

## Discussion of Each of the Campaign Issues for Carl Person's NYS Attorney General Campaign

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### Focus on immediate programs not requiring any new legislation

Time passes quickly and campaign promises too often get bogged down and never get implemented. This is understandable because most campaign promises require enactment of a new statute or of a Constitutional amendment, both of which are out of the control of any one legislator as well as the Governor or elected Attorney General. Accordingly, to maximize the potential of the NYS Attorney General position, it is imperative that the Attorney General obtain for the residents of New York whatever benefits exist under existing law. These benefits are formidable. Many if not most of the problems can be solved under existing law, but it is more convenient for politicians to hide behind the slow process of creating new laws and the delay before any tangible benefits could be expected. By the time that any benefits could be expected from new laws, the legislators passing such laws are no longer elected representatives, in many cases.

Because I recognize that providing fast results is important, I have created a list of "issues" or "campaign promises" that I feel I can implement as NYS Attorney General, without having to ask for any enabling statutes, rules or Constitutional amendments. Thus, I will not be able to blame the Speaker, Legislature, Governor or someone else for any failure to perform.

If you look at my issues, you will find that most of them can be done by the NYS Attorney General directly, such as by conducting an investigation or grand-jury investigation or by bringing an enforcement lawsuit. Most of the other issues can be implemented by towns and villages, and to that extent as Attorney General I am undertaking to try to convince towns and villages to implement my programs for them. Any failure in accomplishing this would be a joint failure by me, in not being able to convince local officials to do the best for their town or village, and by the local officials who are unable to do the right thing for their voters, possibly out of ignorance or failure to understand, but possibly to protect vested interests from getting hurt.

Every change hurts someone. For example, if a town or villages sets up a **college equivalency program** where tuition could be \$1 per 50-minute hour of instruction, or \$16/week of full-time instruction, various high-tuition colleges will suffer a loss of tuition and student loan payments. Paying \$50,000 a year to attend an Ivy League or other high-cost college (which works out to \$100 per hour of instruction - \$50,000 divided by approximately 500 hours of instruction during 2 full semesters) is almost irrational, at a time when employers are paying less, seeking to terminate their long-term employees, and high-paying jobs are very difficult to obtain.

Accordingly, part of my job as NYS Attorney General would be to educate people on their options,

and help them make wise choices for themselves and their community.

## **Here Are My Issues**

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### **43 Reasons to Elect Carl Person as NYS Attorney General**

#### **Categorization of the Campaign Issues for Carl Person's NYS Attorney General Campaign**

##### **General Rule Guiding Selection of Attorney General's Projects**

- ✦ Focus on developing immediate programs not requiring any new legislation

##### **Business Regulation and Antitrust Enforcement**

- ✦ Denial of needed responses to consumer inquiries by mindless, no-cost telephone menus
- ✦ Identify and deal with monopolies existing in NYS or any political subdivisions
- ✦ Require banks, credit card companies and other lenders to obey laws prohibiting fraud
- ✦ [03/05] Make it easier for small businesses to raise venture capital by changing the rules
- ✦ [03/05/09] Investigate legality of and possibilities for enjoining corporate downsizing in NYS
- ✦ Use vehicles or equipment with known repair requirements to test honesty of repair shops
- ✦ Investigate oil markets and gasoline prices to discover any unlawful price manipulation
- ✦ Require financial and other corporations to deal honestly with their customers
- ✦ Enforce NY's antitrust statute to stop illegal monopolies from overcharging New Yorkers
- ✦ Consider reinstating limits on the life of corporations and require liquidation when reaching certain size

##### **Criminal Justice**

- ✦ Audit NYS prosecutors for prosecutorial abuse
- ✦ Eliminate death sentences to reflect the major inadequacies of the criminal justice system
- ✦ Develop programs to encourage reduction in prosecutions and prosecutorial costs
- ✦ Liberalize discovery rules for criminal defendants to offset prosecutor's huge advantages
- ✦ Release 40% of all drug-case prisoners using fair standards; limit total number of prisoners

##### **Investigation of 9/11 Related Problems**

- ✦ Grand jury investigation of destruction of 7 WTC on 9/11/01
- ✦ Investigate causes and liability for treatment of emerging illnesses of 9/11 emergency workers
- ✦ Investigate Attorney General Spitzer's obstruction of Congressional investigation of Able Danger terrorist-tracking operation

##### **Increasing Post-Secondary Educational Opportunities**

- \* Assist towns and villages to set up \$1/hour equivalency colleges (i.e., \$500/year tuition)
- \* Regulate vocational programs the same way as India's world-class Technical Institutes

### **Assist Towns and Villages in Appointing, Training and Using a Town Attorney General**

- \* Encourage towns/villages to hire a Town Attorney General
- \* Training programs for Town Attorney General (using this list as an initial subject outline)
- \* [04/05] Create volunteer program for attorneys, paralegals and investigators to prepare them to work in town and village Offices of the Town Attorney General

### **Job and Business Development**

- \* Help create higher-paying jobs and profitable business opportunities in throughout NYS
- \* Encourage towns and villages to act as employer of record for local businesses
- \* Set up way for towns and villages to obtain broadband for all residents
- \* [05/11] Help towns and villages create healthy revenue sources and reduce fines and penalties
- \* Establish newsletter to permit town leaders to follow new programs in other towns
- \* [03/05/09] Investigate legality of and possibilities for enjoining corporate downsizing in NYS

### **Legalize All Gambling in New York with Anti-Fraud Regulation, Full Disclosure, Reasonable Taxation**

- \* Set a realistic gambling policy based on reasonable taxation and protection from fraud
- \* Require posting of the odds on the gambling table or device for all gambling activities
- \* Help towns and villages set up neighborhood, low-profit casinos for seniors and others

### **Universal Healthcare Coverage within Cooperating Towns and Villages**

- \* Assist cooperating towns and villages in providing healthcare coverage to all their residents

### **Relaxation of Sentences Given under Draconian Rockefeller Drug Laws**

- \* Release 40% of all drug-case prisoners using fair standards: limit total number of prisoners

### **Tax Policy and Sales-Tax Revenue Sharing Agreements**

- \* Investigate whether NYS and subdivisions are getting their fair share of federal revenues
- \* Help towns and villages in area to reach agreement to share big-box sales tax revenues

### **Using Existing Federal and State Laws to Combat Outsourcing and Globalization**

- \* Investigate and establish new-store policy for Wal-Mart and other big box retailers
- \* Recover lost benefits and taxes from employers that move jobs outside of NYS
- \* Require major corporations to pay their fair share of taxes to NYS

- Help towns and villages in area to reach agreement to share big-box sales tax revenues
- Investigate legality of and possibilities for enjoining corporate downsizing in NYS

### **Help Towns and Villages Renounce Right to Condemn Private Property for Non-Governmental Use**

- Help Towns and Villages Renounce Right to Condemn Private Property for Non-Governmental Use

### **End Corporate Subsidies to Major Corporations; Recover for Failures of Prior Agreements**

- Stop NYS and local governmental subsidies to for-profit corporations
- Review past subsidies and seek “clawbacks” for failure to live up to promises

**ELECTION DATES**

**CERTIFICATION** Sec. 4-110  
 Aug. 7 Certification of primary ballot by State Board of Elections of designations filed in its office

**PRIMARY ELECTION** Sec. 8-100(2)  
**SEPTEMBER 12**

In New York City and the counties of Nassau, Suffolk, Westchester, Rockland, Orange, Putnam and Erie, POLLS OPEN AT 6 AM- CLOSE AT 9 PM. In all other counties POLLS OPEN AT 12 NOON and CLOSE AT 9 PM.

**CERTIFICATION** Sec. 4-112(1)  
 Oct. 2 Certification of general election ballot by State Board of Elections of nominations filed in its office.

**GENERAL ELECTION** Sec. 8-100(1)(c)  
**NOVEMBER 7**

POLLS OPEN AT 6 AM - CLOSE AT 9 PM

**BECOMING A CANDIDATE**

**PARTY DESIGNATIONS**

**PARTY CALLS** Sec. 2-120  
 May 23 Last day for State and County party chairs to file a statement of party positions to be filled at the Primary Election.

**DESIGNATING PETITIONS** Secs. 6-132 & 6-134

June 6 First day for signing designating petitions. Sec. 6-134(4)

July 10 - Dates for filing designating petitions.  
 July 13 Sec. 6-158(1)

July 17 Last day to authorize designations. Sec. 6-120(3)

July 17 Last day to accept or decline a designation. Sec. 6-158(2)

July 21 Last day to fill a vacancy after a declination. Sec. 6-158(3)

July 25 Last day to file authorization of substitution. Sec. 6-120(3)

**OPPORTUNITY TO BALLOT PETITIONS** Sec. 6-166

June 27 First day for signing. Sec. 6-164

July 20 Last day to file petitions. Sec. 6-158(4)

July 27 Last day to file an O'TB petition if there has been a declination by a designated candidate. Sec. 6-158(4)

**SIGNATURE REQUIREMENTS FOR DESIGNATING AND OPPORTUNITY TO BALLOT PETITIONS**

Sec. 6-136

5% of the enrolled voters of the political party in the political unit (excluding voters in inactive status) or the following, whichever is less:

For any office to be filled by all the voters of:

the entire state ..... 15,000  
 (with at least 100 or 5% of enrolled voters from each of one-half of the congressional districts)

New York City ..... 7,500

any county or borough of New York City ..... 4,000

a municipal court district within New York City . . . 1,500

any city council district within New York City . . . . 900

cities or counties having more than 250,000 inhabitants ..... 2,000

cities or counties having more than 25,000 but not more than 250,000 ..... 1,000

any city, county, councilmanic or county legislative districts in any city other than New York City . . . . 500

any congressional district ..... 1,250

any state senatorial district ..... 1,000

any assembly district ..... 500

any political subdivision contained within another political subdivision, except as herein provided, requirement is not to exceed the number required for the larger subdivision; a political subdivision containing more than one assembly district, county or other political subdivision, requirement is not to exceed the aggregate of the signatures required for the subdivision or parts of subdivision so contained.

**PARTY NOMINATIONS OTHER THAN PRIMARY**

May 16 - Dates for holding state committee meeting  
 June 6 to nominate candidates for statewide office. Sec. 6-104(6)

June 6 First day for holding a town caucus. Sec. 6-108

Sept. 19 Last day for filing nominations made at a town or village caucus or by a party committee. Sec. 6-158(6)

Sept. 19 Last day to file certificates of nomination to fill vacancies created pursuant to Secs. 6-116 & 6-158(6)

Sept. 22 Last day to accept or decline a nomination. Sec. 6-158(7)

Sept. 25 Last day to file authorization of nomination. Secs. 6-120 & 1-106

Sept. 26 Last day to fill a vacancy after a declination. Sec. 6-158(8)

**JUDICIAL DISTRICT CONVENTIONS**

Sec. 6-124 & 6-126

Sept. 19 Dates for holding J.D. conventions.  
 thru 25 Sec. 6-158(5)

Sept. 26 Last day to file certificates of nomination. Sec. 6-158(6)

Sept. 29 Last day to decline nomination. Sec. 6-158(7)

Oct. 3 Last day to fill vacancy after a declination. Sec. 6-158(8)

Minutes of a convention must be filed within 72 hours of adjournment. Sec. 6-158(6)

**INDEPENDENT NOMINATIONS**

**INDEPENDENT PETITIONS** Secs. 6-138 & 6-140

July 11 First day for signing nominating petitions. Sec. 6-138(4)

Aug. 15 Dates for filing independent nominating  
 thru 22 petitions. Sec. 6-158(9)

Aug. 25 Last day to accept or decline nomination. Sec. 6-158(11)

Aug. 28 Last day to fill a vacancy after a declination. Sec. 6-158(12)

Sept. 15 Last day to decline after acceptance if nominee loses party primary. Sec. 6-158(11)

**SIGNATURE REQUIREMENTS FOR INDEPENDENT NOMINATING PETITIONS**  
 Sec. 6-142

5% of the total number of votes, excluding blank and void, cast for the office of governor at the last gubernatorial election in the political unit, except that not more than 3,500 signatures shall be required on a petition for any office to be filled in any political subdivision outside the City of New York, and not more than the following for any office to be voted for by all the voters of:

the entire state ..... 15,000  
 (with at least 100 from each of one-half of the congressional districts)

any county or portion thereof outside the city of New York ..... 1,500

the City of New York ..... 7,500

any county or borough or any two counties or boroughs within the City of New York ..... 4,000

any municipal court district ..... 3,000

any city council district in New York City ..... 2,700

any congressional district ..... 3,500

any state senatorial district ..... 3,000

any assembly district ..... 1,500

the office of trustee of the Long Island Power Authority ..... 500

any political subdivision contained within another, except as provided otherwise herein, the number required is not to exceed the number required for the larger subdivision.

**VOTER REGISTRATION**

**PRIMARY ELECTION**

MAIL REGISTRATION Sec. 5-210(3)

Applications must be postmarked not later than August 18<sup>th</sup> and received by a board of elections not later than August 23<sup>rd</sup> to be eligible to vote in the Primary Election.

IN PERSON REGISTRATION Secs. 5-210, 5-211, 5-212

You may register at your local board of elections or any state agency participating in the National Voter Registration Act, on any business day throughout the year but, to be eligible to vote in the Fall primary, your application must be received no later than August 18<sup>th</sup>.

CHANGE OF ADDRESS Sec. 5-208(3)

Notices of change of address from registered voters received by August 23<sup>rd</sup> by a county board of elections must be processed and entered in the records in time for the primary.

**GENERAL ELECTION**

MAIL REGISTRATION Sec. 5-210(3)

Applications must be postmarked not later than October 13<sup>th</sup> and received by a board of elections not later than October 18<sup>th</sup> to be eligible to vote in the General Election.

IN PERSON REGISTRATION Secs. 5-210, 5-211, 5-212

You may register at your local board of elections or any state agency participating in the National Voter Registration Act, on any business day throughout the year but, to be eligible to vote in the November general election, your application must be received no later than October 13<sup>th</sup> except, if you have been honorably discharged from the military or have become a naturalized citizen since October 13<sup>th</sup>, you may register in person at the board of elections up until October 27<sup>th</sup>.

CHANGE OF ADDRESS Sec. 5-208(3)

Notices of change of address from registered voters received by October 18<sup>th</sup> by a county board of elections must be processed and entered in the records in time for the general election.

**VOTING BY ABSENTEE BALLOT**

**FOR PRIMARY:** Sec. 8-400

- Sept. 5 Last day to postmark application for ballot. Sec. 8-400(2)(c)
- Sept. 11 Last day to apply in person for ballot. Sec. 8-400(2)(c)
- Sept. 11 Last day to postmark ballot. Must be received by the county board no later than Sept. 19<sup>th</sup>. Sec. 8-412(1)
- Sept. 12 Last day to deliver ballot in person to the county board. Sec. 8-412(1)

**FOR GENERAL:** Sec. 8-400

- Oct. 31 Last day to postmark application or letter of application for ballot. Sec. 8-400(2)(c)
- Nov. 6 Last day to apply in person for ballot. Sec. 8-400(2)(c)
- Nov. 6 Last day to postmark ballot. Must be received by the board of elections no later than Nov. 14<sup>th</sup>. Sec. 8-412(1)
- Nov. 7 Last day to deliver ballot in person to the board of elections. Sec. 8-412(1)

**MILITARY VOTERS FOR PRIMARY** Sec. 10-106

- Aug. 18 Last day for a board of elections to receive application for ballot if not previously registered.
- Sept. 5 Last day for a board of elections to receive application if previously registered.
- Sept. 11 Last day to apply personally if previously registered.

**MILITARY VOTERS FOR GENERAL** Sec. 10-106

- Oct. 27 Last day for a board of elections to receive application if not previously registered.
- Oct. 31 Last day for a board of elections to receive application for general election if previously registered.
- Nov. 6 Last day to apply personally for general election ballot if previously registered.

**FINANCIAL DISCLOSURE\*\***

**DATES FOR FILING:**

**Primary Election**

|                     |          |
|---------------------|----------|
| 32 Day Pre-Primary  | Aug. 11  |
| 11 Day Pre-Primary  | Sept. 1  |
| 10 Day Post Primary | Sept. 22 |

Aug. 29 thru Sept. 12\*

**General Election**

|                     |         |
|---------------------|---------|
| 32 Day Pre-General  | Oct. 6  |
| 11 Day Pre-General  | Oct. 27 |
| 27 Day Post General | Dec. 4  |

Oct. 24 thru Nov. 7\*

\*During this time period any contribution or loan which exceed \$1,000 must be reported within 24 hours of receipt. This same contribution or loan must also be reported in the Post-Election report.

**Periodic Reports**

|         |    |
|---------|----|
| January | 15 |
| July    | 15 |

\*\* NOTE:

For complete information on the manner, time and place for filing campaign financial disclosure reports, contact the State Board of Elections at 1-800-458-3453, your county board of elections, or see Article 14 of the Election Law and Subtitle V of Title 9 of the Official Compilation of Codes, Rules and Regulations of the State of New York.

**OFFICIAL**

**POLITICAL CALENDAR**

**2006**



Primary Election - September 12

General Election - November 7

This political calendar contains ready reference to the significant dates pertaining to elections to be held in this state. It constitutes a valuable guide to the proper administration of our election process. For complete information be sure to consult the applicable Election Law and Regulations.

All dates are based on statutory provisions in effect on the date of publication. Final confirmation should be obtained from your county board of elections.

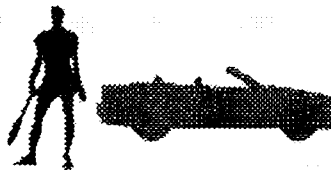
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BOARD OF ELECTIONS  
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ALBANY, NEW YORK 12207

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MARCH 2006

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3-Mar-2006

**Annual Report****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations****Forward-Looking Statements**

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

† expectations about revenues for marketing services and fees;

† expectations about growth in users;

† expectations about cost of revenues and operating expenses;

† expectations about effective tax rate;

† anticipated capital expenditures;

† evaluation of possible acquisitions of, or investments in, businesses, products and technologies; and

† expectations about positive cash flow generation and existing cash and investments being sufficient to meet normal operating requirements.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to



differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed in Part 1 Item 1A "Risk Factors" of this Annual Report on Form 10-K. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Report to reflect actual results or future events or circumstances.

## Overview

We are a leading global Internet brand and one of the most trafficked Internet destinations worldwide. We seek to provide Internet services that are essential and relevant to users and businesses. To users, we provide our owned and operated online properties and services (the "Yahoo! Properties"). To businesses, we provide a range of tools and marketing solutions designed to enable businesses to reach our community of users.

We offer a broad range and deep array of innovative products and services that are designed to provide our users with the power to connect, communicate, create, access, and share information online. We seek to provide efficient and effective marketing services for businesses to reach our community of users. Our focus is on engaging more deeply with users and increasing the user base on Yahoo! Properties, thereby enhancing value for our advertisers. We believe that we can increase our existing and potential user base and our users' engagement on Yahoo! Properties not only by offering compelling Internet services, but also by effectively integrating search, community, personalization and content to create a more powerful user experience.

We also focus on extending our marketing platform and access to Internet users beyond Yahoo! Properties through our distribution network of third party entities (referred to as "affiliates") who have integrated our search offerings into their websites.

Many of our services are free to users. We generate revenues by providing marketing services to businesses across a majority of our properties and by charging our users for premium services. We classify these revenues as either marketing services or fees. Our offerings to users and businesses currently fall into four categories - Search; Marketplace; Information and Entertainment; and Communications and Connected Life. The majority of our offerings are available globally in more than 15 languages. We

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manage and measure our business geographically. Our principal geographies are the United States and International.

## Revenue Sources

**Marketing Services Revenue.** The majority of our marketing services revenue is from sales of online display advertising and is generated from several offerings including: the display of rich media advertisements, display of text based links to the advertiser's website, listing based services, and commerce based transactions.

We recognize revenue related to the display of advertisements on the Yahoo! Properties as "impressions" are delivered. An "impression" is delivered when an advertisement appears in pages viewed by users. We generate revenue from the display of text based links to the websites of our advertisers which are placed on the Yahoo! Properties and also on the websites of our affiliates who have integrated our search offerings into their websites. We recognize revenue from these arrangements as "click-throughs" occur. A "click-through" occurs when a user clicks on an advertiser's listing.

Marketing services revenue also includes listings revenue and transaction revenue. Listings revenue is generated from a variety of consumer and business listings-based services, including access to the Yahoo! HotJobs database and classifieds such as Yahoo! Autos, Yahoo! Real Estate and other services. We recognize listings revenue when the services are performed. Transaction revenue is generated from facilitating commerce transactions through the Yahoo! Properties, principally from Yahoo! Travel and Yahoo! Shopping. We recognize transaction revenue when there is evidence that qualifying transactions have occurred, for example, when travel arrangements are booked through Yahoo! Travel.

**Fees Revenue.** Fees revenue consists of revenues generated from a variety of consumer and business fee-based services, including Internet broadband services, premium mail, music and personals offerings, as well as services for small businesses. We recognize fees revenue when the services are performed.



| Operating Highlights<br>(in thousands)              | Years ended December 31, |               | Year over Year<br>Change |
|---|--------------------------|---------------|--------------------------|
|   | 2004                     | 2005          |                          |
| Revenues  | \$ 3,574,517             | \$ 5,257,668  | \$ 1,683,151             |
| Income from operations                              | \$ 688,581               | \$ 1,107,725  | \$ 419,144               |
| Net cash provided by operating activities           | \$ 1,089,821             | \$ 1,711,383  | \$ 621,562               |
| Net cash used in investing activities               | \$ (1,292,849 )          | \$ (821,930 ) | \$ 470,919               |
| Net cash provided by (used in) financing activities | \$ 580,967               | \$ (250,600 ) | \$ (831,567)             |

Our revenue growth can be attributed to a combination of organic growth and acquisitions. On an organic level, we are benefiting from an expanding user and advertiser base and from increased user activity levels across our offerings on the Yahoo! Properties. This revenue growth together with our overall effort to manage discretionary spending has led to the year over year increases in income from operations. We also continue to acquire companies. If an acquisition has a significant impact on our revenues and expenses, the revenues and expenses of our acquired business is described as "acquisition related" in the discussion that follows until the first anniversary of the acquisition date. Thereafter the underlying results of the acquired business are considered part of our organic base. Our historical financial statements reflect the impact of these acquired businesses from their respective dates of acquisition and the discussion of our results of operations that follows explains the material impact of these acquisitions, if any, on our consolidated results to provide information that will assist in understanding the changes in the years presented. Our year over year reported growth rates, calculated on a consolidated basis, include the impact from acquisitions. Excluding the impact from acquisitions, our growth rates would be lower.

Our revenue growth for the year ended December 31, 2005, compared to the prior year, can be attributed to an expanding user base and from increased user activity levels across our offerings on the Yahoo! Properties. The growth in our engaged audience, in terms of the number of users, paying users and activity

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levels on our properties, including an increasing number of page views, has attracted more advertisers to our advertising services and resulted in an increase in our revenues.

In addition, during 2005 we invested over \$2.0 billion in significant acquisitions including business combinations, asset acquisitions and a strategic investment, predominantly internationally, which we believe will position us to benefit from the growing global online advertising market.

Cash generated from our operations is a measure of the cash productivity of our business model and is an area of focus for us. The growth of cash flow from operations is primarily driven by our increasing net income adjusted for non-cash items such as depreciation and amortization, tax benefits from stock options, as well as non operating gains or losses. In 2005, non operating gains included gains from sales of marketable equity securities and the divestiture of Yahoo! China in connection with the Alibaba transaction. Cash used in investing activities in 2005 included our cash consideration for acquisitions, including the strategic investment in Alibaba, offset by proceeds from sales of marketable equity securities. Cash used in financing activities in 2005 reflected our net cash used for direct stock repurchases and structured stock repurchase transactions offset by cash proceeds from the issuance of common stock as a result of the exercise of employee stock options.

During the year ended December 31, 2005, we recorded gains of approximately \$987 million related to sales of non-strategic marketable equity securities, and a non-cash gain of \$338 million related to the divestiture of Yahoo! China in connection with the Alibaba transaction. These gains of approximately \$1.3 billion are included in other income, net in the consolidated statements of operations. Other income, net may fluctuate in future periods due to realized gains and losses on investments, impairments of investments, changes in our average investment balances, and changes in interest and foreign exchange rates.

The provision for income taxes for 2005 was \$768 million and yielded an effective tax rate of 30 percent for 2005, compared to an effective tax rate of 37 percent for 2004 and 43 percent for 2003. The lower effective tax rate for 2005 was primarily a result of a tax benefit of approximately \$248 million related to a subsidiary restructuring transaction completed during 2005. We currently expect our effective tax rate to increase in 2006 compared to 2005.

## Summary

We believe the search queries, page views, click-throughs and the related marketing services and fees revenues that we generate are correlated to the number and activity level of users across our offerings on the Yahoo! Properties. By providing a platform for our users that brings together our search technology, content, and community while allowing for personalization and integration across devices, we seek to become more essential to, increase our share of, and deepen the engagement of, our users with our products and services. We believe this deeper engagement of new and existing users, coupled with the growth of the Internet as an advertising medium will increase our revenues in 2006.

In the following Management's Discussion and Analysis, we discuss the following areas of our financial results:

- † Results of Operations;
- † Business Segment Results;
- † Acquisitions;
- † Liquidity and Capital Resources;
- † Critical Accounting Policies, Judgments and Estimates; and
- † Recent Accounting Pronouncements.

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## Results of Operations

The following table sets forth selected information on our results of operations as a percentage of revenues for the periods indicated:

|  | Years Ended December 31, |      |      |
|--|--------------------------|------|------|
|  | 2003                     | 2004 | 2005 |
| Revenues   | 100%                     | 100% | 100% |
| Cost of revenues   | 23                       | 38   | 40   |
| Gross profit   | 77                       | 62   | 60   |
| Operating expenses:  |                          |      |      |
| Sales and marketing  | 33                       | 22   | 20   |
| Product development  | 13                       | 10   | 10   |
| General and administrative   | 10                       | 7    | 6    |
| Stock compensation expense   | 1                        | 1    | 1    |
| Amortization of intangibles  | 2                        | 3    | 2    |
| Total operating expenses   | 59                       | 43   | 39   |
| Income from operations   | 18                       | 19   | 21   |
| Other income, net  | 3                        | 14   | 27   |
| Income before income taxes, earnings in equity interests, and minority interests | 21                       | 33   | 48   |
| Provision for income taxes   | (9)                      | (12) | (14) |
| Earnings in equity interests   | 3                        | 2    | 2    |
| Minority interests in operations of consolidated subsidiaries                    | 0                        | 0    | 0    |
| Net income   | 15%                      | 23%  | 36%  |

Revenues. Revenues by groups of similar services were as follows (dollars in thousands):

|                        | Years Ended December 31, |       |              |       |              |       | 2003-2004<br>% Change |
|------------------------|--------------------------|-------|--------------|-------|--------------|-------|-----------------------|
|                        | 2003                     | (1)   | 2004         | (1)   | 2005         | (1)   |                       |
| Marketing services (2) | \$ 1,321,938             | 81 %  | \$ 3,127,229 | 87 %  | \$ 4,593,972 | 87 %  | 137 %                 |
| Fees (2)               | 303,159                  | 19 %  | 447,288      | 13 %  | 663,696      | 13 %  | 48 %                  |
| Total revenues         | \$ 1,625,097             | 100 % | \$ 3,574,517 | 100 % | \$ 5,257,668 | 100 % | 120 %                 |

(1) Percent of total revenues.

(2) We reclassified previously reported marketing services revenue of \$5 million and \$22 million, respectively, as fees revenue for the years ended December 31, 2003 and 2004 in order to refine the alignment of revenue sources with current year classifications.

**Marketing Services Revenue.** Marketing services revenue for the year ended December 31, 2005 increased by approximately \$1,467 million, or 47 percent, as compared to the prior year. The year over year growth in our marketing services revenue was primarily organic and can be attributed to a combination of factors that are driving higher advertising revenue across all of the Yahoo! Properties.

We experienced an increase in our user base and activity levels on the Yahoo! Properties, which resulted in a higher volume of search queries, page views, and click-throughs. We believe our increased user audience attracted new advertisers to our portfolio of marketing solutions and contributed to the increase in our marketing services revenue over the prior year. Marketing services revenue for the year ended December 31, 2004 increased by approximately \$1,805 million, or 137 percent, as compared to 2003. The growth in our marketing services revenue can be attributed to a combination of acquisitions and organic growth. Incremental revenue from acquisitions contributed approximately \$1,230 million to the increase in the year ended December 31, 2004. The remainder of the increase, approximately \$575 million in 2004 was from organic growth in advertising across the Yahoo! Properties as our user base increased.

On the Yahoo! Properties, our estimated number of unique users worldwide as of December 31, 2005 was approximately 6 percent higher than the number of unique users as of December 31, 2004, which was 31 percent higher than December 31, 2003. Unique users are the estimated number of people who visited the Yahoo! Properties in a given time period. The unique user estimate as of December 31, 2005 does not include the unique users of Yahoo! China as it was divested in October 2005 in connection with our strategic investment in Alibaba. If the unique users of Yahoo! China had been excluded as of December 31, 2004, our estimated unique users as of December 31, 2005 would have been 21 percent higher than as of December 31, 2004.

The combined number of page views and searches, including those from our affiliate network, increased by approximately 40 percent in 2005 as compared to the prior year. This growth was primarily organic. The combined number of page views and searches in 2004, including those from our affiliate network increased by approximately 50 percent as compared to 2003, with approximately 10 percent of the increase in volume attributable to acquisitions. The increases in the organic volume of page views and searches can be attributed to an increased number of users, an increased number of affiliates, an expanded offering of properties which increased our inventory of page views, and greater market acceptance of our search offerings. The combined average revenue per page view and search increased by approximately 5 percent in 2005 compared to 2004. This growth was primarily organic. The combined average revenue per page view and search increased by approximately 55 percent in 2004 compared to 2003, of which approximately one-half was attributable to acquisitions. Our combined revenue per page view and search was impacted by sales mix changes from period to period as we expanded our offerings on the Yahoo! Properties and introduced new inventory with differing yields.

We believe our growing number of users, advertisers and inventory has been driving this growth in our marketing services revenues. We believe our expanding offerings as well as our enhanced algorithmic search technology, which provides a new level of personalization to the search experience, contribute to our growing number of users. As our user base increases, we generate a higher number of page views, which we view as inventory, and process a higher number of search queries which potentially result in a higher number of impressions and paid clicks. We also believe that our growing user base makes the Yahoo! Properties more attractive to advertisers and increases their spending on marketing solutions. Further, we believe the growth in users on the Yahoo! Properties and on the Internet overall reflects the increasing acceptance, importance and dependence of users on the Internet. As a result of the increasing

online audience, we believe advertisers are shifting a greater percentage of their spending from traditional media to the Internet to reach this growing audience.

**Fees Revenue.** For the year ended December 31, 2005, fees revenue increased approximately \$216 million, or 48 percent, as compared to the prior year. Approximately \$46 million of the increase was attributable to acquisitions and \$147 million of the increase was associated with an increase in the number of paying users for our fee-based services, which numbered 12.6 million as of December 31, 2005 compared to 8.4 million as of December 31, 2004. Our increased base of paying users was due to growth in users across most of our offerings, with the largest growth generated from new Internet broadband users in the year. Our fee-based services include Internet broadband services, sports, music, personals, and premium mail offerings, as well as our services for small businesses. Average monthly revenue per paying user has remained consistent at approximately \$4 in 2005 and 2004.

For the year ended December 31, 2004, fees revenue increased approximately \$144 million, or 48 percent, as compared to 2003 of which \$10 million related to acquisitions. Approximately \$115 million was associated with an increase in the number of paying users for our fee-based services, which were 8.4 million as of December 31, 2004 compared to 4.9 million as of December 31, 2003. Our increasing base of paying users was due to a greater penetration of our services with our existing users as well as our continued expansion of service offerings that took place during the year, including new business relationships with BT and Rogers for fee-based services. Average monthly revenue per paying user per month declined to

approximately \$4 in 2004 from \$5 in 2003 due to faster subscriber growth in some of our lower priced offerings, and the introduction of lower priced fee-based services.

We currently expect marketing services revenue to increase in absolute dollars for 2006 compared to 2005 as we seek to increase users and traffic on our Yahoo! Properties and further benefit from expected growth in the online advertising market. We also currently expect fees revenue to increase in absolute dollars for 2006 compared to 2005 as we expect to increase our number of paying users in 2006.

**Costs and Expenses:** Operating costs and expenses were as follows (dollars in thousands):

|                             | 2003       |      | Years Ended December 31, |      | 2005         |      | 2004<br>% |
|-----------------------------|------------|------|--------------------------|------|--------------|------|-----------|
|                             |            | (1)  | 2004                     | (1)  |              | (1)  |           |
| Cost of revenues            | \$ 370,092 | 23 % | \$ 1,342,338             | 38 % | \$ 2,096,201 | 40 % |           |
| Sales and marketing         | \$ 530,613 | 33 % | \$ 778,029               | 22 % | \$ 1,025,249 | 20 % |           |
| Product development         | \$ 207,285 | 13 % | \$ 368,760               | 10 % | \$ 547,137   | 10 % |           |
| General and administrative  | \$ 157,027 | 10 % | \$ 262,602               | 7 %  | \$ 319,690   | 6 %  |           |
| Stock compensation expense  | \$ 22,029  | 1 %  | \$ 32,290                | 1 %  | \$ 52,471    | 1 %  |           |
| Amortization of intangibles | \$ 42,385  | 2 %  | \$ 101,917               | 3 %  | \$ 109,195   | 2 %  |           |

(1) Percent of total revenues.

**Cost of Revenues.** Cost of revenues consists of traffic acquisition costs and other expenses associated with the production and usage of the Yahoo! Properties, including amortization of developed technology and patents.

**Traffic Acquisition Costs ("TAC").** TAC consists of payments made to affiliates that have integrated our search offerings into their websites and payments made to companies that direct consumer and business traffic to the Yahoo! Properties. We enter into agreements of varying duration that involve TAC. There are generally three economic



structures of the affiliate agreements: fixed payments based on a guaranteed minimum amount of traffic delivered, which often carry reciprocal performance guarantees from the affiliate; variable payments based on a percentage of our revenue or based on a certain metric, such as number of searches or paid clicks, or a combination of the two. We expense TAC under two different methods. Agreements with fixed payments are expensed ratably over the term the fixed payment covers, and agreements based on a percentage of revenue, number of paid introductions, number of searches, or other metrics are expensed based on the volume of the underlying activity or revenue multiplied by the agreed-upon price or rate.

**Other Cost of Revenues.** Other cost of revenues consists of fees paid to third parties for content included on our online media properties, Internet connection charges, data center costs, server equipment depreciation, technology license fees, amortization of developed technology and patents, and compensation related expenses.

Cost of revenues were as follows (dollars in thousands):

|                           | Years Ended December 31, |      |              |      |              |      | 2003-<br>% Change |
|---------------------------|--------------------------|------|--------------|------|--------------|------|-------------------|
|                           | 2003                     | (1)  | 2004         | (1)  | 2005         | (1)  |                   |
| TAC                       | \$ 152,583               | 9 %  | \$ 974,814   | 27 % | \$ 1,561,737 | 30 % |                   |
| Other cost<br>of revenues | 217,509                  | 14 % | 367,524      | 11 % | 534,464      | 10 % |                   |
| Cost of<br>revenues       | \$ 370,092               | 23 % | \$ 1,342,338 | 38 % | \$ 2,096,201 | 40 % |                   |

(1) Percent of total revenues.

Cost of revenues for the year ended December 31, 2005 increased approximately \$754 million, or 56 percent, compared to the prior year. The increase included \$587 million of additional TAC, which represents the largest component of cost of revenues, as well as an increase of \$64 million in content costs,

\$39 million in depreciation expense, \$27 million in Internet connection charges and data center costs, and \$20 million in amortization of developed technology and patents. This year over year increase in TAC of 60 percent was driven by our 47 percent growth in marketing services revenue, higher average TAC rates and a product mix change toward revenue streams that have associated TAC. The increase in content costs was primarily from our expanded offerings some of which required content for new and enhanced services on Yahoo! Properties including music, sports, and games. The increase in depreciation expense and data center costs primarily resulted from the depreciation of additional information technology assets and data center costs required to manage our increasing user base, traffic, and new offerings on Yahoo! Properties. The increase in the amortization of developed technology and patents resulted from our continued acquisition activity.

Cost of revenues for the year ended December 31, 2004 increased approximately \$972 million, or 263 percent, as compared to 2003. This reflected approximately \$769 million of incremental cost of revenue related to acquisitions of which \$703 million related to TAC associated with the Overture acquisition, and a \$32 million increase in the amortization of technology and patents. The remainder of the increase represented increased costs for search serving, royalties and content, as well as increased costs for growing network usage and premium services.

Cost of revenues in 2005, 2004, and 2003 were 40 percent, 38 percent, and 23 percent of revenues, respectively. The year over year increases mainly related to the additional TAC described above.




We currently believe that cost of revenues will continue to increase in absolute dollars in 2006 compared to 2005. TAC, which is the largest component of our cost of revenues, is expected to increase as our marketing services revenue increases and as TAC rates increase in the competitive search market. Additionally, we expect to continue to increase our user base and offerings, which drive network usage and in turn higher Internet connection charges and data center costs. Further, we expect higher costs related to the introduction of additional content for new and enhanced services.

**Sales and Marketing.** Sales and marketing expenses consist primarily of advertising and other marketing related



expenses, compensation related expenses, sales commissions and travel costs.

Sales and marketing expenses for the year ended December 31, 2005, increased . . .

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## PPC Pay Per Click Search Engines

Below is a listing of pay per click (PPC) and cost per click (CPC) search engines displayed in alphabetical order with links to advertiser information pages.



Last modified: 2006-02-01

Content managed by **Edward Lewis** from [pageonerresults](#)

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**Admin Note:** According to 2005 November figures from Nielsen//NetRatings, Google the largest share of U.S. based web searches with 46%, Yahoo is second with 23% <sup>AND</sup> MSN third with 11%.

As of 2006 January, your best and safest option is to choose one of the two majors <sup>FOR</sup> paid advertising campaigns. The market is dominated by Yahoo! Search Marketing (Overture) and Google AdWords. The industry is currently awaiting (as of 2006 <sup>JANUARY</sup>) MSN's release of their Paid Search Advertising scheduled to launch by 2006 June.



[Print this PPC Checklist](#)

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## Search Engine Marketing PPC Checklist

1. [Sign up for Google AdWords.](#)
2. [Keep an eye on MSN Paid Search Advertising \(Launch by 2006 June\).](#)
3. [Sign up for Yahoo! Search Marketing - Sponsored Search](#)
4. [Sign up for Yahoo! Search Marketing - Product Submit](#)
5. [Sign up for Yahoo! Search Marketing - Directory Submit](#)
6. [Sign up for Yahoo! Search Marketing - Local Sponsored Search](#)
7. [Sign up for Yahoo! Search Marketing - Local Enhanced Listings](#)
8. [Sign up for Yahoo! Search Marketing - Search Submit Express](#)

# FAQ: Using PPC (Pay-per-Click) Google Adwords & Overture

An FAQ with info on how to use **Google Adwords** and **Yahoo Overture** for Your Web Marketing

- "(PPC) is at once starkly simple, bafflingly complex, and highly effective."  
-- Rick Bruner, Director of Research, DoubleClick.com

## Summary

- PPC (Pay-per-Click) lets you place your ad in search engines such as Google.
- Your PPC ads are displayed when a user searches for your service. This means your ads are shown only to people interested in your product or service.
- Your ad's placement is based on how much you bid against your competitors: the more you bid, the higher your ad.
- Of all advertising (telemarketing, magazine advertising, newspapers, radio, TV, banner ads, email marketing, etc.) PPC has the highest conversion rates and the most qualified leads.
- In contrast to nearly every other form of advertising, PPC is fully trackable: you know what works, what doesn't, and you can concentrate your budget on what works.

## Authors

- Andreas Ramos and Stephanie Cota build and manage ecommerce websites in Silicon Valley. Andreas Ramos has Google Certification for Adwords Professionals (CAP). Stephanie Cota has a certificate in advanced SQL database design. *See CreativeConsultantsGroup.com*

## What Is PPC?

Pay-Per-Click (PPC) allows you to advertise in search engines such as Google or Yahoo. (Pay-Per-Click is also called Pay for Performance, and P4P).

You can also control the placement of your ads. The more you bid against your competitors, the higher your ad will be. When user clicks on your ad, they come to your website and you pay for that click.

There are two major PPC services: Google AdWords, owned by Google, and Overture, which is Yahoo's PPC service.

PPC has precise tracking tools. You can measure click and conversion rate. You can delete ads and campaigns that don't work.

- Someone famously quipped that in traditional advertising, 50% of your budget works and 50% doesn't work. The problem is that you don't know which 50% is the one that works.
- With PPC, you know precisely to the number of clicks which ad works. You can delete the ads that don't work and concentrate your budget on the ads that work.
- By deleting the bad ads and developing new ads based on the good ads, your campaign will improve, month after month.

## Why the Interest in PPC?

Web advertising is now nearly \$10 billion per year. This is larger than the entire billboard industry, 80% of the magazine industry, and half of radio advertising. General advertising is growing only 7% but internet advertising is growing 32%.

Companies are discovering that PPC works and they are reallocating their advertising money. Ford Motor Company moved budget away from radio/TV to the web. Newspaper advertising has fallen 4% due to online competitors. Fully 40% of advertising is in PPC and that is growing extremely fast. Google doubled its revenues each year. In 2004, it doubled from \$2 billion to \$4 billion.

billion and it will probably double again in 2005.

### PPC Isn't Blocked

Nearly every other form of advertising can be blocked. Radio listeners simply switch channels. Many are signing up for which has no advertising. TV viewers either switch channels, subscribe to cable, watch Netflix, or are using Tivo to skip altogether.

Web advertisers who use Flash, banner ads, or image ads are discovering that users can use the Mozilla web browser & ads. Simply rightclick and the Flash and banner ads disappear. Advanced users have switched to Mozilla. Those people buyers but they don't even see ads anymore.

- PPC works entirely different. Users choose to search at Google. The ads are context-related. If they search for c they see only ads about organic cat food. There is no clutter of irrelevant ads. There is no incentive to channel s ads.
- We expect that PPC will continue to seize market share from other forms of online advertising. Online advertisin carve out revenues from traditional marketing.

### An Example of PPC Ads

Let's look at an example of an AdWord. At the right side of the Google results page, there are three ads. These have a lines of text, and a URL.

These are paid ads from three companies. When you click one of these ads, you will go to that company's website. Goc company a fee for each click.

Google displays eight ads per page. If you go to the second page in Google, you see eight more ads.

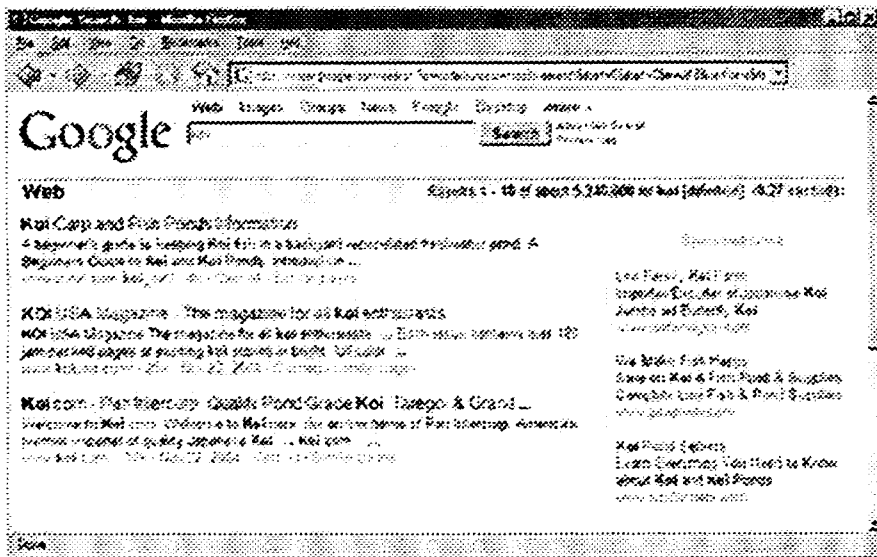


Figure 1: In a Google search, the AdWords ads are displayed at the right.





Figure 2: Closeup of an Adwords ads.

## Google Adwords vs. Overture

There are two PPC services: Google Adwords and Yahoo Overture. They cover 98% of the market. (Note: In April 2005 Overture to *Yahoo Search Marketing*. However, everyone still knows it as Overture.)

## Distribution of Google Adwords

By advertising on Google AdWords, your ads will appear in the following search engines and content sites that are affiliated with Google:

- Search engines include: Google (40% market share), AOL (16%), AskJeeves (8.5%), About.com, Lycos, InfoSpace, CompuServe, Earthlink, AT&T, Shopping.com,
- Content sites include: New York Times, USNews.com, Forbes, ABC, Economist.com, Fox, TheStreet.com, Thoms Geographic, Linux World., All Recipes, LowestFares.com, MacWorld, Business.com, The Weather Channel, Reed Network, HGTV, HowStuffWorks.com, iVillage.com, and others.
- **AdSense:** Google also has AdSense, which is an affiliate program. Several million websites display Google Adwords.
- Other Google services: Your ads will also be displayed in other Google services such as G-Mail (Google's free email).

Google's distribution network is based on **AdSense**. This means that Google's ads are displayed on millions of webpage distribution network is far larger than any other company.

## Distribution of Yahoo Overture

By advertising on Yahoo Overture, your ads will appear in the following search engines and content sites that are affiliated with Yahoo:

- Search engines include: Yahoo (30%), MSN (30%), InfoSpace (2%), AltaVista (1%), Excite, Metacrawler, Dogp AllTheWeb, Go2Net, Sympatico.ca, and the Microsoft IE browser.
- Content sites include: CNN, Juno, Netzero, Advertising.com, Away Network, CitySearch, Cool Savings, Consume Network, ESPN, Edmunds, Homestore Network, Knight Ridder newspapers, MyFamily Network, National Geographic Journal, and others.

By advertising in both Adwords and Overture, you get 98% market coverage. Which one should you use? Use both. Search engines give you the best results and concentrate your budget on the one that works.

## How PPC Works

Here's what happens when you sign up for an AdWords account at Google.

- You create a small AdWords button. The AdWord has a title, two lines of text, and the URL.
- You add a list of keywords. When visitors at Google search for any of these keywords, your ad is displayed.
- You set the maximum for your daily budget. If you set this at \$20 per day, then Google will display your ads up to \$20 in clicks and then it stops for the day. Google spreads your ads across the day, so you won't use up your entire budget in the morning.
- You can set the bids for each keyword. Google charges your account for each click. If you bid 12¢, Google charges you 12¢.



the click. (The actual amount is lower due to various factors.)

- The account is linked to your credit card, which Google bills monthly.
- Your ad's position on the list is based on the amount of your bid. The more you bid, the higher your ads appear.
- Reporting tools show you the number of clicks, the percentage of views vs. clicks, the cost per click, your ad's a whether the visitor was converted to buying, and so on.

This is a general overview. As the quote at the beginning of this FAQ points out, underneath this simplicity, PPC is bafflingly complex. is not an understatement to say that the large advertising and marketing companies don't understand PPC.

## PPC Delivers Qualified Traffic

- 15% of users use search engines to find products or services. They are looking to buy. The PPC ads bring these You sell to these customers who have already decided to buy. No other form of advertising can do this.

## Tracking the Conversions and Lead Generation

PPC has extensive reporting tools that let you keep track of your campaigns. You can create reports to show the result: rates and keep close track on the results you are generating with every PPC campaign.

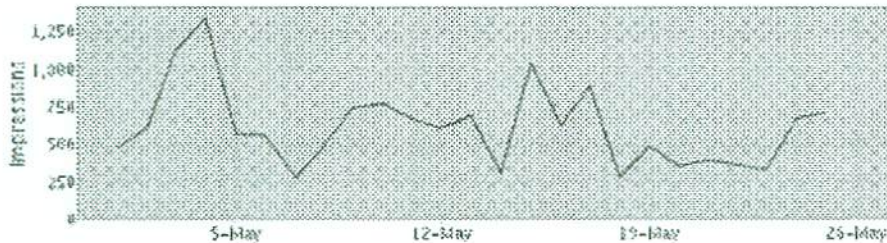


Figure 3: An example of an Adwords graph for impressions.

PPC services offer conversion tracking to show the number of conversions and cost per conversion.

You fetch a bit of HTML code at AdWords or Overture and place it in your website's thank-you page. This is the page th sees when they finished a purchase. This lets you see that the visitor clicked on the advertisement, came to your site, product.

You use the reports to see what works and what doesn't work. You delete the poor performers and concentrate your b works. You repeat this process over and over, and your advertising campaigns will improve in efficiency.

## Targeting the Ads: Local or Global

Adwords allows you to target the ads to countries, states, regions, cities, and even down to specific neighborhoods.

- One of our clients is dentist in Oakland. Her ads are shown only to users within 34 miles of her office, which is t her patients are willing to drive. The ads aren't shown in Los Angeles so she won't have to pay for clicks from p never become patients.
- Another client wanted to broadcast her ads only into certain neighborhoods. We used longitude and latitude poi polygonal shape for those markets.
- For another client, we broadcast the ads into five Asian countries which are markets for their products.

## Targeting the Ads: Various Languages



You can also target the ads to languages. You can select any of the major world languages, including smaller language Icelandic, Urdu, and Slovenian. The keywords and ads are in those languages.

- We manage PPC accounts for clients in languages such as Chinese, Korean, Japanese, German, French, and Spanish. We manage campaigns in South America, Europe, and Asia.

## **Content Targeting at Google AdSense**

Google has an affiliate program called **AdSense**. Webmasters sign up and Google displays Adwords on their webpages related to the page's text. When visitors click on an ad, Google gives part of the click fee to the website.

For example, someone is looking at a koi website. On the side of the page, AdWords about koi are displayed. The visitor clicks on an AdWord. The advertiser pays a click fee to Google and Google gives part of the fee to the website owner.

AdSense is Google's distribution network. Google has built an ad distribution network that has literally millions of pages where an advertiser comes close.

- If you have a popular webpage, add AdSense. When people click on ads, you get part of the click. You can write content that will get high ranking and add AdSense ads to earn money.
- To see an example, go to [www.andreas.com/faq-cell911.html](http://www.andreas.com/faq-cell911.html) and note the AdWords.
- To sign up for AdSense, visit [www.google.com/adsense](http://www.google.com/adsense)
- Read the **AdSense FAQ**.

## **Content Targeting at Google Gmail**

Google Gmail is free email, similar to Hotmail and Yahoo! free email accounts. This is another way for Google to increase Adwords.

Gmail looks for keywords in emails and then inserts related advertising into the email. For example, you write to your friend about plans to go bass fishing. Gmail inserts Adwords advertising that are related to bass fishing. If you're going to fish on the River, the ads will be for advertisers who provide products and services for fishermen on that river.

## **Conclusion**

- PPC lets you buy the top positions at search engines. Due to the nature of PPC, small companies can compete with large corporations.
- PPC brings a stream of interested, ready-to-buy customers. Your sales and revenue will grow.
- PPC's tracking and report tools let you delete what doesn't work and improve what works.
- PPC is the most cost-effective method for advertising your products and services. It works.

Most of your competitors don't use PPC. They don't know about it or they don't understand it. Of some 13 million companies in the USA, only a few hundred thousand are using AdWords at Google (Business Week, April 2004).

## **Further Reading: The AdSense FAQ**

- There's also the **AdSense FAQ**.

## **End Notes: Creative Consultants Group, LLC**

Andreas Ramos and Stephanie Cota at Creative Consultants Group, LLC build and manage PPC/CRM campaigns for corporations. Andreas holds a Google Certification for Adwords Professionals (CAP). Stephanie has a Microsoft certificate in advanced SQL database programming. Creative Consultants Group, LLC is a privately-funded and profitable company in Palo Alto.

- For more, visit [CreativeConsultantsGroup.com](http://CreativeConsultantsGroup.com)

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**Globalat.com - One of the Good Guys Online**

June 20th, 2006

I am normally one to go with the "family business" type over the "large corporation" when purchasing services but recently I had one of my sites hosted with [Globalat.com](#) (due to a special I signed up for last summer).

I had purchased their services via paypal and was billed \$50 US for the first year with a subscription agreement for \$115.85 for every year after that.

Now, I have no problem paying \$50 for solid hosting which Globalat.com provided me in spades (I am not a big fan of their control panel but the hosting and customer support was solid), but I never intended to renew the service at the \$115 price.

I moved the site from the Globalat hosting server recently to my own server elsewhere (thanks Boris!) and completely forgot about the Globalat account.

Then last week I received the infamous "You have made a subscription payment" email from Paypal (can't they send an email before billing you to remind you that a subscription payment is due??) saying I had been billed the dreaded \$115.

I emailed Globalat support and explained my situation rather clearly in an email, stating that I did not wish to renew services and would appreciate a refund.

Initially I was rebuffed and given the standard "our TOS clearly states..." BS. After appealing to their customer service to "do what is right" I woke up today with a "pending refund" notification from Paypal.

Thanks Globalat for being a stand up company.

<http://www.globalat.com> - Web Hosting Run By People

Bookmark:

Posted in [Webmaster](#)



**Gmail for Your Own Domain**

June 6th, 2006

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- [Software Reviews \(2\)](#)
- [Uncategorized \(1\)](#)
- [Webmaster \(14\)](#)
- [Yahoo Search \(3\)](#)

**SEO News Archives**



I came across a post a digitalpoint today from a person who has mail services for his domain running on Gmail. The service allows you to setup 25 users for free which makes this a nice free hosted mail solution for small business or new business starting up without an IT infrastructure.

If you read the thread further one user requested more accounts and received 1000 accounts free. Nice!

The POP service uses a non standard port (not port 25) so some experience setting up email clients is required (or the ability to follow detailed instructions provided at the site).

Usage of a non-standard port has the nice advantage of allowing access to your mail services from virtually any internet connected computer since it works on a non-standard port and hence is not filtered in the same fashion as port 25 is commonly (to avoid SPAM relaying).

- [Digitalpoint Post - Gmail For Your Domain](#)

Bookmark: 

Posted in [Webmaster](#)



### [MSN Adcenter Tools](#)

June 2nd, 2006

Still in Beta Form (is everything Microsoft does a beta?) MSN has launched a suite of SEO tools to go with their Pay Per Click product Adcenter.

[MSN Adcenter Tools >>](#)

Edit:

I tried a number of the tools and while the idea's behind the tools seem great, the actual execution leaves something to be desired.

For example I ran their [Demographics Predication tool](#) using the domain [google.com](#) and received a 100% female demographic... I guess i am a chick! All kidding aside, the tool is obviously not based on anything that makes sense yet. I couldn't get a lot of the tools to work in Firefox either which is a minor annoyance.


Bookmark: 

Posted in [Pay Per Click](#), [SEO Tools](#), [MSN Search](#)



### [Search Engine Market Share - April 2006](#)

May 19th, 2006

Sorry for the delay, still getting caught up after the vacation   
As reported by [Hitslink](#):

[June 2006](#)  
[May 2006](#)  
[April 2006](#)  
[March 2006](#)  
[February 2006](#)  
[January 2006](#)  
[December 2005](#)  
[November 2005](#)  
[September 2005](#)  
[August 2005](#)  
[July 2005](#)  
[June 2005](#)

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- |                            |                              |
|----------------------------|------------------------------|
| 1. Google 49.81%           | 7. AOL 1.10%                 |
| 2. Yahoo! Web Sites 12.86% | 8. Yahoo! Web Sites UK 1.09% |
| 3. Google U.K. 9.30%       | 9. MSN U.K. 1.08%            |
| 4. MSN 7.58%               | 10. Google Germany 0.88%     |
| 5. Google Canada 3.24%     | 11. AOL U.K. 0.82%           |
| 6. Ask Jeeves 1.28%        | 12. Dogpile 0.60%            |

Bookmark: 

Posted in [SEM News](#), [Search Engine Market Share](#)

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## A lesson in Relativity from Frank Herbert

May 19th, 2006

A quote from a story in "The Book of Frank Herbert" entitled "Listening to the Left Hand"...

"Line up three bowls on a table in front of you. Put ice water in the one on the left, hot water in the one on the right and lukewarm water in the middle one. Soak your left hand in the ice water and the right hand in the hot water for about a minute, then plunge both hands into the bowl of lukewarm water. Your left hand will tell you the water of the middle bowl is warm, your right hand will report cold. A small experiment in relativity."

**Frank Herbert**

We are surrounded by a world that is in constant motion and always changing... while our brains struggle to find "fixed absolutes" and "right answers" to hold onto to help make sense of our place in the universe.

In the search engine marketing industry, where there are no fixed absolutes or right answers forthcoming on a landscape that is constantly changing, how can any site or person say anything they know is "absolutely" correct (short of a search engine team member) ?

People congregate on SEO forums and talk with other people who agree with their strategies, thoughts and conjectures on the search industry while espousing their "expertness" to aspiring SEO newbies, perpetuating their conjectures to the next generation of "experts".

**Are they the left hand reporting hot or the right hand reporting cold ?**

Bookmark: 

Posted in [Site News](#)

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## Inbound Link Quality - Framework Ideas

May 16th, 2006

The idea behind measuring the inbound link quality for domains is a simple one:

Bookmark: 

Posted in [Link Popularity](#), [SEO Tools](#)



## Yahoo PPC Click Fraud Syndicated in Spyware?

April 6th, 2006

Well it seems like the click fraud train keeps on rolling. I explained in a previous article that Yahoo! had been pro-active with advertisers on their Pay Per Click search engine when incidents of click fraud had been reported.

After doing some research recently I am going to have to take my positive statements back due to some pretty damning evidence that Yahoo is profitinig from fraudulent clicks being syndicated in Spyware applications.

Benjamin Edelman provides packet logs, screenshots and the money trail showing in pretty explicit detail instances of click fraud.

"On a test PC with 180solutions (among other unwanted software) (widely installed without consent), I browsed Nashbar.com, a popular bicycling retailer. I received a popup that immediately forwarded traffic to a Yahoo Overture PPC link – faking a click on that link, and charging an advertiser as if a user had clicked on that link, even though I had not actually done so."

- [Source: benedelman.org](#)
- [Screenshots](#)
- [Packet Logs](#)

The article goes on to explain the convoluted path the money takes but essentially an advertiser is paying Yahoo for a fraudulent click and Yahoo is paying these Spyware vendors for syndicating their content.

And again, the main problem with PPC advertising rears it's ugly head: **if Yahoo puts a stop to this they are costing themselves money.** This is in addition to the huge problem of **human click bots, people clicking competitor ads on their own sites** and **"automated" click bots and networks** that are already well documented problems with the Pay Per Click advertising model.

Bookmark: 

Posted in [Pay Per Click](#), [Internet Marketing](#), [Yahoo Search](#)



## Search Engine Market Share - March, 2006

April 3rd, 2006

The only noteworthy change is that Ask Jeeves jumped ahead of MSN UK for 7th spot. Google still dominates the market with Yahoo a distant second.

As reported by **Hitslink**:

- |                            |                                |
|----------------------------|--------------------------------|
| 1. Google 48.62%           | 7. Ask Jeeves 1.19%            |
| 2. Yahoo! Web Sites 12.77% | 8. MSN UK 1.10%                |
| 3. Google U.K. 9.54%       | 9. Yahoo! Web Sites U.K. 1.02% |
| 4. MSN 8.66%               | 10. Google Germany 0.93%       |
| 5. Google Canada 3.24%     | 11. AOL U.K. 0.78%             |
| 6. AOL 1.32%               | 12. Dogpile 0.64%              |

Bookmark: 

Posted in [SEM News](#), [Search Engine Market Share](#)

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### [Matt Cutts - Big Daddy Q & A](#)

March 30th, 2006

Matt Cutts (Google Engineer) recently published a Q & A session on his blog regarding the Google Big Daddy Infrastructure update and other assorted webmaster tips.

The main item I noted from the session was that Matt indicates that the Big Daddy rollout is now complete on all datacenters.

Read More:

- [Matt Cutts - Big Daddy Q & A](#)
- [DigitalPoint Discussion Thread](#)

Bookmark: 

Posted in [Search Engine Optimization](#), [Search Engine Ranking](#), [Google Search](#)

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### [Article Directories - SEO SPAM?](#)

March 27th, 2006



Let me preambule this post by saying loudly and clearly "**article marketing is NOT dead**" and will never be dead as long as link building is an important part of search engine optimization.

Having an article posted on an authoritative website in your industry with a link pointing back to your website including the anchor text of your choice can bring reputation, sales and organic search engine traffic through increased link popularity (depending on the quality of the article and link pointing back to your site).

What I am writing here is not an internet marketing secret. This technique has been valued for quite some time as a way to acquire unsolicited backlinks to the article author's website.



fees, will not exceed \$90 million," Wong said.

Source: [MSN Money](#)

Certainly, the \$90 million settlement is not going to affect operations at Google. The real question this settlement creates is will other advertisers see this settlement as an opportunity to sue Google themselves?

If several large advertisers decide to take Google to court and win or settle their cases then this \$90 million settlement will be seen as the lynch pin that started the house of cards falling for Google.


Bookmark: 

Posted in [Pay Per Click](#)



### Search Engine Market Share - February 2006

March 3rd, 2006

[Hitslink](#) has released their **February 2006 - Search Engine Market Share** data. Please find the top search engine's and their market share percentages for February 2006 below. 

- |                            |                                |
|----------------------------|--------------------------------|
| 1. Google 47.05%           | 7. MSN U.K. 1.16%              |
| 2. Yahoo! Web Sites 12.77% | 8. Ask Jeeves 1.13%            |
| 3. Google U.K. 9.70%       | 9. Yahoo! Web Sites U.K. 1.04% |
| 4. MSN 9.00%               | 10. Google Germany 0.92%       |
| 5. Google Canada 3.20%     | 11. AOL U.K. 0.83%             |
| 6. AOL 2.27%               | 12. Dogpile 0.65%              |

Enjoy.

Bookmark: 

Posted in [SEM News](#), [Search Engine Market Share](#)



### Link Exchanges - Friend or Foe? - Article Posted

March 3rd, 2006



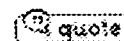
I have posted an article discussing the pro's and con's of link exchanges (mostly con's). I have posted the article under our [SEO Articles](#) section:

[Link Exchanges: Friend or Foe?](#)

Bookmark: 

Posted in [Search Engine Optimization](#), [Site News](#)

Posted: Fri Jan 07, 2005 1:15 pm Post subject: Google Adwords Discounter Scam



To Google:

1.. "AdWords Discounter automatically reduces your average cost-per-click to be just 1 cent more than the minimum necessary to stay ranked above the next lower ad. No more need to monitor and revise your prices [?]. "

This statement is misleading and untrue on several counts:

1) The 'Adwords Discounter' recommends a maximum cost per click to the advertiser during the signing up process. This amount is calculated to place the advertiser's banner in the No 1 position by dislodging the existing No 1 banner, which then becomes " the next lower ad" referred to in your text.

So "the next lower ad" is in fact the No 1 banner! You should be upfront and clear on this point and not mask the truth.

2) Each new advertiser who joins the Adwords program and who accepts the recommendation of Google will therefore be paying one cent more than the previous No 1 advertiser - and so the price for a selected keyword will steadily rise in increments of 1 cent every time a new advertiser joins the system with the selected keyword and who accepts Google's recommendation.

This is not market forces at work dictating the price, but Google's own 'discount' tool which increases prices by default and by reason of advertisers relying on the automated Adwords Discounter to provide the most cost-effective service!

The tool is not actually a 'discounter' at all - it is an automatic 'incrementer' working rather like a web page hit counter, which jacks up the prices of keywords automatically by 1 cent with every new advertiser. So even the name of the tool is deceptive.

3) Why would advertisers passively rely on the recommendation made by the automated Adwords Discounter when setting the maximum cost per click for their campaigns?

The answer is simple and is given by Google itself in the Adwords signing up process: "There is no more need to monitor and revise your prices" when using the Adwords Discounter! This is patently untrue.

The fallacy which Google is promoting is that market forces are dictating the prices of keywords, when in fact advertisers are lulled into accepting the automated recommendation without appreciating that the tool is designed to keep the advertiser's banner in the No 1 spot at the highest price.

The only factor preventing the prices of keywords from increasing ad infinitum is the advertisers usually receive their credit card statements on a monthly basis, which is when the advertisers themselves go ballistic when they see the charges which the Adwords 'Discounter' has created.

In setting my own maximum cost per click to 10 cents, I have received 1500 clicks for about \$210. Compare this with the same number of clicks generated by the Adwords Discounter at \$956.

I have been duped into relying on the Adwords Discounter and have every right to expect a real and honest discount in my advertising bill from \$950 to around \$210.

From Google (1):

My offer for a \$100.00 one-time courtesy credit still stands, and I would be happy to apply that upon your approval.

From Google (2):

Hello John,

Thank you for your response.



As a good faith gesture to you, I will be willing to offer a one-time credit of \$350.00. This is approximately half of the amount that we deemed to be the difference in cost between the times that your set CPC was altered significantly.

I rest my case - anyone know of a good class-action suite attorney based on this admission from Google?

J Riley - Practice Manager,  
The Luklinski Clinic London  
Tel: 0207-631-3067  
[www.back-pain.co.uk](http://www.back-pain.co.uk)

FOR IMMEDIATE RELEASE

FAST AND SUBSTANTIAL REDUCTION OF GASOLINE CONSUMPTION  
CAN BE ACHIEVED EASILY THROUGH ECONOMIC INCENTIVES TO CONSUMERS

NEW YORK, NY, May 2, 2006 -- "The nation's consumption of gasoline can be reduced quickly and substantially through a series of economic incentives," according to Carl Person, a Green Party candidate for New York Attorney General.

The incentives can be created by state action, but the results would be best if the economic incentives were uniform, and created by a federal Energy Conservation Agency.

Person states that "hundreds of incentives are possible", and provides a list of incentives that he believes should be adopted:

1. scale parking and moving-violation fines to the car's fuel-efficiency rating - e.g., \$15 for 100-MPG vehicle and \$200 for a Hummer
2. scaled gasoline sales taxes, scanning a fuel-efficiency bar code to determine the tax, with no tax (or a negative tax, further lowering the pump price) charged for the most efficient cars, and much higher taxes for the guzzlers
3. set parkway, bridge and tunnel tolls similarly
4. HOV-lane use with fewer passengers for high MPG vehicles
5. Scale motor vehicle inspection and registration fees
6. Extend street parking hours for the more efficient cars
7. Grant priority housing, parking and reduced tuition to students with the most fuel-efficient cars (without discriminating against students without cars)
8. Tax credit for similar corporate incentives offered to corporate employees
9. Free roadside service (paid by higher taxes on guzzlers)
10. Eliminate late fees up to 15 days - required of all federally-charted financial institutions
11. Government payment of all or a percentage of a consumer's purchase price for a fuel-efficient car with current non-efficient car being scrapped (and engine destroyed) with purchaser restrictions on resale to encourage later purchase of car with equal or higher efficiency (or return purchased car or resale proceeds to government) and driver's license endorsed with restrictions as enforcement mechanism

With these and other incentives, the government will quickly encourage most car owners to acquire and use the most fuel-efficient cars, and the demand for gasoline and other oil and energy products will be lowered substantially, with resulting decreases in consumer prices.

*SOURCE: Carl E. Person - Green Party Candidate for New York Attorney General  
Web Site: <http://www.carlperson4NYAG.com>*

Downloadable photo of Carl Person at  
[http://www.lawmall.com/carlpersonforNYattorneygeneral/images/carl\\_in\\_coattails.jpg](http://www.lawmall.com/carlpersonforNYattorneygeneral/images/carl_in_coattails.jpg)  
For further information, please contact Nick Person. 212-307-4444

Exhibit S

## Exhibit 99.1

**GOOGLE ANNOUNCES FIRST QUARTER 2006 RESULTS**

MOUNTAIN VIEW, Calif. – April 20, 2006 - Google Inc. (NASDAQ: GOOG) today announced financial results for the quarter ended March 31, 2006.

“Google had an exceptional quarter with strong growth and profitability, from both Google properties and the network,” said Eric Schmidt, CEO of Google. “We are driving this growth through investments in our infrastructure and our people, product innovations that attract new users, and relationships with advertisers and partners around the world. The strength of our business model gives us the opportunity to invest in our business, allowing us to maintain and grow our market leadership.”

**Q1 Financial Summary**

Google reported revenues of \$2.25 billion for the quarter ended March 31, 2006, an increase of 79% compared to the first quarter of 2005 and an increase of 17% compared to the fourth quarter of 2005. Google reports its revenues, consistent with GAAP, on a gross basis without deducting traffic acquisition costs, or TAC. In the first quarter of 2006, TAC totaled \$723 million, or 32% of advertising revenues. Google reports operating income, net income, and earnings per share (EPS) on a GAAP and non-GAAP basis. The non-GAAP measures are described below and reconciled to the corresponding GAAP measure in the section below titled “About non-GAAP financial measures.”

- GAAP operating income for the first quarter of 2006 was \$743 million, or 33% of revenues. This compares to GAAP operating income of \$570 million, or 30% of revenues, in the fourth quarter of 2005. Non-GAAP operating income in the first quarter was \$887 million, or 39% of revenues. This compares to non-GAAP operating income of \$718 million, or 37% of revenues, in the fourth quarter.
- GAAP net income for the first quarter was \$592 million as compared to \$372 million in the fourth quarter. Non-GAAP net income was \$697 million, compared to \$469 million in the fourth quarter.
- GAAP EPS for the first quarter was \$1.95 on 304 million diluted shares outstanding, compared to \$1.22 for the fourth quarter, on 304 million diluted shares outstanding. Non-GAAP EPS was \$2.29, compared to \$1.54 in the fourth quarter.
- Non-GAAP operating income, non-GAAP net income, and non-GAAP EPS in the first quarter of 2006 are computed net of certain material items: stock-based compensation (SBC) and estimated plaintiffs’ attorneys’ fees related to the proposed settlement of the Lane’s Gift class action lawsuit. In the first quarter, the charge related to stock-based compensation was \$115 million as

Exhibit T

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compared to \$58 million in the fourth quarter of 2005, which was also excluded from non-GAAP calculations. Plaintiffs' attorneys' fees related to the proposed Lane's Gift class-action lawsuit settlement are estimated to be \$30 million. In the fourth quarter of 2005, the contribution to the Google Foundation of \$90 million was excluded from the calculation of non-GAAP operating income, non-GAAP net income and non-GAAP EPS. Tax benefits related to SBC charges, the estimated plaintiffs' attorneys' fees and the contribution to the Google Foundation have been excluded from non-GAAP calculations. The tax benefit related to SBC was \$27 million in the first quarter and \$14 million in the fourth quarter. The tax benefit related to the estimated plaintiffs' attorneys' fees in the first quarter was \$12 million. The tax benefit related to the contribution to the Google Foundation in the fourth quarter was \$37 million. Reconciliations of non-GAAP measures to GAAP operating income, net income, and EPS are included at the end of this release.

### **Q1 Financial Highlights**

**Revenues** – Google reported revenues of \$2.25 billion for the quarter ended March 31, 2006, representing a 79% increase over first quarter 2005 revenues of \$1.26 billion, and a 17% increase over fourth quarter 2005 revenues of \$1.92 billion. Google reports its revenues, consistent with GAAP, on a gross basis without deducting traffic acquisition costs, or TAC.

**Google Sites Revenues** - Google-owned sites generated revenues of \$1.30 billion, or 58% of total revenues. This represents a 97% increase over first quarter 2005 revenues of \$657 million and an 18% increase over fourth quarter 2005 revenues of \$1.10 billion.

**Google Network Revenues** - Google's partner sites generated revenues, through AdSense programs, of \$928 million, or 41% of total revenues. This is a 59% increase over network revenues of \$584 million generated in the first quarter of 2005 and a 16% increase over fourth quarter 2005 revenues of \$799 million.

**International Revenues** - Revenues from outside of the United States contributed 42% of total revenues, compared to 38% in the fourth quarter of 2005 and 39% in the first quarter of 2005. Foreign exchange rates had an immaterial impact on sequential international revenue growth. Had foreign exchange rates remained constant from the first quarter of 2005 through the first quarter of 2006, our international revenues would have been \$65 million higher.

**TAC - Traffic Acquisition Costs**, the portion of revenues shared with Google's partners, increased to \$723 million in the first quarter. This compares to TAC of \$629 million in the fourth quarter. TAC as a percentage of advertising revenues decreased to 32% in the first quarter from 33% in the fourth quarter.

**Other Cost of Revenues** - Other cost of revenues, which is comprised primarily of data center operational expenses, including depreciation expense, as well as credit card processing charges, increased to \$181 million, or 8% of revenues, in the first quarter, compared to \$148 million, or 8% of revenues, in the fourth quarter. Other cost of revenues also included stock-based compensation of \$2 million in both the first quarter of 2006 and the fourth quarter of 2005.

**Operating Expenses** - Operating expenses, other than costs of revenues, were \$607 million in the first quarter. Operating expenses included \$284 million in headcount-related and facilities expenses, \$112 million in stock-based compensation, and \$50 million in advertising and promotional expenses, of which \$25 million was related to distribution deals. In addition, stock-based compensation and estimated plaintiffs' attorneys' fees related to the Lane's Gift class-action lawsuit of \$30 million are included in operating expenses, but excluded from non-GAAP calculations.