in effect as of the date of this proxy statement, and all of which are subject to change after such date, possibly with retroactive effect. There can be no assurance that future legislative, judicial or administrative action will not affect the accuracy of the statements or conclusions in this proxy statement.

This summary does not address all the U.S. federal income tax considerations that may be relevant to shares received pursuant to the exercise of employee stock options or otherwise as compensation or with respect to stockholders who are subject to special tax treatment under the Code, including without limitation persons who are non-U.S. persons, insurance companies, dealers or brokers in securities or currencies, tax-exempt organizations, life insurance companies, regulated investment companies and financial institutions and may not apply to stockholders in light of individual circumstances, such as holding shares as a hedge or as part of a hedge, straddle, conversion, synthetic security integrated investment or other risk-reduction transaction or who are subject to alternative minimum tax. It also does not address the tax consequences of the merger under foreign, state or local tax laws. Accordingly, stockholders are urged to consult with their tax advisor with respect to the particular U.S. federal, state, local or foreign income tax or other tax consequences of the merger to them.

The exchange of Inktomi shares for cash in the merger will be a taxable transaction for U.S. federal income tax purposes, and accordingly a stockholder will recognize gain or loss equal to the difference between the cash received and such stockholder s adjusted tax basis in the Inktomi shares exchanged. In general, a stockholder must calculate gain or loss separately for each block of Inktomi shares that is exchanged in the merger. Provided a stockholder holds his or her Inktomi shares as a capital asset, this gain or loss will be capital gain or loss, which will be long-term capital gain or loss if the stockholder has held his or her Inktomi shares for more than one year at the time of the merger. A non-corporate stockholder is subject to a maximum U.S. federal income tax rate of 20% on any net long-term capital gains. In addition, there are limits on the deductibility of capital losses.

Unless a stockholder complies with certain reporting or certification procedures or is an exempt recipient (in general, corporations and certain other entities) under applicable provisions of the Code and Treasury regulations, such stockholder may be subject to a withholding tax of 30% with respect to any cash payments received pursuant to the merger. Backup withholding is not an additional tax. Any amount withheld under these rules will be credited against a stockholder s U.S. federal income tax liability provided such stockholder furnishes the required information to the IRS. If a stockholder does not comply with the backup withholding rules, such holder may be subject to penalties imposed by the IRS.

The preceding summary is general in nature and does not consider any particular stockholder s individual facts and circumstances. The tax consequences of the merger to any particular stockholder will depend on his or her individual facts and circumstances. Stockholders are strongly urged to consult their tax advisors as to the tax consequences to them of the merger.

Regulatory Matters

Antitrust. Under the Hart-Scott-Rodino Antitrust Improvements Act and the rules under the Act, certain transactions, including the merger, may not be completed unless certain waiting period requirements have expired or been terminated. Yahoo! and Inktomi each filed a notification and report form pursuant to the Hart-Scott-Rodino Act with the Antitrust Division of the Department of Justice and the Federal Trade Commission on January 10, 2003, and requested early termination of the required waiting period. The waiting period expired on February 10, 2003. The requirements of the Hart-Scott-Rodino Act will be satisfied if the merger is completed within one year from the expiration of the waiting period. The merger may also be subject to consents, approvals and filings under foreign antitrust laws. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful.

General. It is possible that any of the governmental entities with which filings are made may seek, as conditions for granting approval of the merger, various regulatory concessions. There can be no assurance that Yahoo! or Inktomi will be able to satisfy or comply with these conditions or be able to cause their respective subsidiaries to satisfy or comply with these conditions, or that compliance or noncompliance will not have adverse consequences for Yahoo! after completion of the merger, or that the required regulatory approvals will be obtained within the time frame contemplated by Yahoo! and Inktomi and referred to in this proxy statement or on terms that will be satisfactory to Yahoo! and Inktomi. However, neither we nor Yahoo! is required to divest or enter into any licensing or similar arrangement with respect to any assets or any portion of the business of Yahoo!, Inktomi or any of Yahoo! s or our respective subsidiaries or to litigate specified kinds of suits, claims, actions, investigations or proceedings brought by any governmental entity. See The Merger Agreement Reasonable Efforts on page 35.

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THE MERGER AGREEMENT

The following summary of the material terms of the merger agreement is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety and attached as Annex A to this proxy statement. We urge you to read the merger agreement carefully and in its entirety.

The merger agreement provides for the merger of Yahoo! s wholly-owned subsidiary, December 2002 Acquisition Corp., with and into Inktomi, following the adoption of the merger agreement by the requisite vote of our stockholders and the satisfaction or waiver, as permitted, of the other conditions to the merger. Following the merger, Inktomi will be the surviving corporation and a wholly-owned subsidiary of Yahoo!.

Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Delaware Secretary of State or at such later time as is agreed upon by Yahoo! and Inktomi and specified in the certificate of merger. The filing of the certificate of merger will occur no later than the second business day after satisfaction or waiver of the conditions to the completion of the merger described in the merger agreement.

Treatment of Inktomi Securities; Merger Consideration

At the effective time of the merger:

- each outstanding share of our common stock, including the associated preferred stock purchase rights, other than shares owned by us or by Yahoo! and shares as to which appraisal rights have been perfected, will be canceled and automatically converted into the right to receive $1.65 in cash, without interest;

- each outstanding option to purchase shares of our common stock granted under any of our option plans and non-plan option agreements will be assumed by Yahoo! and, at the effective time, will be converted automatically into options to purchase shares of Yahoo! common stock, subject to the same terms and conditions (other than the number of underlying shares and the exercise price) as under the applicable option plan or non-plan option agreement. The number of shares of Yahoo! common stock (rounded down to the nearest whole share) underlying such option after conversion will be determined by multiplying the number of shares of our common stock subject to the option by a fraction, with a numerator of $1.65 and with a denominator of the average closing price of Yahoo! common stock on the Nasdaq National Market System over the 10 trading days immediately preceding, but not including, the date on which the effective time occurs, and the exercise price per share of Yahoo! common stock (rounded up to the nearest whole cent) will be equal to (A) the per share exercise price divided by (B) the fraction described above; and

- for each share of our outstanding common stock that is unvested or is subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other agreement, Yahoo! will, at its option and in its sole discretion, either (i) pay to the holder of such share $1.65 in cash upon surrender of the stock certificates representing such shares, or (ii) pay to the holder of such share the merger consideration over time as the vesting requirements of the applicable restricted stock schedule are satisfied.

As soon as practicable after the completion of the merger, but in any event within 20 days of completion of the merger, Yahoo! will prepare and file with the Securities and Exchange Commission an appropriate registration statement registering the shares of Yahoo! common stock underlying assumed Inktomi stock options.

Exchange of Inktomi Stock Certificates

Promptly after the effective time of the merger, the paying agent will mail to you a letter of transmittal and instructions for you to use in surrendering your share certificates. When you properly surrender your share certificates to the agent for cancellation, together with a duly executed letter of transmittal and any other documents as the agent may require, the agent will promptly deliver to you a check payable to you in the

amount to which you are entitled in accordance with the merger agreement, after giving effect to any required tax withholdings, and your certificates will be canceled. Until properly surrendered, each certificate representing shares of our common stock will be deemed, at any time after the effective time of the merger, to represent only the right to receive $1.65 in cash, without interest, for each share of common stock represented by the certificate.

Yahoo! is entitled to cause the paying agent to deliver to it any funds that have not been disbursed within six months after the effective time of the merger. After that date, holders of certificates who have not complied with the instructions to exchange their certificates will be entitled to look to Yahoo! for payment with respect to the cash payable upon surrender of their certificates.

You should not send in your share certificates before you receive a letter of transmittal and instructions from the paying agent.

Restated Certificate of Incorporation and By-Laws

The merger agreement provides that, after the effective time of the merger, the certificate of incorporation of Inktomi, as in effect immediately prior to the effective time of the merger, will be the certificate of incorporation of the surviving corporation, as amended at the effective time of the merger in accordance with the merger agreement, and that the by-laws of December 2002 Acquisition Corp., as in effect immediately prior to the effective time of the merger, will be the by-laws of the surviving corporation following the merger until changed or amended.

Officers and Directors of Inktomi Following the Merger

After the effective time of the merger, the directors and officers of December 2002 Acquisition Corp. will become the directors and officers of Inktomi, until their successors are duly elected, appointed and qualified.

Representations and Warranties

The merger agreement contains customary representations and warranties by Inktomi relating to, among other things:

- our corporate organization and other corporate matters;
- our subsidiaries;
- our capital structure;
- authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of governmental authorities relating to, the merger agreement and related matters of Inktomi;
- documents filed by us with the SEC, the accuracy of the financial statements and other information contained in such documents and the absence of certain liabilities;
- the accuracy of information supplied by Inktomi in connection with this proxy statement;
- absence of certain changes or events concerning Inktomi;
- outstanding and pending litigation involving Inktomi;
- certain contracts of Inktomi;
- compliance with applicable laws and permits;

environmental matters;

matters relating to the Employee Retirement Income Security Act and other employee benefits matters;

filing of material tax returns and payment of material taxes;

- title to our material properties and assets and rights to leasehold interests;
- absence of liens and encumbrances;
- our intellectual property;
- our insurance policies;
- our satisfaction of certain state takeover statute requirements; and
- receipt of Thomas Weisel Partners opinion.

The merger agreement contains customary representations and warranties by Yahoo! relating to, among other things:

- corporate organization and other corporate matters with respect to each of Yahoo! and its wholly-owned subsidiary;
- authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of governmental authorities relating to, the merger agreement and related matters of Yahoo!;
- the accuracy of information supplied by Yahoo! in connection with this proxy statement;
- the previous operations of December 2002 Acquisition Corp.; and
- the availability of funds sufficient to complete the merger.

Definition of Material Adverse Effect

Several of our representations and warranties and certain conditions contained in the merger agreement are qualified by reference to whether the item in question would have a material adverse effect on us. The merger agreement provides that a material adverse effect means, when used in connection with any entity, any state of facts, change, event, circumstance or occurrence that has a material adverse effect on the business, assets (including intangible assets), financial condition or results of operations of such entity taken as a whole with its subsidiaries, provided, however, that no change, event, circumstance or occurrence will be considered in determining whether there has been or will be a material adverse effect on such entity if such change, event, circumstance or occurrence results from certain specified matters, including:

- the announcement or pendency of the merger, including litigation relating to the proposed merger;
- any failure to meet published revenue or earnings projections;
- any change in the entity s stock price or trading volume;
- general business or economic conditions;
- changes affecting the principal industries in which the entity operates, which changes do not disproportionately affect such entity; or
- any action required or expressly contemplated to be taken or prohibited from being taken under the merger agreement.

Conduct of Business Pending the Merger

Except as expressly contemplated by the merger agreement or as Yahoo! may consent in writing between December 22, 2002 and the effective time of the merger, we will carry on our business in the ordinary course, in substantially the same manner as currently conducted and in compliance in all material respects with all applicable laws and regulations, pay our debts and taxes when due subject to good faith disputes over such debts or taxes, pay or perform other material obligations when due, and use all reasonable efforts consistent with past practices and policies to preserve intact our present business organization, keep available the services

of our present officers, employees and contractors and preserve our relationships with customers, suppliers, licensors, licensees and others with which we have business dealings.

Prior to the effective time of the merger, we have agreed not to do any of the following nor permit our subsidiaries to do any of the following, except as contemplated by the merger agreement, without the prior written consent of Yahoo!:

waive any stock repurchase rights, take any action to accelerate, amend or change the period of vesting or exercisability of options or restricted stock, or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans, except in connection with the termination of the employment relationship with any employee, individually in an amount not to exceed $25,000 and in the aggregate in an amount not to exceed $250,000;

adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

grant any severance or termination pay to any employee, except as required by applicable law or pursuant to written agreements in effect or policies existing on the date hereof and as previously disclosed in writing to Yahoo!, or adopt any new severance, retention or change in control plan, except with respect to our commerce or shopping division, wireless division, digital goods, network products division or content network solutions group or enterprise search (or Ultraseek) software division;

transfer or license to any person or entity or otherwise extend, amend or modify in any material respect any of the intellectual property rights owned by us or our subsidiaries, other than nonexclusive licenses in the ordinary course of business consistent with past practice or with respect to our commerce or shopping division, wireless division, digital goods, network products division or content network solutions group or enterprise search (or Ultraseek) software division;

declare, set aside, or pay any dividends on or make any other distributions (whether in cash, stock, equity securities or property) in respect of any capital stock or split, combine or reclassify any capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any capital stock;

purchase, redeem or otherwise acquire, directly or indirectly, any shares of our capital stock or our subsidiaries, or any instrument or security that consists of a right to acquire such shares except repurchases of unvested shares at cost in connection with the termination of the employment relationship with any employee pursuant to stock option or purchase agreements in effect on the date hereof, and except for actions taken relating to the winding-up of non-U.S. subsidiaries;

issue, deliver, sell, authorize, pledge or otherwise encumber any shares of capital stock or any securities convertible into shares of capital stock, or subscriptions, rights, warrants or options to acquire any shares of capital stock or any securities convertible into shares of capital stock, or enter into other agreements or commitments of any character obligating it to issue any such shares or convertible securities, other than the issuance, delivery and/or sale of (i) shares of our common stock pursuant to the exercise of stock options or warrants therefore outstanding as of the date hereof, and (ii) shares of our common stock issuable to participants in the Inktomi Corporation 1998 Inktomi Employee Purchase Plan consistent with the terms thereof;

split, combine or reclassify any class of capital stock;

cause, permit or propose any amendments to our certificate of incorporation, bylaws or other organizational documents;

acquire or agree to acquire by merging or consolidating with, or by purchasing any equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof; or otherwise acquire or agree to acquire

any assets which are material, individually or in the aggregate, to us or enter into any, strategic partnerships or alliances;

sell, transfer, lease, mortgage, pledge, encumber or otherwise dispose of any properties or assets which are material, individually or in the aggregate, to us, other than physical assets no longer in day-to-day use by us and other than in the ordinary course of business consistent with past practice or with respect to our commerce or shopping division, wireless division, digital goods, network products division or content network solutions group or enterprise search (or Ultraseek) software division;

incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, issue or sell any debt securities or options, warrants, calls or other rights to acquire any of our debt securities, enter into any keep well or other agreement to maintain any financial statement condition, incur or modify any other material liability or enter into any arrangement having the economic effect of any of the foregoing other than under existing arrangements with Silicon Valley Bank;

adopt or amend any employee benefit plan or employee stock purchase or employee stock option plan, or enter into any employment contract, consulting agreement or collective bargaining agreement (other than offer letters and letter agreements entered into in the ordinary course of business consistent with past practice with employees who are terminable at will), pay any special bonus or special remuneration to any director, officer, consultant or employee, increase the salaries or wage rates or fringe benefits (including rights to severance or indemnification) of our directors, officers, employees or consultants (other than increases to employees who are not directors or affiliates in the ordinary course of business, consistent with past practice), make any loans to any of our officers, directors, employees, affiliates, agents or consultants or make any change in our existing borrowing or lending arrangements for or on behalf of any of such persons, except as required by applicable law;

except in the ordinary course of business consistent with past practice pursuant to the Inktomi employee benefits plans, (i) pay or make any accrual or arrangement for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any officer, director, employee or affiliate or pay or agree to pay or make any accrual or arrangement for payment to any officers, directors, employees or affiliates of ours or any of our subsidiaries of any amount relating to unused vacation days; or (ii) adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any pension, profit sharing, bonus, extra compensation, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any of our or our subsidiary s director, officer, employee, agent or consultant, whether past or present, or amend in any material respect any such existing plan, agreement or arrangement in a manner inconsistent with the foregoing;

modify, amend or terminate any material contract or agreement to which we or any of our subsidiaries is a party, including, without limitation, any customer contract, leases, licensing, distribution, sponsorship, advertising, merchant program, encoding services, hosting or other similar agreement, or joint venture agreement involving annual revenues to us in excess of $100,000, or waive, release or assign any material rights or claims thereunder, other than any modification, amendment or termination of any such Inktomi material contract in the ordinary course of business or consistent with past practice or with respect to our commerce or shopping division, wireless division, digital goods, network products division or content network solutions group or enterprise search (or Ultraseek) software division;

settle any claims, liabilities or obligations (whether absolute, accrued, contingent or otherwise), other than the payment, discharge or satisfaction of any such claims, liabilities or obligations, in the ordinary course of business consistent with past practice, or of claims, liabilities or obligations reflected or reserved against in, or contemplated by, the consolidated financial statements (or the notes thereto) of Inktomi, or with respect to our commerce or shopping division, wireless division, digital goods, network

products division or content network solutions group or enterprise search (or Ultraseek) software division;

except in the ordinary course of business consistent with past practice, enter into any sponsorship, advertising, merchant program, encoding services, hosting or other similar contracts, agreements, or obligations which may not be canceled without penalty by us or our subsidiaries upon notice of 30 days or less or which provide for annual payments by or to us or our subsidiaries in an amount in excess of $100,000 or which involve any exclusive terms of any kind;

permit any insurance policy naming us as a beneficiary or a loss payee to be canceled or terminated unless such insurance policy is replaced with a substantially equivalent policy;

materially revalue any of our assets or, except as required by generally accepted accounting principles, applicable accounting requirements or the published rules and regulations of the SEC with respect thereto in effect during the periods involved;

except in the ordinary course of business consistent with past practice, make or change any tax election, change an annual accounting period, adopt or change any accounting method, file any amended return, enter into any closing agreement, settle or consent to any tax claim, surrender any right to claim a refund of taxes, or consent to any extension or waiver of the statutory period of limitations applicable to any tax claim except as required by any legal requirement;

fail to make in a timely manner any filings with the SEC required under the Securities Act or the Exchange Act, or the rules and regulations promulgated thereunder;

subject Yahoo! or the surviving corporation after the merger or any of their respective subsidiaries to any non-compete or other material restriction on any of their respective businesses following the closing;

enter into any agreement or commitment the effect of which would be to grant to a third party following the merger any actual or potential right of license of any material intellectual property rights owned by us or any of our subsidiaries;

waive any standstill or similar restrictions contained in any confidentiality or other agreements to which we are a party;

take any action that would or is reasonably likely to result in any of the conditions to the merger not being satisfied, or would make any of our representations or warranties contained in the merger agreement inaccurate in any material respect at, or as of any time prior to, the effective time, or that would materially impair our ability to complete the merger in accordance with the terms of the merger agreement or materially adversely affect our ability to complete the merger within the time frame in which the merger would otherwise be completed in the absence of such action; or

enter into any written agreement, contract, commitment or arrangement to do any of the foregoing, or authorize, recommend, propose, in writing or announce an intention to do any of the foregoing.

Reasonable Efforts

We and Yahoo! have each agreed, subject to limits set forth in the merger agreement, to use all reasonable efforts to take, or cause to be taken, all actions necessary, proper or advisable to consummate in the most expeditious manner practicable the merger and the other transactions contemplated by the merger agreement, including among other things using all reasonable efforts to take, obtain, execute or deliver:

all reasonable acts necessary to cause the conditions to the merger to be satisfied;

all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from governmental entities and make all necessary registrations, declarations and filings, and take all reasonable steps as may be necessary to avoid any suit, claim, action, investigation or proceeding by any governmental entity;

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all other consents as specified in the merger agreement; and

any additional instruments necessary to consummate the transactions and to carry out fully the purposes of the merger agreement.
Neither Yahoo! nor we are required to:

litigate or agree to litigate against any governmental entity; or

take or agree to take any of the following actions:

make proposals, execute or carry out agreements or submit to certain governmental laws and rules providing for the license, sale or other disposition or the holding separate of any assets or category of assets that are material to Yahoo!, us or any of our or Yahoo! s respective subsidiaries or the holding separate of our capital stock or imposing or seeking to impose any limitation on the ability of Yahoo!, us or any of our or Yahoo! s respective subsidiaries, to conduct their respective business or own those assets or to acquire, hold or exercise full rights of ownership of our business; or

take any step to avoid or eliminate any impediment which may be asserted under any of certain governmental laws and rules governing competition, monopolies or restrictive trade practices.

No Solicitation

We have agreed that neither we nor any of our subsidiaries, officers or directors will, and we will use all reasonable efforts to cause our and our subsidiaries employees, agents and representatives, including any investment banker, attorney or accountant retained by us or any of our subsidiaries, not to, and will not authorize any of them to, directly or indirectly:

solicit, initiate, intentionally encourage, take any action to facilitate or intentionally induce any inquiry with respect to, or the making, submission or announcement of, any alternative acquisition proposal, as described below;

enter into or participate in any discussions or negotiations regarding, or furnish to any person any non-public information or afford access to our or our subsidiaries business, properties, assets, books or records, with respect to, or take any other action to facilitate or intentionally encourage any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to any alternative acquisition proposal, except for discussions as to the existence of these no solicitation provisions of the merger agreement;

approve, endorse or recommend any alternative acquisition proposal;

enter into any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any alternative acquisition proposal or transaction contemplated by any alternative acquisition proposal; or

grant any waiver or release under any standstill or similar agreement with respect to any equity securities of Inktomi or our subsidiaries.

We have agreed that as promptly as practicable, and in any event within 24 hours, after receiving any alternative acquisition proposal, or any expression by any person of an intention to make an alternative acquisition proposal, or any request for nonpublic information, or inquiry that we reasonably believe may lead to an alternative acquisition proposal or for a waiver or release under any standstill or similar agreement, that we will provide Yahoo! with oral and written notice of the material terms and conditions of the alternative acquisition proposal, indication, request or inquiry and the identity of the person or group making the alternative acquisition proposal, indication, request or inquiry. We have agreed to provide Yahoo! as promptly as practicable notice, which may be oral, setting forth all information that is reasonably necessary to keep Yahoo! informed on a current basis of the status and details, including material amendments or proposed material amendments, of any alternative acquisition proposal, indication, request or inquiry.

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We have also agreed to provide Yahoo! with 48 hours prior notice, or lesser prior notice equal to the prior notice provided to our board of directors, of any meeting of our board of directors at which our board of directors is reasonably expected to consider any alternative acquisition proposal.

Even though we have agreed to the provisions described above relating to the solicitation of an alternative acquisition proposal, if we receive an unsolicited, bona fide written alternative acquisition proposal that includes an indication of value in excess of the merger consideration, and that our board of directors in good faith concludes, after receiving advice from our outside legal counsel and financial advisor, is from a person reasonably capable of completing the alternative acquisition proposal and is or is reasonably likely to result in a superior offer (as described below), we may take the following actions:

- furnish nonpublic information to the third party making the alternative acquisition proposal, request or inquiries provided that concurrently with furnishing any nonpublic information to the third party, we give Yahoo! notice of our intention to furnish the information and we receive from the third party an executed confidentiality agreement, the terms of which do not include any provision calling for any exclusive right to negotiation with the third party or having the effect of prohibiting us from satisfying our obligations under the merger agreement with Yahoo!, and are, in all material respects, no less favorable to us than the confidentiality agreement we entered into with Yahoo!, and contemporaneously with furnishing any nonpublic information to the third party, we furnish the same nonpublic information to Yahoo! if we have not previously done so; and

- engage in negotiations with the third party with respect to the alternative acquisition proposal, provided that concurrently with entering into negotiations with the third party, we give Yahoo! notice of our intention to do so.

In response to the receipt of a superior offer, our board of directors may withhold, withdraw, amend or modify its recommendation in favor of adoption of the merger agreement, and in the case of a superior offer that is a tender or exchange offer made directly to our stockholders, our board may recommend that our stockholders accept the tender or exchange offer, if all of the following conditions are met:

- the stockholders meeting to vote on the adoption of the merger agreement has not occurred;

- we deliver to Yahoo!, no later than concurrently with changing our recommendation, written notice of our change of recommendation, including the material terms and conditions of the superior offer and the identity of the person or group making the superior offer;

- our board of directors has concluded in good faith, after receipt of advice from our outside legal counsel that, in light of the superior offer, the failure of our board of directors to change its recommendation is reasonably likely to be inconsistent with its fiduciary obligations to our stockholders under applicable law; and

- we have not breached in any material respect the no solicitation provisions of the merger agreement.

For five business days after delivering written notice of our change of recommendation, we will provide Yahoo! a reasonable opportunity to make adjustments in the terms and conditions of the merger agreement with Yahoo!, and to negotiate in good faith with respect to that agreement.

We have agreed that unless the merger agreement has been terminated in accordance with its terms, we will be obligated to call, give notice of, convene and hold a meeting of our stockholders to vote on adoption of the merger agreement, regardless of the commencement, disclosure, announcement or submission to us of any alternative acquisition proposal, or of any withdrawal, amendment or modification of our recommendation, and we will not submit to the vote of our stockholders any alternative acquisition proposal, or propose to do so.

However, nothing in our agreement with Yahoo! will prohibit us or our board of directors from taking and disclosing a position to our stockholders as contemplated by Rules 14d-9 and 14e-2(a) under the Exchange Act.

For purposes of the merger agreement, alternative acquisition proposal means any offer or proposal, whether or not subject to due diligence, relating to any transaction or series of related transactions (other than

the merger with Yahoo!) involving any acquisition by any person or group of more than 15% of our total outstanding voting securities, or any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 15% or more of our total outstanding securities, or any merger, consolidation, business combination or similar transaction involving us or, any sale, lease, exchange, transfer, license or acquisition by a third party of more than 15% of our and our subsidiaries assets, taken as a whole.

For purposes of the merger agreement, a superior offer means an unsolicited, bona fide written offer made by a third party to acquire, directly or indirectly, through a tender offer, exchange offer, merger, consolidation or other business combination all or substantially all of our assets, or a majority of our total outstanding voting securities on terms our board of directors reasonably determines, in good faith, following receipt of advice from our outside legal counsel and financial advisor, provides consideration to our stockholders that is more favorable, from a financial point of view, than the consideration offered in the merger agreement, and is not subject to any financing condition, with any required financing being either fully committed or otherwise reasonably determined to be available, and taking into account all legal, financial, regulatory and other aspects of the offer and the person making the offer, is reasonably capable of being completed without significant additional delay.

Board Recommendation

Neither our board of directors nor any committee to the board of directors may withdraw, amend or modify in any manner adverse to Yahoo!, its recommendation that you vote in favor of adoption of the merger agreement, except in response to the receipt of a superior offer and under the circumstances described above under No Solicitation on page 36.

Conditions to the Merger

The respective obligations of each of the parties to complete the merger are subject to the satisfaction of the following conditions:

- the merger agreement must be adopted, by the requisite vote, under applicable law, of our stockholders;
- there must be no statute, rule, regulation, executive order, decree or injunction or other order, whether temporary, preliminary or permanent, enacted, issued, promulgated, enforced or entered by any governmental entity, which is in effect and has the effect of making the merger illegal or otherwise prohibiting completion of the merger;
- all waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act must have expired or been terminated, any required approval by the European Commission must have been obtained pursuant to the EC Merger Regulation and all other material foreign antitrust approvals must have been obtained; and
- there must be no pending or overtly threatened suit, action or proceeding asserted by any governmental authority challenging or seeking to restrain or prohibit the completion of the merger or any of the transactions contemplated by the merger agreement, or seeking to require Yahoo!, us or any of our subsidiaries or affiliates, to make proposals, execute or carry out agreements or submit to legal requirements providing for the license, sale or other disposition or holding separate of any assets or categories of assets that are material to Yahoo!, us or any of our or Yahoo! s subsidiaries or the holding separate of our capital stock or imposing or seeking to impose any limitation on the ability of Yahoo!, us or our and Yahoo! s respective subsidiaries, to conduct their respective businesses or own such assets or to acquire, hold or exercise full rights of ownership of our business or otherwise take any step to avoid or eliminate any impediment which may be asserted under any legal requirement governing competition, monopolies or restrictive trade practices.

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Our obligation to complete the merger is also subject to the satisfaction or waiver by us, at or prior to the effective time of the merger, of the following additional conditions:

Yahoo! and Yahoo! s wholly-owned subsidiary s representations and warranties must be true and correct in all respects as of the closing date, except in each case, or in the aggregate, as would not reasonably be expected to impede the receipt of the merger consideration by our stockholders;

Yahoo! and Yahoo! s wholly-owned subsidiary must have performed or complied in all material respects with all the agreements and covenants required by the merger agreement to be performed by it on or prior to the closing date; and

we must have received a certificate with respect to Yahoo! and the Yahoo! wholly-owned subsidiary with respect to the correctness and completeness of their respective representations and warranties, and performance of their respective agreements and covenants, executed by a senior executive officer of Yahoo! and an authorized officer of Yahoo! s wholly-owned subsidiary.

The obligation of Yahoo! to complete the merger is also subject to the satisfaction or waiver by Yahoo!, at or prior to the effective time of the merger, of the following additional conditions:

our representations and warranties contained in the merger agreement must be true and correct in all respects as of the closing date, with such exceptions as do not, individually or in the aggregate, constitute a material adverse effect on us at the time of the completion of the merger, and we must provide to Yahoo! a certificate executed by our chief executive officer, certifying our representations and warranties as true and correct as of the closing date;

we must have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied by us, at or prior to the closing date, and we must provide to Yahoo! a certificate executed by one of our senior executive officers certifying our compliance with the required agreements and covenants as of the closing date;

no change, event, circumstance or occurrence must have occurred and be continuing that has a material adverse effect on us;

all consents, permits and approvals of governmental entities and other private third parties, as designated by the merger agreement, must have been obtained, with no material adverse conditions attached and no material expense imposed on us; and

shares of our common stock outstanding immediately prior to the consummation of the merger and held by holders who have not voted in favor of the merger and who have demanded appraisal for such shares in accordance with Delaware General Corporation Law must not comprise more than 15% of our shares of common stock outstanding immediately prior to the merger.

Benefit Arrangements

Yahoo! will provide, or will cause the surviving corporation in the merger to provide, our employees who are subsequently employed by Yahoo! or its subsidiaries after the effective time of the merger, with employee benefits (other than equity-based benefits) that are substantially comparable in the aggregate to the employee benefits provided to similarly-situated active employees of Yahoo!, its subsidiaries or the surviving corporation, and to honor the severance payments and benefits payable under Inktomi s severance plans and agreements in effect immediately prior to the closing.

Prior to the effective time of the merger, Yahoo! s board of directors, or an appropriate committee of non-employee directors thereof, will, if necessary, adopt a resolution consistent with the interpretative guidance of the SEC so that the assumption of the options to purchase our common stock held by company insiders will be an exempt transaction for purposes of Section 16 of the Exchange Act by any officer or director of Inktomi who may become a covered person of Yahoo! for purposes of that provision.

Prior to the effective time and in accordance with the terms and conditions of the Inktomi Corporation 1998 Employee Stock Purchase Plan, our board of directors will shorten the purchase periods, then in

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progress, for our employee stock purchase plan by setting a new exercise date prior to the effective time and notifying all participants in the plan of such new exercise date at least 10 business days prior to such new date and each participant s option under the plan will be exercised automatically on the new exercise date, unless prior to that date the participant has withdrawn from the offering period. Any offering periods, then in progress, will end on the new exercise date, and our board of directors will terminate the plan prior to the effective time.

Expenses

Other than the termination fee described under Termination Fee on page 42, all fees and expenses incurred in connection with the merger agreement and transactions contemplated by the merger agreement will be paid by the party incurring those fees or expenses; provided, however, that we and Yahoo! will share all fees and expenses equally (other than attorneys and accountants fees and expenses) incurred in connection with printing, filing and mailing this proxy statement, and the filing fees for certain antitrust notification and report forms.

Termination of the Merger Agreement

The merger agreement may be terminated:

by mutual written consent duly authorized by Yahoo! s and Inktomi s boards of directors;

by either Yahoo! or Inktomi, if:

the merger is not completed by May 31, 2003 (or in the event that the merger has not been completed because of a governmental order prohibiting completion of the merger or because the relevant waiting periods of the Hart-Scott-Rodino Act have not expired or been terminated or certain other necessary antitrust or competition authority approvals have not been obtained or because a governmental authority has any pending or overtly threatened suit, action or proceeding challenging, seeking to restrain or prohibit completion of the merger or seeking to require certain divestitures, then July 31, 2003); provided, however, the agreement may not be terminated by any party whose action or failure to act is a principle cause or results in the merger failing to be completed on or before such date and such action or failure to act constitutes a material breach;

any final nonappealable order, decree or ruling issued by a governmental entity permanently restrains or prohibits the merger; or

the merger agreement is not adopted by the required vote of our stockholders at a meeting of the stockholders duly convened for the purpose of voting on the merger agreement; provided, however, that we may not terminate the agreement if our actions or failure to act causes our stockholders to fail to approve the merger agreement and the merger, and our actions or failure to act constitutes a material breach of the merger agreement;

by Inktomi if:

Yahoo! breaches any of its representations, warranties, covenants or agreements under the merger agreement or if any representation or warranty of Yahoo! will have become untrue, in either case, such that either Inktomi s condition relating to representations and warranties or Inktomi s condition relating to agreements and covenants would not be satisfied at the time of such breach or as of the time such representation or warranty shall have become untrue, subject to a 30-day cure period and the condition that if we have materially breached the agreement we may not terminate the agreement, or

if prior to the adoption and approval of the merger agreement and the merger by the required vote of our stockholders we have provided written notice to Yahoo! that we intend to enter into a binding,

written agreement for a superior offer, with the agreement terminating upon our entering into a binding written agreement, provided, that each of the following events has occurred:

we have complied in all material respects with the no solicitation provisions of the merger agreement;

we have delivered to Yahoo! notice of a change of recommendation notice by our board;

Yahoo! does not make, within 72 hours after receiving our written notice, an offer that the Inktomi board of directors has reasonably concluded in good faith (following consultation with its financial advisor and outside counsel) is at least as favorable to our stockholders as such superior offer;

we have received opinions from our financial advisor and an additional investment banking firm of national reputation to the effect that the consideration to be provided to our stockholders by the superior offer is superior from a financial point of view to the merger consideration; and

we pay to Yahoo! a cash termination fee of $11,200,000 concurrently with entering into such binding, written agreement;

by Yahoo! if:

we breach any of our representations, warranties, covenants or agreements under the merger agreement or if any representation or warranty of ours shall have become untrue, in either case, such that either Yahoo! s condition relating to representation and warranties or Yahoo! s condition relating to agreements and covenants would not be satisfied at the time of such breach or as of the time such representation or warranty shall have become untrue, subject to a 30-day cure period and the condition that if Yahoo! has materially breached the agreement it may not terminate the agreement; or

any one of the following events occurs prior to the adoption and approval of the merger and merger agreement by the required vote of our stockholders:

our board of directors or any committee of the board of directors withdraws, amends or modifies in a manner adverse to Yahoo! its recommendation in favor of the adoption and approval of the merger agreement with Yahoo! and the merger;

our board fails to publicly reaffirm its recommendation in favor of the adoption and approval of the merger agreement with Yahoo! and the merger within 10 business days after Yahoo! requests in writing that our board of directors reaffirms its recommendation following the public announcement of any alternative acquisition proposal;

our board of directors or any committee of the board of directors approves or recommends an alternative acquisition proposal from a third party;

our board of directors does not convey to our stockholders a statement in respect to a tender offer or exchange offer by a third party that our board recommends rejection of such offer within 10 business days after the tender or exchange offer is first published or received by our board of directors; or

we deliver a change of recommendation notice to Yahoo!.

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Termination Fee

We must pay Yahoo! a cash termination fee of $11,200,000 promptly, but in no event later than two business days, after the merger agreement is terminated because:

we willfully and materially breach a representation, warranty, covenant or agreement or a representation or warranty becomes untrue, in either case, such that Yahoo! s condition relating to representations and warranties would not be satisfied;

our board of directors or any committee of our board of directors withdraws, amends or modifies in a manner adverse to Yahoo! its recommendation in favor of the adoption and approval of the merger agreement;

our board fails to reaffirm its recommendation of the merger agreement within 10 business days after Yahoo! requests it to do so following the public announcement of an alternative acquisition proposal;

our board of directors approves or recommends an alternative acquisition proposal;

a tender or exchange offer relating to our securities will have been commenced by a person unaffiliated with Yahoo! and we will not have sent to our stockholders within 10 business days after such tender or exchange offer is first published, sent or given, a statement disclosing that our board of directors recommends rejection of such tender or exchange offer;

we deliver a change of recommendation notice to Yahoo!; or

we have entered into a binding written agreement with respect to a superior offer.

We must also pay Yahoo! a cash termination fee of $11,200,000 promptly, but in no event later than two business days after completion of an acquisition of Inktomi by a third party, if prior to the termination of the merger agreement, there has been public disclosure of an alternative acquisition proposal and within 12 months of the termination of the merger agreement an acquisition of Inktomi is completed, and the merger agreement is terminated for one of the following reasons:

the merger fails to be consummated by May 31, 2003 (or, under certain circumstances, July 31, 2003); or

the merger agreement is not adopted by the required vote of our stockholders; provided that the consideration paid to our stockholders in such alternative acquisition, valued as of the date we enter into the alternative acquisition proposal, exceeds the merger consideration.

Amendment; Extension and Waiver

The merger agreement may be amended by the parties, by action taken or authorized by their respective boards of directors, at any time before or after approval of the matters presented in connection with the merger by the stockholders of Inktomi, provided, that after any approval, no amendment can be made which by law requires further approval by such stockholders without further stockholder approval. The merger agreement may not be amended except by executing a written agreement signed by each of the parties.

At any time prior to the effective time any party to the agreement, by action taken or authorized by their respective board of directors, may, to the extent legally allowed: (i) extend the time for the performance of any of the obligations or other acts of the other parties to the merger agreement, (ii) waive any inaccuracies in the representations and warranties made to such party contained in the agreement or in any document delivered pursuant to the agreement, and (iii) waive compliance with any of the agreements or conditions for the benefit of such party contained in the agreement. Any agreement to grant an extension or waiver is valid only if set forth in a written document executed on behalf of the party agreeing to the extension or waiver. Delay in exercising any right under the merger agreement does not constitute a waiver of that right.

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THE VOTING AGREEMENTS

Concurrently with the execution and delivery of the merger agreement, Yahoo! entered into a voting agreement with each of David C. Peterschmidt, Chairman, President and Chief Executive Officer of Inktomi, and Dr. Eric A. Brewer, Chief Scientist of Inktomi and a member of our board of directors, who on the record date held 237,437 and 3,850,276 shares, respectively, of Inktomi common stock, representing approximately 2.51% of Inktomi common stock outstanding on the record date. No other Inktomi stockholder has entered into a voting agreement with Yahoo! regarding the merger. The following summary of the material terms of the voting agreements is qualified in its entirety by reference to the form of voting agreement, which is incorporated by reference in its entirety and attached as Annex B to this proxy statement.

Under the voting agreements, Mr. Peterschmidt and Dr. Brewer agreed, among other things, to vote their shares of Inktomi s common stock in favor of the adoption of the merger agreement at any meeting of Inktomi s stockholders and at every adjournment or postponement of a meeting. Mr. Peterschmidt and Dr. Brewer also agreed to vote against any action or agreement presented to stockholders of Inktomi for which the vote or consent of either of them is requested or sought that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of ours under the merger agreement, or which would deprive Yahoo! of any material portion of the benefits anticipated by Yahoo! to be received from the consummation of the merger or other transactions contemplated by the merger agreement, or which would change in any manner the voting rights of our common stock, except as may, in each case, be approved in advance by Yahoo!. In order to secure these obligations, Mr. Peterschmidt and Dr. Brewer granted a proxy and power of attorney with respect to all of their shares of Inktomi common stock with respect to such matters to certain officers of Yahoo! or a person designated by Yahoo!.

Mr. Peterschmidt and Dr. Brewer also agreed not to offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition of any or all of their shares of Inktomi common stock subject to their respective voting agreements prior to the date of the stockholder meeting to consider adoption of the merger agreement. In addition, Mr. Peterschmidt and Dr. Brewer agreed not to grant any proxy or power of attorney, deposit of any of their shares of Inktomi common stock subject to their respective voting agreements into a voting trust, or enter into a voting agreement or arrangement with respect to such shares except as provided in their respective voting agreements, nor to take any other action that would make any of their representations and warranties in such voting agreements untrue or incorrect or have the effect of preventing or disabling each of them from performing his obligations under such voting agreements. Mr. Peterschmidt and Dr. Brewer did not receive any consideration for entering into the voting agreements.

Each voting agreement provides that it will terminate upon the earliest of the termination of the merger agreement pursuant to its terms, written agreement of the parties to the voting agreements to terminate such agreements, a change of our board of directors recommendation that our stockholders vote in favor of adoption of the merger agreement, or the completion of the merger.

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PORTAL SERVICES AGREEMENT

Concurrently with the execution and delivery of the merger agreement, we entered into a portal services agreement with Yahoo!. If the merger agreement is terminated for any reason, except by us as a result of a breach by Yahoo! under the merger agreement, Yahoo! has the option for 30 days to effectuate the agreement and obtain Web search services from us pursuant to the agreement.

If the agreement becomes effective, at Yahoo! s election, we will provide Yahoo! and its affiliates a nonexclusive right to access our Internet search services. We will also provide Yahoo! with a programming interface and software tools to enable Yahoo! to build interfaces to access our Web search services and will permit Yahoo! to implement these interfaces on websites owned or controlled by Yahoo! or its affiliates. In addition, we will provide Web search services to Yahoo! that incorporate features consistent with those provided by us to other third parties or an Inktomi website. We will provide Web search services in accordance with certain operational parameters, including ensuring the availability of the Web search services to Yahoo!. Yahoo! may also choose to participate in our paid inclusion services.

Under the portal services agreement, we will charge Yahoo! a usage-based fee for Web search services and will pay Yahoo! a percentage of the revenue we earn from paid inclusion program participants. The fees under these arrangements will be based upon the most favorable terms for such services under our agreements with other large customers.

The term of the agreement, if implemented, will be two years. After the first year, Yahoo! may terminate the agreement on six months written notice.

We have obligations to indemnify Yahoo! for certain matters, and Yahoo! has obligations to indemnify us for certain matters.

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SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the common stock beneficially owned by (i) each person who is known by us to beneficially own 5% or more of our outstanding common stock, (ii) each of the executive officers of Inktomi, (iii) each of our directors and (iv) all officers and directors as a group, as of February 3, 2003. Except as otherwise noted, the address of each person listed in the table is c/o Inktomi Corporation, 4100 East Third Avenue, Foster City, California 94404.

Name	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock
David C. Peterschmidt(2)	5,338,237	3.17%
Eric A. Brewer(3)	4,575,276	2.79%
Allen J. Gula, Jr.(4)	200,000	*
Greg Myers(5)	200,000	*
Roger Noall(6)	100,000	*
Randy S. Gottfried(7)	503,053	*
Vishal Makhijani(8)	607,194	*
Timothy J. Stevens(9)	910,000	*
All directors and executive officers as a group (8 Persons)	12,433,760	7.26%

* Less than one percent of the outstanding common stock as of February 3, 2003.

(1) This table is based on information supplied by executive officers and directors of Inktomi and on any Schedules 13D or 13G filed with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after February 3, 2003 are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person. Percentage of beneficial ownership is based on 163,163,205 shares of Inktomi common stock outstanding as of February 3, 2003. Unless otherwise indicated in the footnotes below, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

(2) Includes 215,178 shares held by David C. Peterschmidt and Roxanne N. Peterschmidt, Trustees of the Peterschmidt Family Trust U/D/T Dtd 12/30/91, and 22,259 shares held by Mr. Peterschmidt. Also includes options held by Mr. Peterschmidt to purchase 5,100,800 shares of common stock. The options are fully exercisable although as of February 3, 2003, 2,020,009 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Peterschmidt ceases to be an employee of Inktomi.

(3) Includes 3,156,931 shares held by Dr. Eric A. Brewer and 693,345 shares held by the Dr. Eric A. Brewer Living Trust, Dr. Eric A. Brewer, Trustee. Also includes options held by Dr. Brewer to purchase 725,000 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 424,666 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Dr. Brewer ceases to be an employee of Inktomi.

(4) Includes options held by Allen J. Gula, Jr. to purchase 200,000 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 174,000 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Gula ceases to be a director of Inktomi.

(5) Includes options held by Greg Myers to purchase 200,000 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 172,000 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Myers ceases to be a director of Inktomi.

(6) Includes options held by Roger Noall to purchase 100,000 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 98,000 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Noall ceases to be a director of Inktomi.

(7) Includes 3,053 shares held by Randy S. Gottfried. Also includes options held by Mr. Gottfried to purchase 500,000 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 440,000 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Gottfried ceases to be an employee of Inktomi.

(8) Includes 10,495 shares held by Vishal Makhijani. Also includes options held by Mr. Makhijani to purchase 596,699 shares of common stock. The options are fully exercisable, although as of February 3, 2003, 366,483 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Makhijani ceases to be an employee of Inktomi.

(9) Includes options held by Timothy J. Stevens to purchase 910,000 shares of common stock. The options are fully exercisable although as of February 3, 2003, 441,696 shares issuable upon exercise of the options were subject to a right of repurchase at cost in the event Mr. Stevens ceases to be an employee of Inktomi.

STOCKHOLDER PROPOSALS

If the merger is completed, we will not have any public stockholders and will not hold any more annual meetings of stockholders. However, if the merger is not completed, we will hold a 2003 annual meeting of stockholders as soon as practicable after the termination of the merger agreement. In that event:

- stockholder proposals pursuant to Rule 14a-8 under the Exchange Act intended to be included in the proxy statement for our 2003 annual meeting of stockholders must be received at our executive offices a reasonable time before we begin to print and mail proxy materials for the 2003 annual meeting of stockholders, if any; and

- stockholder proposals under our bylaws submitted outside of Rule 14a-8 must also be received at our executive offices a reasonable time before we begin to print and mail proxy materials for our 2003 annual meeting of stockholders, if any. Stockholder suggestions for nominees must include certain required information.

OTHER MATTERS

As of the date of this proxy statement, our board of directors knows of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information that Inktomi file, with the Securities and Exchange Commission at the Securities and Exchange Commission s public reference room at the following location:

Public Reference Room

450 Fifth Street, N.W., Room 1024
Washington, D.C. 20549

Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. These Securities and Exchange Commission filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the Securities and Exchange Commission at http://www.sec.gov . Reports, proxy statements and other information concerning Inktomi may also be inspected at the offices of the Nasdaq Stock Market at 1735 K Street, N.W., Washington, D.C. 20006.

The Securities and Exchange Commission allows Inktomi to incorporate by reference information into this proxy statement, which means that we can disclose important information by referring you to another document filed separately with the Securities and Exchange Commission. All documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the date hereof and prior to the special meeting shall be deemed to be incorporated by reference into this proxy statement.

You may obtain the above-mentioned documents, without charge, by requesting them in writing or by telephone from us at the following address:

Inktomi Corporation

4100 East Third Avenue
Foster City, California 94404
Attention: Investor Relations
Telephone: (650) 653-2800

If you would like to request documents from us, please do so by March 10, 2003 to receive them before the special meeting.

You should not send in your Inktomi certificates, if any, until you receive the transmittal materials from the paying agent. If you are a stockholder of record who has further questions about your share certificates or the exchange of your Inktomi common stock for cash, you should call our proxy solicitor, Innisfree M&A Incorporated, toll free at 1-877-456-3463.

You should rely only on the information contained in this proxy statement. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated as of February 11, 2003. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. Neither the mailing of this proxy statement to stockholders nor the issuance of cash in the merger creates any implication to the contrary.

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ANNEX A

AGREEMENT AND PLAN OF MERGER

by and among
YAHOO! INC.
DECEMBER 2002 ACQUISITION CORP.
and
INKTOMI CORPORATION
dated as of
December 22, 2002

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this **Agreement**), is entered into as of December 22, 2002 by and among Yahoo! Inc., a Delaware corporation (**Parent**), December 2002 Acquisition Corp., a Delaware corporation and a direct, wholly-owned subsidiary of Parent (**Merger Sub**), and Inktomi Corporation, a Delaware corporation (the **Company**).

RECITALS

A. The Board of Directors of each of Parent, Merger Sub and the Company has approved, and deems it advisable and in the best interests of its respective stockholders to consummate the acquisition of the Company by Parent upon the terms and subject to the conditions set forth herein.

B. The Board of Directors of each of Parent, Merger Sub and the Company has unanimously (in the case of Parent, with one director abstaining) approved this Agreement and the transactions contemplated hereby, including the Merger (as defined in Section 1.1), in accordance with the Delaware General Corporation Law **(DGCL)** and upon the terms and subject to the conditions set forth herein.

C. The Board of Directors of the Company (the **Company Board of Directors**) has resolved to recommend to its stockholders approval and adoption of this Agreement and approval of the Merger and the transactions contemplated hereby.

D. Parent, as the sole stockholder of Merger Sub, has approved and adopted this Agreement and approved the Merger.

E. Concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent s and Merger Sub s willingness to enter into this Agreement, certain stockholders of the Company are entering into Voting Agreements in the form attached hereto as *Exhibit A* (the **Voting Agreements**).

F. Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants, agreements, representations and warranties set forth herein, the parties agree as follows:

ARTICLE I

THE MERGER

1.1 *The Merger.* At the Effective Time (as defined in Section 1.2) and subject to and upon the terms and conditions of this Agreement and the applicable provisions of the DGCL, Merger Sub shall be merged with and into the Company (the **Merger**), the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation. The Company, as the surviving corporation after the Merger, is hereinafter sometimes referred to as the **Surviving Corporation.**

1.2 *Effective Time; Closing.* Subject to the provisions of this Agreement, the parties hereto shall cause the Merger to be consummated by filing a Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL (the **Certificate of Merger**) (the time of such filing with the Secretary of State of the State of Delaware (or such later time as may be agreed upon in writing by the Company and Parent and specified in the Certificate of Merger) being the **Effective Time**) as soon as practicable on or after the Closing Date (as defined below). The closing of the Merger (the **Closing**) shall take place at the offices of Davis Polk & Wardwell, located at 1600 El Camino Real, Menlo Park, California, at a time and date to be specified by the parties, which shall be no later than the second business day after the satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions), or at such other time, date and location as the parties hereto agree in writing (the **Closing Date**).

1.3 *Effect of the Merger.* At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the DGCL.

1.4 *Certificate of Incorporation and Bylaws.* The certificate of incorporation of the Company, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided therein or by the DGCL; *provided* that, at the Effective Time, such certificate of incorporation shall be amended as set forth in Exhibit B. The bylaws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation until thereafter amended as provided therein or by the DGCL.

1.5 *Directors and Officers.* The initial directors of the Surviving Corporation shall be the directors of Merger Sub immediately prior to the Effective Time, until their respective successors are duly elected or appointed and qualified. The initial officers of the Surviving Corporation shall be the officers of Merger Sub immediately prior to the Effective Time, until their respective successors are duly appointed.

1.6 *Effect on Capital Stock.* Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the holders of any shares of capital stock of the Company, the following shall occur:

(a) *Company Common Stock.* Each share of the common stock, par value $0.001 per share, of the Company (together with the associated preferred stock purchase rights (the **Company Rights**) under the Preferred Stock Rights Agreement, dated as of August 10, 2000, between the Company and Wells Fargo Shareowner Services, as Rights Agent thereunder (the **Company Rights Agreement**), **Company Common Stock**) issued and outstanding immediately prior to the Effective Time (the **Shares**), other than any shares of Company Common Stock to be canceled pursuant to Section 1.6(c) and, other than as provided in Section 1.8 with respect to Shares as to which appraisal rights have been perfected, will be canceled and extinguished and automatically converted into the right to receive $1.65 in cash (the **Merger Consideration**) upon surrender of the certificate representing such share of Company Common Stock in the manner provided in Section 1.7 (or in the case of a lost, stolen or destroyed certificate, upon delivery of an affidavit (and bond, if required) in the manner provided in Section 1.10).

(b) *Repurchase Rights.* If any shares of Company Common Stock outstanding immediately prior to the Effective Time are unvested or are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other agreement with the Company, then, at Parent s option and in Parent s sole discretion, the Merger Consideration in respect of such shares shall either be (i) paid to the holder thereof, in the manner provided in Section 1.7, without restriction or (ii) paid to the holder thereof over time upon satisfaction of the vesting requirements associated with the applicable restricted stock schedule.

(c) *Treasury and Parent Owned Stock.* Each share of Company Common Stock held by the Company or Parent or any direct or indirect wholly-owned subsidiary of Parent immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof. Each share of Company Common Stock held by any direct or indirect subsidiary of the Company immediately prior to the Effective Time shall remain outstanding.

(d) *Capital Stock of Merger Sub.* Each share of common stock, par value $0.001 per share, of Merger Sub (the **Merger Sub Common Stock**) issued and outstanding immediately prior to the Effective Time shall be converted into one validly issued, fully paid and nonassessable share of common stock, par value $0.001 per share, of the Surviving Corporation.

(e) *Stock Options.* At the Effective Time, all Company Options outstanding under each Company Option Plan shall be assumed by Parent in accordance with Section 5.7(a).

(f) *Adjustments to Merger Consideration.* The Merger Consideration shall be adjusted to reflect fully the appropriate effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Company Common Stock), reorganization, recapitalization,

reclassification or other like change with respect to Company Common Stock having a record date on or after the date hereof and prior to the Effective Time.

1.7 *Surrender of Certificates.*

(a) *Paying Agent.* Parent shall designate a bank or trust company reasonably satisfactory to the Company to act as the paying agent (the **Paying Agent**) in the Merger.

(b) *Parent to Provide Merger Consideration.* At or before the Effective Time, Parent shall enter into an agreement with the Paying Agent, reasonably satisfactory to the Company, which shall provide that Parent shall make available to the Paying Agent for payment in accordance with this Article I, and Parent shall deposit or cause to be deposited with the Paying Agent the cash payable pursuant to Section 1.6(a) in exchange for outstanding shares of Company Common Stock. Any cash deposited with the Paying Agent shall hereinafter be referred to as the **Merger Fund.**

(c) *Exchange Procedures.* Promptly after the Effective Time, Parent shall cause the Paying Agent to mail to each holder of record (as of the Effective Time) of a certificate or certificates (the **Certificates**) which immediately prior to the Effective Time represented outstanding shares of Company Common Stock whose shares were converted into the right to receive the Merger Consideration pursuant to Section 1.6(a), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in such form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for payment of the Merger Consideration. Upon surrender of Certificates for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificates shall be entitled to receive in exchange therefor the Merger Consideration (after taking into account all Certificates surrendered by such holder) to which such holder is entitled pursuant to Section 1.6(a), and the Certificates so surrendered shall forthwith be canceled except as set forth in Section 1.8. Until so surrendered, outstanding Certificates will be deemed from and after the Effective Time, for all corporate purposes, to evidence the ownership of the right to receive the Merger Consideration attributable to such.

(d) *Transfers of Ownership.* If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificates are registered, it will be a condition of payment thereof that the Certificates so surrendered will be properly endorsed and otherwise in proper form for transfer and that the persons requesting such payment will have paid to Parent or any agent designated by it any transfer or other Taxes (as defined in Section 2.7) required by reason of the payment of the Merger Consideration in any name other than that of the registered holder of the Certificates surrendered, or established to the satisfaction of Parent or any agent designated by it that such Tax has been paid or is not payable.

(e) *Required Withholding.* Each of the Paying Agent and the Surviving Corporation shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement to any holder or former holder of Company Common Stock such amounts as may be required to be deducted or withheld therefrom under the Internal Revenue Code of 1986, as amended (the **Code**) or under any provision of state, local or foreign Tax law or under any other applicable Legal Requirement. To the extent such amounts are so deducted or withheld, the amount of such consideration shall be treated for all purposes under this Agreement as having been paid to the person to whom such consideration would otherwise have been paid.

(f) *No Liability.* Notwithstanding anything to the contrary in this Section 1.7, none of the Paying Agent, the Surviving Corporation or any party hereto shall be liable to a holder of shares of Company Common Stock for any amount properly paid to a public official pursuant to any applicable abandoned property, escheat or similar law.

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(g) *Investment of Paying Fund.* The Paying Agent shall invest the Merger Fund as directed by Parent on a daily basis; provided that no such investment or loss thereon shall affect the amounts payable or the timing of payments to Company stockholders pursuant to this Article I. Any interest and other income resulting from such investment shall become a part of the Merger Fund, and any amounts in excess of the amounts payable to Company stockholders pursuant to this Article I shall promptly be paid to Parent.

(h) *Termination of Merger Fund.* Any portion of the Merger Fund which remains undistributed to the holders of Certificates six (6) months after the Effective Time shall, at the request on the instruction of the Surviving Corporation, be delivered to the Surviving Corporation, and any holders of the Certificates who have not surrendered such Certificates in compliance with this Section 1.7 shall after such delivery to the Surviving Corporation look only to the Surviving Corporation for payment of the Merger Consideration pursuant to Section 1.6(a). Any such portion of the Merger Fund remaining unclaimed by holders of shares of Company Common Stock immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Entity shall, to the extent permitted by law, become the property of Parent free and clear of any claims or interest of any person previously entitled thereto.

1.8 *Dissenting Shares.* Notwithstanding Section 1.6, Shares outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such Shares in accordance with the DGCL (**Dissenting Shares**) shall not be converted into a right to receive the Merger Consideration, unless such holder fails to perfect or withdraws or otherwise loses its rights to appraisal or it is determined that such holder does not have appraisal rights in accordance with the DGCL. If after the Effective Time such holder fails to perfect or withdraws or loses its right to appraisal, or if it is determined that such holder does not have an appraisal right, such Shares shall be treated as if they had been converted as of the Effective Time into the right to receive in exchange for each Share the Merger Consideration. The Company shall give Parent and Merger Sub prompt notice of any demands received by the Company for appraisal of Shares, and Parent and Merger Sub shall have the right to participate in all negotiations and proceedings with respect to such demands except as required by applicable law. The Company shall not, except with prior written consent of Parent and Merger Sub, make any payment with respect to, or settle or offer to settle, any such demands.

1.9 *No Further Ownership Rights in Company Common Stock.* All cash paid upon the surrender for payment of shares of Company Common Stock in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Company Common Stock, and there shall be no further registration of transfers on the records of the Surviving Corporation of shares of Company Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article I.

1.10 *Lost, Stolen or Destroyed Certificates.* If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent shall pay, in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration to be paid in respect of the Shares represented by such Certificate, as contemplated by this Article I.

1.11 *Further Action.* At and after the Effective Time, the officers and directors of Parent and the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company and Merger Sub, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company and Merger Sub, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

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ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub, subject to the exceptions specifically disclosed in writing in the disclosure letter delivered by the Company to Parent dated as of the date hereof and certified by a duly authorized officer of the Company (the **Company Disclosure Letter**), as set forth below. Each exception set forth in the Company Disclosure Letter is identified by reference to, or has been grouped under a heading referring to, a specific individual section of this Agreement and shall be deemed to qualify the particular section or sections of Article II specified for such item, unless it is reasonably apparent that such exception is relevant to another section or sections of Article II in which case such exception shall also be deemed to qualify such other section or sections.

2.1 *Organization of the Company.*

(a) Each of the Company and its subsidiaries (i) is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized; (ii) has all requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as now being conducted; and (iii) is duly qualified or licensed to do business and is in good standing (to the extent the concept of good standing exists) in each jurisdiction where the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary except, in the cases of clauses (ii) and (iii), for those authorizations, qualifications and licenses the absence of which would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

(b) The Company has set forth in Section 2.1(b) of the Company Disclosure Letter a true and complete list of all of the Company s subsidiaries as of the date of this Agreement, together with a list of each partnership, joint venture or other business entity in which the Company holds an equity interest, whether voting or otherwise (collectively, the **Portfolio Companies**), indicating the name and the Company s equity interest (including number of shares and percentage ownership) in each such entity. Except as set forth on such lists, neither the Company nor any of its subsidiaries owns any equity interest in any corporation, partnership or joint venture arrangement or other business entity. All of the capital stock of each subsidiary, and such capital stock of each Portfolio Company that is shown as being owned by the Company on Section 2.1(b) of the Company Disclosure Letter, is owned directly or indirectly by the Company free and clear of all liens, charges, security interests, options, claims, mortgages, title defects or objections, leases, chattel mortgages, conditional sales contracts, collateral security arrangements and other title or interest retention arrangements, pledges, restrictions on transfer or other encumbrances and restrictions of any nature whatsoever, except for Permitted Liens (collectively, **Liens**), and is validly issued, fully paid and nonassessable, and there are no outstanding options, rights or agreements of any kind relating to the issuance, sale or transfer of any capital stock or other equity securities of any such subsidiary to any person except the Company. Neither the Company nor any subsidiary of the Company is a party to any agreement that would prevent the payment of dividends by any such subsidiary.

(c) The Company has delivered or made available to Parent a true and correct copy of the Certificate of Incorporation and Bylaws of the Company and similar governing instruments of each of its subsidiaries, each as in effect on the date of this Agreement, and each such instrument, as amended, is in full force and effect. None of the Company or any of its subsidiaries is in violation of any of the provisions of its certificate of incorporation or bylaws or equivalent governing instruments.

2.2 *Company Capital Structure.* The authorized capital stock of the Company consists of 1,500,000,000 shares of Company Common Stock and 10,000,000 shares of preferred stock, par value $0.001 per share, (**Company Preferred Stock**). At the close of business on December 20, 2002, (i) 162,847,127 shares of Company Common Stock were issued and outstanding, none of which shares are unvested or are subject to a repurchase option, risk of forfeiture or other condition providing that such shares may be forfeited or repurchased by the Company or otherwise vest upon any termination of stockholder s or grantee s employment, directorship or other relationship with the Company or any of its subsidiaries under the terms of any restricted stock purchase agreement or other agreement with the Company, (ii) no shares of Company

Common Stock were held by the Company in its treasury or by any direct or indirect subsidiary of the Company, and (iii) no shares of Company Preferred Stock were issued and outstanding. All outstanding shares of Company Common Stock are duly authorized, validly issued, fully paid and nonassessable and are not subject to preemptive rights created under the DGCL, the certificate of incorporation or bylaws of the Company or any agreement or document to which the Company is a party or by which it or its assets is bound.

As of December 20, 2002 (i) 20,276,299 shares of Company Common Stock are subject to issuance pursuant to outstanding options to purchase Company Common Stock under the Company Option Plans and any other agreement of the Company pursuant to which the Company has granted an option, each of which is set forth on Section 2.2 of the Company Disclosure Letter (collectively, the **Non-Plan Option Agreements,**) and (ii) 1,652,906 shares of Company Common Stock are reserved for future issuance under the ESPP (as defined in Section 5.7(c)). Section 2.2 of the Company Disclosure Letter sets forth the following information with respect to each Company Option outstanding as of the date of this Agreement, (i) the name of each person who held such Company Options, (ii) the particular Company Option Plan pursuant to which such Company Option was granted, (iii) the date on which such Company Option was granted or assumed, (iv) the exercise or base price of such Company Option, (v) the number of shares of Company Common Stock subject to such Company Option or value covered thereby, (vi) the number of shares of Company Common Stock as to which such Company Option had vested at such date, (vii) the applicable vesting schedule for such Company Option, and (viii) the date on which such Company Option expires.

The Company has made available to Parent an accurate and complete copy of each of the Company Option Plans, the Non-Plan Option Agreements, the ESPP and the standard forms of stock option agreements evidencing Company Options granted under the Company Option Plans. There are no options outstanding to purchase shares of Company Common Stock other than pursuant to the Company Options. All shares of Company Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable.

All outstanding shares of Company Common Stock, all outstanding Company Options, and all outstanding shares of capital stock of each subsidiary of Company have been issued and granted in compliance in all material respects with (i) all applicable securities laws and other applicable Legal Requirements and (ii) all requirements set forth in applicable agreements or instruments.

2.3 *Obligations With Respect to Capital Stock.* Except as otherwise set forth in Section 2.2, there are no equity securities, partnership interests or similar ownership interests of any class of Company equity security, or any securities exchangeable or convertible into or exercisable for such equity securities, partnership interests or similar ownership interests, issued and outstanding. Except for securities the Company owns directly or indirectly through one or more subsidiaries, there are no equity securities or similar ownership interests of any class of equity security of any subsidiary of the Company, or any security exchangeable or convertible into or exercisable for such equity securities or similar ownership interests, issued and outstanding. Except as contemplated by this Agreement or as set forth in Section 2.2, there are no subscriptions, options, warrants, equity securities, partnership interests or similar ownership interests, calls, rights, commitments or agreements of any character to which the Company or any of its subsidiaries is a party or by which it is bound obligating the Company or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase, redemption or acquisition of, any shares of capital stock, partnership interests or similar ownership interests of the Company or any of its subsidiaries or obligating the Company or any of its subsidiaries to grant, extend, accelerate the vesting of or enter into any such subscription, option, warrant, equity security, call, right, commitment or agreement. Except for the Company Rights Agreement, there are no registration rights and there is no voting trust, proxy, rights plan, antitakeover plan or other agreement or understanding to which the Company is a party or by which it is bound with respect to any equity security of any class of the Company or with respect to any equity security, partnership interest or similar ownership interest of any class of any of its subsidiaries. There are no bonds, debentures, notes or other indebtedness having general voting rights (or convertible into or exchangeable for, securities having such rights) of the Company or any subsidiary issued and outstanding. There are no outstanding contractual commitments of the Company or any of its subsidiaries which obligate the Company

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or its subsidiaries to make any investment (in the form of a loan, capital contribution or otherwise) in any other person.

2.4 *Authority; Non-Contravention; Necessary Consents.*

(a) The Company has all requisite corporate power and authority to enter into this Agreement and to consummate the Merger and the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by the Company of the Merger and the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Merger and the transactions contemplated hereby, subject only to the approval and adoption of this Agreement and the approval of the Merger by the requisite vote of the Company s stockholders and the filing of the Certificate of Merger pursuant to the DGCL. The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock to approve and adopt this Agreement and approve the Merger is the only vote of the holders of any class or series of Company capital stock necessary to approve and adopt this Agreement and approve the Merger. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization execution and delivery hereof by Parent and Merger Sub, constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting of creditors rights generally, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) The execution and delivery of this Agreement by the Company does not, and the performance of this Agreement by the Company and the consummation by the Company of the Merger and the other transactions contemplated by this Agreement and compliance by the Company with the provisions of this Agreement will not, (i) conflict with or violate the Certificate of Incorporation or Bylaws of the Company or the equivalent organizational documents of any of its subsidiaries, (ii) subject to compliance with the requirements set forth in Section 2.4(d) below, conflict with or violate any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, guidance, code, order, judgment, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity (**Legal Requirement**) applicable to the Company or any of its subsidiaries or by which the Company or any of its subsidiaries or any of their respective properties is bound or affected, or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair the Company s rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien on any of the properties or assets of the Company or any of its subsidiaries pursuant to any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, concession, or other instrument, obligation, commitment, arrangement or understanding, to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective assets are bound or affected, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, breaches, defaults, rights, terminations, amendments, accelerations, cancellations or Liens that individually or in the aggregate would not have a Material Adverse Effect on the Company or prevent or materially adversely affect the ability of the Company to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of such conflict, violation, breach, default, right, termination, amendment, acceleration, cancellation or Lien.

(c) Section 2.4(c) of the Company Disclosure Letter lists all consents, waivers and approvals under any of the Company s or any of its subsidiaries agreements, contracts, arrangements, licenses or leases, other than contracts that are terminable at-will on no more than 30 days notice without liability or financial obligation, required to be obtained in connection with the consummation of the Merger which, if individually or in the aggregate not obtained, would be reasonably expected to result in a Material Adverse Effect with respect to the Company, Parent or the Surviving Corporation.

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(d) No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with any supranational, national, state, municipal, local or foreign government, any instrumentality, subdivision, court, administrative agency or commission or other governmental authority or instrumentality, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority (a **Governmental Entity**) is required to be obtained or made by the Company in connection with the execution and delivery of this Agreement or the consummation by the Company of the Merger and the other transactions contemplated hereby, except for: (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company and/or Parent is qualified to do business, (ii) the filing of the Proxy Statement (as defined in Section 2.15) with the SEC in accordance with the Securities Exchange Act of 1934, as amended (the **Exchange Act**) and compliance with any other applicable requirements of the Exchange Act or the Securities Act of 1933, as amended (the **Securities Act**), (iii) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal, foreign and state securities (or related) laws and the filing of a pre-merger notification and report forum by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the **HSR Act**) and Council Regulation No. 4064/89 of the European Community, as amended (the **EC Merger Regulation**), as well as, if applicable, any other antitrust or competition laws of other jurisdictions, (iv) the consents listed on Section 2.4(c) of the Company Disclosure Letter; (v) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable state securities or blue sky laws and the securities laws of any foreign country, and (vi) such other consents, authorizations, filings, approvals and registrations which if not obtained or made individually or in the aggregate would not be material to the Company, Parent or the Surviving Corporation or materially adversely affect the ability of the parties hereto to consummate the Merger within the time frame in which the Merger would otherwise be consummated in the absence of the need for such consent, approval, order, authorization, registration, declaration or filings. The consents, approvals, orders, authorizations, registrations, declarations and filings set forth in (i) through (v) are referred to herein as the **Necessary Consents.**

2.5 *SEC Filings; Company Financial Statements.*

(a) The Company has filed all forms, reports and documents required to be filed by the Company with the SEC since the effective date of the registration statement for the Company s initial public offering and has made available to Parent such forms, reports and documents in the form filed with the SEC. All such required forms, reports and documents (including those that the Company may file subsequent to the date hereof), as such forms, reports and documents have been amended since the time of their filing, are referred to herein as the **Company SEC Reports.** As of their respective dates, or if amended as of the date of the last such amendment, the Company SEC Reports (i) complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, and the applicable rules and regulations of the SEC thereunder and (ii) did not at the time they were filed, or if amended, as of the date of the last such amendment, or, if filed after the date hereof, will not at the time they are filed contain any untrue statement of a material fact or omit to state a material fact or disclose any matter or proceeding required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of the Company s subsidiaries is required to file any forms, reports or other documents with the SEC or similar regulatory body.

(b) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Company SEC Reports (the **Company Financial Statements**), including each Company SEC Report filed after the date hereof until the Closing, (i) was prepared or when prepared will be prepared from, are or when prepared will be in accordance with and accurately reflect in all material respects the Company s books and records as of the times and for the periods referred to therein, (ii) complied or when filed will comply in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto in effect during the periods involved, (iii) was prepared in accordance with United States generally accepted accounting principles (**GAAP**), applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto and, in the case of unaudited interim financial statements, as may be permitted by the SEC on Form 10-Q under the Exchange

Act) and (iv) fairly presented or, when filed, will fairly present the consolidated financial position of the Company and its subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for the periods indicated, except that the unaudited interim financial statements may not contain footnotes and were or are subject to normal recurring year-end adjustments. The balance sheet of the Company contained in the Company SEC Report on Form 10-Q for the quarter ended June 30, 2002 (the **Balance Sheet Date**) is hereinafter referred to as the **Company Balance Sheet.**

(c) The Company has heretofore furnished or made available to Parent and Merger Sub complete and correct copies of any correspondence with, and inquiries from, the SEC with respect to previously-filed Company SEC Reports since September 30, 2001.

2.6 *Absence of Certain Changes or Events.*

(a) Since the Balance Sheet Date, except as disclosed in the Company SEC Reports filed since the Balance Sheet Date, each of the Company and its subsidiaries has conducted its respective business only in the ordinary course of business consistent with past practice and there has not been:

(i) any event, occurrence, development or state of circumstances or facts that has had a Material Adverse Effect on the Company;

(ii) any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, any of the shares of capital stock of the Company, or any purchase, redemption or other acquisition by the Company or any of its subsidiaries of any of the shares of capital stock of the Company or any other securities or other partnership interests of the Company or any of its subsidiaries or any options, warrants, calls or rights to acquire any such shares or other securities except for repurchases from employees following their termination pursuant to the terms of their pre-existing stock option or purchase agreements;

(iii) any split, combination or reclassification of any of the Company s capital stock;

(iv) entr