Google Inc.
Form S-1/A
October 26, 2004
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As filed with the Securities and Exchange Commission on October 26, 2004

Registration No. 333-117934

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

GOOGLE INC.

(Exact name of Registrant as specified in its charter)

Delaware	**7375**	**77-0493581**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1600 Amphitheatre Parkway

Mountain View, CA 94043

(650) 623-4000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Eric Schmidt

Chief Executive Officer

Google Inc.

1600 Amphitheatre Parkway

Mountain View, CA 94043

(650) 623-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Christian E. Montegut, Esq.

Donald S. Harrison, Esq.

Ricardo E. Velez, Esq.

Wilson Sonsini Goodrich & Rosati

Professional Corporation

650 Page Mill Road

Palo Alto, California 94304-1050

(650) 493-9300

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the offering circular is expected to be made pursuant to Rule 434, check the following box. ¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this offering circular is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This offering circular is not an offer to sell these securities and we are not soliciting any offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Offering Circular (Subject to Completion)

Dated October 26, 2004

11,662,694 Shares Class A Common Stock

17,007,968 Shares Class B Common Stock

RESCISSION OFFER

Google Inc. is a global technology leader focused on improving the ways people connect with information. Our principal executive offices are located at 1600 Amphitheatre Parkway, Mountain View, California 94043.

On August 18, 2004, a registration statement relating to our initial public offering of Class A common stock was declared effective by the Securities and Exchange Commission. As a result, 19,605,052 shares of Class A common stock were sold to the public for $85.00 per share (consisting of 14,142,135 sold by us and 5,462,917 shares sold by the selling stockholders identified in the registration statement) and the underwriters subsequently exercised their over-allotment option to purchase an additional 2,929,626 from the selling stockholders identified in the registration statement.

Our Class A common stock is quoted on The Nasdaq National Market under the symbol GOOG. The range of closing prices for our Class A common stock, as quoted in The Nasdaq National Market from August 19, 2004 to October 22, 2004 has been $100.01 to $172.43. On October 22, 2004, the last reported per share sale price for our Class A common stock on The Nasdaq National Market was $172.43 per share.

The Rescission Offer

We are offering to repurchase 23,443,819 shares of our common stock (consisting of 9,377,100 shares of Class A common stock and 14,066,719 shares of Class B common stock) from persons who are or were residents of Arkansas, California, Colorado, Connecticut, the District of Columbia, Georgia, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Texas, Virginia and Washington. These persons are current and former employees and consultants who purchased those shares upon exercise of options we granted to them pursuant to our 1998 Stock Plan, 2003 Stock Plan, 2003 Stock Plan (No. 2) and

2003 Stock Plan (No. 3).

We are offering to repurchase unexercised options to purchase 5,226,843 shares of our common stock (consisting of options to purchase 2,285,594 shares of Class A common stock and 2,941,249 shares of Class B common stock) from persons who are or were residents of the above-mentioned states and who are current and former employees and consultants.

The repurchase price for the shares of our common stock subject to the rescission offer ranges from $0.30 to $80.00 per share, and is equal to the price paid by those persons who purchased these shares. The repurchase price for unexercised options to purchase shares of our common stock subject to the rescission offer is 20% of the per share exercise price multiplied by the number of shares subject to the options. In each case, if you accept our rescission offer and surrender your shares or options, or both, as the case may be, you will receive interest, based on the repurchase price noted above and calculated from the date you purchased the shares or the date the option was granted to you through the date that the rescission offer expires at the interest rate based on your state of residence as set forth below.

Federal law does not provide a specific interest rate to be used in the calculation of the consideration to be received in connection with the repurchases of securities by an issuer in a rescission offer. We intend to use the legal rates of interest for the repurchase of shares and options based on the state of residence of the stockholder or optionee. These interest rates are as follows:

State	Interest Rate	State	Interest Rate
Arkansas	6%	Nevada	6.25%
California	7%	New Hampshire	10%
Colorado	8%	New Jersey	4%
Connecticut	6%	New York*	7%
District of Columbia	6%	North Carolina	8%
Georgia	6%	Pennsylvania	6%
Illinois	10%	Texas	6%
Maryland	10%	Virginia	6%
Massachusetts	6%	Washington	8%
Michigan	6%		

* New York law does not provide a specific interest rate. For purposes of the rescission offer, we are applying the rate of interest of California (our principal place of business) to calculate the consideration to be received by New York residents who may be entitled to rescission rights.

The rescission offer will expire on November , 2004.

See Risk Factors beginning on page 10 to read about certain factors you should consider before accepting or rejecting the rescission offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this offering circular is truthful or complete. Any representation to the contrary is a criminal offense.

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SUPPLEMENTAL NOTES REGARDING THE RESCISSION OFFER

The rescission offer is not an unanticipated development. Rather, our intent to make this rescission offer and the details of the rescission offer were disclosed in the registration statement relating to our initial public offering originally filed in April 2004.

Because we grew rapidly from September 2001 through June 2004, we granted options to purchase common stock with an aggregate value that exceeded the limits set forth in Rule 701 under the Securities Act of 1933. Exceeding these limits can result in potential violations of federal and state securities laws. Rescission offers for such potential violations are commonly made by companies in these situations.

The rescission offer process is proceeding as disclosed in our public filings and as we expect. We intend to commence the rescission offer on October , 2004. We recognize that there has been increased media coverage resulting from our filing of a registration statement relating to the rescission offer. The filing of the registration statement is a normal part of the rescission offer process.

We do not believe the rescission offer will be accepted by our current and former employees and consultants in an amount that would represent a material expenditure by us. This belief is based on the fact that our rescission offer will offer to repurchase shares and options at a weighted average price of $3.94, while the range of closing prices for our Class A common stock, as quoted on The Nasdaq National Market, from August 19, 2004 to October 22, 2004 has been $100.01 to $172.43. On October 22, 2004 the last business day before the date of this offering circular, the last reported sale price of our Class A common stock on The Nasdaq National Market was $172.43 per share. We cannot give you assurances as to the price at which the Class A common stock will trade in the future.

When the rescission offer expires, any person who did not accept the rescission offer will have freely tradable stock, subject to our lock-up and vesting restrictions.

The rescission offer is merely an offer to repurchase shares and options. No shareholder or option holder is required to accept our rescission offer.

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You should rely only on the information contained in this offering circular. We have not authorized anyone to provide you with information that is different from that contained in this offering circular. We are offering to repurchase shares of our common stock and options to purchase our common stock only in jurisdictions where offers and sales are permitted. The information in this offering circular is complete and accurate only as of the date of the front cover regardless of the time of delivery of this offering circular or of any sale of shares. Except where the context requires otherwise, in this offering circular, the Company, Google, we, us and our refer to Google Inc., a Delaware corporation, and, where appropriate, its subsidiaries.

Only residents of the United States are eligible to participate in the rescission offer.

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QUESTIONS AND ANSWERS ABOUT THE RESCISSION OFFER

You should read the following questions and answers, together with the more detailed information regarding the rescission offer and the risk factors set forth elsewhere in this offering circular, before deciding whether to accept or reject the rescission offer.

General

Q: Why are we making the rescission offer?

A: Certain options we granted during the period from September 2001 through July 2004 may not have been exempt from the registration or qualification requirements under the securities laws of certain states. In addition, certain shares issued upon exercise of options granted during this period may not have been exempt from the registration and qualification requirements under Rule 701 under the Securities Act of 1933 and under those state securities laws that provide an exemption to the extent the requirements under Rule 701 are met. Consequently, these option grants and stock issuances may have violated the Securities Act of 1933 and the state securities laws of Arkansas, California, the District of Columbia, Maryland and New York. The rescission offer is intended to address these federal and state securities laws compliance issues by allowing the holders of the options and shares covered by the rescission offer to rescind the underlying securities transactions and sell those securities back to us.

Q: Which options and shares of common stock are included in the rescission offer?

A: We are offering, upon the terms and conditions described in this offering circular, to rescind:

- The sale of 9,377,100 shares of Class A common stock.
- The sale of 14,066,719 shares of Class B common stock.
- The grant of options to purchase 2,285,594 shares of Class A common stock.
- The grant of options to purchase 2,941,249 shares of Class B common stock.

The 23,443,819 shares of our common stock subject to the rescission offer are held by 1,279 persons and the outstanding options to purchase 5,226,843 shares of our common stock are held by 282 persons. All of these people are current and former employees and consultants who purchased shares of our common stock pursuant to option agreements or hold outstanding options to purchase our common stock. We granted these options and the options underlying the outstanding common stock subject to the rescission offer between September 2001 and July 2004, at exercise prices ranging from $0.30 to $80.00 per share.

Q: When does the rescission offer expire?

A: Our rescission offer will expire on November , 2004.

Q: What will I receive if I accept the rescission offer?

A: If you accept our rescission offer with respect to the common stock you purchased by exercising an option we granted to you, we will repurchase the shares you hold that are subject to the rescission offer at the price per share you paid, plus interest at the current statutory rate per year, from the date of exercise through the date the rescission offer expires. If you accept our rescission offer with respect to unexercised options to purchase our common stock, regardless of whether these options are vested, we will repurchase these options at a price equal to 20% of the per share exercise price multiplied by the number of shares subject to the options, plus interest at the current statutory rate per year, from the date of grant through the date the rescission offer expires.

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The legal rates of interest for the repurchase of shares and options will be based on the state of residence of the stockholder or optionee. These interest rates are as follows:

State	Interest Rate	State	Interest Rate
Arkansas	6%	Nevada	6.25%
California	7%	New Hampshire	10%
Colorado	8%	New Jersey	4%
Connecticut	6%	New York*	7%
District of Columbia	6%	North Carolina	8%
Georgia	6%	Pennsylvania	6%
Illinois	10%	Texas	6%
Maryland	10%	Virginia	6%
Massachusetts	6%	Washington	8%
Michigan	6%		

* New York law does not provide a specific interest rate. For purposes of the rescission offer, we are applying the rate of interest of California (our principal place of business) to calculate the consideration to be received by New York residents who may be entitled to rescission rights.

Q: Can you give me an example of what I will receive if I accept the rescission offer?

A: *Common Stock.* We will repurchase outstanding shares of common stock subject to the rescission offer at the price per share you paid, plus interest at the current statutory rate per year, from the date of exercise through the date that the rescission offer expires. If you are a resident of California and hold 1,000 shares of our common stock that you purchased in October 2003 upon exercise of an option that is subject to the rescission offer at a per share price of $4.00 and you accept our rescission offer, you would receive:

The original purchase price = 1,000 X $4.00 = $4,000.

Plus simple interest at 7% per year = $280.

For a total of $4,280.

Options. We will repurchase outstanding, unexercised options subject to the rescission offer at a price equal to 20% of the per share exercise price multiplied by the number of shares subject to the options, plus interest at the current statutory rate per year, from the date of grant through the date the rescission offer expires. If you are a resident of California and hold an unexercised option to purchase 1,000 shares of our common stock at a per share exercise price of $4.00 that was granted in October 2003 and you accept our rescission offer, you would receive:

20% of the exercise price for the total option = 20% * (1,000 X $4.00) = $800.

Plus interest at 7% per year = $56.

For a total of $856.

In either case, you will not have any right, title or interest to the shares of common stock or options you will be surrendering upon the closing of the rescission offer, and you will only be entitled to receive the proceeds from our repurchase of the common stock or options, as the case may be.

Q: Have any officers, directors or 5% stockholders advised Google whether they will participate in the rescission offer?

A: One of our officers, who holds 52,783 shares of common stock, all of which shares are subject to rescission is eligible to participate in the rescission offer. We have been advised that this officer does not intend to accept the rescission offer. None of our directors are eligible to participate in this offer. If our eligible officer does not participate in the rescission offer but all other eligible persons accept the rescission offer in full, our officers and directors would not materially increase their respective ownership interests in Google.

Q: If I do not accept the offer now, can I sell my shares?

A: If you do not accept the rescission offer, you can sell the shares of Class A common stock that were subject to the rescission offer without limitation as to the number or manner of sale; provided, however, that you will remain subject to any market standoff agreements, lockup arrangements, vesting restrictions, Google Insider Trading Policy requirements and any other transfer restrictions entered into with respect to your shares. You may only sell vested shares. To the extent you hold shares of our Class B common stock subject to the rescission offer and wish to sell them, you should notify us that you wish to convert such shares of Class B common stock into Class A common stock. Our Class B common stock is not and will not be publicly traded. Our options are not transferable, although the underlying shares of common stock are transferable in accordance with the description provided above.

Q: What do I need to do now to accept or reject the rescission offer?

A: To accept or reject the rescission offer, you must complete and sign the accompanying election form and return it in the enclosed return envelope to Google, to the attention of Matthew Tolland, Corporate Paralegal, 1600 Amphitheatre Parkway, Mountain View, CA 94043, as soon as practical but in no event later than November , 2004. If you are accepting the rescission offer, please also include in your return envelope the following:

Common Stock. With respect to any shares of common stock that you want us to repurchase, (i) a completed and signed election form (see Appendix A) and (ii) a stock power representing the shares you are surrendering for repurchase (see Appendix B).

Options. With respect to any options that you are surrendering for repurchase, a completed and signed election form (see Appendix A). Please indicate on your election form the grant date of the option that you are surrendering for repurchase and the number of shares underlying the option.

Q: Can I accept the rescission offer in part?

A: If you accept the rescission offer, then you must accept the rescission offer with respect to either an entire option grant or all of the shares of common stock issued under an option grant that has been exercised. You can accept the rescission offer in part to the extent you have received multiple option grants. For example, you can accept the rescission offer with respect to one option grant subject to the rescission offer by returning a completed signed election form with respect to that option grant (see Appendix A). In addition, you can accept the rescission offer with respect to the shares of common stock issued under one option grant subject to the rescission offer by indicating the grant date of the option underlying the shares on the election form and returning this form to us together with a stock power representing the shares you are tendering for repurchase.

Q: What happens if I do not return my rescission offer election form?

A: If you do not return a properly completed election form before the expiration date of our rescission offer, you will be deemed to have rejected our offer.

Q: What remedies or rights do I have now that I will not have after the rescission offer?

A: It is unclear whether or not you will have a right of rescission under federal securities laws after the rescission offer. The staff of the Securities and Exchange Commission is of the opinion that a person s right of rescission created under the Securities Act of 1933 may survive the rescission offer. Generally, the federal statute of limitations for noncompliance with the requirement to register securities under the Securities Act of 1933 is one year from the date of the violation upon which the action to enforce liability is based.

The state remedies and statutes of limitations vary and depend upon the state in which you purchased the shares. The following is a summary of the statutes of limitations and the effect of the rescission offer for the states in which the shares covered by this rescission offer were sold. This summary is not complete. For a more detailed description of the various state laws governing rescission rights in the respective states, see *Rescission Offer Effect of Rescission Offer*.

Arkansas Due in part to our noncompliance with Rule 701 of the Securities Act of 1933, no exemption from the registration requirements of Section 23-42-501 of the Arkansas Securities Act was available to us with respect to certain options and shares issued in Arkansas under our stock plans that are subject to the rescission offer. In addition, we did not register option grants and common stock issuances pursuant to these stock plans under the Arkansas Securities Act. Consequently, these options and shares may have been issued in violation of the Arkansas Securities Act. Generally, the Arkansas statute of limitations for securities laws violations is three years from the effective date of the contract of sale relating to the noncompliant securities issuance. Regardless, if the options or shares were issued to you in Arkansas, you will no longer have any right of rescission under Arkansas law after the expiration of our rescission offer.

California In July 2003, pursuant to an application for qualification of securities pursuant to Section 25113 of the California Corporate Securities Law, the California Department of Corporations issued us a permit that qualified us to offer, sell and issue options and shares of our common stock pursuant to our 2003 Stock Plan (No. 2) and 2003 Stock Plan (No. 3). However, we did not register certain option grants and common stock issuances pursuant to our 1998 Stock Plan and 2003 Stock Plan under the California Corporate Securities Law, nor did we take the steps required to satisfy available exemptions with respect to certain of these options and shares. Consequently, certain options and shares issued pursuant to the 1998 Stock Plan and 2003 Stock Plan may have been issued in violation of the California Corporate Securities Act. Generally, the California statute of limitations for noncompliance with the requirement to register or qualify securities under the California Corporate Securities Law is the earlier of two years after the noncompliance occurred, or one year after discovery of the facts constituting such noncompliance. Regardless, if the shares or options that are the subject of the rescission offer were issued to you in California, you will no longer have any right of rescission or repurchase with respect to these securities under Section 25503 of the California Corporate Securities Law after the expiration of our rescission offer.

Colorado While residents of Colorado that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Colorado were issued pursuant to an exemption from registration or qualification under the Colorado Securities Act.

Connecticut While residents of Connecticut that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Connecticut were issued pursuant to an exemption from registration or qualification under the Connecticut Uniform Securities Act.

District of Columbia We did not register certain option grants and common stock issuances pursuant to our stock plans that are subject to the rescission offer under the District of Columbia Securities Act of 2000, nor did we take affirmative steps to ensure the availability to us of any exemption from registration provided in Section 401 of the District of Columbia Securities Act of 2000. Consequently, these options and shares may have been issued in violation of the District of Columbia Securities Act of 2000. Generally, the statute of limitations for District of Columbia securities laws violations is one year after the registration violation occurred. Regardless, if the options or shares were issued to you in the District of Columbia, you will

no longer have any right of rescission under the law of the District of Columbia after the expiration of our rescission offer.

Georgia	While residents of Georgia that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Georgia were issued pursuant to an exemption from registration or qualification under the Georgia Securities Act of 1973.
Illinois	While residents of Illinois that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Illinois were issued pursuant to an exemption from registration or qualification under the Illinois Securities Act of 1953.
Maryland	We did not take the necessary steps required to satisfy the requirements for reliance upon the exemption provided in Section 11-601(11) of the Maryland Securities Act with respect to certain option grants and common stock issuances pursuant to our stock plans that are subject to the rescission offer. Consequently, these options and shares may have been issued in violation of the Maryland Securities Act. Generally, the Maryland statute of limitations for securities laws violations is one year after the issuance of noncompliant securities. However, if the shares or options were issued to you in Maryland, you will no longer have any right of rescission under Maryland law after our rescission offer.
Massachusetts	While residents of Massachusetts that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Massachusetts were issued pursuant to an exemption from registration or qualification under the Massachusetts Uniform Securities Act.
Michigan	While residents of Michigan that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Michigan were issued pursuant to an exemption from registration or qualification under the Michigan Uniform Securities Act.
Nevada	While residents of Nevada that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Nevada were issued pursuant to an exemption from registration or qualification under the Nevada Uniform Securities Act.
New Hampshire	While residents of New Hampshire that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of New Hampshire were issued pursuant to an exemption from registration or qualification under the New Hampshire Uniform Securities Act.
New Jersey	While residents of New Jersey that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of New Jersey were issued pursuant to an exemption from registration or qualification under the New Jersey Uniform Securities Laws.
New York	We were required to apply for an exemption from the broker-dealer registration and securities issuance requirements with the State of New York to issue the shares and/or options to you without registration or qualification. Because of our failure to apply for an exemption, you have three years to seek a remedy for our failure to register. If shares or options were issued to you in New York, you do not have a right of rescission under New York law. We believe the rescission offer will foreclose any other remedy you may have under New York law for our failure to apply for an exemption and we are not aware of any statutory rights of action you may have under New York law because of our failure to apply for an exemption.

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North Carolina	While residents of North Carolina that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of North Carolina were issued pursuant to an exemption from registration or qualification under the North Carolina Securities Act.
Pennsylvania	While residents of Pennsylvania that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws. We believe that the options and common stock issued by us in the state of Pennsylvania were issued pursuant to an exemption from registration or qualification under the Pennsylvania Securities Act.
Texas	While residents of Texas that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Texas were issued pursuant to an exemption from registration or qualification under the Texas Securities Act.
Virginia	While residents of Virginia that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Virginia were issued pursuant to an exemption from registration or qualification under the Virginia Securities Act.
Washington	While residents of Washington that hold options and shares covered by the rescission offer may have a right of rescission under federal securities laws, we believe that the options and common stock issued by us in the state of Washington were issued pursuant to an exemption from registration or qualification under the Securities Act of Washington.

We believe that your acceptance of the rescission offer will preclude you from later seeking similar relief. Regardless of whether you accept the rescission offer, we believe that any remedies you may have after the rescission offer expires would not be greater than an amount you would receive in the rescission offer.

Q: How will the rescission offer be funded?

A: The rescission offer will be funded from our existing cash balances. If all persons eligible to participate in the rescission offer accept our offer to the full extent, our results of operations, cash balances or financial condition will not be affected materially.

Q: Can I change my mind after I have mailed my signed election form?

A: Yes. You can change your decision about accepting or rejecting our rescission offer at any time before the expiration date. You can do this by completing and submitting a new election form. Any new election forms must be received by us prior to the expiration date in order to be valid. We will not accept any election forms after the expiration date.

Q: Who can help answer my questions?

A: You can call Stock Administration at Google, at (650) 623-4000 with questions about the rescission offer.

Q: Where can I get more information about Google?

A: You can obtain more information about Google from the filings we make from time to time with the Securities and Exchange Commission. These filings are available on the Securities and Exchange Commission s website at *www.sec.gov*.

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SUMMARY

This summary highlights information contained elsewhere in this offering circular and does not contain all of the information you should consider in deciding whether to accept or reject the rescission offer. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this offering circular. You should carefully consider, among other things, the matters discussed in   Risk Factors.

Google Inc.

Google is a global technology leader focused on improving the ways people connect with information. Our innovations in web search and advertising have made our web site a top Internet destination and our brand one of the most recognized in the world. We maintain the world s largest online index of web sites and other content, and we make this information freely available to anyone with an Internet connection. Our automated search technology helps people obtain nearly instant access to relevant information from our vast online index.

We generate revenue by delivering relevant, cost-effective online advertising. Businesses use our AdWords program to promote their products and services with targeted advertising. In addition, the thousands of third-party web sites that comprise our Google Network use our Google AdSense program to deliver relevant ads that generate revenue and enhance the user experience. Advertisers in our AdWords program pay us a fee each time a user clicks on one of their ads displayed either on our web sites or on the web sites of Google Network members that participate in our AdSense program. When a user clicks on an ad displayed on a web site of a Google Network member, we retain only a small portion of the advertiser fee, while most of the fee is paid to the Google Network member.

Our mission is to organize the world s information and make it universally accessible and useful. We believe that the most effective, and ultimately the most profitable, way to accomplish our mission is to put the needs of our users first. We have found that offering a high-quality user experience leads to increased traffic and strong word-of-mouth promotion. Our dedication to putting users first is reflected in three key commitments we have made to our users:

- We will do our best to provide the most relevant and useful search results possible, independent of financial incentives. Our search results will be objective and we will not accept payment for inclusion or ranking in them.
- We will do our best to provide the most relevant and useful advertising. Whenever someone pays for something, we will make it clear to our users. Advertisements should not be an annoying interruption.
- We will never stop working to improve our user experience, our search technology and other important areas of information organization.

We believe that our user focus is the foundation of our success to date. We also believe that this focus is critical for the creation of long-term value. We do not intend to compromise our user focus for short-term economic gain.

Corporate Information

We were incorporated in California in September 1998. In August 2003, we reincorporated in Delaware. Our principal executive offices are located at 1600 Amphitheatre Parkway, Mountain View, California 94043, and our telephone number is (650) 623-4000. We maintain a number of web sites including *www.google.com*. The information on our web sites is not part of this offering circular.

Google® is a registered trademark in the U.S. and several other countries. Our unregistered trademarks include: AdSense, AdWords, Blogger, Froogle, Gmail, I m Feeling Lucky and PageRank. All other trademarks, trade names and service marks appearing in this offering circular are the property of their respective holders.

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The Rescission Offer

Total common stock (including common stock underlying options) subject to rescission offer	28,670,662 Shares
Class A common stock	11,662,694 Shares
Class B common stock	17,007,968 Shares
Total common stock outstanding	273,227,529 Shares
Class A common stock	52,677,654 Shares
Class B common stock	220,549,875 Shares
Use of proceeds	We will not receive any proceeds from the rescission offer.
Nasdaq symbol	GOOG

The number of shares of Class A common stock and Class B common stock outstanding is based on the number of shares outstanding at September 30, 2004 and excludes:

487,184 shares of Class B common stock issuable upon the exercise of warrants outstanding at September 30, 2004, at a weighted average exercise price of $0.79 per share.

7,243,680 shares of Class A common stock issuable upon the exercise of options outstanding at September 30, 2004, at a weighted average exercise price of $23.24 per share.

10,189,108 shares of Class B common stock issuable upon the exercise of options outstanding at September 30, 2004, at a weighted average exercise price of $3.35 per share.

6,192,940 shares of common stock available for future issuance under our stock option plans at September 30, 2004.

Recent Developments

On October 21, 2004, we announced our financial results for the quarter ended September 30, 2004. Our revenues were $805.9 million for the quarter ended September 30, 2004, an increase of $411.9 million (or 105%), from $393.9 million for the quarter ended September 30, 2003. Income from operations was $11.1 million, or 1.4% of revenues for the quarter ended September 30, 2004, compared to $66.6 million, or 16.9% of revenues for the quarter ended September 30, 2003. Income from operations for the third quarter of 2004 included a non-recurring, non-cash charge of $201.0 million related to the settlement of disputes with Yahoo. Income from operations for the third quarter of 2004 also included a $68.0 million non-cash, stock-based compensation charge compared to a $73.8 million non-cash, stock-based compensation charge in the third quarter of 2003. Net income in the quarter ended September 30, 2004 was $52.0 million, or 6.5% of revenues, compared to $20.4 million, or 5.2% of revenues, in the quarter ended September 30, 2003. In addition to the $119.0 million settlement charge, after the related tax benefit in the third quarter of 2004, we realized a $46.0 million reduction to our provision for income taxes related to certain stock-based compensation charges recognized prior to our initial public offering. Earnings per share in the quarter ended September 30, 2004 was $0.19 on a diluted basis, an increase of 138%, from earnings per share of $0.08 on a diluted basis in the quarter ended September 30, 2003.

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Summary Consolidated Financial Data

The following table summarizes financial data regarding our business and should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this offering circular.

	Year Ended December 31,					Six Months Ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands, except per share data)					(unaudited)	
Consolidated Statements of Operations Data:							
Revenues	$ 220	$ 19,108	$ 86,426	$ 439,508	$ 1,465,934	$ 559,817	$ 1,351,835
Costs and expenses:							
Cost of revenues	908	6,081	14,228	131,510	625,854	204,596	641,775
Research and development	2,930	10,516	16,500	31,748	91,228	29,997	80,781
Sales and marketing	1,677	10,385	20,076	43,849	120,328	42,589	104,681
General and administrative	1,221	4,357	12,275	24,300	56,699	22,562	47,083
Stock-based compensation		2,506	12,383	21,635	229,361	70,583	151,234
Total costs and expenses	6,736	33,845	75,462	253,042	1,123,470	370,327	1,025,554
Income (loss) from operations	(6,516)	(14,737)	10,964	186,466	342,464	189,490	326,281
Interest income (expense) and other, net	440	47	(896)	(1,551)	4,190	719	(1,198)
Income (loss) before income taxes	(6,076)	(14,690)	10,068	184,915	346,654	190,209	325,083
Provision for income taxes			3,083	85,259	241,006	132,241	182,047
Net income (loss)	$ (6,076)	$ (14,690)	$ 6,985	$ 99,656	$ 105,648	$ 57,968	$ 143,036
Net income (loss) per share:							
Basic	$ (0.14)	$ (0.22)	$ 0.07	$ 0.86	$ 0.77	$ 0.44	$ 0.93
Diluted	$ (0.14)	$ (0.22)	$ 0.04	$ 0.45	$ 0.41	$ 0.23	$ 0.54
Number of shares used in per share calculations:							
Basic	42,445	67,032	94,523	115,242	137,697	131,525	153,263
Diluted	42,445	67,032	186,776	220,633	256,638	253,024	265,223

The following table presents a summary of our balance sheet data at June 30, 2004:

On an actual basis.

On a pro forma as adjusted basis to give effect to the conversion of all outstanding shares of our preferred stock into shares of Class B common stock prior to the closing of our initial public offering and to further give effect to the sale by us of shares of our Class A common stock at our initial public offering price of $85.00 per share, and the receipt of the net proceeds from our initial

public offering, after deducting underwriting discounts and commissions and estimated offering expenses.

	At June 30, 2004	
	Actual	Pro Forma as Adjusted
	(in thousands) (unaudited)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 548,687	$ 1,712,255
Total assets	1,328,022	2,491,590
Total long-term liabilities	58,766	58,766
Deferred stock-based compensation	(352,815)	(352,815)
Total stockholders equity	1,016,999	2,180,567

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RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this offering circular, before making a decision to accept or reject our rescission offer. If any of the following risks actually occurs, our business, financial condition or operating results could be materially and adversely affected.

Risks Related to the Rescission Offer

We may continue to have potential liability even after this rescission offer is made.

Certain options we granted during the period from September 2001 through July 2004 may not have been exempt from the registration or qualification requirements under the securities laws of certain states. In addition, certain shares issued upon exercise of options granted during this period may not have been exempt from the registration and qualification requirements under Rule 701 under the Securities Act of 1933 and under those state securities laws that provide an exemption to the extent the requirements under Rule 701 are met. In order to address these issues, we are making the rescission offer to all holders of any outstanding options and shares subject to rescission. However, the Securities Act of 1933 does not provide that a rescission offer will extinguish a holder s right to rescind the grant of an option or the issuance of shares that were not registered or exempt from the registration requirements under the Securities Act of 1933. Consequently, should any recipients of our rescission offer reject the offer, expressly or impliedly, we may remain liable under the Securities Act of 1933 for the purchase price of the options and shares that are subject to the rescission offer.

Your federal right of rescission may not survive if you affirmatively reject or fail to accept the rescission offer.

If you affirmatively reject or fail to accept the rescission offer, it is unclear whether or not you will have a right of rescission under federal securities laws after the expiration of the rescission offer. The staff of the Securities and Exchange Commission is of the opinion that a person s right of rescission created under the Securities Act of 1933 may survive the rescission offer.

We cannot predict whether the amounts you would receive in the rescission offer would be greater than the fair market value of our securities.

The amount you would receive in the rescission offer is fixed and is not tied to the fair market value of our common stock at the time the rescission offer closes. As a result, if you accept the rescission offer, you may receive less than the fair market value of the securities you would be tendering to us.

If you do not accept the rescission offer, your shares and the shares you receive from the exercise of your options, although freely tradeable, may still remain subject to limitation on resales.

If you affirmatively reject the rescission offer or fail to accept the rescission offer before the expiration of the rescission offer, your shares will be registered under the Securities Act of 1933 and will be fully tradeable, subject to any applicable limitations set forth in Rule 144 or Rule 145 under the Securities Act of 1933; provided, however, that you will also remain subject to any applicable terms and conditions of any agreement under which your shares were issued or otherwise relating to your shares. In addition, you will remain subject to any market standoff agreements, lockup arrangements and any other transfer restrictions entered into with respect to your shares. You may only resell shares acquired upon exercise of vested options; shares underlying unvested options may not be resold.

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Risks Related to Our Stock Price

The market price for our Class A common stock may be volatile.

We have only recently completed our initial public offering and we cannot predict the extent to which a trading market for our Class A common stock will develop or how liquid that market might become. The price at which we sold shares in our initial public offering may not be indicative of prices that will prevail in the trading market. The trading price of our Class A common stock is therefore likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- Quarterly variations in our results of operations or those of our competitors.
- Announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments.
- Disruption to our operations or those of our Google Network members or our data centers.
- The emergence of new sales channels in which we are unable to compete effectively.
- Our ability to develop and market new and enhanced products on a timely basis.
- Commencement of, or our involvement in, litigation.
- Any major change in our board or management.
- Changes in governmental regulations or in the status of our regulatory approvals.
- Recommendations by securities analysts or changes in earnings estimates.
- General economic conditions and slow or negative growth of related markets.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Such fluctuations may be even more pronounced in the trading market shortly following our initial public offering. These broad market and industry factors may seriously harm the market price of our Class A common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

Future sales of shares by our stockholders could cause our stock price to decline.

We cannot predict the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. At September 30, 2004, we had outstanding 273,227,529 shares of common stock. We have entered into contractual lock-up agreements with our officers, directors and certain employees and other securityholders, representing the holders of substantially all of our outstanding capital stock. Sales of our Class A common stock in the public market after the restrictions set forth in these agreements lapse, or the perception that those sales may occur, could cause the trading price of our stock to decrease or to be lower than it might be in the absence of those sales or perceptions. We may, in our sole discretion, permit our officers, directors, employees and current stockholders who are subject to contractual lock-up agreements with us to sell shares prior to the expiration of their lock-up agreements. None of our officers, directors, employees or stockholders have entered into contractual lock-up agreements with the underwriters in connection with our initial public offering. In addition, our employees can only sell vested shares.

We have filed or plan to file a registration statement on Form S-8 and a registration statement on Form S-1 relating to our rescission offer. As a result of these registration statements, the selling restriction agreements

between us and our stockholders that are described in Shares Eligible For Future Sale and the provisions of Rules 144, 144(k) and 701, we expect that the restricted securities will first become available for sale in the public market as follows:

Days After Our Initial Public Offering	Additional Shares Eligible for Public Sale
At 15 days after our initial public offering and various times thereafter	4,667,483
At 90 days after our initial public offering and various times thereafter	39,071,376
At 120 days after our initial public offering and various times thereafter	24,874,091
At 150 days after our initial public offering and various times thereafter	24,874,091
At 180 days after our initial public offering and various times thereafter	176,794,161

147,224,908 of these shares are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 under the Securities Act of 1933 and various vesting agreements. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline. The selling restriction agreements between us and our stockholders will allow significantly more shares to become freely tradeable after our initial public offering than is typical of initial public offerings.

In addition, we have agreed with our underwriters not to sell any shares of our common stock for a period of 180 days after August 18, 2004. However, this agreement is subject to a number of exceptions, including an exception that allows us to issue an unlimited number of shares in connection with mergers and acquisition transactions, joint ventures or other strategic transactions. Morgan Stanley & Co. Incorporated and Credit Suisse First Boston LLC, on behalf of the underwriters of our initial public offering, may release us from this lock-up arrangement without notice at any time. After the expiration of the 180-day period, there is no contractual restriction on our ability to issue additional shares. Any sales of common stock by us, or the perception that such sales could occur, could cause our stock price to decline.

Risks Related to Our Business and Industry

We face significant competition from Microsoft and Yahoo.

We face formidable competition in every aspect of our business, and particularly from other companies that seek to connect people with information on the web and provide them with relevant advertising. Currently, we consider our primary competitors to be Microsoft and Yahoo. Microsoft has announced plans to develop a new web search technology that may make web search a more integrated part of the Windows operating system. We expect that Microsoft will increasingly use its financial and engineering resources to compete with us. Yahoo has become an increasingly significant competitor, having acquired Overture Services, which offers Internet advertising solutions that compete with our AdWords and AdSense programs, as well as the Inktomi, AltaVista and AllTheWeb search engines. Since June 2000, Yahoo has used, to varying degrees, our web search technology on its web site to provide web search services to its users. We have notified Yahoo of our election to terminate our agreement effective July 2004. This agreement with Yahoo accounted for less than 3% of our revenues for the year ended December 31, 2003 and less than 2% of our revenues for the six months ended June 30, 2004.

Both Microsoft and Yahoo have more employees than we do (in Microsoft s case, currently more than 20 times as many). Microsoft also has significantly more cash resources than we do. Both of these companies also have longer operating histories and more established relationships with customers. They can use their experience and resources against us in a variety of competitive ways, including by making acquisitions,

investing more aggressively in research and development and competing more aggressively for advertisers and web sites. Microsoft and Yahoo also may have a greater ability to attract and retain users than we do because they operate Internet portals with a broad range of products and services. If Microsoft or Yahoo are successful in providing

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similar or better web search results compared to ours or leverage their platforms to make their web search services easier to access than ours, we could experience a significant decline in user traffic. Any such decline in traffic could negatively affect our revenues.

We face competition from other Internet companies, including web search providers, Internet advertising companies and destination web sites that may also bundle their services with Internet access.

In addition to Microsoft and Yahoo, we face competition from other web search providers, including companies that are not yet known to us. We compete with Internet advertising companies, particularly in the areas of pay-for-performance and keyword-targeted Internet advertising. Also, we may compete with companies that sell products and services online because these companies, like us, are trying to attract users to their web sites to search for information about products and services.

We also compete with destination web sites that seek to increase their search-related traffic. These destination web sites may include those operated by Internet access providers, such as cable and DSL service providers. Because our users need to access our services through Internet access providers, they have direct relationships with these providers. If an access provider or a computer or computing device manufacturer offers online services that compete with ours, the user may find it more convenient to use the services of the access provider or manufacturer. In addition, the access provider or manufacturer may make it hard to access our services by not listing them in the access provider s or manufacturer s own menu of offerings. Also, because the access provider gathers information from the user in connection with the establishment of a billing relationship, the access provider may be more effective than we are in tailoring services and advertisements to the specific tastes of the user.

There has been a trend toward industry consolidation among our competitors, and so smaller competitors today may become larger competitors in the future. If our competitors are more successful than we are at generating traffic, our revenues may decline.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to Internet companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to Internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

We expect our growth rates to decline and anticipate downward pressure on our operating margin in the future.

We expect that in the future our revenue growth rate will decline and anticipate that there will be downward pressure on our operating margin. We believe our revenue growth rate will decline as a result of increasing competition and the inevitable decline in growth rates as our revenues increase to higher levels. We believe our operating margin will decline as a result of increasing competition and increased expenditures for all aspects of our business as a percentage of our revenues, including product development and sales and marketing expenses. Our operating margin may decline to the extent the proportion of our revenues generated from our Google Network members increases. The margin on revenue we generate from our Google Network members is generally significantly less than the margin on revenue we generate from advertising on our web sites. Additionally, the margin we earn on revenue generated from our Google Network could decrease in the future if our Google Network

members require a greater portion of the advertising fees.

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Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in this Risk Factors section, and the following factors, may affect our operating results:

- Our ability to continue to attract users to our web sites.
- Our ability to attract advertisers to our AdWords program.
- Our ability to attract web sites to our AdSense program.
- The mix in our revenues between those generated on our web sites and those generated through our Google Network.
- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our businesses, operations and infrastructure.
- Our focus on long term goals over short term results.
- The results of our investments in risky projects.
- General economic conditions and those economic conditions specific to the Internet and Internet advertising.
- Our ability to keep our web sites operational at a reasonable cost and without service interruptions.
- Our ability to forecast revenue from agreements under which we guarantee minimum payments.
- Geopolitical events such as war, threat of war or terrorist actions.

Because our business is changing and evolving, our historical operating results may not be useful to you in predicting our future operating results. In addition, advertising spending has historically been cyclical in nature, reflecting overall economic conditions as well as budgeting and buying patterns. For example, in 1999, advertisers spent heavily on Internet advertising. This was followed by a lengthy downturn in ad spending on the web. Also, user traffic tends to be seasonal. Our rapid growth has masked the cyclicality and seasonality of our business. As our growth slows, we expect that the cyclicality and seasonality in our business may become more pronounced and may in the future cause our operating results to fluctuate.

If we do not continue to innovate and provide products and services that are useful to users, we may not remain competitive, and our revenues and operating results could suffer.

Our success depends on providing products and services that people use for a high quality Internet experience. Our competitors are constantly developing innovations in web search, online advertising and providing information to people. As a result, we must continue to invest significant resources in research and development in order to enhance our web search technology and our existing products and services and introduce new high-quality products and services that people will use. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose users, advertisers and Google Network members. Our operating results would also suffer if our innovations are not responsive to the needs of our users, advertisers and Google Network members, are not appropriately timed with market opportunity or are not effectively brought to market. As search technology continues to develop, our competitors may be able to offer search results that are, or that are perceived to be, substantially similar or better than those generated by our search services. This may force us to compete on bases in addition to quality of search results and to expend significant resources in order to remain competitive.

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We generate our revenue almost entirely from advertising, and the reduction in spending by or loss of advertisers could seriously harm our business.

We generated approximately 97% of our revenues in 2003 and 98% of our revenues in the six months ended June 30, 2004 from our advertisers. Our advertisers can generally terminate their contracts with us at any time. Advertisers will not continue to do business with us if their investment in advertising with us does not generate sales leads, and ultimately customers, or if we do not deliver their advertisements in an appropriate and effective manner. If we are unable to remain competitive and provide value to our advertisers, they may stop placing ads with us, which would negatively affect our revenues and business.

We rely on our Google Network members for a significant portion of our revenues, and otherwise benefit from our association with them. The loss of these members could prevent us from receiving the benefits we receive from our association with these Google Network members, which could adversely affect our business.

We provide advertising, web search and other services to members of our Google Network. The revenues generated from the fees advertisers pay us when users click on ads that we have delivered to our Google Network members web sites represented approximately 43% of our revenues in 2003, and approximately 50% of our revenues for the six months ended June 30, 2004. We consider this network to be critical to the future growth of our revenues. However, some of the participants in this network may compete with us in one or more areas. Therefore, they may decide in the future to terminate their agreements with us. If our Google Network members decide to use a competitor s or their own web search or advertising services, our revenues would decline.

Our agreements with a few of the largest Google Network members account for a significant portion of revenues derived from our AdSense program. In addition, advertising and other fees generated from one Google Network member, America Online, Inc., primarily through our AdSense program accounted for approximately 15%, 16% and 13% of our revenues in 2002, 2003 and in the six months ended June 30, 2004. Also, certain of our key network members operate high-profile web sites, and we derive tangible and intangible benefits from this affiliation. If one or more of these key relationships is terminated or not renewed, and is not replaced with a comparable relationship, our business would be adversely affected.

Our business and operations are experiencing rapid growth. If we fail to effectively manage our growth, our business and operating results could be harmed and we may have to incur significant expenditures to address the additional operational and control requirements of this growth.

We have experienced, and continue to experience, rapid growth in our headcount and operations, which has placed, and will continue to place, significant demands on our management, operational and financial infrastructure. If we do not effectively manage our growth, the quality of our products and services could suffer, which could negatively affect our brand and operating results. To effectively manage this growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. These systems enhancements and improvements will require significant capital expenditures and allocation of valuable management resources. If the improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position. The required improvements include:

- Enhancing our information and communication systems to ensure that our offices around the world are well coordinated and that we can effectively communicate with our growing base of users, advertisers and Google Network members.

Enhancing systems of internal controls to ensure timely and accurate reporting of all of our operations.

Documenting all of our information technology systems and our business processes for our ad systems and our billing systems.

Improving our information technology infrastructure to maintain the effectiveness of our search systems.

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If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our brand and operating results could be harmed. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. For example, during our 2002 audit, our external auditors brought to our attention a need to increase restrictions on employee access to our advertising system and automate more of our financial processes. The auditors identified these issues together as a reportable condition, which means that these were matters that in the auditors judgment could adversely affect our ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. In 2003, we devoted significant resources to remediate and improve our internal controls. Although we believe that these efforts have strengthened our internal controls and addressed the concerns that gave rise to the reportable condition in 2002, we are continuing to work to improve our internal controls, including in the areas of access and security. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We intend to migrate critical financial functions to a third-party provider. If this potential transition is not successful, our business and operations could be disrupted and our operating results would be harmed.

We have entered into an arrangement to transfer our worldwide billing, collection and credit evaluation functions to a third-party service provider, Bertelsmann AG, and are currently in the process of implementing this arrangement; however, we cannot be sure that the arrangement will be completed and implemented. The third-party provider will also track, on an automated basis, a majority of our growing number of AdSense revenue share agreements. These functions are critical to our operations and involve sensitive interactions between us and our advertisers and members of our Google Network. If we do not successfully implement this project, our business, reputation and operating results could be harmed. We have no experience managing and implementing this type of large-scale, cross-functional, international infrastructure project. We also may not be able to integrate our systems and processes with those of the third-party service provider on a timely basis, or at all. Even if this integration is completed on time, the service provider may not perform to agreed upon service levels. Failure of the service provider to perform satisfactorily could result in customer dissatisfaction, disrupt our operations and adversely affect operating results. We will have significantly less control over the systems and processes than if we maintained and operated them ourselves, which increases our risk. If we need to find an alternative source for performing these functions, we may have to expend significant resources in doing so, and we cannot guarantee this would be accomplished in a timely manner or without significant additional disruption to our business.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users, advertisers and Google Network members will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the Google brand is critical to expanding our base of users, advertisers and Google Network members. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the Google brand, or if we incur excessive expenses in this effort, our business, operating results and financial condition will be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Maintaining

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and enhancing our brand will depend largely on our ability to be a technology leader and to continue to provide high quality products and services, which we may not do successfully. To date, we have engaged in relatively little direct brand promotion activities. This enhances the risk that we may not successfully implement brand enhancement efforts in the future.

People have in the past expressed, and may in the future express, objections to aspects of our products. For example, people have raised privacy concerns relating to the ability of our recently announced Gmail email service to match relevant ads to the content of email messages. Some people have also reacted negatively to the fact that our search technology can be used to help people find hateful or derogatory information on the web. Aspects of our future products may raise similar public concerns. Publicity regarding such concerns could harm our brand. In addition, members of the Google Network and other third parties may take actions that could impair the value of our brand. We are aware that third parties, from time to time, use Google and similar variations in their domain names without our approval, and our brand may be harmed if users and advertisers associate these domains with us.

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

An increasing amount of information on the Internet is provided in proprietary document formats such as Microsoft Word. The providers of the software application used to create these documents could engineer the document format to prevent or interfere with our ability to access the document contents with our search technology. This would mean that the document contents would not be included in our search results even if the contents were directly relevant to a search. These types of activities could assist our competitors or diminish the value of our search results. The software providers may also seek to require us to pay them royalties in exchange for giving us the ability to search documents in their format. If the software provider also competes with us in the search business, they may give their search technology a preferential ability to search documents in their proprietary format. Any of these results could harm our brand and our operating results.

New technologies could block our ads, which would harm our business.

Technologies may be developed that can block the display of our ads. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of ads on web pages. As a result, ad-blocking technology could, in the future, adversely affect our operating results.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that a critical contributor to our success has been our corporate culture, which we believe fosters innovation, creativity and teamwork. As our organization grows, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. This could negatively impact our future success. In addition, our initial public offering has created disparities in wealth among Google employees, which may adversely impact relations among employees and our corporate culture in general.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.

Our patents, trademarks, trade secrets, copyrights and all of our other intellectual property rights are important assets for us. There are events that are outside of our control that pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in every country in

which our products and services are distributed or made available through the Internet. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

We seek to obtain patent protection for our innovations. It is possible, however, that some of these innovations may not be protectable. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable.

We also face risks associated with our trademarks. For example, there is a risk that the word Google could become so commonly used that it becomes synonymous with the word search. If this happens, we could lose protection for this trademark, which could result in other people using the word Google to refer to their own products, thus diminishing our brand.

We also seek to maintain certain intellectual property as trade secrets. The secrecy could be compromised by third parties, or intentionally or accidentally by our employees, which would cause us to lose the competitive advantage resulting from these trade secrets.

We are, and may in the future be, subject to intellectual property rights claims, which are costly to defend, could require us to pay damages and could limit our ability to use certain technologies in the future.

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention. In addition, many of our agreements with members of our Google Network require us to indemnify these members for certain third-party intellectual property infringement claims, which would increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling in any such claims. An adverse determination also could prevent us from offering our products and services to others and may require that we procure substitute products or services for these members.

With respect to any intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party s rights. We may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase our operating expenses. The technology also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and operating results.

From time to time, we receive notice letters from patent holders alleging that certain of our products and services infringe their patent rights. Some of these have resulted in litigation against us. For example, Overture Services (now owned by Yahoo) sued us, claiming that the Google AdWords program infringes certain claims of an Overture Services patent. It also claimed that the patent relates to Overture Services own bid-for-ad placement business model and its pay-for-performance technologies. We recently settled this dispute. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Settlement of Disputes with Yahoo* and Note 14 of Notes to

Consolidated Financial Statements included in this offering circular for a discussion of a settlement agreement we entered into with Yahoo.

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Companies have also filed trademark infringement and related claims against us over the display of ads in response to user queries that include trademark terms. The outcomes of these lawsuits have differed from jurisdiction to jurisdiction. A court in France has held us liable for allowing advertisers to select certain trademarked terms as keywords. We have appealed this decision. We were also subject to two lawsuits in Germany on similar matters where the courts held that we are not liable for the actions of our advertisers prior to notification of trademark rights. We are litigating similar issues in other cases in the U.S., France, Germany and Italy.

In order to provide users with more useful ads, we have recently revised our trademark policy in the U.S. and Canada. Under our new policy, we no longer disable ads due to selection by our advertisers of trademarks as keyword triggers for the ads. As a result of this change in policy, we may be subject to more trademark infringement lawsuits. Defending these lawsuits could take time and resources. Adverse results in these lawsuits may result in, or even compel, a change in this practice which could result in a loss of revenue for us, which could harm our business.

We have also been notified by third parties that they believe features of certain of our products, including Google WebSearch, Google News and Google Image Search, violate their copyrights. Generally speaking, any time that we have a product or service that links to or hosts material in which others allege to own copyrights, we face the risk of being sued for copyright infringement or related claims. Because these products and services comprise the majority of our products and services, the risk of potential harm from such lawsuits is substantial.

Expansion into international markets is important to our long-term success, and our inexperience in the operation of our business outside the U.S. increases the risk that our international expansion efforts will not be successful.

We opened our first office outside the U.S. in 2001 and have only limited experience with operations outside the U.S. Expansion into international markets requires management attention and resources. In addition, we face the following additional risks associated with our expansion outside the U.S.:

- Challenges caused by distance, language and cultural differences.
- Longer payment cycles in some countries.
- Credit risk and higher levels of payment fraud.
- Legal and regulatory restrictions.
- Currency exchange rate fluctuations.
- Foreign exchange controls that might prevent us from repatriating cash earned in countries outside the U.S.
- Political and economic instability and export restrictions.

Potentially adverse tax consequences.

Higher costs associated with doing business internationally.

These risks could harm our international expansion efforts, which would in turn harm our business and operating results.

We compete internationally with local information providers and with U.S. competitors who are currently more successful than we are in various markets, and if we fail to compete effectively in international markets, our business will be harmed.

We face different market characteristics and competition outside the U.S. In certain markets, other web search, advertising services and Internet companies have greater brand recognition, more users and more search traffic than we have. Even in countries where we have a significant user following, we may not be as successful in generating advertising revenue due to slower market development, our inability to provide attractive local

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advertising services or other factors. In order to compete, we need to improve our brand recognition and our selling efforts internationally and build stronger relationships with advertisers. We also need to better understand our international users and their preferences. If we fail to do so, our global expansion efforts may be more costly and less profitable than we expect.

Our business may be adversely affected by malicious third-party applications that interfere with our receipt of information from, and provision of information to, our users, which may impair our users experience with our products and services.

Our business may be adversely affected by malicious applications that make changes to our users computers and interfere with the Google experience. These applications have in the past attempted, and may in the future attempt, to change our users Internet experience, including hijacking queries to Google.com, altering or replacing Google search results, or otherwise interfering with our ability to connect with our users. The interference often occurs without disclosure to or consent from users, resulting in a negative experience that users may associate with Google. These applications may be difficult or impossible to uninstall or disable, may reinstall themselves and may circumvent other applications efforts to block or remove them. The ability to reach users and provide them with a superior experience is critical to our success. If our efforts to combat these malicious applications are unsuccessful, our reputation may be harmed, and our communications with certain users could be impaired. This could result in a decline in user traffic and associated ad revenues, which would damage our business.

If we fail to detect click-through fraud, we could lose the confidence of our advertisers, thereby causing our business to suffer.

We are exposed to the risk of fraudulent clicks on our ads by persons seeking to increase the advertising fees paid to our Google Network members. We have regularly refunded revenue that our advertisers have paid to us and that was later attributed to click-through fraud, and we expect to do so in the future. Click-through fraud occurs when a person clicks on a Google AdWords ad displayed on a web site in order to generate the revenue share payment to the Google Network member rather than to view the underlying content. If we are unable to stop this fraudulent activity, these refunds may increase. If we find new evidence of past fraudulent clicks we may have to issue refunds retroactively of amounts previously paid to our Google Network members. This would negatively affect our profitability, and these types of fraudulent activities could hurt our brand. If fraudulent clicks are not detected, the affected advertisers may experience a reduced return on their investment in our advertising programs because the fraudulent clicks will not lead to potential revenue for the advertisers. This could lead the advertisers to become dissatisfied with our advertising programs, which could lead to loss of advertisers and revenue.

Index spammers could harm the integrity of our web search results, which could damage our reputation and cause our users to be dissatisfied with our products and services.

There is an ongoing and increasing effort by index spammers to develop ways to manipulate our web search results. For example, because our web search technology ranks a web page s relevance based in part on the importance of the web sites that link to it, people have attempted to link a group of web sites together to manipulate web search results. We take this problem very seriously because providing relevant information to users is critical to our success. If our efforts to combat these and other types of index spamming are unsuccessful, our reputation for delivering relevant information could be diminished. This could result in a decline in user traffic, which would damage our business.

Privacy concerns relating to elements of our technology could damage our reputation and deter current and potential users from using our products and services.

From time to time, concerns may be expressed about whether our products and services compromise the privacy of users and others. Concerns about our collection, use or sharing of personal information or other

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privacy-related matters, even if unfounded, could damage our reputation and operating results. Recently, several groups have raised privacy concerns in connection with our Gmail free email service which we announced in April 2004 and these concerns have attracted a significant amount of public commentary and attention. The concerns relate principally to the fact that Gmail uses computers to match advertisements to the content of a user s email message when email messages are viewed using the Gmail service. Privacy concerns have also arisen with our products that provide improved access to personal information that is already publicly available, but that we have made more readily accessible by the public.

Our business is subject to a variety of U.S. and foreign laws, which could subject us to claims or other remedies based on the nature and content of the information searched or displayed by our products and services, and could limit our ability to provide information regarding regulated industries and products.

The laws relating to the liability of providers of online services for activities of their users are currently unsettled both within the U.S. and abroad. Claims have been threatened and filed under both U.S. and foreign law for defamation, libel, invasion of privacy and other data protection claims, tort, unlawful activity, copyright or trademark infringement, or other theories based on the nature and content of the materials searched and the ads posted or the content generated by our users. From time to time we have received notices from individuals who do not want their names or web sites to appear in our web search results when certain keywords are searched. It is also possible that we could be held liable for misinformation provided over the web when that information appears in our web search results. If one of these complaints results in liability to us, it could be potentially costly, encourage similar lawsuits, distract management and harm our reputation and possibly our business. In addition, increased attention focused on these issues and legislative proposals could harm our reputation or otherwise affect the growth of our business.

The application to us of existing laws regulating or requiring licenses for certain businesses of our advertisers, including, for example, distribution of pharmaceuticals, adult content, financial services, alcohol or firearms, can be unclear. Existing or new legislation could expose us to substantial liability, restrict our ability to deliver services to our users, limit our ability to grow and cause us to incur significant expenses in order to comply with such laws and regulations.

Several other federal laws could have an impact on our business. Compliance with these laws and regulations is complex and may impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for listing or linking to third-party web sites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. The Children s Online Protection Act and the Children s Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In addition, the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Any failure on our part to comply with these regulations may subject us to additional liabilities.

We also face risks associated with international data protection. The interpretation and application of data protection laws in Europe and elsewhere are still uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which in turn could have a material effect on our business.

We also face risks from legislation that could be passed in the future. For example, there is a risk that state legislatures will attempt to regulate the automated scanning of email messages in ways that interfere with our Gmail free advertising-supported web mail service that we recently announced as a test service. Any such legislation could make it more difficult for us to operate or could prohibit the aspects of our Gmail service that uses computers to match advertisements to the content of a user s email message when email messages are

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viewed using the service. This could prevent us from implementing the Gmail service in any affected states and impair our ability to compete in the email services market.

If we were to lose the services of Eric, Larry, Sergey or our senior management team, we may not be able to execute our business strategy.

Our future success depends in a large part upon the continued service of key members of our senior management team. In particular, our CEO Eric Schmidt and our founders Larry Page and Sergey Brin are critical to the overall management of Google as well as the development of our technology, our culture and our strategic direction. All of our executive officers and key employees are at-will employees, and we do not maintain any key-person life insurance policies. The loss of any of our management or key personnel could seriously harm our business.

The initial option grants to many of our senior management and key employees are fully vested. Therefore, these employees may not have sufficient financial incentive to stay with us, we may have to incur costs to replace key employees that leave, and our ability to execute our business model could be impaired if we cannot replace departing employees in a timely manner.

Many of our senior management personnel and other key employees have become, or will soon become, substantially vested in their initial stock option grants. While we often grant additional stock options to management personnel and other key employees after their hire dates to provide additional incentives to remain employed by us, their initial grants are usually much larger than follow-on grants. Employees may be more likely to leave us after their initial option grant fully vests, especially if the shares underlying the options have significantly appreciated in value relative to the option exercise price. We have not given any additional grants to Eric, Larry or Sergey. Larry and Sergey are fully vested, and only a small portion of Eric s stock is subject to future vesting. If any members of our senior management team leave the company, our ability to successfully operate our business could be impaired. We also may have to incur significant costs in identifying, hiring, training and retaining replacements for departing employees.

We rely on highly skilled personnel and, if we are unable to retain or motivate key personnel or hire qualified personnel, we may not be able to grow effectively.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in our industry for qualified employees is intense, and we are aware that certain of our competitors have directly targeted our employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

We have in the past maintained a rigorous, highly selective and time-consuming hiring process. We believe that our approach to hiring has significantly contributed to our success to date. As we grow, our hiring process may prevent us from hiring the personnel we need in a timely manner. In addition, as we become a more mature company, we may find our recruiting efforts more challenging. The incentives to attract, retain and motivate employees provided by our option grants or by future arrangements, such as through cash bonuses, may not be as effective as in the past. If we do not succeed in attracting excellent personnel or retaining or motivating existing personnel, we may be unable to grow effectively.

Our CEO and our two founders run the business and affairs of the company collectively, which may harm their ability to manage effectively.

Eric, our CEO, and Larry and Sergey, our founders and presidents, currently provide leadership to the company as a team. Our bylaws provide that our CEO and our presidents will together have general supervision,

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direction and control of the company, subject to the control of our board of directors. As a result, Eric, Larry and Sergey tend to operate the company collectively and to consult extensively with each other before significant decisions are made. This may slow the decision-making process, and a disagreement among these individuals could prevent key strategic decisions from being made in a timely manner. In the event our CEO and our two founders are unable to continue to work well together in providing cohesive leadership, our business could be harmed.

We have a short operating history and a relatively new business model in an emerging and rapidly evolving market. This makes it difficult to evaluate our future prospects, may increase the risk that we will not continue to be successful and increases the risk of your investment.

We first derived revenue from our online search business in 1999 and from our advertising services in 2000, and we have only a short operating history with our cost-per-click advertising model, which we launched in 2002. As a result, we have very little operating history for you to evaluate in assessing our future prospects. Also, we derive nearly all of our revenues from online advertising, which is an immature industry that has undergone rapid and dramatic changes in its short history. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company in a new and rapidly evolving market. We may not be able to successfully address these risks and difficulties, which could materially harm our business and operating results.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of users, advertisers and Google Network members, and cause us to incur expenses to make architectural changes.

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. In 2004, we expect to spend substantial amounts to purchase or lease data centers and equipment and to upgrade our technology and network infrastructure to handle increased traffic on our web sites and to roll out new products and services. This expansion is going to be expensive and complex and could result in inefficiencies or operational failures. If we do not implement this expansion successfully, or if we experience inefficiencies and operational failures during the implementation, the quality of our products and services and our users experience could decline. This could damage our reputation and lead us to lose current and potential users, advertisers and Google Network members. The costs associated with these adjustments to our architecture could harm our operating results. Cost increases, loss of traffic or failure to accommodate new technologies or changing business requirements could harm our operating results and financial condition.

We rely on bandwidth providers, data centers or other third parties for key aspects of the process of providing products and services to our users, and any failure or interruption in the services and products provided by these third parties could harm our ability to operate our business and damage our reputation.

We rely on third-party vendors, including data center and bandwidth providers. Any disruption in the network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. We exercise little control over these third party vendors, which increases our vulnerability to problems with the services they provide. We license technology and related databases from third parties to facilitate aspects of our data center and connectivity operations including, among others, Internet traffic management services. We have experienced and expect to continue to experience interruptions and delays in service and availability for such elements. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business and could expose us to liabilities to third parties.

Our systems are also heavily reliant on the availability of electricity, which also comes from third-party providers. If we were to experience a major power outage, we would have to rely on back-up generators. These

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back-up generators may not operate properly through a major power outage and their fuel supply could also be inadequate during a major power outage. This could result in a disruption of our business.

Interruption or failure of our information technology and communications systems could impair our ability to effectively provide our products and services, which could damage our reputation and harm our operating results.

Our provision of our products and services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems could result in interruptions in our service. Interruptions in our service could reduce our revenues and profits, and our brand could be damaged if people believe our system is unreliable. Our systems are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm our systems, and similar events. Some of our data centers are located in areas with a high risk of major earthquakes. Our data centers are also subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons or other unanticipated problems at our data centers could result in lengthy interruptions in our service.

We have experienced system failures in the past and may in the future. For example, in November 2003 we failed to provide web search results for approximately 20% of our traffic for a period of about 30 minutes. Any unscheduled interruption in our service puts a burden on our entire organization and would result in an immediate loss of revenue. If we experience frequent or persistent system failures on our web sites, our reputation and brand could be permanently harmed. The steps we have taken to increase the reliability and redundancy of our systems are expensive, reduce our operating margin and may not be successful in reducing the frequency or duration of unscheduled downtime.

More individuals are using non-PC devices to access the Internet, and versions of our web search technology developed for these devices may not be widely adopted by users of these devices.

The number of people who access the Internet through devices other than personal computers, including mobile telephones, hand-held calendaring and email assistants, and television set-top devices, has increased dramatically in the past few years. The lower resolution, functionality and memory associated with alternative devices make the use of our products and services through such devices difficult. If we are unable to attract and retain a substantial number of alternative device users to our web search services or if we are slow to develop products and technologies that are more compatible with non-PC communications devices, we will fail to capture a significant share of an increasingly important portion of the market for online services.

If we account for employee stock options using the fair value method, it could significantly reduce our net income.

There has been ongoing public debate whether stock options granted to employees should be treated as a compensation expense and, if so, how to properly value such charges. On March 31, 2004, the Financial Accounting Standard Board (FASB) issued an Exposure Draft, *Share-Based Payment: an amendment of FASB Statements No. 123 and 95*, which would require a company to recognize, as an expense, the fair value of stock options and other stock-based compensation to employees beginning in 2005 and subsequent reporting periods. Currently, we record deferred stock-based compensation to the extent that the reassessed value for accounting purposes of the stock on the date of grant exceeds the exercise price of the option. We recognize compensation expense as we amortize the deferred stock-based compensation amounts on an accelerated basis over the related vesting periods. If we had used the fair value method of accounting for stock options granted to employees prior to July 1, 2004 using a Black Scholes option valuation formula, our net income would have been $2.4 million

less than reported in the year ended December 31, 2003 and $2.8 million less than reported in the six months ended June 30, 2004. If we elect or are required to record an expense for our stock-based compensation plans using the fair value method as described in the Exposure Draft, we could have on-going accounting charges significantly greater than those we would have recorded under our current method of accounting for stock options. See Note 1 of Notes to Consolidated Financial Statements included in this offering circular for a more detailed presentation of accounting for stock-based compensation plans.

Payments to certain of our Google Network members has exceeded the related fees we receive from our advertisers.

We have entered into, and may continue to enter into, minimum fee guarantee agreements with a small number of Google Network members. In these agreements, we promise to make minimum payments to the Google Networks member for a pre-negotiated period of time, typically from three months to a year or more. It is difficult to forecast with certainty the fees that we will earn under our agreements, and sometimes the fees we earn fall short of the minimum guarantee payment amounts. Also, increasing competition for arrangements with web sites that are potential Google Network members could result in our entering into more of these minimum fee guarantee agreements under which guaranteed payments exceed the fees we receive from advertisers whose ads we place on those Google Network member sites. In each period to date, the aggregate fees we have earned under these agreements have exceeded the aggregate amounts we have been obligated to pay to the Google Network members. However, individual agreements have resulted in guaranteed minimum and other payments to a Google Network member in excess of the related fees we receive from advertisers. In 2003, we recognized $22.5 million in cost of revenues related to such payments in excess of revenues for such agreements. In the six months ended June 30, 2004, we recognized $18.2 million in cost of revenues related to such payments in excess of revenues for such agreements. At December 31, 2003 and June 30, 2004, our aggregate outstanding minimum guarantee commitments totaled approximately $477.0 million and $369.4 million. These commitments expire between 2004 and 2007. We may recognize cost of revenues related to payments to certain Google Network members in excess of the related fees we receive from advertisers in the future in connection with certain AdSense agreements, which could adversely affect our profitability.

To the extent our revenues are paid in foreign currencies, and currency exchange rates become unfavorable, we may lose some of the economic value of the revenues in U.S. dollar terms.

As we expand our international operations, more of our customers may pay us in foreign currencies. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates. If the currency exchange rates were to change unfavorably, the value of net receivables we receive in foreign currencies and later convert to U.S. dollars after the unfavorable change would be diminished. This could have a negative impact on our reported operating results. Hedging strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures, that we may implement to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations. Additionally, hedging programs expose us to risks that could adversely affect our operating results, including the following:

- We have limited experience in implementing or operating hedging programs. Hedging programs are inherently risky and we could lose money as a result of poor trades.

- We may be unable to hedge currency risk for some transactions because of a high level of uncertainty or the inability to reasonably estimate our foreign exchange exposures.

- We may be unable to acquire foreign exchange hedging instruments in some of the geographic areas where we do business, or, where these derivatives are available, we may not be able to acquire enough of them to fully offset our exposure.

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We rely on insurance to mitigate some risks and, to the extent the cost of insurance increases or we are unable to maintain sufficient insurance to mitigate the risks, our operating results may be diminished.

We contract for insurance to cover potential risks and liabilities. In the current environment, insurance companies are increasingly specific about what they will and will not insure. It is possible that we may not be able to get enough insurance to meet our needs, may have to pay very high prices for the coverage we do get or may not be able to acquire any insurance for certain types of business risk. This could leave us exposed to potential claims. If we were found liable for a significant claim in the future, our operating results could be negatively impacted. Also, to the extent the cost of maintaining insurance increases, our operating results will be negatively affected.

Acquisitions could result in operating difficulties, dilution and other harmful consequences.

We do not have a great deal of experience acquiring companies and the companies we have acquired have been small. We have evaluated, and expect to continue to evaluate, a wide array of potential strategic transactions. From time to time, we may engage in discussions regarding potential acquisitions. Any of these transactions could be material to our financial condition and results of operations. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures and is risky. The areas where we may face risks include:

- The need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisition lacked these controls, procedures and policies.
- Diversion of management time and focus from operating our business to acquisition integration challenges.
- Cultural challenges associated with integrating employees from the acquired company into our organization.
- Retaining employees from the businesses we acquire.
- The need to integrate each company s accounting, management information, human resource and other administrative systems to permit effective management.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Also, the anticipated benefit of many of our acquisitions may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could harm our financial condition. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all.

We occasionally become subject to commercial disputes that could harm our business by distracting our management from the operation of our business, by increasing our expenses and, if we do not prevail, by subjecting us to potential monetary damages and other remedies.

From time to time we are engaged in disputes regarding our commercial transactions. These disputes could result in monetary damages or other remedies that could adversely impact our financial position or operations. Even if we prevail in these disputes, they may distract our management from operating our business and the cost of defending these disputes would reduce our operating results.

We have to keep up with rapid technological change to remain competitive in our rapidly evolving industry.

Our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to improve the performance and reliability of our services. Our

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failure to adapt to such changes would harm our business. New technologies and advertising media could adversely affect us. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt our services or infrastructure.

Our business depends on increasing use of the Internet by users searching for information, advertisers marketing products and services and web sites seeking to earn revenue to support their web content. If the Internet infrastructure does not grow and is not maintained to support these activities, our business will be harmed.

Our success will depend on the continued growth and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable Internet services. Internet infrastructure may be unable to support the demands placed on it if the number of Internet users continues to increase, or if existing or future Internet users access the Internet more often or increase their bandwidth requirements. In addition, viruses, worms and similar programs may harm the performance of the Internet. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as our ability to provide our solutions.

Shares issued and options granted under our stock plans exceeded limitations in federal and state securities laws, the result of which is that the holders of these shares and/or options may have rescission rights that could require us to reacquire the shares and/or options for an aggregate repurchase price of up to $27.8 million.

Shares issued and options granted under our 1998 Stock Plan, our 2003 Stock Plan, our 2003 Stock Plan (No. 2) and our 2003 Stock Plan (No. 3) from September 2001 through July 2004 may not have been exempt from registration or qualification under federal securities laws and the securities laws of certain states. Certain of the shares issued during this period may not have been exempt from registration and qualification requirements under Rule 701 under the Securities Act of 1933 and under those state securities laws that provide an exemption to the extent the requirements under Rule 701 are met. We became aware that we were approaching the numeric limitations prescribed by Rule 701 in September 2002 and thereafter determined that we could not continue to count on being able to rely on Rule 701 to provide an exemption from the registration requirements of the Securities Act of 1933. In addition, continued compliance under Rule 701 would have required broad dissemination of detailed financial information regarding our business, which would have been strategically disadvantageous to our company. In evaluating how to issue stock upon exercise of outstanding options in light of these limitations we determined we would utilize private placement exemptions provided by Section 4(2) of the Securities Act of 1933 in order to exempt these issuances from federal registration requirements notwithstanding the factual and legal uncertainties inherent in Section 4(2). These uncertainties arise because analyzing whether or not issuances of securities qualify for the exemptions afforded by Section 4(2) involves a number of subjective determinations including whether the number of offerees constitutes a general solicitation, the financial sophistication of offerees and their access to information regarding the issuer, as well as whether the offering was designed to result in a distribution of shares to the general public. We considered various alternatives in determining to rely on the exemption provided by Section 4(2) despite its inherent uncertainties. We considered ceasing granting options and shares to service providers. However, we determined that this would be detrimental to our development, as equity compensation was an essential ingredient to building our company. We also considered becoming a reporting company for the purposes of federal securities laws. We determined that this too would be contrary to the best interests of our stockholders. We therefore concluded that relying on Section 4(2) despite its uncertainties was in the best interest of our security holders. Because of this uncertainty in relying on Section 4(2), the options we granted and the shares issued upon exercise of these options during this period may have been issued in violation of either federal or state securities laws, or both, and may be subject to rescission. In order to address this issue, we are making a rescission offer to the holders of these shares and options. We will be making this rescission offer to 1,327 persons who are or were residents of Arkansas,

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California, Colorado, Connecticut, the District of Columbia, Georgia, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Texas, Virginia and Washington.

If this rescission offer is accepted by all offerees, we could be required to make aggregate payments to the holders of these shares and options of up to $27.8 million, which includes statutory interest. For options, this exposure reflects the costs of offering to rescind the issuance of the outstanding options by paying an amount equal to 20% of the aggregate exercise price for the entire option, plus statutory interest. However, it is possible that an optionholder could argue that this does not represent an adequate remedy for the issuance of the option in violation of applicable securities laws, and if a court were to impose a greater remedy, our exposure as a result of the rescission offer could be higher. For issuances of common stock, this exposure is calculated by reference to the purchase price of the common stock, plus statutory interest. Federal securities laws do not provide that a rescission offer will terminate a purchaser s right to rescind a sale of stock that was not registered as required or was not otherwise exempt from such registration requirements. If any or all of the offerees reject the rescission offer, we may continue to be liable under federal and state securities laws for up to an amount equal to the value of all options and common stock granted or issued since September 2001 plus any statutory interest we may be required to pay. We also understand that the Securities and Exchange Commission has initiated an informal inquiry into this matter and certain state regulators, including California, have requested additional information. If it is determined that we offered securities without properly registering them under federal or state law, or securing an exemption from registration, regulators could impose monetary fines or other sanctions as provided under these laws.

If our involvement in a September 2004 magazine article about Google were held to be in violation of the Securities Act of 1933, we could be required to repurchase securities sold in our initial public offering. You should rely only on statements made in this offering circular in determining whether to accept or reject the rescission offer.

Information about Google has been published in an article appearing in the September 2004 issue of *Playboy Magazine* and entitled Playboy Interview: Google Guys. The text of the article contains information derived from an interview of Larry and Sergey conducted in April 2004, prior to our initial public offering. The article includes quotations from Larry and Sergey, and has been reprinted by a number of news media outlets. The article presented certain statements about our company in isolation and did not disclose many of the related risks and uncertainties described in this offering circular. As a result, the article should not be considered in isolation and you should decide whether to accept or reject the rescission offer only after reading this entire offering circular carefully.

You should carefully evaluate all the information in this offering circular, including the risks described in this section and throughout the offering circular. We have in the past received, and may continue to receive, a high degree of media coverage, including coverage that is not directly attributable to statements made by our officers and employees. You should rely only on the information contained in this offering circular in making your investment decision.

We do not believe that our involvement in the *Playboy Magazine* article constitutes a violation of Section 5 of the Securities Act of 1933. However, if our involvement were held by a court to be in violation of the Securities Act of 1933, we could be required to repurchase the shares sold to purchasers in our initial public offering at the original purchase price, plus statutory interest from the date of purchase, for a period of one year following the date of the violation. We would contest vigorously any claim that a violation of the Securities Act occurred. The SEC has also requested additional information concerning the publication of the article.

Investors should be aware of the following modifications and updates to the article s content:

The article states that our Gmail service, with one gigabyte of storage, has 200 times more storage than our primary competitors. While at the time of its introduction, Gmail had such a substantial storage capacity advantage over competitive offerings, competitors have substantially narrowed the gap.

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The article indicates that we had about 1,000 employees. Currently, we have approximately 2,699 employees.

The article states that more than 65 million people use our search engine each day. We believe that, based on data compiled by an unrelated third party research organization, this number represents monthly, not daily, domestic visitors data.

We do not intend to pay dividends on our common stock.

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will incur costs associated with our public company reporting requirements. We also anticipate that we will incur costs associated with recently adopted corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as well as new rules implemented by the Securities and Exchange Commission and the NASD. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

The concentration of our capital stock ownership with our founders, executive officers and our directors and their affiliates will limit your ability to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. At September 30, 2004 our founders, executive officers and directors (and their affiliates) together owned approximately 67.6% of our Class B common stock, representing approximately 66.0% of the voting power of our outstanding capital stock. In particular, at September 30, 2004, our two founders and our CEO, Larry, Sergey and Eric, controlled approximately 41.0% of our outstanding Class B common stock, representing approximately 40.1% of the voting power of our outstanding capital stock. Larry, Sergey and Eric therefore have significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. In addition, because of this dual class structure, our founders, directors, executives and employees will continue to be able to control all matters submitted to our stockholders for approval even if they come to own less than 50% of the outstanding shares of our common stock. This concentrated control limits your ability to influence corporate matters and, as a result, we may take actions that our stockholders do not view as beneficial. As a result, the market price of our Class A common stock could be adversely affected.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

Our certificate of incorporation provides for a dual class common stock structure. As a result of this structure our founders, executives and employees have significant influence over all matters

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requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

Our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors.

Our stockholders may not act by written consent. As a result, a holder, or holders, controlling a majority of our capital stock would not be able to take certain actions without holding a stockholders meeting.

Our certificate of incorporation prohibits cumulative voting in the election of directors. This limits the ability of minority stockholders to elect director candidates.

Stockholders must provide advance notice to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders meeting. These provisions may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror s own slate of directors or otherwise attempting to obtain control of our company.

Our board of directors may issue, without stockholder approval, shares of undesignated preferred stock. The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on Delaware law to prevent or delay an acquisition of us.

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RESCISSION OFFER

Background

From September 2001 through July 2004, we granted options under our 1998 Stock Plan, 2003 Stock Plan, 2003 Stock Plan (No. 2) and 2003 Stock Plan (No. 3) to residents of the United States to purchase 37,228,898 shares of our common stock with a weighted average per share exercise price of $3.94, of which, 12,573,225 shares remain subject to outstanding options. As of October 2004, we issued 23,945,227 shares of our common stock upon the exercise of certain of these options, of which 23,443,819 shares remain outstanding, subject to our right to repurchase certain of these shares in limited circumstances. Options we granted during this period may not have been exempt from the registration or qualification requirements under the securities laws of some states. In addition, certain shares issued upon exercise of options granted during this period may not have been exempt from the registration or qualification requirements under Rule 701 under the Securities Act of 1933 and under those state securities laws that provide an exemption to the extent the requirements under Rule 701 are met.

We became aware that we were approaching the numeric limitations prescribed by Rule 701 in September 2002 and thereafter determined that we could not continue to count on being able to rely on Rule 701 to provide an exemption from the registration requirements of the Securities Act of 1933. In addition, continued compliance under Rule 701 would have required broad dissemination of detailed financial information regarding our business, which would have been strategically disadvantageous to our company. In evaluating how to issue stock upon exercise of outstanding options in light of these limitations we determined we would utilize private placement exemptions provided by Section 4(2) of the Securities Act of 1933 in order to exempt these issuances from federal registration requirements notwithstanding the factual and legal uncertainties inherent in Section 4(2). These uncertainties arise because analyzing whether or not issuances of securities qualify for the exemptions afforded by Section 4(2) involves a number of subjective determinations including whether the number of offerees constitutes a general solicitation, the financial sophistication of offerees and their access to information regarding the issuer, as well as whether the offering was designed to result in a distribution of shares to the general public. We considered various alternatives in determining to rely on the exemption provided by Section 4(2) despite its inherent uncertainties. We considered ceasing granting options and shares to service providers. However, we determined that this would be detrimental to our development, as equity compensation was an essential ingredient to building our company. We also considered becoming a reporting company for the purposes of federal securities laws. We determined that this too would be contrary to the best interests of our stockholders. We therefore concluded that relying on Section 4(2) despite its uncertainties was in the best interest of our security holders.

Because of the uncertainty in relying on Section 4(2), the options we granted and the shares issued upon exercise of these options during this period may have been issued in violation of either federal or state securities laws, or both, and may be subject to rescission. In order to address this issue, we are making this rescission offer to all holders of any outstanding options and shares who we believe may be entitled to argue for rescission and, pursuant to this rescission offer, we will offer to repurchase these options and shares then outstanding from the holder. We are making this rescission offer to 1,327 persons who are or were residents of Arkansas, California, Colorado, Connecticut, the District of Columbia, Georgia, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Texas, Virginia and Washington. If our rescission offer is accepted by all offerees, we could be required to make an aggregate payment to the holders of these options and shares of up to approximately $27.8 million, which includes statutory interest.

We understand that the Securities and Exchange Commission has initiated an informal inquiry into this matter and certain state regulators, including California, have requested additional information.

The following is a description of the stock plans that are subject to the rescission offer and the options and shares granted under these plans:

1998 Stock Plan. The rescission offer is being made to (i) 130 holders of options to purchase 2,941,249 shares of Class B common stock and (ii) 423 holders of 13,716,454 shares of Class B

common stock issued upon exercise of options granted under our 1998 Stock Plan between September 2001 and May 2003. We did not register these options and shares under the Securities Act of 1933 or the California Corporate Securities Law of 1968, or any other state securities laws. In addition, because of the frequency and amount of sales made under the stock plans subject to the rescission offer during this period, we believe that a valid exemption under the Securities Act of 1933 may not have been available for these option grants and stock issuances. In addition, we did not take the steps required to ensure the availability of applicable exemptions from qualification under certain state securities laws with respect to these options and shares. Consequently, these options and shares may have been issued in violation of the Securities Act of 1933 as well as the securities laws of certain states and are subject to the rescission offer.

2003 Stock Plan. The rescission offer is being made to (i) 152 holders of options to purchase 2,285,594 shares of Class A common stock and (ii) 413 holders of 8,047,916 shares of Class A common stock issued upon exercise of options granted under our 2003 Stock Plan between February 2003 and May 2003. We did not register these options and shares under the Securities Act of 1933 or the California Corporate Securities Law of 1968, or any other state securities laws. In addition, because of the frequency and amount of sales made under the stock plans subject to the rescission offer during this period, we believe that a valid exemption under the Securities Act of 1933 may not have been available for these option grants and stock issuances. In addition, we did not take the steps required to ensure the availability of applicable exemptions from qualification under certain state securities laws with respect to these options and shares. Consequently, these options and shares may have been issued in violation of the Securities Act of 1933 as well as the securities laws of certain states and are subject to the rescission offer.

2003 Stock Plan (No. 2). The rescission offer is being made to 171 holders of 350,265 shares of Class B common stock issued upon exercise of options granted under our 2003 Stock Plan (No. 2) between July 2003 and July 2004. These shares were duly qualified for sale and issuance pursuant to a permit under Section 25113 of the California Corporate Securities Law of 1968 by the California Department of Corporations. However, we did not take steps required to ensure the availability of applicable exemptions from qualification requirements under certain other state securities laws that may also be applicable with respect to these shares. In addition, because of the frequency and amount of sales made under the stock plans subject to the rescission offer during this period, we believe that a valid exemption under the Securities Act of 1933 may not have been available for these stock issuances because the amount of securities sold exceeded the limits set forth in Rule 701. Consequently, the shares may have been issued in violation of the Securities Act of 1933 and are subject to the rescission offer.

2003 Stock Plan (No. 3). The rescission offer is being made to 476 holders of 1,329,184 shares of Class A common stock issued upon exercise of options granted under our 2003 Stock Plan (No. 3) between July 2003 and July 2004. These shares were duly qualified for sale and issuance pursuant to a permit under Section 25113 of the California Corporate Securities Law of 1968 by the California Department of Corporations. However, we did not take steps required to ensure the availability of applicable exemptions from qualification requirements under certain other state securities laws that may also be applicable with respect to these shares. In addition, because of the frequency and amount of sales made under the stock plans subject to the rescission offer during this period, we believe that a valid exemption under the Securities Act of 1933 may not have been available for these stock issuances because the amount of securities sold exceeded the limits set forth in Rule 701. Consequently, the shares may have been issued in violation of the Securities Act of 1933 and are subject to the rescission offer.

The rescission offer will cover an aggregate of approximately 23,443,819 shares of common stock issued and outstanding under our 1998 Stock Plan, 2003 Stock Plan, 2003 Stock Plan (No. 2) and 2003 Stock Plan (No. 3), and options outstanding under these plans to purchase 5,226,843 shares of common stock. These options represent all of the options we granted to residents of the United States pursuant to these plans during the period

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from September 2001 through July 2004 that have not been qualified under state securities laws. In addition, these shares represent all of the shares issued upon exercise of options we granted to residents of the United States pursuant to these plans during this period (other than options and shares returned to these plans, whether by cancellation, repurchase or otherwise), that may not have been qualified or registered under either federal or state securities laws, or both. These options and shares are held by our current and former employees, including one of our executive officers, and our current and former consultants. We are making the rescission offer to the holders of these options and shares. The rescission offer will be kept open for 30 days and will be registered under the Securities Act of 1933 and qualified in each state where such qualification is required under applicable state securities laws.

We have received an exemption from Rule 102 of Regulation M under the Securities Exchange Act of 1934 from the Securities and Exchange Commission to conduct the rescission offer in the manner described in this offering circular.

Rescission Offer and Price

We are offering to rescind certain stock issuances and option grants pursuant to certain of our stock plans. By making this rescission offer, we are not waiving any applicable statutes of limitations.

More specifically, we are offering to rescind the sale of 23,443,819 shares of our common stock, which are held by 1,279 persons, and the grants of options, which remain outstanding and are currently held by 282 persons, to purchase 5,226,843 shares of our common stock. This offer will be made to current and former employees and consultants who received options pursuant to the stock plans that are subject to the rescission offer between September 2001 and July 2004 and who are, or were at the time of issuance or grant, residents of Arkansas, California, Colorado, Connecticut, the District of Columbia, Georgia, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Texas, Virginia and Washington, at prices ranging from $0.30 to $80.00 per share.

If you accept our rescission offer and you hold shares of our common stock, we will repurchase the shares you hold that are subject to the rescission offer at the price per share paid, plus interest at the current statutory rate per year mandated by your state of residence, from the date of exercise through the date that the rescission offer expires. If you accept our rescission offer and hold unexercised options to acquire our common stock, we will repurchase all unexercised options granted to you at 20% of the per share exercise price multiplied by the number of shares subject to such options, plus interest at the current statutory rate per year, from the date of grant through the date that the rescission offer expires.

If you accept our rescission offer, you will be entitled to receive interest at the applicable statutory interest rate per year in accordance with your state of residence. You will not, however, be entitled to any payments for interest or otherwise unless you affirmatively elect to participate in the offer. We intend to use the legal rates of interest for the repurchase of the shares and options based on the state of residence of the stockholder or optionee. These interest rates are as follows:

State	Interest Rate	State	Interest Rate
Arkansas	6%	Nevada	6.25%
California	7%	New Hampshire	10%
Colorado	8%	New Jersey	4%
Connecticut	6%	New York*	7%
District of Columbia	6%	North Carolina	8%

Georgia	6%	Pennsylvania	6%
Illinois	10%	Texas	6%
Maryland	10%	Virginia	6%
Massachusetts	6%	Washington	8%
Michigan	6%		

* New York law does not provide a specific interest rate. For purposes of the rescission offer, we are applying the rate of interest of California (our principal place of business) to calculate the consideration to be received by New York residents who may be entitled to rescission rights.

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Acceptance

You may accept the rescission offer by completing and signing the enclosed election form indicating the shares and options to be repurchased and delivering a stock power representing the shares you are surrendering for repurchase, on or before the close of business on November , 2004, which date and time we refer to in this document as the expiration date. All acceptances of the rescission offer will be deemed to be effective on the expiration date and the right to accept the rescission offer will terminate on the expiration date. Acceptances or rejections may be revoked in a written notice to us, to the attention of Matthew Tolland, Corporate Paralegal, 1600 Amphitheatre Parkway, Mountain View, CA 94043, which is received prior to the expiration date. Within fifteen business days after the expiration date, we will pay for any securities as to which the rescission offer has been validly accepted.

The rescission offer will expire at 5:00 p.m., Pacific Daylight Time, on November , 2004. If you submit an election form after the expiration time, regardless of whether your form is otherwise complete, your election will not be accepted, and you will be deemed to have rejected our rescission offer.

Neither we nor our officers and directors make any recommendations to you with respect to the rescission offer contained herein. You are urged to read the rescission offer carefully and to make an independent evaluation with respect to its terms.

IF PERSONS DESIRING TO ACCEPT THE RESCISSION OFFER INTEND TO MAKE USE OF THE MAIL TO RETURN THEIR STOCK POWERS, INSURED REGISTERED MAIL, RETURN RECEIPT REQUESTED, IS RECOMMENDED.

Rejection or Failure to Affirmatively Accept

If you fail to accept, or if you affirmatively reject the rescission offer by so indicating on the enclosed election form, you will retain ownership of the shares and options in accordance with the terms of our stock plans and you will not receive any cash for those securities in connection with the rescission offer. Your shares and any shares issuable upon the exercise of options will be registered and fully tradeable under the Securities Act of 1933, unless you are an affiliate of Google within the meaning of Rule 144 or Rule 145, as the case may be. Your shares will remain subject to any applicable terms and conditions of the original agreement under which they were issued and any subsequent agreement relating to such shares and options. In addition, you will remain subject to any market standoff agreements, lockup arrangements, vesting restrictions, Google Insider Trading Policy requirements and any other transfer restrictions entered into with respect to your shares. You may only resell shares acquired upon exercise of vested options; shares underlying unvested options may not be resold.

Solicitation

We have not retained, nor do we intend to retain, any person to make solicitations or recommendations to you in connection with the rescission offer.

Effect of Rescission Offer

It is unclear whether the rescission offer will terminate our liability, if any, for failure to register or qualify the issuance of the securities under either federal or state securities laws. Accordingly, should the rescission offer be rejected by any or all offerees, we may continue to be contingently liable under the Securities Act of 1933 and applicable state securities laws for the purchase price of these shares and the value of the options up to an aggregate amount of approximately $27.8 million, which includes statutory interest. If you are a stockholder who acquired shares of our common stock by exercising options under the stock plans that are subject to the rescission offer, it is possible that you may continue to have rights under common law or fraud in the state in which the potential securities violation with respect to your shares occurred. In addition, it is possible that an optionholder could argue that the offer to rescind the issuance of outstanding options for an amount equal to 20% of the

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aggregate exercise price, plus interest, does not represent an adequate remedy for the potential violation of the applicable securities laws in connection with the issuance of the option. If a court were to impose a greater remedy, our liability as a result of the potential securities violations would be higher.

Regardless of whether you accept the rescission offer, we believe that any remedies you may have after the rescission offer expires would not be greater than an amount you would receive in the rescission offer.

Below is a discussion of our contingent liability in those states where we may have potential securities laws violations resulting from our issuance of the shares, and our grants of the options relating to the shares, which are covered by the rescission offer. Each state has different laws with respect to rights under common law and fraud and the following discussion of state law does not relate to the antifraud provisions of applicable securities laws or rights under common law or equity.

Arkansas

Under Arkansas law, an issuer is civilly liable to a purchaser of its securities sold in violation of the registration requirements of the Arkansas Securities Act. The purchaser may sue to recover the consideration paid for such securities with interest at 6% per year from the date of payment, costs and reasonable attorneys fees, less the amount of any income received on the securities, or for damages if the purchaser no longer owns the securities, at any time prior to the three year anniversary of the effective date of the contract of sale.

However, we may terminate the rights of the purchasers to seek additional remedies under the Arkansas Securities Act by making a written rescission offer, before suit, to refund the consideration paid together with interest at 6% per year from the date of payment less the amount of any income received on the securities. If the purchaser owns the securities and fails to accept such offer within 30 days of its receipt, that purchaser will no longer have any right of rescission under Arkansas law. If the purchaser receives such offer at a time when the purchaser does not own the securities, that purchaser will no longer have any right of rescission under Arkansas law unless the purchaser rejects the offer in writing within 30 days of its receipt.

We believe this rescission offer complies in all material respects with the rescission offer requirements of the Arkansas Securities Act.

California

Under California law, an issuer is civilly liable to a purchaser of its securities sold in violation of the registration or qualification requirements of the California Corporate Securities Law of 1968. The purchaser may sue to recover the consideration paid for such securities with interest at 7% per year, less the amount of any income received from ownership of the securities, upon the tender of such securities at any time prior to the earlier of the two year anniversary of the noncompliance with the registration or qualification requirements or the one year anniversary of the discovery by the purchaser of the facts constituting such noncompliance.

However, we may terminate the rights of the purchasers to seek additional remedies under the California Corporate Securities Law of 1968 by making a written rescission offer before suit is commenced by the purchaser, approved as to form by the California Commissioner of Corporations where the offer:

states the respect in which liability under the registration or qualification requirements may have arisen;

offers to repurchase the securities for a cash price payable upon delivery of the securities or offering to pay the purchaser an amount in cash equal in either case to the amount recoverable by the purchaser, or offering to rescind the transaction by putting the parties back in the same position as before the transaction;

provides that such offer may be accepted by the purchaser at any time within a specified period of not less than 30 days after the date of receipt of the offer unless rejected earlier during such periods by the purchaser;

sets forth the provisions of the rescission offer requirements under the California Corporate Securities Law of 1968; and

contains such other information as the California Commissioner of Corporations may require by rule or order.

If the purchaser fails to accept such offer in writing within the specified time period of not less than 30 days after the date of receipt of the offer, that purchaser will no longer have any right of rescission under California law.

We must also file with the California Commissioner of Corporations, in such form as the California Commissioner of Corporations prescribes by rule, an irrevocable consent appointing the Commissioner of Corporations or its successor in office to be our attorney to receive services of any lawful process in any noncriminal suit, action or proceeding against us or our successor, which arises under California law after the consent has been filed with the same force and validity as if served personally on us.

We believe this rescission offer complies in all material respects with the rescission offer requirements of the California Corporate Securities Law of 1968.

District of Columbia

Under District of Columbia law, an issuer is civilly liable to a purchaser of its securities sold in violation of the registration or qualification requirements of the District of Columbia Securities Act of 2000. The purchaser may sue to recover at law or in equity the consideration paid for such securities, together with interest at 6% per year from the date of payment, costs and reasonable attorneys fees, less any income or distributions received on the securities, or for damages if the purchaser no longer owns the securities, at any time prior to the one year anniversary of the noncompliance with the registration requirements.

However, we may terminate the rights of the purchasers to seek additional remedies under the District of Columbia Securities Act of 2000 by making a written rescission offer, before suit, to refund the consideration paid together with interest at 6% from the date of payment, less the amount of any income received on the securities. If the purchaser owns the securities and fails to accept such offer within 30 days of its receipt, that purchaser will no longer have any right of rescission under District of Columbia law. If the purchaser receives such offer at a time when the purchaser does not own the securities, that purchaser will no longer have any right of rescission under District of Columbia law unless the purchaser rejects the offer in writing within 30 days of its receipt.

We believe this rescission offer complies in all material respects with the rescission offer requirements of the District of Columbia Securities Act of 2000.

Maryland

Under Maryland law, an issuer is civilly liable to a purchaser of its securities sold in violation of the registration or qualification requirements of the Maryland Securities Act. The purchaser may sue either at law or in equity to recover the consideration paid for such securities, together with

interest at the rate of 10% per year from the date of payment, costs and reasonable attorneys fees, less the amount of any income received on the securities, or for damages if the purchaser no longer owns the securities, at any time prior to the one year anniversary of the noncompliance with the registration or qualification requirements.

However, we may terminate the rights of the purchasers to seek additional remedies under the Maryland Securities Act by making a written rescission offer, before suit, to refund the consideration paid together with interest at the rate of 10% per year from the date of payment, less the amount of any income received on the securities. If the purchaser owns the securities and fails to accept such offer within 30 days of its receipt, that purchaser will no longer have any right of rescission under Maryland law. If the purchaser receives such offer at a time when the purchaser does not own the securities, that purchaser will no longer have any right of rescission under Maryland law unless the purchaser rejects the offer in writing within 30 days of its receipt.

We believe that this rescission offer complies in all material respects with the rescission offer requirements of the Maryland Securities Act.

New York

Under New York law, there is no requirement to register or qualify securities, and there is no provision for rescission offers. Accordingly, the rescission offer is being made with respect to individuals who purchased shares of our common stock in New York, pursuant only to federal rights of rescission. The acceptance or non-acceptance of the rescission offer by these individuals will have no effect under New York law.

Funding the Rescission Offer

The rescission offer will be funded from our existing cash balances. If all persons eligible to participate accept our offer to repurchase common stock or options to the full extent, our results of operations, cash balances or financial condition will not be affected materially.

Directors, Officers and Major Stockholders

One of our officers, who holds 52,783 shares of common stock, all of which shares are subject to rescission is eligible to participate in the rescission offer. We have been advised that this officer does not intend to accept the rescission offer. None of our directors are eligible to participate in this offer. If our eligible officer does not participate in the rescission offer but all other eligible persons accept the rescission offer in full, our officers and directors would not materially increase their respective ownership interests in Google.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

Tax Consequences of the Rescission Offer

In the opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, the following are the material U.S. federal income tax consequences of the proposed rescission offer to our stockholders or option holders whose stock or options are rescinded pursuant to the rescission offer. However, this discussion does not address all income tax considerations that may be relevant to you in light of your individual circumstances, including if you are a foreign person, a person who is not an individual or a person subject to the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended. In addition, we do not address the tax consequences of the rescission offer to persons holding shares that are unvested, subject to hedging, conversion or constructive sale transactions or whose tax year is other than a calendar year. Finally, we do not address any foreign, state or local tax considerations. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE RESCISSION OFFER, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO YOU OF THE RESCISSION OFFER.

Redemption of Shares

For United States federal income tax purposes, the rescission offer with respect to shares of our common stock is intended to constitute a taxable redemption of shares for cash, with the redemption price equal to the amount paid for such shares (and including in the redemption price the interest on the original purchase price of such shares). However, the law applicable to the rescission offer is unclear, and we have not received a ruling from the Internal Revenue Service, or IRS, to that effect. Thus, the IRS is not precluded from successfully asserting a contrary position or otherwise recharacterizing the transaction in whole or in part. For example, the IRS may characterize our rescission offer as the return of the original purchase price, which would be nontaxable, plus the payment of interest, which would be taxable as ordinary income.

Assuming that our treatment of the rescission offer as a taxable redemption is correct, the amount and character of gain or loss recognized by a person who accepts the rescission offer will depend upon whether the shares held by such person were acquired pursuant to the exercise of an incentive stock option or the exercise of a nonstatutory stock option.

Redemption of Shares Received Upon Exercise of Options Generally

The following is a brief summary of the effect of United States federal income tax laws upon options, based upon United States federal income tax laws in effect on the date of the rescission offer.

This summary is not intended to be exhaustive and does not discuss the tax consequences of your death or the provisions of any income tax laws of any municipality, state or foreign country in which you may reside. You should consult your own tax advisor regarding the taxation of these options.

Incentive Stock Options. If shares were issued to you pursuant to the exercise of an incentive stock option, and if no disqualifying disposition of the shares is made by you within two years after the date of grant or within one year after the issuance of such shares to you, including pursuant to the rescission offer, then the redemption rules of Section 302 of the Internal Revenue Code should apply to determine whether you recognize capital gain, capital loss, or dividend income. Under Section 302 of the Internal Revenue Code, a redemption of shares will be treated as a sale or exchange, and the character of any gain or loss will be treated as a capital gain or loss, if:

- it results in a complete redemption of your interest in shares of Google common stock and options to acquire Google common stock under Section 302(b)(3) of the Internal Revenue Code, which would occur if either (1) all of the shares actually and constructively owned by you are sold pursuant to the rescission offer or (2) all of the shares actually owned by you are sold pursuant to the rescission offer and you are eligible to waive and effectively waive constructive ownership of shares under procedures described in Section 302(c) of the Internal Revenue Code; or

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it is substantially disproportionate with respect to you under Section 302(b)(2) of the Internal Revenue Code, which would occur if (1) the percentage of our voting stock owned by you immediately after the repurchase, taking into account all shares purchased by us pursuant to the rescission offer, equals less than 80% of the percentage of our voting stock owned by you immediately before the repurchase and (2) after the repurchase, you own less than 50% of the total combined voting power of all classes of our stock entitled to vote; or

it is not essentially equivalent to a dividend with respect to you under Section 302(b)(1) of the Internal Revenue Code, which would occur if, in light of your individual circumstances, including your relative interest in Google, your sale of shares pursuant to the rescission offer results in a meaningful reduction of your interest in Google, after giving effect to, and thus treating as not outstanding, shares sold by all persons pursuant to the rescission offer. This test may be satisfied irrespective of your failure to satisfy the complete redemption and substantially disproportionate tests.

In determining whether any of the redemption tests are satisfied, you must take into account not only shares that are actually owned but also shares that are constructively owned within the meaning of Section 318 of the Internal Revenue Code. Under Section 318 of the Internal Revenue Code, you may constructively own shares actually owned, and in some cases constructively owned, by certain related individuals and shares that you have the right to acquire by the exercise of an option, warrant, or a conversion right. Contemporaneous or related transactions in stock or stock rights of Google also may affect the redemption tests.

The redemption tests are applied on a stockholder-by-stockholder basis. If a repurchase does not satisfy any of the redemption tests, we will treat the payment of the proceeds from the sale as a dividend distribution. Because the redemption tests are applied independently to you, it is possible that some persons accepting the rescission offer will be subject to dividend treatment and others will receive capital gain treatment. Because the application of the redemption tests is applied on a stockholder-by-stockholder basis, we urge you to consult your own advisors in connection with the possible United States federal income tax treatment that may apply to your particular case.

If the acceptance of the rescission offer fails to qualify as a redemption, then the gross proceeds of such transaction will be characterized as a dividend distribution taxable at ordinary income tax rates to the extent of our current and accumulated earnings and profits, on a pro rata basis with other persons whose sales fail to so qualify. Any excess will be treated as a return of capital and then as a gain from a sale or exchange.

A person who receives proceeds that are taxed as a dividend generally should be able to transfer the unrecovered tax basis in the shares sold to any retained (and possibly constructively owned) stock interest in Google.

Any gain (other than dividend income) or loss recognized in a sale generally should be capital gain or loss if you hold your shares as capital assets.

If you dispose of shares acquired upon the exercise of an incentive stock option in a disqualifying disposition (that is, before the expiration of two years from the date of grant or one year from the date of exercise) including pursuant to the rescission offer, generally:

You will recognize ordinary income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the shares at exercise or, if less, the amount realized on the disposition of the shares, over the option exercise price paid for such shares; and

We will be entitled to a tax deduction in the same amount.

Any further gain or loss realized by you will be taxed as short-term or long-term capital gain or loss, as the case may be, and will not result in any deduction by us.

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If an option designated as an incentive stock option first becomes exercisable in any calendar year for shares the aggregate fair market value of which exceeds $100,000, such excess shares will be treated for income tax purposes as having been acquired by you pursuant to a nonstatutory stock option. For purposes of this rule:

All incentive stock options we have granted to you are aggregated.

The fair market value of an option share is its value on the date of grant of the option.

Options are taken into account in the order in which they are granted.

Alternative Minimum Tax. The exercise of an incentive stock option may have subjected you to the alternative minimum tax under Section 55 of the Internal Revenue Code. In computing alternative minimum taxable income, shares purchased upon exercise of an incentive stock option are treated as if you had acquired them pursuant to a nonstatutory stock option. See Nonstatutory Stock Options.

If you pay alternative minimum in excess of your regular tax liability, the amount of such alternative minimum relating to incentive stock options may be carried forward as a credit against any subsequent years regular tax in excess of the alternative minimum tax.

Nonstatutory Stock Options. With respect to nonstatutory stock options, you will generally recognize ordinary income on exercise in an amount equal to the difference between the option exercise price paid for the shares and the fair market value of the shares on the date of exercise, and we are entitled to a tax deduction in the same amount. Upon disposition of the shares including pursuant to the rescission offer, any gain or loss is treated as described above under Incentive Stock Options with respect to shares as to which no disqualifying disposition has occurred. If you were an employee at the time of grant and when the option vested, any income recognized upon exercise of a nonstatutory stock option will constitute wages for which withholding will be required.

Capital Gains. Capital gains are grouped and netted by holding periods. Net capital gain on assets held for 12 months or less is taxed currently at your highest marginal income tax rate. Net capital gain on assets held for more than 12 months is taxed currently at a maximum federal rate of 15%. Capital losses are first allowed in full against capital gains and then up to $3,000 against other income.

Redemption of Unexercised Options

If you accept the rescission offer with respect to unexercised options, you will recognize income on the cash that you receive for United States income tax purposes as of the date that it is paid to you. Any applicable withholding taxes or charges on the cash payment will be withheld from your cash payment and paid to the appropriate tax authority, as permitted or required by law. The payment of cash will be treated as ordinary income for United States income tax purposes in the year you receive it, and we will withhold certain income and payroll taxes, including the withholding of income, FICA and Medicare taxes, and other applicable employment taxes. For United States federal income tax purposes, we will withhold at the supplemental rate of 25%. To the extent that you recognize ordinary income, we would be generally entitled to a corresponding federal income tax deduction.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS A SUMMARY, AND IS INCLUDED FOR GENERAL INFORMATION ONLY. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE RESCISSION OFFER, IN LIGHT OF YOUR SPECIFIC CIRCUMSTANCES, INCLUDING THE TRANSACTION IN WHICH THE SHARES WERE ACQUIRED.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the other information contained or incorporated by reference in this offering circular, you should carefully consider the risk factors disclosed in this offering circular, including those beginning on page 28, in evaluating whether to accept or reject the rescission offer. The information contained or incorporated by reference in this offering circular includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have in the past and may in the future make forward-looking statements orally to analysts, investors, the media, and others. Forward-looking statements are statements that are not historical facts. The information contained or incorporated by reference in this offering circular includes forward looking statements concerning:

- The effectiveness of our rescission offer to preclude certain of our optionholders and stockholders from seeking relief for alleged violations of securities laws in connection with securities issuances pursuant to our stock plans.
- Our strategy and ability to continue to grow and our ability to leverage our technology and user base to generate revenue from the sale of our products and services.
- The effectiveness of our marketing programs.
- Competition from existing and new competitors in our market, and our ability to compete with such competitors.
- Potential future growth of revenues, the rate of that growth and the effect of that growth on our operating margin.
- Anticipated fluctuations in our revenues and cost of revenues.
- Anticipated stock based compensation and related charges and our effective tax rate.
- Anticipated trends in our base of advertisers and Google Network members.
- Anticipated effects of potential acquisition transactions.
- Future capital needs and capital expenditures.
- The impact of current litigation in which we are involved.
- The future effectiveness of our intellectual property rights and potential future litigation involving us regarding intellectual property matters.

Additional forward-looking statements are identified in the documents incorporated herein by reference. These forward-looking statements are based on current expectations, estimates and projections about Google s industry, management s beliefs, and certain assumptions made by

management. Words such as anticipates , expects , intends , plans , believes , seeks , estimates and similar expressions are intended to ider forward-looking statements.

There may be events in the future that we are not able to predict accurately or over which we have no control. Consequently, any of these forward-looking statements may not prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including but not limited to the risk factors set forth herein and those described elsewhere in this offering circular. You should carefully review the risk factors included in other reports or documents filed by us from time to time with the Securities and Exchange Commission, particularly our registration statement on Form 10-12G, initially filed on April 29, 2004, as amended (File No. 000-50726), any annual reports on Forms 10-K, any quarterly reports on Forms 10-Q and any current reports on Forms 8-K. All forward-looking statements and reasons why results may differ included in this offering circular are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results might differ, even if new information becomes available or other events occur in the future.

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DIVIDEND POLICY

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

CASH AND CAPITALIZATION

The following table sets forth our cash, cash equivalents, short-term investments and capitalization at June 30, 2004, as follows:

On an actual basis, 162,856,233 shares of Class B common stock and 12,359,204 shares of Class A common stock are outstanding.

On a pro forma basis to reflect the conversion of all of our outstanding preferred stock into an aggregate of 79,099,884 shares of Class B common stock which occurred upon the completion of our initial public offering.

On a pro forma as adjusted basis to give effect to receipt of the net proceeds from the sale by us in our initial public offering of shares of Class A common stock at our initial public offering price of $85.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses.

You should read this table in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this offering circular.

	At June 30, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except par value) (unaudited)		
Cash, cash equivalents and short-term investments	$ 548,687	$ 548,687	$ 1,712,255
Long-term liabilities	58,766	58,766	58,766
Stockholders equity:			
Convertible preferred stock, $0.001 par value, issuable in series: 164,782 shares authorized, 79,099 shares issued and outstanding, actual; 100,000 shares authorized, none issued and outstanding, pro forma and pro forma as adjusted	79,860		
Class A and B common stock, $0.001 par value: 700,000 shares authorized, 165,012 shares issued and outstanding, actual; 9,000,000 shares authorized, 244,111 shares issued and outstanding, pro forma and 258,254 shares pro forma as adjusted	165	244	258
Additional paid-in capital	956,882	1,036,663	2,200,217
Deferred stock-based compensation	(352,815)	(352,815)	(352,815)
Accumulated other comprehensive income	(1,481)	(1,481)	(1,481)

Retained earnings	334,388	334,388	334,388
Total stockholders equity	1,016,999	1,016,999	2,180,567
Total capitalization	$ 1,075,765	$ 1,075,765	$ 2,239,333

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The table above excludes the following shares:

- 10,203,007 shares of Class A common stock and Class B common stock subject to repurchase that were granted and exercised subsequent to March 21, 2002 (see Note 1 of Notes to Consolidated Financial Statements included as part of this offering circular).

- 1,996,140 shares of Class B common stock issuable upon the exercise of warrants outstanding at June 30, 2004, with a weighted average exercise price of $0.62 per share.

- 6,276,573 shares of Class A common stock issuable upon the exercise of options outstanding at June 30, 2004, at a weighted average exercise price of $9.42 per share.

- 10,456,084 shares of Class B common stock issuable upon the exercise of options outstanding at June 30, 2004, at a weighted average exercise price of $2.68 per share.

- 3,891,192 shares of common stock available for future issuance under our stock option plans at June 30, 2004.

- 2,700,000 shares of Class A common stock issued to Yahoo in connection with a settlement arrangement.

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this offering circular.

The consolidated statements of operations data for the years ended December 31, 2001, 2002 and 2003, and the consolidated balance sheet data at December 31, 2002 and 2003, are derived from our audited consolidated financial statements appearing elsewhere in this offering circular. The consolidated statements of operations data for the years ended December 31, 1999 and December 31, 2000, and the consolidated balance sheet data at December 31, 1999, 2000 and 2001, are derived from our audited consolidated financial statements that are not included in this offering circular. The consolidated statements of operations data for the six months ended June 30, 2003 and 2004 and the consolidated balance sheet data at June 30, 2004 are derived from our unaudited consolidated financial statements included in this offering circular. The unaudited consolidated financial statements include, in the opinion of management, all adjustments that management considers necessary for the fair presentation of the financial information set forth in those statements. The historical results are not necessarily indicative of the results to be expected in any future period.

	Year Ended December 31,					Six Months Ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands, except per share data)					(unaudited)	
Consolidated Statements of Operations Data:							
Revenues	$ 220	$ 19,108	$ 86,426	$ 439,508	$ 1,465,934	$ 559,817	$ 1,351,835
Costs and expenses:							
Cost of revenues	908	6,081	14,228	131,510	625,854	204,596	641,775
Research and development	2,930	10,516	16,500	31,748	91,228	29,997	80,781
Sales and marketing	1,677	10,385	20,076	43,849	120,328	42,589	104,681
General and administrative	1,221	4,357	12,275	24,300	56,699	22,562	47,083
Stock-based compensation(1)		2,506	12,383	21,635	229,361	70,583	151,234
Total costs and expenses	6,736	33,845	75,462	253,042	1,123,470	370,327	1,025,554
Income (loss) from operations	(6,516)	(14,737)	10,964	186,466	342,464	189,490	326,281
Interest income (expense) and other, net	440	47	(896)	(1,551)	4,190	719	(1,198)
Income (loss) before income taxes	(6,076)	(14,690)	10,068	184,915	346,654	190,209	325,083
Provision for income taxes			3,083	85,259	241,006	132,241	182,047
Net income (loss)	$ (6,076)	$ (14,690)	$ 6,985	$ 99,656	$ 105,648	$ 57,968	$ 143,036
Net income (loss) per share(2):							
Basic	$ (0.14)	$ (0.22)	$ 0.07	$ 0.86	$ 0.77	$ 0.44	$ 0.93
Diluted	$ (0.14)	$ (0.22)	$ 0.04	$ 0.45	$ 0.41	$ 0.23	$ 0.54
Number of shares used in per share calculations(2):							
Basic	42,445	67,032	94,523	115,242	137,697	131,525	153,263
Diluted	42,445	67,032	186,776	220,633	256,638	253,024	265,223

(1) Stock-based compensation, consisting of amortization of deferred stock-based compensation and the fair value of options issued to non-employees for services rendered, is allocated as follows:

	Year Ended December 31,					Six Months Ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands)					(unaudited)	
Cost of revenues	$	$ 167	$ 876	$ 1,065	$ 8,557	$ 2,813	$ 7,622
Research and development		1,573	4,440	8,746	138,377	38,237	92,102
Sales and marketing		514	1,667	4,934	44,607	14,711	27,576
General and administrative		252	5,400	6,890	37,820	14,822	23,934
	$						