

INKTOMI CORP  
Form PREM14A  
January 10, 2003

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SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Filed by the Registrant   
Filed by a party other than the Registrant   
Check the appropriate box:

- Preliminary Proxy Statement       Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12  
INKTOMI CORPORATION

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(Name of Registrant as Specified in Its Charter)

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

- 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:

Common Stock, par value \$0.001 per share, of Inktomi Corporation

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- (2) Aggregate number of securities to which transactions applies:

162,890,548 shares of Common Stock (representing the number of shares of Inktomi  
Common Stock outstanding as of January 1, 2003)

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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):

The filing fee of \$24,727.00 was calculated pursuant to Section 14(g) of the Exchange Act and is equal to  
\$92.00 per million of the aggregate merger consideration of \$268,769,404.00

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- (4) Proposed maximum aggregate value of transaction:

\$268,769,404.00

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- (5) Total fee paid:

\$24,727.00

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- Fee paid previously with preliminary materials:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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[INKTOMI LOGO]

**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 [I], [I], 2003, at [I]:00 a.m., local time, at [I] located at [I].

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. I and Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, 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

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*Chairman, President and Chief Executive Officer  
Inktomi Corporation*

The proxy statement is dated [I], 2003, and is first being mailed to stockholders of Inktomi on or about [I], 2003.

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**INKTOMI CORPORATION**

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

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On [1], 2003**

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To the stockholders of Inktomi Corporation:

A special meeting of stockholders of Inktomi Corporation, a Delaware corporation, will be held on [1], [1], 2003 at [1]:00 a.m., local time, at [1] located at [1], 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 [1] 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 [1] 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

Foster City, California  
[1]

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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
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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. Following 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, our board of directors unanimously approved the merger agreement 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. A more complete description of the reasons for the merger can be found beginning on page 12.

**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, [1] 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.

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**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 46. 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 11)**

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 9)**

*Date, Time and Place.* A special meeting of the stockholders of Inktomi will be held on [I], [I], 2003, at the [I] located at [I] at [I]: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 [I], 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 [I] 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 [I]% 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 12)**

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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

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become a wholly-owned subsidiary of Yahoo!. As a result of the merger, each share of Inktomi common stock 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 29)**

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 29)**

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 17)**

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 18)**

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 37)**

To complete the merger, several conditions must be satisfied or waived by the appropriate party or parties, including:

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;

the representations and warranties of the parties must be true and correct, except with regards to Yahoo!'s representations and warranties as would not be reasonably expected to impede the receipt of the merger consideration and except with regards to our representations and warranties as do not, individually or in the aggregate, constitute a material adverse effect on us;

the obligations of the parties under the merger agreement must be materially performed;

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;

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 39)**

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;

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



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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;

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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 41)**

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.

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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 35)**

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 23)**

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 current and former directors and executive officers of Inktomi will be continued and certain of Inktomi's executive officers may also be entitled to retention bonus payments in connection with the merger.

### **Voting Agreements (Page 42)**

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 on the record date held 237,437 and 3,850,276 shares of our common stock, respectively, representing in the aggregate approximately [1]% of our common stock, 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.

### **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

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Inktomi each filed the required notification and report forms on January 10, 2003, and requested early termination of the required waiting period.

**Portal Services Agreement (Page 43)**

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.

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**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 Form 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 46.

**Table of Contents****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.

	<b>Inktomi Common Stock</b>	
	<b>Low</b>	<b>High</b>
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 January [1], 2003	\$ [1]	\$ [1]

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 [1], 2003, the last full trading day before the printing of this proxy statement:

	<b>Inktomi s Common Stock</b>
December 20, 2002	\$ 1.17
[1], 2003	\$ [1]

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 [ ] located at [ ] at [ ]:00 a.m. local time, on [ ], [ ], 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 [ ], the record date, are entitled to notice of and to vote at the special meeting. On the record date, [ ] shares of our common stock were issued and outstanding and held by approximately [ ] 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. On the record date, Mr. Peterschmidt and Dr. Brewer owned and were entitled to vote 237,437 and 3,850,276 shares, respectively, of our common stock, or approximately [ ]%, 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.

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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.

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



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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.

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**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 46.

**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.

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**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 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

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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. 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. That party terminated discussions with us in late

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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 proposals to acquire Inktomi or our Web search business, none of which resulted in an agreement on structure or valuation.

On November 14, 2002, the Chief Executive Officer of Company X contacted Mr. Peterschmidt and indicated that Company X remained interested in a possible acquisition of 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 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.

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 Credit Suisse First Boston, or 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.

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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. 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 certain other terms of the proposed acquisition, 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.

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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 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.

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.

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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 18. 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.

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, and 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;

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 18;

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;



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the terms and conditions of the merger agreement, including: (i) the no solicitation provisions and our ability to engage in negotiations concerning, 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 23. 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.

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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.

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

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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.

	<b>Inktomi Metric(1)</b>	<b>Relevant Public Market Multiples</b>	<b>Implied Per Share Value</b>
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.

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

<u>Announcement Date</u>	<u>Name of Acquiror</u>	<u>Name of Target</u>
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.

	<u>Inktomi Metric(1)</u>	<u>Relevant Public Market Multiples(2)</u>	<u>Implied Per Share Value</u>
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.

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

	<b>Inktomi Metric</b>	<b>Relevant Public Market Multiples</b>	<b>Implied Per Share Value</b>
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.

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.

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 customary fee for its financial advisory services, including delivery of its opinion, a majority of which is contingent upon the consummation of the merger and the remainder of which is a fixed fee. 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. Thomas Weisel Partners also acted as an underwriter in connection with an offering of our securities and performed various investment banking services for us and 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.

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

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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.

**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, 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 44. 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 29. 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,

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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 has entered into a Management Retention and Change of Control Agreement 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), which provides for payment of up to two years' severance and bonus pay in the event of termination without good cause or voluntary termination by the executive for good reason within 12 months of a change of control of Inktomi. The merger will constitute a change of control for purposes of these agreements and plan.

*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. In addition to customary salary and benefits arrangements, Mr. Makhijani will participate in a retention program Yahoo! is making available for certain senior technical employees of Inktomi. Dr. Eric A. Brewer, our Chief Scientist and a member of our board of directors, is expected to join Yahoo! following completion of the merger.

*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 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 employment with us.

## **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, 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

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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 [ ], 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



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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!.

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### **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, [I], 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.

### **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

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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. If such early termination is granted or the waiting period expires, the requirements of the Hart-Scott-Rodino Act will be satisfied if the merger is completed within one year from the termination or 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 34.

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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, [I], as 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

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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;

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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;