

WESTERN ASSET HIGH INCOME OPPORTUNITY FUND INC.

Form N-CSRS

May 29, 2018

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

**Investment Company Act file number 811-07920**

**Western Asset High Income Opportunity Fund Inc.**

**(Exact name of registrant as specified in charter)**

**620 Eighth Avenue, 49<sup>th</sup> Floor, New York, NY 10018**

**(Address of principal executive offices) (Zip code)**

**Robert I. Frenkel, Esq.**

**Legg Mason & Co., LLC**

**100 First Stamford Place**

**Stamford, CT 06902**

**(Name and address of agent for service)**

**Registrant's telephone number, including area code: 1-877-721-1926**

**Date of fiscal year end: September 30**

**Date of reporting period: March 31, 2018**

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

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Semi-Annual Report

March 31, 2018

WESTERN ASSET

HIGH INCOME

OPPORTUNITY FUND INC. (HIO)

INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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## **Fund objectives**

The Fund seeks high current income. Capital appreciation is a secondary objective.

In seeking to fulfill its investment objectives, the Fund invests, under normal market conditions, at least 80% of its net assets in high-yield securities and up to 20% in common stock equivalents, including options, warrants and rights.

## **Letter from the chairman**

### **Dear Shareholder,**

We are pleased to provide the semi-annual report of Western Asset High Income Opportunity Fund Inc. for the six-month reporting period ended March 31, 2018. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, [www.lmcef.com](http://www.lmcef.com). Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

April 27, 2018

II Western Asset High Income Opportunity Fund Inc.

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## Investment commentary

### Economic review

Economic activity in the U.S. was somewhat mixed during the six months ended March 31, 2018 (the reporting period). Looking back, the U.S. Department of Commerce reported that third and fourth quarter 2017 U.S. gross domestic product (GDP) growth was 3.2% and 2.9%, respectively. Finally, the U.S. Department of Commerce's initial reading for first quarter 2018 GDP growth released after the reporting period ended was 2.3%. Moderating GDP growth in the first quarter reflected decelerations in personal consumption expenditures (PCE), residential fixed investment, exports and state and local government spending. These movements were partly offset by an upturn in private inventory investment.

Job growth in the U.S. was solid overall and supported the economy during the reporting period. When the reporting period ended on March 31, 2018, the unemployment rate was 4.1%, as reported by the U.S. Department of Labor. This equaled the lowest unemployment rate since December 2000. The percentage of longer-term unemployed declined during the reporting period. In March 2018, 20.3% of Americans looking for a job had been out of work for more than six months, versus 24.8% when the period began.

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## Investment commentary (cont d)

### Market review

#### **Q. How did the Federal Reserve Board (the Fed) respond to the economic environment?**

A. The Fed increased the federal funds rate<sup>iii</sup> twice during the reporting period. Looking back, at its meeting that concluded on September 20, 2017 before the reporting period began the Fed kept rates on hold, but reiterated its intention to begin reducing its balance sheet, saying, "In October, the Committee will initiate the balance sheet normalization program." At its meeting that ended on December 13, 2017, the Fed raised rates to a range between 1.25% and 1.50%. As expected, the Fed kept rates on hold at its meeting that concluded on January 31, 2018. However, at its meeting that ended on March 21, 2018, the Fed again raised the federal funds rate, moving it to a range between 1.50% and 1.75%.

#### **Q. Did Treasury yields trend higher or lower during the reporting period?**

A. Both short-term and longer-term Treasury yields moved higher during the six-month reporting period ended March 31, 2018. The yield for the two-year Treasury note began the reporting period at 1.47% the low for the period and ended the period at 2.27%. The high for the period of 2.34% took place on March 20, 2018. The yield for the ten-year Treasury began the reporting period at 2.33% the low for the period and ended the period at 2.74%. The high for the period of 2.94% occurred on February 21, 2018.

#### **Q. What factors impacted the spread sectors (non-Treasuries) during the reporting period?**

A. The spread sectors posted mixed results during the reporting period. Performance fluctuated given changing expectations for global growth, uncertainties regarding future central bank monetary policy, the signing of the U.S. tax reform bill in December 2017 and concerns over a global trade war. The broad U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Index<sup>iv</sup>, returned -1.08% during the six-month reporting period ended March 31, 2018.

#### **Q. How did the high-yield bond market perform over the reporting period?**

A. The U.S. high-yield bond market, as measured by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index returned -0.39% for the six months ended March 31, 2018. The high-yield market posted a modest gain during the first four months of the reporting period. Those gains were then erased over the last two months of the period. This turnaround was triggered by a number of factors, including fears that the Fed may take a more aggressive approach to rate hikes, trade war concerns and high-profile issues in the technology industry.

#### **Q. How did the emerging market debt asset class perform over the reporting period?**

A. The JPMorgan Emerging Markets Bond Index Global (EMBI Global)<sup>i</sup> returned -1.25% during the six months ended March 31, 2018. The asset class produced choppy results during the reporting period. At times it was supported by solid investor demand, less concern over a significant shift in U.S. trade policy and a weakening U.S. dollar. However, at other times it was dragged down by rising U.S. interest rates, periods of investor risk aversion and geopolitical issues.



**Table of Contents****Performance review**

For the six months ended March 31, 2018, Western Asset High Income Opportunity Fund Inc. returned -0.43% based on its net asset value (NAV<sup>vii</sup>) and -3.05% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index, returned -0.39% for the same period. The Lipper High Yield Closed-End Funds Category Average<sup>viii</sup> returned -0.03% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the Fund made distributions to shareholders totaling \$0.17 per share. As of March 31, 2018, the Fund estimates that 99% of the distributions were sourced from net investment income and 1% constituted a return of capital.\* The performance table shows the Fund's six-month total return based on its NAV and market price as of March 31, 2018. **Past performance is no guarantee of future results.**

**Performance Snapshot** as of March 31, 2018  
(unaudited)

	6-Month Total Return**
Price Per Share	
\$5.46 (NAV)	-0.43%
\$4.81 (Market Price)	-3.05%

**All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

\*\* Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

**Looking for additional information?**

The Fund is traded under the symbol HIO and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under the symbol XHIOX on most financial websites. *Barron's* and the *Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.lmcef.com](http://www.lmcef.com) (click on the name of the Fund).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

\*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, [www.lmcef.com](http://www.lmcef.com) (click on the name of the Fund).

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## Investment commentary (cont d)

Thank you for your investment in Western Asset High Income Opportunity Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Jane Trust, CFA

Chairman, President and Chief Executive Officer

April 27, 2018

***RISKS:** The Fund is a diversified closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives. The Fund's common stock is traded on the New York Stock Exchange. Similar to stocks, the Fund's share price will fluctuate with market conditions and, at the time of sale, may be worth more or less than the original investment. Shares of closed-end funds often trade at a discount to their net asset value. Diversification does not assure against market loss. The Fund's investments are subject to a number of risks, such as credit risk, inflation risk and interest rate risk. The Fund may invest in lower-rated high-yield bonds, commonly known as junk bonds, which are subject to greater credit risk (risk of default) and liquidity risk than higher-rated obligations. The Fund is also permitted purchases of equity securities. Equity securities generally have greater price volatility than fixed-income securities. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. In addition, the Fund may invest in foreign securities, which are subject to certain risks of overseas investing, including currency fluctuations and changes in political, social and economic conditions, which could result in significant fluctuations. These risks are magnified in emerging markets.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

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- i Gross domestic product ( GDP ) is the market value of all final goods and services produced within a country in a given period of time.
- ii The Federal Reserve Board (the Fed ) is responsible for the formulation of U.S. policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- iii The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- iv The Bloomberg Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Bloomberg Barclays U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- vi The JPMorgan Emerging Markets Bond Index Global ( EMBI Global ) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds and local market instruments.
- vii Net asset value ( NAV ) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any), from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended March 31, 2018, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 13 funds in the Fund's Lipper category.

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**Fund at a glance** (unaudited)

**Investment breakdown** (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of March 31, 2018 and September 30, 2017 and does not include derivatives, such as forward foreign currency contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

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## Spread duration (unaudited)

Economic exposure March 31, 2018

**Total Spread Duration**

HIO 4.26 years

Benchmark 4.10 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark	Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index
EM	Emerging Markets
HIO	Western Asset High Income Opportunity Fund Inc.
HY	High Yield
IG Credit	Investment Grade Credit

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**Effective duration (unaudited)**

**Interest rate exposure** March 31, 2018

**Total Effective Duration**

HIO 4.36 years  
 Benchmark 4.06 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index  
 EM Emerging Markets  
 HIO Western Asset High Income Opportunity Fund Inc.  
 HY High Yield  
 IG Credit Investment Grade Credit

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March 31, 2018

**Western Asset High Income Opportunity Fund Inc.**

Security	Rate	Maturity Date	Face Amount	Value
<b>Corporate Bonds &amp; Notes</b>	<b>80.2%</b>			
<b>Consumer Discretionary</b>				
<b>15.0%</b>				
<i>Auto Components</i>				
<i>1.1%</i>				
Adient Global Holdings Ltd., Senior Notes	4.875%	8/15/26	3,900,000	\$ 3,705,000 (a)
IHO Verwaltungs GmbH, Senior Secured Bonds (4.750% Cash or 5.500% PIK)	4.750%	9/15/26	1,310,000	1,265,788 (a)(b)
ZF North America Capital Inc., Senior Notes	4.750%	4/29/25	2,730,000	2,774,362 (a)
<i>Total Auto Components Diversified Consumer Services</i>				<i>7,745,150</i>
<i>1.5%</i>				
<b>Prime Security Services Borrower LLC/Prime Finance Inc., Secured Notes Service Corp. International, Senior Notes VOC Escrow Ltd., Senior Secured Notes</b>	<b>9.250%</b>	<b>5/15/23</b>	<b>2,943,000</b>	<b>3,196,628 (a)</b>
<b>7.500%</b>	<b>4/1/27</b>	<b>1,975,000</b>	<b>2,279,150</b>	
<b>5.000%</b>	<b>2/15/28</b>	<b>5,450,000</b>	<b>5,204,750 (a)</b>	
<i>Total Diversified Consumer Services</i>				<i>10,680,528</i>
<i>Hotels, Restaurants &amp; Leisure</i>				
<i>2.1%</i>				
Bossier Casino Venture Holdco Inc.,	14.000%	2/9/23	2,052,998	2,052,998 (a)(b)(c)(d)

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Senior Secured Bonds (14.000% PIK) Boyne USA Inc., Secured Notes	7.250%	5/1/25	830,000	855,937 <sup>(a)(e)</sup>
Carrols Restaurant Group Inc., Secured Notes	8.000%	5/1/22	2,820,000	2,946,900
Downstream Development Authority of the Quapaw Tribe of Oklahoma, Senior Secured Notes	10.500%	2/15/23	1,050,000	1,081,500 <sup>(a)</sup>
Fontainebleau Las Vegas Holdings LLC, Senior Secured Notes	10.250%	6/15/15	715,000	72 <sup>*(a)(f)</sup>
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.625%	4/1/25	3,120,000	3,123,900
Hilton Worldwide Finance LLC/Hilton Worldwide Finance Corp., Senior Notes	4.875%	4/1/27	3,210,000	3,181,912
Silversea Cruise Finance Ltd., Senior Secured Notes	7.250%	2/1/25	1,538,000	1,634,125 <sup>(a)</sup>
<i>Total Hotels, Restaurants &amp; Leisure Household Durables 0.3%</i>				<i>14,877,344</i>
Lennar Corp., Senior Notes	4.500%	4/30/24	590,000	579,675
Lennar Corp., Senior Notes	4.750%	5/30/25	750,000	741,563
Lennar Corp., Senior Notes	4.750%	11/29/27	1,030,000	991,375 <sup>(a)</sup>
<i>Total Household Durables Media 8.6%</i>				<i>2,312,613</i>

*Executive Committee.* The Executive Committee consists of Messrs. Diller, Kaufman and Khosla. The Executive Committee has all the power and authority of the Board of Directors, except those powers reserved to the Board by Delaware law. Mr. Diller is the Chairman of the Executive Committee. The Executive Committee held two meetings and acted by written consent three times.

*Other Committees.* The Board of Directors may from time to time establish other committees of the Company consisting of one or more of its directors. No such other committees were established in 2012.

*Compensation Policies and Practices Risk Assessment.* Consistent with SEC disclosure requirements, the Company has assessed compensation policies and practices for Company employees and has concluded that the Company's compensation practices do not create risks that are reasonably likely to have a material adverse effect on the Company. Management has also assessed the compensation consultancy services provided by Compensia,



Company, including the independence-related factors required to be considered under SEC rules, such services do not raise any conflicts of interest.

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### **Director Nominations**

Given the ownership structure of the Company and its status as a controlled company, the Board does not have a nominating committee or other committee performing similar functions or any formal policy regarding director nominations. Pursuant to the Governance Agreement, Liberty Interactive has the right to nominate up to five directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the nearest number if the number of directors on the Board is not an even multiple of five) for election to the Board if certain stock ownership requirements are satisfied. The Board does not have specific requirements regarding diversity, nor does it have a specific policy on diversity. However, in evaluating candidates, regardless of how recommended, the Board considers whether the professional and personal ethics of the candidate are consistent with those of Expedia, whether the candidate's experience and expertise are relevant to the Board in rendering service to Expedia, including in providing a mix of Board members that provides a diversity of backgrounds, perspectives and opinions, whether the candidate is willing and able to devote the necessary time and energy to the work of the Board, and whether the candidate is prepared and able to act in the best interests of Expedia's stockholders. Given the controlled status of Expedia, the Board believes that the process described above is appropriate. Liberty Interactive has nominated Dr. Malone and Ms. Coe as nominees to the Board. The other nominees to the Board were recommended by the Chairman and then were considered and approved by the entire Board.

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders. However, the Board would consider such recommendations if made by a majority of the Stockholders who wish to make such a recommendation should send the recommendation to Expedia, Inc., 333 108th Avenue N.E., Bellevue, Washington 98004, Attention: Secretary. The envelope must contain a letter that the enclosed letter is a Director Nominee Recommendation. The letter must identify the candidate, provide a brief summary of the candidate's qualifications and history and be accompanied by evidence of the candidate's stock ownership, as well as consent by the candidate to serve as a director if elected. Any director recommendations will be reviewed by the Secretary and, if deemed appropriate, forwarded to the Board for further review. If the Chairman believes that the candidate fits the profile of a director nominee, the recommendation will be shared with the entire Board.

### **Communications With the Board**

Stockholders who wish to communicate with the Board of Directors or a particular director may do so by sending a communication to Expedia, Inc., 333 108th Avenue N.E., Bellevue, Washington 98004, Attention: Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Stockholder Communication or Stockholder-Director Communication. All such letters must identify the intended recipient, provide evidence of the sender's stock ownership and clearly state whether the intended recipient is the Board or just certain specified directors. The Secretary will then review such correspondence and forward it to the Board, or to the specified director(s), if deemed appropriate. Communications that are primarily of a personal nature, that are not relevant to stockholders or other interested constituents or that relate to imprudent business practices will generally not be forwarded to the Board or to the specified director(s).

### **Compensation of Non-Employee Directors**

The Board of Directors sets non-employee director compensation, which is designed to provide compensation necessary to attract and retain high quality non-employee directors and to encourage directors to hold Company stock to further align directors' interests with those of our stockholders.

Expedia employees do not receive compensation for services as directors, and Liberty Interactive has historically agreed that they would not receive compensation for their Expedia Board service, in addition to their regular salary. During 2012, each non-employee director of Expedia was entitled to receive the following compensation:

an annual retainer of \$45,000, paid in equal quarterly installments;



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a grant of restricted stock units ( *RSUs* ) with a value of \$250,000 (based on the closing price of the Company's common stock on the NASDAQ Stock Market on the day prior to the grant), upon such director's election to office and annually thereafter on June 1, such RSUs to vest in three equal installments commencing on the first anniversary of the grant date and, in the event of a change in control of the Company as defined in the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan (the "Plan") and described in the section below titled *Executive Compensation Potential Payments Upon Termination or Change in Control* ), to vest automatically in full, and such RSUs to be entitled to dividends and paid on the underlying shares of common stock during the vesting period;

an annual retainer of \$20,000 for each member of the Audit Committee (including the Chairman) and \$15,000 for each member of the Compensation Committee (including the Chairman); and

an additional annual retainer of \$10,000 for the Chairman of the Audit Committee and the Chairman of the Compensation Committee.

Members of the Section 16 Committee do not receive additional compensation for service on the Section 16 Committee. Expedia reimburses directors for all reasonable expenses incurred to attend Board and committee meetings.

***Director Stock Ownership Guidelines***

In March 2010, the Board of Directors adopted stock ownership guidelines for directors to further align the interests of the directors with the interests of the stockholders of the Company. The director stock ownership guidelines apply to all directors except (i) directors who are also subject to the Company's Executive Stock Ownership Guidelines and (ii) directors nominated by Liberty Interactive, who do not receive compensation for service on the Board of Directors ( *Covered Directors* ).

Covered Directors are encouraged to hold a number of shares of Expedia common stock during their term of office with a minimum value equal to three times the value of the annual Board membership retainer (current annual retainer of \$135,000). Each Covered Director will have three years to acquire such shares. If the annual retainer is increased during a Covered Director's service, the Covered Director shall have three years from the date of the increase in the annual cash retainer to acquire the additional stock. Based on the closing price of the Company's common stock on March 15, 2013, each Covered Director held shares of Expedia common stock with a value significantly greater than \$135,000.

***Non-Employee Director Deferred Compensation Plan***

Under Expedia's Non-Employee Director Deferred Compensation Plan, non-employee directors may elect to defer a portion of their directors' fees. Eligible directors who defer their directors' fees may elect to have such fees (i) applied to the purchase of share units, representing the number of shares of Expedia common stock that would have been purchased on the date such fees would otherwise be payable, or (ii) credited to a cash fund. If dividends are paid on Expedia common stock, dividend equivalents will be credited on the share units. The cash fund will be credited with deemed interest at an annual rate equal to the average bank prime loan rate as identified in the U.S. Federal Reserve Statistical Release. Upon termination of service as a director, a director will receive (1) with respect to share units, such number of shares of Expedia common stock that would have been purchased, and (2) with respect to the cash fund, a cash payment. Payments upon termination may be made either one lump sum or up to five installments, as elected by the eligible director at the time of termination.

**Table of Contents****2012 Non-Employee Director Compensation**

As employees of the Company, Messrs. Diller, Kaufman and Khosrowshahi did not receive compensation for their service as directors. Mr. Fitzgerald, who resigned from the Board on December 20, 2012, Dr. M... all of whom were nominated by Liberty Interactive, also did not receive compensation for their service. The following table shows the 2012 compensation information for the remaining directors.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)(3)	Option Awards (\$)(4)	All Other Compensation (\$)(5)
A. George Skip Battle(6)	\$ 75,000	\$ 249,963	\$	\$ 6
Jonathan L. Dolgen(7)	70,000	249,963		6
Craig A. Jacobson(8)	65,000	249,963		6
Peter M. Kern(9)	80,000	249,963		6
José A. Tazón(10)	45,000	249,963		6

- (1) This column reports the amount of cash compensation earned in 2012 for Board and committee members.
- (2) Amounts shown reflect the aggregate grant date fair value of awards computed in accordance with Topic 718, excluding the effect of estimated forfeitures. These amounts reflect an estimate of value and may not correspond to the actual value that will be recognized by the directors. Stock awards of RSUs valued using the closing price of Expedia common stock on the NASDAQ Stock Market immediately preceding the grant date.
- (3) Each of Messrs. Battle, Dolgen, Jacobson, Kern and Tazón had 15,974 RSUs outstanding as of December 31, 2012.
- (4) Expedia has not granted any options for service as a director. At December 31, 2012, Mr. Battle purchased 9,947 shares of Expedia common stock that were issued in connection with IAC Jeeves, Inc. in July 2005.
- (5) Unvested RSUs held by directors are credited with dividend equivalents at the same rate and amount as cash dividends paid to the Company's common stockholders. Such dividend equivalents are reflected upon vesting of the underlying RSUs. The amounts of such dividend equivalents are reflected in the table; however, dividend equivalents were not reflected in the closing price of Expedia common stock on the NASDAQ Stock Market for the RSUs awarded to directors prior to 2010 as the Company has not declared regular cash dividends. Accordingly, dividend equivalents paid to directors in 2012 for RSUs awarded prior to 2010 are included in "All Other Compensation."
- (6) Mr. Battle is the Chairman of the Audit Committee.
- (7) Mr. Dolgen is the Chairman of each of the Compensation and Section 16 Committees.
- (8) Mr. Jacobson is a member of the Audit Committee. As of February 28, 2013, Mr. Jacobson was appointed, on a temporary basis, to the Compensation and Section 16 Committees.
- (9) Mr. Kern is a member of each of the Audit, Compensation and Section 16 Committees.
- (10) Mr. Tazón elected to defer his director fees, net of applicable taxes, in 2010, 2011 and 2012 under the Expedia's Non-Employee Director Deferred Compensation Plan, which is described above. Mr. Tazón elected to defer his director fees for 2012. At April 3, 2013, Mr. Tazón held a total of 4,105.00 shares of Expedia common stock.

**Compensation Committee Interlocks and Insider Participation**

The Board of Directors currently has a Compensation Committee consisting of Messrs. Dolgen, (on a temporary basis) and Ms. Coe and a Section 16 Committee consisting of Messrs. Dolgen, (on a temporary basis). Mr. Fitzgerald, who resigned from the Board on December 20, 2012, was a member of the Compensation Committee. None of Messrs. Dolgen, Kern, Jacobson or Fitzgerald, or Ms. Coe was an employee of Expedia, formerly an officer of Expedia, or an executive officer of an entity for which an officer of Expedia served as a member of the compensation committee or as a director during the period ended December 31, 2012.



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**Required Vote**

At the Annual Meeting, stockholders will be asked to elect ten members of the Board of Directors to office for a one-year term ending on the date of the next annual meeting of stockholders or until their successor shall have been duly elected and qualified (or, if earlier, such director's removal or resignation).

Election of Messrs. Diller, Kaufman, Khosrowshahi, Dolgen, Malone and Tazón and Ms. Coe as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of Expedia common stock and Class B common stock, present in person or represented by proxy, voting together as a single class.

Election of Messrs. Battle, Jacobson and Kern as directors requires the affirmative vote of a plurality of the number of votes cast by the holders of shares of Expedia common stock, present in person or represented by proxy, voting together as a separate class.

For the election of the directors, abstentions and broker non-votes will have no effect because a majority percentage of voting stock present or outstanding is not required.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.**

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**PROPOSAL 2:**

**APPROVAL OF THE SECOND AMENDED AND RESTATED EXPEDIA, INC. 2005 ANNUAL INCENTIVE PLAN, INCLUDING AN AMENDMENT TO INCREASE THE SHARES AUTHORIZED FOR ISSUANCE THEREUNDER BY 6,000,000**

**Introduction**

We ask that our stockholders vote to approve the Second Amended and Restated Expedia, Inc. 2005 Annual Incentive Plan (the "Amended 2005 Plan"), which includes an amendment to increase the shares authorized under the current stock and annual incentive plan by 6,000,000 shares. The Amended 2005 Plan was adopted by our Board of Directors on February 28, 2013, subject to approval by our stockholders.

The Amended 2005 Plan is an important part of the Company's overall compensation program. The Company uses the Amended 2005 Plan to make annual and long-term incentive awards to the Company's current and prospective employees, directors and consultants. The purpose of the Amended 2005 Plan is to give the Company an advantage in attracting, retaining and motivating officers, employees, directors and consultants and to provide them with incentives that are directly linked to the future growth and profitability of the Company.

If the Amended 2005 Plan is approved by stockholders, it will allow awards under the Amended 2005 Plan to be intended to qualify as performance-based compensation under Section 162(m) of the Code to the extent permitted by Section 162(m) of the Code. Section 162(m) of the Code generally places a \$1 million annual limit on a Company's tax deduction for performance-based compensation paid to certain senior executives, other than compensation that satisfies the applicable exception for a performance-based compensation exception. To qualify as performance-based compensation under Section 162(m) of the Code, the compensation must (among other requirements) be subject to attestation by the Company's independent compensation committee that the compensation is based on performance goals that have been disclosed to stockholders and approved by a majority stockholder vote. By asking stockholders to approve the material terms of the performance goals under the Amended 2005 Plan, the Company may make awards that qualify as performance-based compensation under Section 162(m) of the Code that would be tax deductible. For purposes of Section 162(m), the material terms of the performance goals that require stockholder approval include the following:

the employees eligible to receive awards under the Amended 2005 Plan;

the business criteria used as the basis for the performance goals; and

the limits on the maximum amount of compensation payable to any employee in a given year. By approving the Amended 2005 Plan, the stockholders will be approving, among other things, the performance requirements, performance goals and limits on various cash and stock awards contained therein under the Amended 2005 Plan. Section 162(m).

**Key Changes**

If approved, the Amended 2005 Plan would make the following key changes to the current stock and annual incentive plan:

Increase in Authorized Shares	Increase the shares authorized for issuance under the Amended 2005 Plan by 6,000,000 shares.
Term of Plan	Extend the term of the plan through the tenth anniversary of the date on which our stockholders approve the Amended 2005 Plan.



Administrative Changes                      Make certain other administrative changes.  
**Promotion of Good Compensation Practices**

The Amended 2005 Plan is designed to reinforce the alignment between equity compensation and the interests of the Company, its officers, employees, directors and consultants, and stockholders' interests and, as highlighted below, a number of provisions that the Company believes represent best practices.

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**No Discounted Stock Options.** Stock options may not be granted with exercise prices lower than the fair market value of the underlying shares on the date of grant.

**No Repricing without Stockholder Approval.** The Company may not, without the approval of the Board of Directors, (1) reduce the exercise price of an outstanding stock option or the grant price of an outstanding stock option or SAR or (2) cancel and re-grant an outstanding stock option or SAR or exchange such option or SAR for either cash or a new award with a lower (or no) exercise price when the exercise price of such option or grant price of such SAR is above the fair market value of a share of common stock.

**No Evergreen Provision.** There is no evergreen feature pursuant to which the shares available for grant under the Amended 2005 Plan can be automatically replenished.

**No Transferability.** Awards generally may not be transferred, except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, unless approved by the Compensation Committee.

**No Automatic Grants.** The Amended 2005 Plan does not provide for reload or other automatic grants to participants.

**No Tax Gross-ups.** The Amended 2005 Plan does not provide for any tax gross-ups.

**Key Data**

The following table includes information regarding outstanding equity awards, shares available for grant under the current stock and annual incentive plan and total shares outstanding as of March 31, 2012 (without giving effect to approval of this Proposal 2):

Total shares underlying outstanding options
Weighted average exercise price of outstanding options
Weighted average remaining contractual life of outstanding options
Total shares underlying outstanding unvested restricted stock units ( RSUs )
Total shares currently available for grant
Total shares currently available for grant as full-value awards
Total Shares Outstanding

Based on a review of the Company's historical practice, the Board believes the shares available for grant under the Amended 2005 Plan, after giving effect to the amendment and restatement, will be sufficient to meet the Company's needs for at least the next two years. In 2010, 2011 and 2012, the Company granted equity awards (gross equity awards, net of cancellations) representing a total of approximately 6,341,000 shares, 7,619,000 shares, and 2,080,000 shares, respectively, which included equity awards representing a total of approximately 6,341,000 shares, 7,619,000 shares, and 2,080,000 shares in 2010 and 2011, respectively, to employees of the Company's former TripAdvisor. Immediately prior to the TripAdvisor Spin-Off in December 2011, Expedia effected a one-for-two stock split of outstanding shares of our capital stock. When adjusted to reflect the impact of the 2011 stock split, equity awards granted by the Company in 2010 and 2011 represent a total of approximately 3,170,500 and 3,946,000 shares, respectively. These awards reflect a three-year average utilization rate of 3.55%, which is below the Institutional Shareholder Services burn rate threshold of 3.93% applied to our industry. Additionally, share repurchases under our share repurchase program (as described in our Annual Report on Form 10-K) have not had a significant dilutive effect of past awards under our equity plan. Notwithstanding circumstances not currently contemplated in our projections, such as significant market value fluctuations or acquisitions, the Board expects to grant awards under the Amended 2005 Plan consistent with the Company's historic share utilization rate.

**Summary of Terms of the Amended 2005 Plan**

The principal features of the Amended 2005 Plan are described below. This summary is qualified by reference to the full text of the Amended 2005 Plan, a copy of which is attached as Appendix A to this Proxy Statement and incorporated into this Proxy Statement by reference. Please refer to Appendix A for more information.

information.

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### ***Administration***

The Amended 2005 Plan is administered by the Compensation Committee. Among other things, the Committee has the authority to select individuals to whom awards may be granted, to determine the amount of awards, as well as the number of shares of common stock to be covered by each award and to determine the conditions of any such awards.

### ***Term***

Awards under the Amended 2005 Plan may be made for ten years following the date that stockholders approve the Amended 2005 Plan at this year's annual meeting of stockholders.

### ***Eligibility***

Awards may be granted under the Amended 2005 Plan to current or prospective officers, employees, directors, consultants of Expedia and Expedia's subsidiaries and affiliates. Shares of common stock may be reserved under the Amended 2005 Plan pursuant to the adjustment of awards granted under certain IAC and other incentive plans. As of March 15, 2013, approximately 9,590 individuals were eligible to participate in the Amended 2005 Plan. During 2012, a total of approximately 1,281 individuals received awards under the Amended 2005 Plan and as of March 15, 2013, a total of approximately 1,590 individuals had received awards under the Amended 2005 Plan.

### ***Shares Subject to the Amended 2005 Plan***

The current stock and annual incentive plan authorizes the issuance of up to 42,616,336 shares plus shares assumed in connection with the spin-off of the Company from IAC/Interactive Corp. in 2005 (the "Spin-Off"). As of March 15, 2013, 3,711,349 shares remained available for grants of new awards under the Amended 2005 Plan. If stockholders approve the Amended 2005 Plan at the 2013 Annual Meeting of stockholders, the following shares will apply under the Amended 2005 Plan:

Maximum number of shares underlying awards that may be granted: 48,616,336, plus 3,711,349 shares pursuant to outstanding adjusted awards that were assumed in connection with the Spin-Off

Maximum number of shares that may be granted pursuant to incentive stock options: 7,000,000

No participant may be granted during any calendar year:

• 1,000,000 shares of common stock options and SARs covering in excess of 3,000,000 shares

• 2,000,000 shares of common stock performance-based awards (other than stock options and SARs) intended to qualify for the special dividend treatment under Section 162(m) covering in excess of 2,000,000 shares

The foregoing share limits are subject to adjustment in certain circumstances to prevent dilution of the shares available for grant.

The shares subject to grant under the Amended 2005 Plan are to be made available from authorized common shares or from treasury shares. Other than adjusted awards, to the extent that any award is forfeited, a stock option or SAR terminates, expires or lapses without being exercised or any award is settled for cash, the shares

awards not delivered as a result thereof will again be available for awards under the Amended 2010 Plan. If the exercise price of any option and/or the tax withholding obligations relating to any award are satisfied by the delivery of shares (by either actual delivery or by attestation), only the number of shares issued net of the shares withheld to satisfy the exercise price and/or the tax withholding obligations relating to such award will be deemed delivered for purposes of the limits in the plan. To the extent any shares withheld to satisfy the exercise price and/or the tax withholding obligations relating to such award are withheld to satisfy the exercise price (in the case of an option) and/or the tax withholding obligations relating to such award, such shares are not deemed to have been delivered for purposes of the limits in the plan.

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As indicated above, several types of stock grants can be made under the Amended 2005 Plan. A grants is set forth below. In addition, Expedia options and Expedia RSUs that converted from IA RSUs in connection with the IAC/Expedia Spin-Off are governed by the Amended 2005 Plan to terms and conditions in the Amended 2005 Plan are not inconsistent with the terms and conditions applicable to such awards immediately prior to the IAC/Expedia Spin-Off.

### ***Stock Options and SARs***

Stock options granted under the Amended 2005 Plan can either be incentive stock options ( ISO stock options. SARs granted under the Amended 2005 Plan can be granted either alone or in tandem with an option. The exercise price of options and SARs cannot be less than 100% of the fair market value of the underlying options or SARs on the date of grant. The closing price of Expedia common stock on the NASDAQ Stock Market, on the last business day of the quarter ended March 31, 2013 was \$60.00. Options and SARs cannot be repriced without stockholder approval. Optionees may pay the exercise price if approved by the Compensation Committee, in shares (valued at their fair market value on the date of exercise), a combination thereof, or by cashless exercise through a broker or by withholding shares otherwise required for exercise. The term of options and SARs are as determined by the Compensation Committee, but shall not have a term longer than ten years from the date of grant. The Compensation Committee determines the vesting and exercise schedule of options and SARs, which the Compensation Committee may waive or modify at any time, and the extent to which they will be exercisable after the award holder's employment terminates. Unvested options and SARs terminate upon the termination of employment, and vested options and SARs remain exercisable for one year after the award holder's death, disability or retirement and 90 days after the award holder's termination for any other reason. Vested options and SARs also terminate upon the award holder's death for cause. Stock options and SARs are transferable only by will or by the laws of descent and distribution, or pursuant to a qualified domestic relations order or, in the case of nonqualified stock options or SARs, if expressly permitted by the Compensation Committee, including, if so permitted, pursuant to a transfer agreement with a participant's family members or to a charitable organization, whether directly or indirectly or by will, partnership or otherwise.

### ***Restricted Stock***

The Amended 2005 Plan provides for the award of shares that are subject to forfeiture and restrictions on transferability as set forth in the Amended 2005 Plan and as may be otherwise determined by the Compensation Committee. Except for these restrictions and any others imposed by the Compensation Committee, the recipient of restricted stock, the recipient will have rights of a stockholder with respect to the restricted stock, including the right to vote the restricted stock and to receive all dividends and other distributions paid or made with respect to the restricted stock on such terms as will be set forth in the applicable award agreement. Unless otherwise specified by the Compensation Committee, (i) cash dividends on the shares that are the subject of the restricted stock shall be automatically reinvested in additional restricted stock, held subject to the vesting of the underlying restricted stock, and (ii) dividends payable in shares shall be paid in the form of additional restricted stock, held subject to the vesting of the underlying restricted stock. Restricted stock granted under the Amended 2005 Plan may or may not be subject to performance conditions. During the restriction period set by the Compensation Committee, the recipient may not sell, transfer, pledge, exchange or otherwise encumber the restricted stock.

### ***RSUs***

The Amended 2005 Plan authorizes the Compensation Committee to grant RSUs. RSUs are awards of shares that will be settled, subject to the terms and conditions of the RSUs, in an amount in cash or shares based upon the fair market value of a specified number of shares. RSUs are not shares of our company and do not entitle the recipients to the rights of a stockholder. The award agreement for RSUs will specify the vesting schedule and on what terms and conditions the applicable participant will be entitled to receive cash or payments of cash, shares or other property corresponding to the dividends payable on the underlying shares.

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the shares. RSUs granted under the Amended 2005 Plan may or may not be subject to performance-based restrictions. The recipient may not sell, transfer, pledge or otherwise encumber RSUs granted under the Amended 2005 Plan until their vesting.

### ***Other Stock-Based Awards***

Other awards of shares and other awards that are valued in whole or in part by reference to, or a percentage of, the price of the common shares, including unrestricted stock, dividend equivalents and convertible debentures, may be granted under the Amended 2005 Plan.

### ***Cash-Based Awards***

Cash-based awards may be granted under the Amended 2005 Plan. No participant may be granted an award that has an aggregate maximum payment value in any calendar year in excess of \$10.0 million. Awards are intended to qualify as tax-deductible performance-based compensation under Section 162(m).

### ***Performance Goals***

The Amended 2005 Plan provides that performance goals may be established by the Compensation Committee in connection with the grant of any award under the Amended 2005 Plan. In the case of an award intended to qualify for the performance-based compensation exception of Section 162(m) of the Code, such goals will be based on the attainment of specified levels of one or more of the following measures: specified levels of earnings per share of continuing operations, net profit after tax, EBITDA, EBITA, gross profit, cash generation, unit volume, revenue per share, sales, including hotel room night bookings or air tickets sold, asset quality, earnings per share, operating income, revenues, return on assets, return on operating assets, return on equity, profits, total stockholder return (measured in terms of stock price appreciation and/or dividend growth), cost saving levels, market share, operational efficiency, core non-interest income, change in working capital, return on capital, and/or stock price appreciation of the Company or any subsidiary, affiliate, division or department of the Company. Such performance goals may be based upon the attaining of specified levels of Company, subsidiary, affiliate or divisional performance or one or more of the measures described above relative to the performance of other entities, divisions or departments of the Company.

### ***Change in Control***

Unless otherwise provided by the Compensation Committee in an award agreement (and with respect to cash-based awards, only if provided in an applicable award agreement or in the IAC plan under which the award is granted) in the event of a change in control of Expedia, in the case of officers of Expedia, Inc., the Delaware corporation (and not its subsidiaries), who are Senior Vice Presidents and above as of the time of the change in control, and in the case of other employees of Expedia, if provided by the Compensation Committee in an award agreement,

any stock options and SARs outstanding that are not then exercisable and vested will become exercisable and vested,

the restrictions applicable to restricted stock will lapse and such restricted stock will become unrestricted, fully exercisable and transferable, and

all RSUs will be considered to be earned and payable in full, any restrictions will lapse and such RSUs will be settled in cash or shares as promptly as practicable.

In addition, in the event that, during the two-year period following a change in control, a participant is terminated by Expedia, other than for cause or disability, or a participant resigns for good reason,

any SARs and stock options outstanding as of the date of termination of employment t  
as of the date of the change in control will become fully exercisable and vested and wi



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remain exercisable for the greater of (1) the period that they would remain exercisable under the control provision and (2) the lesser of the original term or one year following such termination of employment,

the restrictions applicable to restricted stock will lapse, and such restricted stock will be fully vested and transferable, and

all RSUs will be considered to be earned and payable in full, any restrictions will lapse and the awards will be settled in cash or shares as promptly as practicable.

**Amendment and Discontinuance**

The Amended 2005 Plan may be amended, altered or discontinued by the Board of Directors, but any alteration or discontinuance may impair the rights of an optionee under an option or a recipient of a restricted stock award, RSU award or cashed-based award previously granted without the optionee's or recipient's consent. Amendments to the Amended 2005 Plan will require stockholder approval to the extent such approval is required by law or the listing standards of the applicable exchange. If approved by the stockholders at the Annual Meeting on June 18, 2013, the Amended 2005 Plan will terminate on June 18, 2023.

**New Plan Benefits**

All awards made under the Amended 2005 Plan are discretionary. Therefore, the benefits and awards to be received or allocated under the Amended 2005 Plan are not determinable at this time. However,

*Executive Compensation 2012 Grants of Plan-Based Awards* table below, which provides information on awards made to the named executive officers in 2012, and to the section above titled *Proposal 1 - Election of Directors Compensation of Non-Employee Directors*, which provides information on grants made to non-employee directors in the last fiscal year. In addition, the table below reflects equity-based awards made on March 13, 2013 for the named executive officers as a group, executive officers as a group, all non-employee directors as a group, all employees as a group and all directors as a group.

	Number of Shares Underlying Stock Options	Stock Option Exercise Price (\$)
All named executive officers, as a group	520,000	\$ 65.7
All executive officers, as a group (6 persons)	529,000	65.7
All non-executive officer employees, as a group	3,281,970	65.7
All directors as a group	0	N/A

**Contingent Awards**

On July 31, 2012, the Company granted to Mr. Khosrowshahi RSUs with respect to 50,000 shares of common stock (the *DK RSU Grant*). The DK RSU Grant vests on July 31, 2015, subject to Mr. Khosrowshahi's continued employment through the vesting date and the satisfaction of applicable performance goals that are required to satisfy the performance-based compensation exception under Section 162(m) of the Code. As of the date of this proxy statement, one of the applicable performance goals has been satisfied, but has not yet been approved by the Compensation Committee. Mr. Khosrowshahi has agreed to forfeit the DK RSU Grant in the event the stockholders do not approve the Amended 2005 Plan.

On March 13, 2013, the Compensation Committee established the 2013 calendar year annual bonus plan for named executive officers (the *2013 Cash Bonus Plan*). The 2013 Cash Bonus Plan is intended to satisfy the performance-based compensation exception under Section 162(m) of the Code. Under the 2013 Cash Bonus Plan, the Compensation Committee established a maximum award opportunity of \$10 million for each named executive officer, subject to satisfaction of one of two performance goals. The \$10 million



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opportunity is established to preserve flexibility under Section 162(m) of the Code to allow deduction of bonus that the Compensation Committee determines appropriate. If one of the two performance goals the Compensation Committee retains discretion to reduce the bonus payment to each named executive officer on the date of this proxy statement, neither of the applicable performance goals has been satisfied, no bonuses will be paid to the named executive officers and other specified executives under the 2013 Cash Bonus Plan unless the stockholder approval of the Amended 2005 Plan and no bonuses will be paid under the 2013 Cash Bonus Plan unless stockholders do not approve the Amended 2005 Plan.

### **U.S. Federal Income Tax Consequences**

The following is a summary of certain federal income tax consequences of awards made under the Amended 2005 Plan based upon the laws in effect on the date hereof. The discussion is general in nature and does not take into account a number of considerations which may apply in light of the circumstances of a particular participant under the Amended 2005 Plan. The income tax consequences under applicable state and local tax laws may differ from the same as under federal income tax laws.

#### ***Non-Qualified Stock Options***

A participant will not recognize taxable income at the time of grant of a non-qualified stock option. A participant will be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and the participant will be entitled to a corresponding deduction.

#### ***Incentive Stock Options***

A participant will not recognize taxable income at the time of grant of an incentive stock option. A participant will not recognize taxable income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the long-term capital gain period (the date the stock option was granted and one year from the date the shares were transferred, and one year from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and the participant will be entitled to any deduction. If, however, such shares are disposed of within such two- or one-year period of such disposition the participant will recognize compensation taxable as ordinary income equal to the lesser of the amount realized upon such disposition and the fair market value of such shares at the time of exercise over the exercise price, and we generally will be entitled to a corresponding deduction. If the amount realized through the disposition date over the fair market value of the stock on the exercise date is greater than the amount realized through the disposition date over the fair market value of the stock on the exercise date, the amount realized through the disposition date over the fair market value of the stock on the exercise date will be treated as capital gain.

#### ***SARs***

A participant will not recognize taxable income at the time of grant of a SAR, and we will not be entitled to a tax deduction at such time. Upon exercise, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) equal to the fair market value of the shares at the time of exercise and the amount of cash paid by us, and we generally will be entitled to a corresponding deduction.

#### ***Restricted Stock***

A participant will not recognize taxable income at the time of grant of shares of restricted stock, and we will not be entitled to a tax deduction at such time, unless the participant makes an election under Section 83(b). If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of the grant of such shares equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and



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income tax withholding in respect of an employee) at the time the restrictions lapse in an amount of the fair market value of the shares at such time over the amount, if any, paid for such shares. A participant will be entitled to a corresponding deduction at the time the ordinary income is recognized by the participant to the extent the deduction limits of Section 162(m) of the Code apply. In addition, a participant receiving ordinary income in respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income. The Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

### ***Restricted Stock Units***

A participant will not recognize taxable income at the time of grant of a restricted stock unit, and will be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award, which will be the fair market value of any shares delivered and the amount of cash paid by us, and we will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Code apply.

### ***Section 162(m) Limitations***

As explained above, Section 162(m) of the Code generally places a \$1 million annual limit on a participant's deduction for compensation paid to certain senior executives, other than compensation that satisfies the requirements for a performance-based compensation exception. The Amended 2005 Plan is designed to ensure that options and SARs qualify for this exemption, and it also permits the Compensation Committee to award restricted stock designed to qualify for this exception. However, the Compensation Committee reserves the right to award restricted stock that do not qualify for this exception, and, in some cases, the exception may cease to be available for certain awards that otherwise so qualify. Thus, it is possible that Section 162(m) of the Code may disallow certain deductions that would otherwise be available to the Company.

The foregoing general tax discussion is intended for the information of stockholders considering the proposal with respect to this proposal and not as tax guidance to participants in the Amended 2005 Plan. Participants are urged to consult their own tax advisors regarding the federal, state, local, foreign and other tax consequences of their participation in the Amended 2005 Plan.

### **Required Vote**

At the Annual Meeting, stockholders will be asked to approve the Amended 2005 Plan, including an amendment to increase the number of shares authorized for issuance under the Amended 2005 Plan by 6,000,000. Approval requires the affirmative vote of a majority of the voting power of the shares of Expedia capital stock held by a single person or represented by proxy, voting together as a single class.

Abstentions and broker non-votes will be counted toward the tabulation of votes cast on the proposal to approve the Amended 2005 Plan, including an amendment to increase the number of shares authorized for issuance thereunder by 6,000,000, and will have the same effect as votes against that proposal.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE SECOND AMENDED AND RESTATED EXPEDIA INC. STOCK AND ANNUAL INCENTIVE PLAN, INCLUDING AN AMENDMENT TO INCREASE THE NUMBER OF SHARES AUTHORIZED FOR ISSUANCE THEREUNDER BY 6,000,000.**

**Table of Contents****Equity Compensation Plan Information**

The following table summarizes information, as of December 31, 2012, relating to Expedia's equity compensation plans pursuant to which grants of stock options, restricted stock, RSUs or other rights to acquire securities were granted from time to time.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)(1)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)</b>	<b>Number of Securities Available for Issuance Under the Plan (C)</b>
Equity compensation plans approved by security holders(2)	14,527,275	\$ 24.5238(3)	7,400,000
Equity compensation plans not approved by security holders(5)	3,909	(6)	0
<b>Total</b>	<b>14,531,184</b>		<b>7,400,000</b>

- (1) Information excludes the following securities, which represent IAC equity-based compensation awards that were converted into Expedia equity-based awards on the effective date of the IAC/Expedia spin-off: 1,945,838 securities with a weighted-average exercise price of \$24.5238 to be issued upon the exercise of outstanding stock options.
- (2) The Amended 2005 Plan.
- (3) Excludes the following equity-based awards outstanding as of December 31, 2012: (i) 1,220,000 RSUs issuable in connection with RSUs for which there is no related exercise price and (ii) grants of 50,000 SARs represented the right to receive the difference between \$6.765 and the value of one share of common stock of eLong, Inc., a subsidiary of the Company, at the time of exercise, to be settled in the Company's stock. The remaining 20,000 SARs represented the right to receive the difference between the value of one share of common stock of eLong at the time of exercise, to be settled in the Company's stock.
- (4) Excludes the proposed 6,000,000 additional authorized shares under the Amended 2005 Plan.
- (5) The Expedia Deferred Compensation Plan for Non-Employee Directors (the "Director Deferred Compensation Plan").
- (6) Excludes outstanding share units for which there is no related exercise price.
- (7) In connection with the TripAdvisor Spin-Off and related one-for-two reverse stock split, the number of shares available to grant under Director Deferred Plan was adjusted, such that the market value of shares issued under the Director Deferred Plan was the same immediately before and after the TripAdvisor Spin-Off and one-for-two reverse stock split that was effected immediately prior to the TripAdvisor Spin-Off.

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**PROPOSAL 3:**

**APPROVAL OF EXPEDIA, INC. 2013 EMPLOYEE STOCK PLAN**

**AND EXPEDIA, INC. 2013 INTERNATIONAL EMPLOYEE STOCK PLAN**

We believe that encouraging additional Expedia stock ownership by our employees is an effective way of aligning the interests of employees and Expedia stockholders. We intend to encourage employees to adopt the Expedia, Inc. 2013 Employee Stock Purchase Plan, which we refer to as the U.S. ESPP, and the Expedia, Inc. 2013 International Employee Stock Purchase Plan, which we refer to as the International ESPP, subject to the approval of our stockholders. We refer to the U.S. ESPP and the International ESPP as the ESPPs. The ESPPs will become effective on the date they are approved by the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Meeting.

**Description of the ESPPs**

The principal features of the ESPPs are summarized below. We encourage you to read the entire U.S. ESPP and International ESPP, which are attached as Appendices B and C, respectively, to this Prospectus, and the full statement of their legal terms and conditions. If there is any conflict or inconsistency between the provisions of the ESPPs, the provisions of the ESPPs will govern.

***Overview; Eligibility***

The ESPPs are broad-based plans offering almost all of our employees and the employees of our subsidiaries the opportunity to buy shares of common stock at a 15% discount from the prevailing market price. The U.S. ESPP is designed to meet the requirements of Section 423 of the Internal Revenue Code. Generally, all of our employees and the employees of our designated U.S. subsidiaries will be eligible to participate in the U.S. ESPP, except: (i) employees who customarily work twenty hours or less per week, (ii) non-U.S. compensated employees whose annual base salary equals or exceeds \$200,000, or (iii) non-U.S. employees whom participation in the U.S. ESPP would violate local law or the terms of the U.S. ESPP. Generally, employees of our designated non-U.S. subsidiaries will be eligible to participate in the International ESPP, except: (a) employees classified as a vice president or more senior position, or (b) employees not employed by a subsidiary designated by our Board of Directors for purposes of the International ESPP. Our Board of Directors will determine which of our subsidiaries will participate in the ESPPs.

***Shares Authorized for Issuance***

The ESPPs authorize the issuance of a total of 1,500,000 shares of our common stock, which will represent approximately 1.10% of our outstanding common stock on March 15, 2013. The shares to be issued under the ESPPs may be authorized and unissued shares (which will not be subject to preemptive rights), treasury shares purchased on the open market or by private purchase or any combination of the foregoing. Shares issued under the U.S. ESPP or the International ESPP will reduce on a share-for-share basis the number of shares available for subsequent issuance under the ESPPs. If an outstanding option under the U.S. ESPP or the International ESPP expires or is terminated or canceled, the shares allocable to the unexercised portion of such option will be available for issuance under the ESPPs. Upon the occurrence of certain events that affect our capital structure, appropriate adjustments will be made to the number and kind of shares that may be issued in the U.S. ESPP, and to the number and kind of shares and exercise price per share under each outstanding option under the ESPPs.

***Administration***

The ESPPs generally will be administered by the Employee Stock Purchase Plan Administration Committee (the "Committee"). We refer to such administrator as the "Administrator." All decisions and actions of the Committee will be final and conclusive. Subject to limitations of applicable laws or rules, the Committee may delegate its administrative responsibilities and powers under the ESPPs to any of our employees or group of employees or to any of our subsidiaries.





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### ***Exercise Price for the Shares***

Under the ESPPs, participating employees are granted options to purchase shares of common stock at a price equal to 85% of the stock's fair market value on the date on which the option is exercised to purchase shares under the ESPPs. The ESPPs generally define "fair market value" as the closing price reported for our common stock on the Nasdaq Stock Market on the date for which fair market value is being determined (or the preceding business day if the market is closed on such determination date). On March 15, 2013, the closing price of our common stock on the Nasdaq Stock Market was \$66.22.

### ***Plan Contributions***

In general, the ESPPs are implemented by a series of approximately three-month exercise periods, each of which the options that were granted at the beginning of the exercise period and outstanding unexercised options to purchase shares of common stock at the exercise price. Prior to the beginning of an exercise period, an eligible employee may elect to participate in the exercise period by authorizing after-tax plan contributions to be deducted from his or her compensation during the exercise period. Generally, exercise periods are implemented in three-month periods beginning on (i) March 1 of each year and ending on the last day of May of such year, (ii) June 1 of each year and ending on the last day of August of such year, (iii) September 1 of each year and ending on the last day of November of such year, or (iv) December 1 of each year and ending on the last day of December of the following year, until the U.S. ESPP or the International ESPP, as applicable, terminates. The next exercise period will begin on June 1, 2013.

Employees may authorize plan contributions in multiples of 1%, up to a maximum of 10%, of their compensation during the exercise period to be deducted and used to purchase shares under the ESPPs at the end of the exercise period. Plan contributions will be credited to the participant's individual bookkeeping account at the end of the exercise period. These accounts will not bear interest. A participant will automatically continue to participate in the succeeding exercise period at the same plan contribution rate, unless the participant elects to change his or her plan contributions for a succeeding exercise period or elects to withdraw from an exercise period. If a participant withdraws from an exercise period, all plan contributions credited to such participant's account but not yet used to purchase shares will be returned to the participant as soon as administratively practicable. A participant's unexercised options to purchase shares pursuant to the ESPPs will be automatically terminated. Plan contributions will not resume on behalf of such participant unless he or she enrolls in a subsequent exercise period.

We may decrease a participant's rate of plan contributions to comply with any applicable law, including Section 423 of the U.S. ESPP, Section 423 of the Code. The Committee may make changes to the occurrence and frequency of exercise periods prior to the start of the first affected exercise period (but in no event shall an exercise period exceed five years under the U.S. ESPP). The Board of Directors may at any time with no notice terminate an exercise period then in progress and provide in its discretion that the outstanding bookkeeping accounts credited to participant accounts and not yet used to purchase shares will either be used to purchase shares on an early exercise date established by the Board of Directors or distributed to the applicable participant.

### ***Purchase of Shares***

On the first day of each exercise period in which a participant is enrolled, the participant will be able to purchase shares on the last day of the exercise period, which we refer to as the "exercise date." If a participant has elected to withdraw from an exercise period, or otherwise ceased to participate in the U.S. ESPP or the International ESPP, his or her option will be automatically exercised on the exercise date to purchase the whole shares of common stock that can be purchased at the exercise price for such exercise period. A participant's plan contributions accumulated during the then-current exercise period prior to such exercise date will be retained in the participant's account as of such exercise date. However, no participant may

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purchase during an exercise period a number of shares with a fair market value on the first day of the exercise period that exceeds \$25,000. Additionally, no participant may purchase more than \$25,000 of common stock (based on the fair market value of the common stock on the first day of the exercise period with respect to shares that are purchased) under the U.S. ESPP or the International ESPP (and any other employee stock purchase plan of the Company or a subsidiary) per calendar year. Any portion of a participant's option remaining unexercised at the end of an exercise period will expire immediately upon the end of such exercise period. Any cash in a participant's account following any exercise date will be refunded to the participant as soon as practicable after such exercise date, unless the amount remaining is less than the amount necessary to purchase a portion of common stock, in which case the remaining amount may be applied to purchase shares in the subsequent exercise period.

If the aggregate number of shares to be purchased by all participants under the ESPPs on an exercise date exceeds the number of shares remaining available for issuance, a pro rata allocation of the remaining shares will be made in as uniform a manner as practicable and as we determine to be equitable, disregarding any fractional shares that may result from such pro rata allocation to any participant.

We may require that purchased shares be deposited directly into a brokerage account established and maintained by us at a brokerage firm designated by us (called the "ESPP Brokerage Account"). Generally, except in the event of the termination of the participant's employment due to death, shares deposited into the ESPP Brokerage Account will be held in such account for at least six months following the exercise date on which such shares were purchased before the participant may sell or otherwise dispose of such shares.

***Termination of Employment***

Generally, if a participant's employment terminates for any reason, he or she may not make further contributions, his or her right to purchase shares of common stock during the then-current exercise period will immediately terminate and any cash credited to his or her account will be promptly refunded. All shares held in a participant's ESPP Brokerage Account will remain in such ESPP Brokerage Account, unless such participant transfers such shares, and continue to be subject to satisfaction of the six-month holding period (however, this holding period does not apply in the event of the participant's death). Under the terms of a participant's employment between or among the Company and a subsidiary or subsidiaries, a termination of such participant's employment only if the subsidiary to which the participant transferred is a designated subsidiary under the U.S. ESPP. Under the International ESPP, any transfer of a participant's employment to the Company or a subsidiary will be treated as a termination of such participant's employment regardless of whether such subsidiary is a designated subsidiary under the International ESPP.

***Company Transaction, Dissolution or Liquidation***

If a company transaction, as defined in the ESPPs, such as a merger, occurs, then, in the event of such transaction, either (i) each option under the ESPPs will be assumed or an equivalent option will be substituted by the parent corporation or its parent corporation, unless the Committee determines in its discretion to shorten the exercise period by setting a new exercise date, in which case each option will be exercised automatically on the new exercise date; or (ii) the ESPPs will terminate, in which case any shares held in ESPP Brokerage Accounts, all plan contributions credited to participant accounts and not yet used to purchase shares will be distributed to each applicable participant.

In the event of any proposed dissolution or liquidation of the Company, then immediately prior to the consummation of such proposed action, any outstanding exercise period will terminate, and any cash in ESPP Brokerage Accounts, and all plan contributions credited to participant accounts and not used to purchase shares will be distributed to each applicable participant, unless otherwise provided by the Committee.

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### ***Amendment and Termination of the ESPPs***

The Board of Directors or the Committee may amend or suspend the ESPPs at any time, but such amendment or suspension will not materially adversely affect the previously accrued rights of any participant with respect to any shares purchased by such participant's consent, and notice must be provided to participants prior to any such suspension or termination of any such suspension. Stockholder approval is required for any amendment that would require stockholder approval to the extent necessary to comply with Section 423 of the Code, in the case of the ESPPs, or under any other applicable law, regulation or rule. Unless sooner terminated by the Board of Directors, the ESPPs will be extended or modified, the ESPPs will terminate upon the earliest of (i) the exercise date at which a participant would become entitled to purchase a number of shares greater than the number of shares remaining available under the ESPPs or (ii) the last exercise date immediately preceding the tenth anniversary of the commencement of the ESPPs. Upon any termination of the ESPPs, any exercise period then in progress will be treated as terminated. The Board of Directors may provide in its discretion that the outstanding balance of plan contributions in participant accounts and not yet used to purchase shares will either be used to purchase shares on the exercise date established by the Board of Directors or distributed to the applicable participants, and any shares held in ESPP Brokerage Accounts will be distributed to the applicable participants.

### ***Certain U.S. Federal Income Tax Consequences***

The following is a brief summary of certain significant United States Federal income tax consequences of the ESPP, as in effect on the date of this summary, applicable to the Company and employees in connection with their participation and purchase of shares of common stock under the U.S. ESPP. This summary is not intended to be exhaustive and, among other things, does not describe state, local or non-U.S. tax consequences of the ESPP, including estate or inheritance taxes.

The amounts deducted from the salary of an employee who participates in the U.S. ESPP will be included in the employee's income taxable to the employee.

The grant of an option under the U.S. ESPP will not have any U.S. federal income tax consequences to the employee or the Company or any of its affiliates. The purchase of common stock under the U.S. ESPP will not have any immediate U.S. federal income tax consequences to the employee. Any determination of the U.S. federal income tax consequences will depend on whether the shares purchased are disposed of after the first year after the date those shares are transferred to the employee and two years after the date of grant (referred to below as the "holding periods"). If the holding periods are met, 15% of the fair market value of the common stock on the first day of the exercise period, or, if less, the excess, if any, of the fair market value of the common stock at the time of such disposition or death over the total exercise price of the shares, will be treated as ordinary income and any additional gain will be treated as long-term capital gain. Neither the Company nor any affiliate employing the participant will be entitled to any U.S. federal income tax deduction with respect to the amount treated as long-term capital gain or as ordinary income as a result of the rules described above. If the shares are disposed of after expiration of the holding periods (a "disqualifying disposition"), generally the excess of the fair market value of those shares at the time of such disposition over the aggregate exercise price will be ordinary income at the time of such disqualifying disposition. The Company will be entitled to a U.S. federal tax deduction in a like amount. Any disposition prior to the expiration of the holding periods will result in capital gain (or loss) to the participant and will not be deductible to us.

### ***Non-U.S. Income Tax Consequences***

The income tax consequences to participants in the International ESPP will vary by country. Generally, participants will be subject to income tax (and social security liability) at the time shares of common stock are purchased under the International ESPP on the excess of the fair market value of those shares over the total exercise price of the shares.

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***New Plan Benefits***

As of March 15, 2013, there were approximately 6,323 employees who would be eligible to participate in the ESPPs. No awards will be granted under the ESPPs unless the ESPPs are approved by our stockholders. The amount of benefits provided to executives and our other employees under the ESPPs will vary depending on the actual exercise prices established under the ESPPs, the fair market value of the common stock at the time of exercise, the dates, and the extent to which employees choose to participate in the ESPPs through future payroll deductions. Therefore, it is not possible to determine currently the total dollar amount of benefits that would be received by participants in the ESPPs if the ESPPs are approved by the stockholders. In addition, the benefits that would have been received by, or allocated to, those persons for the last completed fiscal year if the ESPPs were in effect cannot be determined.

**Required Vote**

At the Annual Meeting, stockholders will be asked to approve and adopt the U.S. ESPP and the International ESPP. This proposal requires the affirmative vote of a majority of the voting power of the shares of Expedia, Inc. present in person or represented by proxy, voting together as a single class.

Abstentions and broker non-votes will be counted toward the tabulation of votes cast on the proposal to approve the U.S. ESPP and the International ESPP, and will have the same effect as votes against the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE EXPEDIA, INC. 2013 EMPLOYEE STOCK PLAN AND THE EXPEDIA, INC. INTERNATIONAL EMPLOYEE STOCK PLAN.**

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**PROPOSAL 4:**

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP was Expedia's independent registered public accounting firm for the year ending December 31, 2012. The Audit Committee of the Board of Directors has also appointed Ernst & Young LLP as its independent registered public accounting firm for the year ending December 31, 2013.

Selection of Expedia's independent registered public accounting firm is not required to be submitted to the stockholders for ratification. The Sarbanes-Oxley Act of 2002 requires that the Audit Committee be responsible for the appointment, compensation and oversight of the audit work of the independent registered public accounting firm. If the stockholders fail to vote on an advisory basis in favor of the appointment of Ernst & Young LLP, the Audit Committee will reconsider whether to retain Ernst & Young LLP and may retain that firm or another independent registered public accounting firm. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change is in the best interests of Expedia and its stockholders.

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, and will have the opportunity to make a statement if he or she so chooses and will be available to respond to appropriate questions.

**Required Vote**

At the Annual Meeting, stockholders will be asked to ratify the appointment of Ernst & Young LLP as its independent registered public accounting firm for 2013. This proposal requires the affirmative vote of a majority of the voting power of the shares of Expedia common stock and Class B common stock, present in person or represented by proxy, voting together as a single class.

Abstentions will be counted toward the tabulations of votes cast on the ratification of the independent registered public accounting firm proposal and will have the same effect as votes against the proposal. Broker non-votes will not be counted toward the tabulations of votes cast on the proposal for ratification of the independent registered public accounting firm.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF THE APPOINTMENT OF ERNST & YOUNG LLP AS EXPEDIA'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2013.**

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**AUDIT COMMITTEE REPORT**

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements, the reporting process and an effective system of internal control over financial reporting. The Company's independent registered public accounting firm is engaged to audit and express opinions on the conformity of the Company's financial statements with generally accepted accounting principles and applicable rules and regulations, and the effectiveness of the Company's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed the audited consolidated financial statements together with the results of the assessment of the internal control over financial reporting, with management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards

Number 1301, *Communication with Audit Committees*, as amended and as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. In addition, the Audit Committee has received the written disclosure letter from the independent registered public accounting firm as required by the PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and has discussed with the independent registered public accounting firm their independence from the Company and its management. The Audit Committee has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with their independence.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC.

Members of the Audit Committee:

*A. George Skip Battle (Chairman)*

*Craig A. Jacobson*

*Peter M. Kern*

**Table of Contents****Fees Paid to Our Independent Registered Public Accounting Firm**

The following table sets forth aggregate fees for professional services rendered by Ernst & Young LLP ended December 31, 2012 and 2011.

	<b>2012</b>	
Audit Fees(1)	\$ 4,833,000	\$
Audit-Related Fees(2)	689,000	
<b>Total Audit and Audit-Related Fees</b>	<b>5,522,000</b>	
Tax Fees	12,000	
Other Fees(3)	33,000	
<b>Total Fees</b>	<b>\$ 5,567,000</b>	\$

- (1) Audit Fees include fees and expenses associated with the annual audit of the Company's consolidated financial statements, statutory audits, reviews of Expedia's periodic reports, accounting consultation services, registration statements and consents and other services related to SEC matters.
- (2) Audit-Related Fees include fees for due diligence in connection with acquisitions, and related SEC filings and consultations.
- (3) Other Fees include professional education offerings to the Company's employees, as well as the use of Ernst & Young LLP's online research tools.

**Audit Committee Review and Pre-Approval of Independent Registered Public Accounting Firm**

The Audit Committee has considered the non-audit services provided by Ernst & Young LLP as an independent registered public accounting firm and believes that they are compatible with maintaining Ernst & Young LLP's independence as an independent registered public accounting firm.

The Audit Committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by the Company's independent registered public accounting firm to ensure that the provision of such services does not impair the independent registered public accounting firm's independence from the Company's management. Unless a type of service to be provided by the Company's independent registered public accounting firm has received general pre-approval from the Audit Committee, it requires specific pre-approval from the Audit Committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the Audit Committee.

Pursuant to its pre-approval policy, the Audit Committee may delegate its authority to pre-approve non-audit services to one or more of its members, and it has currently delegated this authority to its Chairman, subject to the Audit Committee's subsequent approval. The decisions of the Chairman (or any other member(s) to whom such authority may be delegated) to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may not delegate its responsibilities to pre-approve services to Company management.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANA**

The following table presents information as of March 15, 2013 relating to the beneficial owners of Expedia's capital stock by (i) each person or entity known to Expedia to own beneficially more than 5% of the outstanding shares of Expedia's common stock and Class B common stock, (ii) each director of Expedia, (iii) each executive officer, and (iv) the executive officers and directors of Expedia, as a group. Unless otherwise indicated, the beneficial owners listed in the table may be contacted at Expedia's corporate headquarters at 333 Bellevue, Washington 98004.

Shares of Expedia Class B common stock may, at the option of the holder, be converted on a one-for-one basis into one share of Expedia common stock; therefore, the common stock column below includes shares of Expedia common stock held by each listed person, entity or group. For each listed person, entity or group, the number of shares of Expedia common stock and Class B common stock and the percentage of each such class listed below are based on the number of shares of Expedia common stock and Class B common stock that may be acquired by such person, entity or group through the conversion or exercise of equity securities, such as stock options and warrants, which can be converted into shares of common stock and RSUs that will have vested within 60 days of March 15, 2013. Pursuant to SEC rules, for each listed person, entity or group, the number of shares of Expedia common stock and Class B common stock and the percentage of each such class listed assume the conversion or exercise of certain Expedia equity securities, as applicable, owned by such person, entity or group, but do not assume the conversion or exercise of any equity securities owned by any other person, entity or group.

The percentage of votes for all classes of Expedia's capital stock is based on one vote for each share of common stock and ten votes for each share of Class B common stock.

Beneficial Owner	Common Stock		Class B Common Stock	
	Shares	%	Shares	%
<b>Liberty Interactive Corporation</b>				
12300 Liberty Boulevard				
Englewood, CO 80112	23,077,575(1)	16.98	12,799,999(2)	10.00
<b>JP Morgan Chase &amp; Co.</b>				
270 Park Avenue				
New York, NY 10017	8,718,391(3)	7.08		
<b>Capital World Investors</b>				
333 South Hope Street				
Los Angeles, CA 90071	8,301,500(4)	6.74		
<b>Barry Diller</b>	29,945,214(5)	21.71	12,799,999(2)	10.00
<b>Victor A. Kaufman</b>	254,955(6)	*		
<b>Dara Khosrowshahi</b>	967,502(7)	*		
<b>A. George Skip Battle</b>	50,208(8)	*		
<b>Pamela L. Coe</b>	(9)	*		
<b>Jonathan L. Dolgen</b>	40,776(10)	*		
<b>Craig A. Jacobson</b>	20,198	*		
<b>Peter M. Kern</b>	37,728	*		
<b>John C. Malone</b>	(9)	*		
<b>José A. Tazón</b>	18,270	*		
<b>Mark D. Okerstrom</b>	229,583(11)	*		
<b>Robert J. Dzielak</b>	22,007(12)	*		



<b>Lance A. Soliday</b>	17,690(13)	*		
<b>Dhiren Fonseca</b>	350,796(14)	*		
<b>Gary M. Fritz</b>	183,472(15)	*		
<b>All current executive officers, directors and director nominees as a group (13 persons)</b>	31,604,131(16)	22.74	12,799,999	10

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- \* The percentage of shares beneficially owned does not exceed 1% of the class.
- (1) Based on information filed on a Schedule 13D, as amended, with the SEC on November 1, 2012, by Liberty Interactive and Mr. Diller (the "Liberty/Diller Schedule 13D"), information filed on a Form 13D on March 4, 2013 and the Company's records. Consists of 10,277,576 shares of common stock and 10,277,576 shares of Class B common stock held by Liberty USA Holdings, LLC, a wholly owned subsidiary of Liberty Interactive ( "Liberty USA"). Pursuant to the Stockholders Agreement described in the section titled *Proposal 1 - Election of Directors Board Meetings and Committees*, Mr. Diller generally has the right to vote all the shares of common stock and Class B common stock held by Liberty Interactive and Liberty USA.
  - (2) Consists of shares of Class B common stock held by Liberty USA. Pursuant to the Stockholders Agreement, Mr. Diller generally has the right to vote all the shares of Class B common stock held by Liberty USA and Liberty USA.
  - (3) Based on information filed on a Schedule 13G with the SEC on January 24, 2013 by JPMorgan Chase & Co. reporting sole voting power over 8,001,504 shares of common stock, shared voting power over 8,001,504 shares of common stock, sole dispositive power over 8,575,304 shares of common stock and shared dispositive power over 143,087 shares of common stock.
  - (4) Based on information filed on a Schedule 13G/A with the SEC on February 13, 2013 by Catalyst Capital Investors, LLC reporting sole voting power over and sole dispositive power over 8,301,500 shares of common stock.
  - (5) Consists of (i) 4,408,396 shares of common stock owned by Mr. Diller, (ii) options to purchase 15,519 shares of common stock held by Mr. Diller that are exercisable within 60 days of March 15, 2013, (iii) 65,000 shares of common stock held by a private foundation as to which Mr. Diller disclaims beneficial ownership, (iv) 10,277,576 shares of common stock held by Liberty USA (see footnote 1 above), and (v) 10,277,576 shares of Class B common stock held by Liberty USA (see footnote 2 above). Pursuant to the Stockholders Agreement, Mr. Diller generally has the right to vote all the shares of common stock and Class B common stock held by Liberty Interactive and Liberty USA. Excludes shares of common stock and Class B common stock held by Mr. Diller's spouse, as to which Mr. Diller disclaims beneficial ownership.
  - (6) Consists of 52,645 shares of common stock and options to purchase 202,310 shares of common stock that are exercisable within 60 days of March 15, 2013.
  - (7) Consists of (i) 346,194 shares of common stock held by Mr. Khosrowshahi, (ii) options to purchase 15,519 shares of common stock that are exercisable within 60 days of March 15, 2013, and (iii) 65,000 shares of common stock held by a private foundation as to which Mr. Khosrowshahi disclaims beneficial ownership. Mr. Khosrowshahi is restricted from selling or otherwise transferring 203,360 shares of common stock until August 2, 2015. See the section below titled *Compensation Discussion and Analysis Compensation Program Elements Equity Compensation 2012 Equity Compensation Khosrowshahi Equity Compensation*.
  - (8) Consists of (i) 22,209 shares of common stock held by Mr. Battle, (ii) options to purchase 9,000 shares of common stock that are exercisable within 60 days of March 15, 2013, (iii) 15,519 shares of common stock held by the Battle Family Foundation, as to which Mr. Battle disclaims beneficial ownership, and (iv) 15,519 shares of common stock held by Mr. Battle's wife as custodian under CAUTMA for Catherine M. Battle. Mr. Battle disclaims beneficial ownership.
  - (9) Excludes shares of common stock and Class B common stock held by Liberty USA, as to which Dr. Malone disclaims beneficial ownership.
  - (10) Consists of (i) 40,543 shares of common stock held by Mr. Dolgen, and (ii) 233 shares of common stock held indirectly by a charitable trust, of which Mr. Dolgen is a trustee and as to which Mr. Dolgen disclaims beneficial ownership.
  - (11) Consists of 11,690 shares of common stock and options to purchase 217,893 shares of common stock that are exercisable within 60 days of March 15, 2013.
  - (12) Consists of 1,595 shares of common stock and options to purchase 20,412 shares of common stock that are exercisable within 60 days of March 15, 2013.
  - (13) Consists of 2,165 shares of common stock and options to purchase 15,525 shares of common stock that are exercisable within 60 days of March 15, 2013.

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- (14) Consists of 231,377 shares of common stock and options to purchase 119,419 shares of common stock that are exercisable within 60 days of March 15, 2013. Mr. Fonseca also holds 42,250 shares, which represent 1% of the outstanding voting securities, of eLong, Inc., a subsidiary of Expedia.
- (15) Consists of (i) 3,472 shares of common stock, and (ii) options to purchase 180,000 shares of common stock that are exercisable within 60 days of March 15, 2013, which were purchased by Mr. Fritz subsequent to his resignation. Mr. Fritz resigned from the Company effective March 13, 2012.
- (16) Consists of (i) 15,762,046 shares of common stock, (ii) 12,799,999 shares of Class B common stock, and (iii) options to purchase 3,042,086 shares of common stock that are exercisable within 60 days of March 15, 2013.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Exchange Act, Expedia officers and directors and persons who own or hold more than 10% of a registered class of Expedia's equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Officers and directors are required by the rules of the SEC to furnish Expedia with copies of all such forms they file. Based on a review of the copies of such forms furnished to Expedia and/or written representations that no such forms were required, Expedia believes that all of its directors and officers complied with all of the reporting requirements applicable to them with respect to transactions during 2012, except that one transaction was inaccurately reported late for Mr. Dzielak due to an administrative error on the part of the Company.

**Information Concerning Executive Officers**

Background information about each of Expedia's current executive officers, who does not also serve as a director of Expedia, is provided below.

Name	Age	Position With Expedia, Inc.
Robert J. Dzielak	42	Executive Vice President, General Counsel and Secretary
Mark D. Okerstrom	40	Executive Vice President and Chief Financial Officer
Lance A. Soliday	40	Vice President, Chief Accounting Officer and Controller

*Robert J. Dzielak* has served as Expedia's Executive Vice President, General Counsel and Secretary since October 2011. Mr. Dzielak had previously served as Expedia's Senior Vice President and acting General Counsel from October 2011. Since joining Expedia as Assistant General Counsel in April 2006 and through his tenure as Executive Vice President and Associate General Counsel between February 2007 and October 2011, Mr. Dzielak has had primary responsibility for the worldwide litigation portfolio of Expedia and its brands. Prior to joining Expedia, Mr. Dzielak was a partner at the law firm of Preston, Gates and Ellis, LLP (now K&L Gates LLP), where his practice was primarily in commercial and intellectual property litigation. Mr. Dzielak received his J.D. from The John Marshall Law School in Chicago, Illinois.

*Mark D. Okerstrom* has served as Expedia's Executive Vice President and Chief Financial Officer since October 2011, and previously served as its Secretary from October 2011 until April 2012. He previously served as Executive Vice President of Corporate Development of Expedia since February 2009. Having joined Expedia in February 2009, Mr. Okerstrom had also previously served as Vice President, Corporate Development until February 2009, and as Senior Director, Corporate Development until February 2008. Prior to joining Expedia, Mr. Okerstrom was a consultant with Bain & Company in Boston and San Francisco, and worked with UBS Investment Bank in New York. Prior to that, Mr. Okerstrom practiced as an attorney with the global law firm of Freshfields Bruckhaus Deringer in London. Mr. Okerstrom holds an M.B.A. from Harvard Business School and a law degree from the University of British Columbia.

*Lance A. Soliday* has served as Expedia's Vice President, Chief Accounting Officer and Controller since October 2011 and, prior to that, as Senior Director, Financial Reporting since February 2009. Mr. Soliday previously served as Expedia's Director, Financial Reporting since December 2006 and Director, Accounting since August 2006. Mr. Soliday joined Expedia in May 2006. Prior to Expedia, Mr. Soliday held various roles in the finance department of Amazon.com and Microsoft Corporation. Previously, Mr. Soliday was an accountant with Deloitte & Touche LLP. Mr. Soliday received his bachelor's degree from Central Washington University and is a certified public accountant.



**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Overview**

This Compensation Discussion and Analysis describes Expedia's executive compensation program for the following individuals who were named executive officers of Expedia during the fiscal year ended December 31, 2012:

Barry Diller	Chairman/Senior Executive
Dara Khosrowshahi	Chief Executive Officer
Mark D. Okerstrom	Executive Vice President and Chief Financial Officer
Robert J. Dzielak	Executive Vice President, General Counsel and Secretary
Victor A. Kaufman	Vice Chairman
Dhiren Fonseca	Former Co-President, Partner Services Group, Chief Commercial Officer
Gary M. Fritz	Former Co-President, Partner Services Group

During the first quarter of 2012, Expedia reorganized its Partner Services Group, the Company's largest business unit, into two separate units, one for Expedia.com and one for complementary brands within the Company. In connection with this internal reorganization, Mr. Fritz resigned from the Board of Directors in March 2012 and Mr. Fonseca transitioned to the role of Chief Commercial Officer, in which he will continue to assist with the transition to the new supply function organizational structure and advise on supply function strategic commercial initiatives.

On December 20, 2011, Expedia completed the TripAdvisor Spin-Off, following which TripAdvisor became an independent, separately-traded public company. In connection with the TripAdvisor Spin-Off, Expedia and TripAdvisor entered into an employee matters agreement that, among other matters, governed the distribution of equity awards held by Expedia employees, including the named executive officers, at the time of the Spin-Off.

***Roles of the Compensation Committee and Section 16 Committee***

Expedia has a Compensation Committee and a Section 16 Committee that together have primary responsibility for establishing the compensation of Expedia's named executive officers.

The Compensation Committee is responsible for (i) administering and overseeing Expedia's executive compensation program, including salary matters, bonus plans and equity compensation plans, and (ii) approving grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (see below).

The Section 16 Committee is responsible for administering and overseeing matters governed by Section 16 of the Exchange Act, including approving grants of equity awards to named executive officers.

The Compensation Committee is appointed by the Board of Directors and consists entirely of directors who are outside directors for purposes of Section 162(m) of the Code. The Section 16 Committee is appointed by the Board of Directors and consists entirely of directors who are non-employee directors for purposes of Section 16 of the Exchange Act. For the purposes of this Compensation Discussion and Analysis, we refer to the Compensation Committee and Section 16 Committee collectively as the Compensation Committees.

During 2012, the Compensation Committee consisted of Messrs. Dolgen, Kern and, until December 20, 2012, Mr. Fitzgerald. On December 20, 2012, the Board of Directors appointed Ms. Coe as a member of the Compensation Committee replacing Mr. Fitzgerald, whose resignation from the Board of Directors was effective as of the same date. During 2012, the Section 16 Committee consisted of Messrs. Dolgen and Kern, with Mr. Dolgen as chairman of the Committees.



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On February 28, 2013, the Board of Directors appointed Mr. Jacobson as a member of the Compensation Committee on a temporary basis as Mr. Dolgen was recovering from an illness. The compensation policies and procedures in effect prior to Ms. Coe and Mr. Jacobson's respective appointments reflect determinations made by the Compensation Committees at such times.

### ***Role of Executive Officers***

Expedia management participates in reviewing and refining Expedia's executive compensation program. Mr. Khosrowshahi, Expedia's Chief Executive Officer, annually reviews the performance of each executive officer with the Compensation Committees and makes recommendations with respect to each executive officer's base salary, annual cash bonus and grants of long-term equity incentive awards for each executive officer in connection with compensation for himself, Mr. Diller, Expedia's Chairman/Senior Executive Officer, Mr. Kaufman, Expedia's Vice Chairman. The Chief Executive Officer and the Compensation Committees make the final recommendation. Based in part on these recommendations and other considerations discussed below, the Compensation Committees review and approve the annual compensation package of each executive officer.

### ***Role of Compensation Consultants***

In connection with the Company's February 2012 annual compensation review meeting, management retained Compensia, Inc. to conduct an independent review of the 2011 compensation peer group for positions held by named executive officers other than the Chairman/Senior Executive position and the 2011 compensation data for the Chairman/Senior Executive position, and to compile data from proxy statements and other sources for peer companies regarding compensation for certain executive officer positions, including the positions held by the named executive officers. During 2012, management also retained Compensia to advise on certain broad-based employee compensation programs.

In connection with the Company's March 2013 annual compensation review meeting, management retained Compensia to conduct an independent review of the 2012 compensation peer group for positions held by named executive officers other than the Chairman/Senior Executive position, and to compile compensation data for certain executive officer positions, including the positions held by each named executive officer who continued to hold such positions at the time of the March 2013 meeting.

Expedia also regularly uses non-customized survey or other data from a number of compensation consultants. A more detailed description of the compensation peer group review and use of survey and other data from compensation consultants is included below in the section titled *The Role of Peer Groups, Surveys and Benchmarking*.

### **Compensation Program Objectives**

Expedia's executive compensation program is designed to attract, motivate and retain highly skilled executives with the business experience and acumen that management and the Compensation Committees believe are necessary for the achievement of Expedia's long-term business objectives. In addition, the executive compensation program is designed to reward short- and long-term performance and to align the financial interests of executives with the interests of Expedia's stockholders. Management and the Compensation Committees evaluate the executive compensation program and compensation levels to ensure that Expedia maintains its ability to attract and retain outstanding executives for key executive positions and that the compensation provided to these executives remains competitive with the compensation paid to similarly situated executives at comparable companies. To that end, management and the Compensation Committees believe executive compensation packages provided by Expedia to its named executive officers should include both cash and equity-based compensation.

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### **The Role of Stockholder Say-on-Pay Votes**

Expedia provides its stockholders with the opportunity to cast a triennial advisory vote on executive compensation (a Say-on-Pay Proposal), which reflects the preference expressed by stockholders in 2011 with respect to the frequency of the Say-on-Pay vote. At Expedia's annual meeting of stockholders held in December 2011, a substantial majority of the votes cast on the Say-on-Pay Proposal at that meeting was voted in favor of the Proposal. The Compensation Committees believe that the vote affirmed stockholders' support of Expedia's executive compensation, and, as such, did not make changes to 2012 or 2013 compensation based on the results of the vote. Stockholders will again have an opportunity to cast an advisory vote on a Say-on-Pay Proposal at the Company's 2014 annual meeting of stockholders. The Compensation Committees will continue to monitor the outcome of say-on-pay votes when making future compensation decisions for executive officers.

### **Compensation Program Elements**

#### ***General***

The primary elements of the executive compensation program are base salary, cash bonus and equity-based compensation. The Compensation Committees review these elements in the first quarter of each year in light of the executive's individual performance, recommendations from management and other relevant information, including the executive's compensation history and outstanding long-term compensation arrangements. Management and the Compensation Committees believe that there are multiple, dynamic factors that contribute to success at an individual level. Management and the Compensation Committees have therefore avoided adopting strict formulas for setting compensation levels and relied primarily on a discretionary approach that allows the Compensation Committees to set executive compensation levels on a case-by-case basis, taking into account all relevant factors.

Following recommendations from management, the Compensation Committees may adjust compensation for specific individuals at other times during the year when there are significant changes in responsibilities or other circumstances that the Compensation Committees consider appropriate.

#### ***Base Salary***

Base salary represents the fixed portion of a named executive officer's compensation and is intended to provide compensation for expected day-to-day performance. An executive officer's base salary is initially set at the time of hire or promotion based on the executive officer's responsibilities, prior experience, individual performance and salary levels of other executives within Expedia and similarly situated executives at comparable companies.

Base salary is typically reviewed annually or prior to entering into an employment agreement, and management makes recommendations to the Compensation Committee based on consideration of the following factors, including:

the executive's total compensation relative to other executives in similarly situated positions;

the executive's individual performance of the executive;

the executive's responsibilities, prior experience, and individual compensation history, including any additional compensation such as signing bonuses or relocation benefits;

the terms of the executive's employment agreement, if any;



general economic conditions;

competitive compensation market data, when available; and

the recommendations of the Chief Executive Officer, other than in connection with compensation of himself, the Chairman/Senior Executive and the Vice Chairman.

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In February 2012, prior to his appointment as an executive officer of the Company, Mr. Dzielak increased from \$260,000 to \$300,000 in order to reflect his promotion to Senior Vice President Counsel and the additional responsibilities associated with those roles. Based on management's recommendation, the Compensation Committee approved (i) an increase in Mr. Okerstrom's base salary from \$425,000 to \$450,000 in March 2012 to reflect his superior performance since his promotion to the Chief Financial Officer role and (ii) an increase to Mr. Dzielak's base salary from \$300,000 to \$375,000 in May 2012 to reflect his promotion to Senior Vice President Counsel role and his entry into a three-year employment agreement with the Company. Management's recommendations regarding the base salary increases for Messrs. Okerstrom and Dzielak also took into account the compensation of executives in similar positions at comparable companies.

In March 2013, based on management's recommendation, the Compensation Committee approved an increase in Mr. Dzielak's base salary from \$375,000 to \$450,000 in order to reflect his performance following his promotion to the General Counsel role. Mr. Kaufman has never received a base salary from the Company and no other executive officer other than Mr. Dzielak received an increase to base salary in connection with the 2013 annual compensation review. Base salaries for Messrs. Diller and Khosrowshahi were not changed in 2012 or 2013.

***Cash Bonuses***

Cash bonuses are granted to recognize and reward an individual's annual contribution to Company performance. Bonus target percentages for executive officers, other than the Chairman/Senior Executive, the Chief Executive Officer, are generally established by the Compensation Committee, based on management's recommendation, at the time of the executive's hire, promotion or expansion in role. Bonus target percentages are reviewed each year by the Chief Executive Officer with the approval of the Chairman/Senior Executive and the Compensation Committee. In addition to annual bonuses related to performance, management may also grant new hire bonuses to new executive officers upon hire or promotion and retention bonuses to existing executive officers to help attract highly skilled executives to Expedia and to offset an executive's compensation from a prior employer.

For 2012, neither Mr. Diller, as Chairman/Senior Executive, nor Mr. Khosrowshahi, as Chief Executive Officer, received a target cash bonus percentage. Mr. Kaufman has never received a cash bonus and does not have a target cash bonus percentage. For 2012 and 2013, Mr. Fonseca's target cash bonus was equal to 75% of his base salary. Mr. Okerstrom's target cash bonus was increased from 75% to 100% in late March 2012 to reflect his superior performance since promotion to the Chief Financial Officer role and an additional expansion in role. Mr. Dzielak's target cash bonus was increased from 50% to 70% in May 2012 in connection with his promotion to Senior Vice President Counsel and further increased to 75% in connection with the 2013 annual compensation review. Mr. Dzielak's employment with the Company terminated in March 2012 and he did not receive a 2012 annual bonus.

At a meeting of the Committees on March 13, 2013, management recommended bonuses with respect to the year 2012 for each of the named executive officers other than Messrs. Kaufman and Fritz, after taking into account a variety of factors, including:

Expedia's business and financial performance, including year-over-year performance;

the executive's target cash bonus percentage, if any;

the executive's individual performance;

the terms of the executive's employment agreement or separation arrangements, if applicable.

the overall funding of the cash bonus pool;

amount of bonus relative to other Company executives;

general economic conditions;

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competitive compensation market data, when available; and

the recommendations of the Chief Executive Officer, other than in connection with compensation recommendations made to himself and the Chairman/Senior Executive.

Based on the Compensation Committees' consideration of these factors, the Compensation Committee awarded annual cash bonus awards to Messrs. Diller, Khosrowshahi, Okerstrom and Dzielak for 2012 that were higher than the cash bonus awarded to each such executive officer for 2011, which reflected strong Company performance during 2012. Mr. Dzielak also received a special cash bonus of \$50,000 in recognition of his appointment as an executive officer in recognition of his additional responsibilities while serving as General Counsel. Mr. Fonseca received an annual cash bonus award for 2012 in line with his annual cash bonus for 2011. Messrs. Kaufman and Fritz did not receive an annual cash bonus award for 2012.

For 2012, the annual cash bonuses awarded to the Messrs. Diller, Khosrowshahi, Okerstrom, Dzielak and Fonseca by the Compensation Committees gave particular consideration to:

Expedia's 2012 financial performance compared to Expedia's financial performance in 2011;

the Chief Executive Officer's recommendations for Messrs. Dzielak, Okerstrom and Fonseca, which reflected their individual performance during 2012 as well as, in the case of Mr. Dzielak, his additional responsibilities following his appointment to the General Counsel role and, in the case of Mr. Fonseca, his additional expansion in responsibilities subsequent to his appointment as Chief Financial Officer; and

for Mr. Khosrowshahi, his role in:

significantly improving the performance of the Company's Brand Expedia business;

driving robust year-on-year growth in key 2012 financial and operating metrics, including revenue growth, and

directing the continued expansion of Expedia's business lines internationally both organically and through significant investments and acquisitions.

The annual cash bonuses awarded to the named executive officers for 2012 were subject to the achievement of performance goals relating either to stock price performance or worldwide hotel bookings, which were defined as follows: (i) stock price performance goals, which were designed to permit Expedia to deduct all named executive officers' 2012 bonuses in accordance with Section 162(m) of the Code. Specifically, the cash bonuses awarded to named executive officers in 2012 were subject to the satisfaction of either one of the following performance goals:

Worldwide hotel room night bookings (room nights stayed basis) of Expedia on a consolidated basis for each of the three consecutive calendar quarters beginning with the second quarter of 2012 were higher than worldwide hotel bookings in the corresponding calendar quarter twelve months prior, excluding the benefit of any acquisitions by the Expedia during such period; or

On at least 30 trading days during the period beginning February 29, 2012 through December 31, 2012, the closing price per share of Expedia's common stock must exceed by at least 5% the closing price per share of Expedia's common stock on February 28, 2012, which was \$33.79, taking into account any merger, acquisition, or Corporate Transaction (each as defined in the Expedia 2005 Plan).

In general, these performance goals reflect the minimally acceptable Company performance that would be required in order for any amount of cash bonuses to be awarded to the named executive officers, but with the understanding that there is substantial uncertainty when established. Based on data provided by management, the Compensation Committee certified that the Section 162(m) goals for 2012 had been satisfied. The Compensation Committee also exercises negative discretion in setting payouts under the annual incentive plan. By setting a high performance goal, then be reduced, Expedia is advised by legal counsel that Expedia's annual incentive plan meet

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the requirements of Section 162(m). As a result, while performance targets are utilized in setting under this plan, ultimately the level of those targets and the Compensation Committee's use of typically result in the award of compensation as if the annual incentive plan were operating as a Additional information about the role of Section 162(m) as a factor in the Compensation Committee decision-making is included below in the section titled *Tax Matters*.

The cash bonuses described above are reflected in the *Bonus* column of the table titled *2012 Compensation Table* in the section below titled *Executive Compensation*.

### ***Equity Compensation***

Equity compensation is designed to align executive compensation with the interests of stockholders and long-term performance of Expedia. Equity compensation awards link compensation to financial performance because the value of equity awards depends on Expedia's stock price. Equity compensation awards are an important employee retention tool because they generally vest over a multi-year period, subject to the discretion of the award recipient.

Prior to March 2009, Expedia had utilized restricted stock units as its principal form of equity compensation. In March 2009, following a review of Expedia's equity compensation program and practices in light of its overall compensation program objectives, management recommended, and the Compensation Committee approved, awards of stock options as Expedia's primary equity vehicle. In each year since 2009, the Compensation Committees, based on management's recommendation, have approved awards of stock options as the primary equity compensation vehicle, but have also awarded restricted stock at the time of hire to replace awards from a prior employer and pursuant to individually negotiated arrangements and special circumstances.

Equity awards are typically granted to executive officers upon hire or promotion and annually thereafter. Management generally recommends annual equity awards in the first quarter of each year when the Compensation Committees meet to make determinations regarding annual bonuses for the last completed fiscal year and compensation levels for the current fiscal year. The meeting at which the Compensation Committee awards is generally scheduled several months in advance and is generally timed to occur after the release of Expedia's prior year financial statements.

The Compensation Committees review various factors considered by management when establishing the size of the Expedia-wide equity grant pool, including:

Expedia's business and financial performance, including year-over-year performance;

dilution rates, taking into account projected headcount changes and employee turnover;

non-cash compensation as a percentage of adjusted EBITDA;

equity compensation utilization by peer companies;

general economic conditions; and

competitive compensation market data regarding award values.

For specific grants to named executive officers, management makes recommendations to the Se based on a variety of factors, including:

individual performance and future potential of the executive;

the overall size of the equity grant pool;

award value relative to other Company executives;

the value of previous grants and amount of outstanding unvested equity awards;

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competitive compensation market data, to the degree that the available data is comparable

the recommendations of the Chief Executive Officer, other than in connection with compensation for himself and the Chairman/Senior Executive.

*2012 Equity Compensation*

After review and consideration of management's recommendations, the Section 16 Committee will approve the grants of equity compensation to executive officers and the Compensation Committee will approve grants of equity compensation to non-executive officers.

2012 Annual Review Stock Option Awards: In February 2012, Messrs. Dzielak, Fonseca, Kaufman and Okerstrom were awarded stock options that vest in equal installments on the first four anniversaries of the grant date. The awards reflected the factors described above in relation to the establishment of the Expedia-wide equity award program and specific equity award grants. The exercise price for each stock option was \$33.79, the closing price of the Company's common stock on the date of grant, and each stock option has a seven-year term.

In connection with the annual review stock option awards granted to Messrs. Okerstrom and Kaufman, the Section 16 Committee reviewed, with input from Mr. Khosrowshahi in the case of Mr. Okerstrom and Mr. Kaufman, the individual performance of each executive during 2011. For the annual award to Mr. Kaufman, consideration was given to the fact that he does not receive a base salary component of compensation. Neither Mr. Diller nor Mr. Khosrowshahi received a stock option award in connection with their annual compensation review. As described in further detail below, Mr. Khosrowshahi subsequently received equity awards in July 2012.

As Messrs. Dzielak and Fonseca were not executive officers of Expedia in February 2012, their awards were approved by the Compensation Committee, rather than the Section 16 Committee. Mr. Dzielak's award was based on his performance in the role of Vice President and later Senior Vice President and General Counsel during 2011 and Mr. Fonseca's 2012 equity award was based on his performance as Co-President, Partner Services Group during 2011. Mr. Fritz's employment with the Company terminated in 2012 and he did not receive a 2012 equity award.

2012 Khosrowshahi Equity Compensation: In July 2012, the Section 16 Committee awarded Mr. Khosrowshahi 300,000 stock options with an exercise price of \$56.99, the closing price of the Company's common stock on the grant date and have a seven year term, and (ii) 50,000 restricted stock units that vest in their entirety on the first anniversary of the grant date, which are subject to the achievement of either one of the following conditions: (i) the Company's worldwide hotel bookings in the fourth quarter of 2012 are higher than worldwide hotel bookings in the corresponding calendar quarter twelve months prior, excluding the benefit of any acquisitions by the Expedia during such period; or

Worldwide hotel room night bookings (room nights stayed basis) of Expedia on a consolidated basis for each of the four consecutive calendar quarters beginning with the fourth quarter of 2012 must be higher than worldwide hotel bookings in the corresponding calendar quarter twelve months prior, excluding the benefit of any acquisitions by the Expedia during such period; or

On at least 30 trading days during the period beginning August 2, 2012 through August 2, 2013, the closing price per share of Expedia's common stock must exceed by at least 5% the closing price per share of Expedia's common stock on August 1, 2012, which was \$56.40, taking into account the effect of the Corporate Transaction (each as defined in the Expedia 2005 Plan).

As further described under *Proposal 2: Approval of the Second Amended and Restated Expedia 2005 Annual Incentive Plan - Contingent Awards*, Mr. Khosrowshahi has agreed to forfeit the 2012 grant of restricted stock units in the event that our stockholders do not approve the Amended 2005 Plan.





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At the same time as the grants to Mr. Khosrowshahi described above, in light of Mr. Khosrowshahi and other considerations described below in this section, management recommended, and the Compensation Committees approved, accelerated vesting of 400,000 restricted stock units held by Mr. Khosrowshahi (the "*Khosrowshahi Performance RSU Award*") that had been subject to the achievement of a business operating income before amortization (the "*OIBA*") of the Company, which had not at that time been achieved. In addition, the vesting of the *Khosrowshahi Performance RSU Award* was separately subject to the achievement of either of two goals tied to stock price performance or growth in EBITA, which had been achieved. The *Khosrowshahi Performance RSU Award* was designed to satisfy the requirements of Section 162(m) of the Code.

Mr. Khosrowshahi is restricted from selling or otherwise transferring 80% of the shares received from the acceleration of the *Khosrowshahi Performance RSU Award* (net of shares withheld to cover applicable taxes) until, on or after March 15, 2015, the third anniversary of the accelerated vesting date.

The *Khosrowshahi Performance RSU Award* was derived from a restricted stock unit award originally granted to Mr. Khosrowshahi in March 2006 covering 800,000 shares of Expedia common stock. In connection with the TripAdvisor spin-off, Expedia and TripAdvisor agreed to divide the original award between the companies, in accordance with the treatment of shares of Expedia common stock in the spin-off, such that the initial award was converted into (1) the *Khosrowshahi Performance RSU Award* and (2) restricted stock units covering 400,000 shares of TripAdvisor common stock. The terms of the *Khosrowshahi Performance RSU Award* provided that, subject to Mr. Khosrowshahi's continued employment through the applicable vesting date, (1) 75% of the *Khosrowshahi Performance RSU Award* would vest upon Expedia's achievement of \$714.4 million of OIBA in 2012, adjusted to take into account acquisitions (the "*OIBA Target*"); provided that at the election of Mr. Khosrowshahi, vesting would be conditioned on Mr. Khosrowshahi agreeing to remain employed as the Chief Executive Officer of Expedia for an additional two years following satisfaction of the *OIBA Target*, and (2) 25% of the *Khosrowshahi Performance RSU Award* would vest on the one-year anniversary of the satisfaction of the *OIBA Target*. Alternatively, earlier, upon Mr. Khosrowshahi's termination of employment by Expedia without Cause (as defined in the *Khosrowshahi Performance RSU Award* agreement) following satisfaction of the *OIBA Target*; provided that this vesting event would be void if such restricted stock units would be forfeited in the event that Mr. Khosrowshahi voluntarily terminated his employment with Expedia or Expedia terminated Mr. Khosrowshahi's employment with Expedia.

In connection with the 2012 stock option and restricted stock unit grants to Mr. Khosrowshahi, and the acceleration of the *Khosrowshahi Performance RSU Award*, the following factors were considered by the Compensation Committees in addition to the factors noted above for equity grants to named executive officers:

Mr. Khosrowshahi was entering into a new three year employment agreement replacing his previous employment agreement that had expired in May 2012;

Mr. Khosrowshahi had not received an equity award in connection with the 2012 annual bonus review;

Mr. Khosrowshahi had assumed day-to-day management responsibility for the Company in early 2012, in addition to his ongoing responsibilities as Chief Executive Officer;

the Expedia brand specifically and the Company broadly had shown improved performance in the first half of 2012;

in the case of the acceleration of the *Khosrowshahi Performance RSU Award* specifically, the Company's projections regarding satisfaction of the *Khosrowshahi Performance RSU Award* and restrictions on post-acceleration sale or transfer of shares; and

the Committees desire to ensure that Mr. Khosrowshahi has significant at risk equity appropriately align his interests with the interests of our stockholders.

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The 2012 equity grants to the named executive officers are reflected in the table titled "2012 Grants and Awards" in the section below titled "Executive Compensation."

### ***Other Compensation***

In addition to the primary elements of compensation (base salary, cash bonuses and equity awards), the named executive officers may also receive compensation in the following forms:

*401(k) Match:* Executives who participate in Expedia's 401(k) Retirement Program are eligible for Company matching contributions (as are all domestic Expedia employees). Expedia matches each dollar a participant contributes, up to the first 6% of eligible compensation, subject to a Revenue Service limits.

*Personal Use of Corporate Aircraft:* Executives may receive benefits attributable to the personal use of certain aircraft, including an aircraft jointly owned by Expedia and IAC (charter aircraft if that aircraft is temporarily unavailable) and aircraft in which Expedia purchased a fractional ownership interest. Pursuant to Company policy, Mr. Diller and Mr. Khosrowshahi are encouraged to (and other senior executives are permitted to) travel both for business and personal purposes, on corporate aircraft. In addition to serving general security interests, this means of travel permits Mr. Diller and Mr. Khosrowshahi to travel non-stop and without delay, to remain in contact with Expedia while traveling, to change plans quickly in the event Company business requires, and to conduct confidential Company business while flying, be it telephonically, by email or in person. These interests are furthered on both business and personal flights, as Mr. Diller and Mr. Khosrowshahi typically provide services to Expedia while traveling in either case. Nonetheless, the incremental cost to Expedia of travel for personal purposes during 2012 is reflected as compensation from Expedia to each of Mr. Diller, Mr. Khosrowshahi and Mr. Okerstrom. In addition, in connection with the spin-off of Expedia from IAC in 2005 and in light of Mr. Diller's position at both companies, Expedia and IAC agreed to share certain expenses associated with the provision of benefits to Mr. Diller, including the use of automobiles for personal purposes and certain office equipment used by individuals who work for Mr. Diller personally. Currently, Expedia and IAC bear 65% of these costs, respectively.

### **The Role of Peer Groups, Surveys and Benchmarking**

Management considers multiple data sources when reviewing compensation information to ensure that it reflects compensation practices of relevant companies in terms of size, industry and geographic location. In addition to other factors, management considers the following information, when available, in connection with its recommendations to the Compensation Committees regarding compensation for named executive officers:

Data from salary and equity compensation surveys that include companies of a similar size and market capitalization, revenues and other factors, and

Data regarding compensation for comparable executive officer positions from recent proxy statements and other SEC filings of peer companies, which include:

direct industry competitors, and

non-industry companies with which Expedia commonly competes for talent (including international and national competitors).

When available, management considers competitive market compensation paid by other peer groups. Management does not attempt to maintain a certain target percentile within the peer group or otherwise rely solely on market data when making recommendations to the Compensation Committees regarding compensation for the named executive officers. Management and the Compensation Committees strive to incorporate flexibility into their compensation programs and the assessment process to respond to and adjust for the evolving business environment and the performance delivered by the named executive officers.

**Table of Contents*****2012 Peer Groups***

In late 2011, management engaged Compensia, an independent compensation consulting firm, to review the composition of Expedia's compensation peer group. Compensia considered the peer group companies used for the 2011 compensation year, which included public companies in technology, travel and/or e-commerce that compete with Expedia, which Expedia competes for talent at both the executive and employee levels, as well as other public companies based on their similarities to Expedia with respect to revenue, industry, location and/or size. Following the review, in establishing the peer group for 2012, the Compensation Committees agreed with management's recommendations, based on Compensia's recommendations, to remove eBay Inc. due to its increased revenue and market capitalization and to add Electronic Arts, Inc. as a publicly-traded company in the technology industry of similar size to Expedia in terms of revenue and market capitalization. The companies constituting the 2012 compensation peer group for executive compensation other than that of Mr. Diller were:

Activision Blizzard, Inc.	Orbitz Worldwide, Inc.
Adobe Systems Incorporated	Paychex, Inc.
Alaska Air Group Inc.	priceline.com Incorporated
Electronic Arts Inc.	Royal Caribbean Cruises Ltd.
Equifax Inc.	salesforce.com, inc.
HSN, Inc.	Starwood Hotels & Resorts Worldwide, Inc.
Intuit Inc.	Total System Services, Inc.
Netflix, Inc.	

Also in late 2011, Compensia updated its review of the compensation peer group for the role of Chairman/Senior Executive. Compensia did not identify, and management did not recommend, any changes to the 2011 compensation peer group for the role of Chairman/Senior Executive. The Committees agreed with management's recommendation and the peer group for the role of Chairman/Senior Executive remained unchanged from the prior year. Accordingly, the companies constituting the 2012 compensation peer group for the Chairman/Senior Executive role were:

Barnes & Noble, Inc.	Linear Technology Corporation
Cablevision Systems Corporation	M&T Bank Corporation
CBS Corporation	News Corporation
Fidelity National Information Services, Inc.	Starbucks Corporation
Guess, Inc.	Viacom Inc.
Host Hotels & Resorts, Inc.	

***2013 Peer Groups***

Management again engaged Compensia, in late 2012, to update its review of Expedia's peer group for 2013 compensation. Management evaluated the potential changes to the list of 2012 Peer Group Companies and made recommendations to the Compensation Committees. The Compensation Committees agreed with the recommendations of management, which were to add Autodesk, Inc. and BMC Software, Inc. as publicly-traded companies in the technology sector of similar size to the Company in

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terms of revenue and market capitalization. Accordingly, the companies constituting the 2013 compensation peer group for executive compensation other than that of Mr. Diller are:

Activision Blizzard, Inc.	Netflix, Inc.
Adobe Systems Incorporated	Orbitz Worldwide, Inc.
Alaska Air Group Inc.	Paychex, Inc.
Autodesk, Inc.	priceline.com Incorporated
BMC Software, Inc.	Royal Caribbean Cruises Ltd.
Electronic Arts Inc.	salesforce.com, inc.
Equifax Inc.	Starwood Hotels & Resorts Worldwide, Inc.
HSN, Inc.	Total System Services, Inc.
Intuit Inc.	

Also in late 2012, following discussions with Compensia, management recommended that a review of the compensation peer group for the role of Chairman/Senior executive be deferred until the following year. The Compensation Committees agreed with management's recommendation and the peer group for Chairman/Senior Executive remained unchanged from the prior year.

**Stock Ownership Policy**

To further align the interests of Expedia management and Expedia stockholders, the Executive Compensation Committee and the Board of Directors adopted a Stock Ownership Policy, effective October 26, 2009. The Stock Ownership Policy specifies a number of shares that the Chief Executive Officer and all executives reporting directly to the Chief Executive Officer are expected to accumulate and hold by the later of five years from the date of becoming an eligible position or September 30, 2016 (the Ownership Target Date).

The Stock Ownership Policy minimum stockholding target is 200,000 shares for Mr. Khosrowshahi and 40,000 shares for Messrs. Dzielak and Okerstrom. The Stock Ownership Policy minimum stockholding target for each of Messrs. Fonseca and Fritz when serving as Co-Presidents of the Partnership is 40,000 shares. Unexercised stock options and unvested RSUs are not counted toward compliance with the minimum stockholding target. The Stock Ownership Policy also includes stock retention provisions. Prior to the Ownership Target Date, eligible executives have not met their stockholding requirement, they are required to retain 25% of the shares received from any exercised options or any vested RSUs until they have met their stockholding requirement. If eligible executives to the policy have not met their stockholding requirement on the Ownership Target Date, the minimum stockholding percentage increases to 100% until they have met their stockholding requirement.

Expedia's Securities Trading Policy prohibits employees, including executive officers, from trading securities of Expedia with respect to Expedia securities or the purchase, sale or issuance of options or rights relating to Expedia securities.

**Tax Matters**

Section 162(m) of the Code generally permits a tax deduction to public corporations for compensation in excess of one million paid in any fiscal year to a corporation's chief executive officer and certain other highly compensated executive officers only if the compensation qualifies as being performance-based under Section 162(m). Expedia endeavors to structure its compensation policies to qualify as performance-based under Section 162(m) where it is reasonably possible to do so while meeting Expedia's compensation objectives. For 2012, the compensation structure, including options and the payments of annual bonuses were designed to meet the requirements for deductibility under Section 162(m).





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Nonetheless, deductibility under Section 162(m) of the Code is one of many factors the Compensation Committee will take into account in determining executive officer compensation. From time to time certain non-deductible compensation may be paid and the Board of Directors and the Compensation Committees reserve the right to award nondeductible compensation to executive officers in appropriate circumstances. It is possible that certain compensation paid pursuant to certain equity awards that have already been granted may be non-deductible as a result of Section 162(m). Additionally, under applicable Internal Revenue Service rules, the personal use of a corporate aircraft leads to a disallowance of the deduction by Expedia for tax purposes of certain related costs.

For purposes of allowing Expedia to deduct all employee compensation in accordance with Section 162(m), the Compensation Committees made all annual bonuses payable to named executive officers in 2011 and 2012 in the form of restricted stock units to Mr. Khosrowshahi in 2012 subject to the satisfaction of the performance goals set forth under the *Compensation Program Elements Cash Bonuses*. As further described under *Proposed Compensation Program Second Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan Contingent Payout*, Mr. Khosrowshahi has agreed to forfeit the 2012 grant of restricted stock units in the event that the Board of Directors does not approve the Amended 2005 Plan.

### **Change in Control**

Under the Expedia 2005 Plan, certain executive officers are entitled to accelerated vesting of equity awards in the event of a change in control of Expedia. The Compensation Committees believe that accelerated vesting of equity awards in connection with change in control transactions would provide an incentive for these executive officers to continue to help execute successfully such a transaction from its early stages until closing.

For a description and quantification of these change in control benefits, please see the section beginning with the heading *Compensation Potential Payments Upon Termination or Change in Control*.

### **Severance**

#### ***Employment Agreement Severance Provisions***

Expedia had entered into an employment agreement with each of Messrs. Dzielak, Khosrowshahi, Fonseca and Fritz, pursuant to which, in the event of a qualifying termination (and in the case of Messrs. Fonseca and Fritz, upon termination of his employment due to the expiration of his employment agreement):

Expedia will continue to pay base salary through the longer of the end of the term of the employment agreement and 12 months, or 18 months in the case of Messrs. Fonseca and Fritz (in all cases, such payments will be offset by any amount earned from another employer during such period);

Expedia will consider in good faith the payment of discretionary bonuses on a pro rata basis for the period in which termination of employment occurs;

Expedia will pay COBRA health insurance coverage for a period of 12 months in the case of Messrs. Dzielak, Khosrowshahi and Okerstrom, or 18 months in the case of Messrs. Fonseca and Fritz, that in each case such payments will be offset by any amount earned from another employer during the same time period and in the case of Messrs. Khosrowshahi and Dzielak, such amount will be calculated on a dollar-for-dollar basis (sum);

all equity holdings that otherwise would have vested during the 12-month period following termination of employment will accelerate (provided that (i) equity awards that vest less frequently than annually will accelerate only to the extent of the unvested amount);

treated as though such awards vested annually, and (ii) in Mr. Fonseca's case, if such result of his termination of employment due to expiration of his employment agreement holdings granted prior to February 15, 2012 shall accelerate); and

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Messrs. Dzielak, Khosrowshahi, Okerstrom Fonseca and Fritz will have 18 months following termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration of the executive's stock options.

On April 17, 2013, Expedia entered into a new employment agreement with Mr. Fonseca, pursuant to which the Company will provide the same payments and equity acceleration on the same terms and conditions as set forth above except that, if Mr. Fonseca is terminated due to expiration of his employment agreement, he will be entitled to receive \$312,500 over 18 months.

The foregoing arrangements are intended to attract and retain qualified executives who may have other alternatives that may appear to them to be less risky absent these arrangements.

***2012 Severance Arrangements with Mr. Fritz***

In connection with the reorganization of Expedia's Partner Services Group in early 2012, Mr. Fritz was terminated effective March 12, 2012. Consistent with the severance provisions of his employment agreement described above, Mr. Fritz is receiving his existing base salary and reimbursement for the month of March 2012, group health plan continuation coverage under COBRA, which payments will continue during the 12-month period following termination (provided that such payments will be offset by any amount earned from a subsequent employment during such time period). In addition, all equity that would otherwise have vested during the 12-month period following his termination was accelerated as of March 20, 2012 and Mr. Fritz has 18 months following termination to exercise any vested stock options.

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**COMPENSATION COMMITTEE REPORT**

The Compensation Committees have reviewed the Compensation Discussion and Analysis and Compensation Analysis with management. Based on this review and discussions with management, the Compensation Committees recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's 2013 proxy statement.

Members of the Compensation Committee:

*Jonathan L. Dolgen (Chairman)*

*Pamela L. Coe*

*Craig A. Jacobson*

*Peter M. Kern*

Members of the Section 16 Committee:

*Jonathan L. Dolgen (Chairman)*

*Craig A. Jacobson*

*Peter M. Kern*

**Table of Contents****EXECUTIVE COMPENSATION****2012 Summary Compensation Table**

The table below sets forth certain information regarding the compensation earned during the fiscal year ended December 31, 2012 by the following named executive officers: (i) Expedia's Chief Executive Officer; (ii) three other most highly compensated executive officers (who were serving as executive officers at December 31, 2012); and (iii) two highly compensated former executive officers (who were serving as executive officers at December 31, 2012).

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(3)	Other Compensation
<b>Barry Diller</b> Chairman and Senior Executive	2012	\$ 465,000	\$ 2,500,000			\$
	2011	465,000	1,000,000	\$ 101,540(5)	\$ 7,154,801(5)	
	2010	465,000	1,000,000		2,210,516	
<b>Dara Khosrowshahi</b> Chief Executive Officer	2012	1,000,000	3,000,000	3,691,876(6)	6,722,193	
	2011	1,000,000	1,000,000	1,546,446(5)	2,405,633(5)	
	2010	1,000,000	1,125,000		2,763,610	
<b>Mark D. Okerstrom</b> Executive Vice President and Chief Financial Officer	2012	488,461	1,500,000		1,295,365	
	2011	387,143	438,438	16,835(5)	1,562,167(5)	
	2010					
<b>Robert J. Dzielak</b> Executive Vice President, General Counsel and Secretary	2012	362,309	450,000		1,066,533	
	2011					
	2010					
<b>Victor A. Kaufman</b> Vice Chairman	2012				1,295,365	
<b>Dhiren Fonseca</b> Former Co-President, Partner Services Group	2012	425,000	318,750		777,219	
	2011	460,210	385,391	23,091(5)	1,382,060(5)	
	2010	399,616	225,000		736,963	
<b>Gary M. Fritz</b> Former Co-President, Partner Services Group	2012				3,537,613(7)	
	2011	451,471	385,391	23,091(5)	1,382,060(5)	
	2010	399,616	225,000		736,963	

- (1) Reflects base salary earned during 2012. The amounts shown for Messrs. Okerstrom and Aronson reflect mid-year salary adjustment. See the section above titled "Compensation Discussion and Analysis - Executive Compensation Program Elements - Base Salary" for a description of changes to annual base salaries during 2012.
- (2) Bonus amounts for 2012 reflect annual cash bonuses that were paid in 2013, for performance under the (a) the 2012 Cash Bonus Plan for senior executive employees of the Company approved by the Compensation Committee on February 28, 2012 (the "2012 Cash Bonus Plan") and (b) an annual cash bonus for 2012 for Mr. Dzielak of \$400,000 and \$50,000 prior to his appointment as an executive officer.

the 2012 Cash Bonus Plan, each of the named executive officers (except Mr. Fritz) were eligible for a cash bonus, subject to (i) the achievement of performance goals relating either to stock price performance or worldwide hotel bookings and (ii) a \$10 million maximum amount that was intended to prevent the bonus from being disallowed under Section 162(m) of the Code to ensure deductibility of any bonus that the Compensation Committee determined appropriate. See the section above titled *Compensation Discussion and Analysis - Program Elements - Cash Bonuses* for a description of the 2012 Cash Bonus Plan and *Compensation Discussion and Analysis - Tax Matters* for a description of Section 162(m). Having previously certified that the performance criteria had been met, the Compensation Committees approved cash bonus awards under the 2012 Cash Bonus Plan to each of the named executive officers (except Messrs. Kaufman and Fritz) on February 28, 2013.

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- (3) Includes aggregate grant date fair value of awards granted in the year indicated, computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. The grant date fair value is an estimate as of the grant date and may not correspond to the actual value that will be recorded for named executive officers. Stock awards consist of restricted stock units valued using the closing price of Expedia common stock on the NASDAQ Stock Market on the day immediately preceding the grant date. Option awards consist of stock options valued using a Black-Scholes model. The Black-Scholes model incorporates various other assumptions including expected volatility, expected term and risk-free interest rate. The expected volatility is based on historical volatility of our common stock and other relevant information. The expected term is based on our historical experience and on the terms and conditions of the awards granted to employees. For option awards granted to the named executive officers during 2010 and 2011, Black-Scholes option pricing model assumptions were as follows:

	Grant Date	Expected Term (years)	Risk-Free Interest Rate (%)	Expected Volatility (%)
Dara Khosrowshahi	07/31/2012	4.00	0.48	54.29
Robert J. Dzielak	05/09/2012	4.00	0.60	53.83
Messrs. Okerstrom, Dzielak, Kaufman and Fonseca	02/28/2012	4.00	0.66	53.12

The aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of awards granted to Mr. Kaufman during 2010 and 2011 was \$1,381,805 and \$574,999, respectively.

- (4) For additional information regarding certain components of amounts reflected in the "All Other Compensation" column, see the table below entitled "2012 All Other Compensation". For 2011, reflects a correction of \$57,351 and \$49,274 for Messrs. Diller and Khosrowshahi, respectively, to correct an accounting reporting error.
- (5) Reflects the impact of a modification relating to the TripAdvisor Spin-Off on the outstanding restricted stock awards, which was designed to maintain the same intrinsic value of the awards before and after the spin-off. Pursuant to accounting guidance prescribed under FASB ASC Topic 718, the modification resulted in additional non-cash stock-based compensation. For reconciliation and the spin-off impact on the compensation of our named executive officers, see the discussion and table in the Company's Compensation Statement for fiscal year 2011 on Schedule 14A filed with the SEC on April 26, 2012, in the section entitled "Impact of Spin-Off Adjustment on 2011 Executive Compensation".
- (6) Includes \$885,876 that relates to the incremental fair value attributable to the acceleration of the Performance RSU Award. Also includes \$2,806,000 that relates to the grant of 50,000 RSUs to Mr. Khosrowshahi. Mr. Khosrowshahi has agreed to forfeit the award of RSUs if the stockholders of the Company do not approve the Amended 2005 Plan. For further discussion, see the section entitled "Compensation Discussion and Analysis Equity Compensation 2012 Equity Compensation Khosrowshahi Equity Compensation".
- (7) Reflects the incremental fair value attributable to the acceleration of stock-based awards pursuant to severance arrangements set forth in Mr. Fritz's employment agreement with Expedia. For further discussion, see the section entitled "Compensation Discussion and Analysis Severance 2012 Severance Arrangements Mr. Fritz".

**Table of Contents****2012 All Other Compensation**

The following table provides additional detail regarding the amounts for 2012 reflected in the Compensation column of the 2012 Summary Compensation Table above.

	Barry Diller	Dara Khosrowshahi	Mark D. Okerstrom	Robert J. Dzielak	Victor A. Kaufman	I F
Personal Use of Corporate Aircraft(1)	\$ 386,821	\$ 421,197	\$ 19,774			
Dividend Equivalents(2)	10,937	463,453	4,538	\$ 1,628	\$ 9,365	\$
401(k) Company Match(3)		7,350	7,350	4,962		
Charitable Matching Gift(4)		3,000	5,000	250		
Severance(5)						
Miscellaneous(6)	54,346					

- (1) Reflects the incremental cost to Expedia for personal use of corporate aircraft, including aircraft owned by each of Expedia and IAC and aircraft in which Expedia has purchased a fractional interest. In 2012, the incremental cost to Expedia for Messrs. Diller, Khosrowshahi and Okerstrom's use of these aircraft is based on the average variable operating cost to Expedia. Variable operating costs include fuel, certain maintenance costs, navigation fees, onboard catering, landing fees, crew travel and other miscellaneous variable costs. Calculated separately for the jointly-owned aircraft and the aircraft in which Expedia has purchased a fractional interest, the total annual variable costs are divided by the total hours such aircraft flew to derive an average variable cost per hour. This average variable cost is multiplied by the hours flown for personal use (for the jointly-owned aircraft, including flights to and from other locations without passengers, commonly referred to as "deadhead" flights), to derive the incremental cost. We do not include fixed costs that do not change based on usage, such as pilots' salaries, pilot insurance, scheduled maintenance and non-trip-related hangar expenses in the case of the jointly-owned aircraft, and purchase costs and management fees in the case of the fractional interest aircraft. Executive officers occasionally have family members or other guests accompany them on personal trips, but the incremental cost to the Company. See the section above titled "Compensation Discussion and Analysis - Compensation Program Elements - Other Compensation" for a description of the incremental cost regarding the personal use of Company aircraft by executive officers.
- (2) Unvested RSUs held by executives are credited with dividend equivalents at the same rate as cash dividends paid to the Company's common stockholders. Such dividend equivalents are credited upon vesting of the underlying RSUs. The amounts of such dividend equivalents are reflected in the table above based on the price of Expedia common stock on the NASDAQ Stock Market for the 2012 RSU grant; no dividend equivalents were not reflected in the closing price of Expedia common stock on the NASDAQ Stock Market for the RSUs awarded to executives prior to 2010. Accordingly, dividend equivalents paid to executives in 2010, 2011 and 2012, respectively, on unvested RSUs awarded prior to 2010 are included in the Compensation column of the 2012 Summary Compensation Table.
- (3) Represents matching contributions of Expedia under the Expedia 401(k) Retirement Savings Plan. Under this plan as in effect through December 31, 2012, Expedia matches \$0.50 for each dollar that a participant contributes, up to the first 6% of eligible compensation, subject to limits imposed by the Internal Revenue Code.
- (4) Represents charitable matching contributions of Expedia under the Company's matching gift program, which is available to all U.S.- and Canada-based employees. The charitable matching requests were processed and paid to the charitable organizations during 2012.
- (5) Includes \$425,000 of base salary, including post-employment, and \$24,079 for group health insurance coverage under COBRA, in each case paid during 2012 pursuant to the severance provision in the employment agreement. Mr. Fritz's employment terminated effective March 12, 2012.
- (6) In connection with the IAC/Expedia Spin-Off, Expedia and IAC agreed that, in light of Mr. Diller's role at both companies and his anticipated use of certain resources for the benefit of both companies, the expenses associated with such usage would be shared between Expedia and IAC. Mr. Diller's



the use of certain automobiles for business and personal purposes and certain IAC-owned o  
equipment for use by certain individuals who work for Mr. Diller personally. For 2012 Exp  
covered 35% and 65% of these costs, respectively.

**Table of Contents****2012 Grants of Plan-Based Awards**

During fiscal year 2012, the Compensation Committee or Section 16 Committee, as appropriate, granted stock options and RSU awards to the named executive officers as follows:

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options(1)	Exercise Price or Base Price of Option Awards (\$/Sh)	Closing Market Price on Date of Grant (\$)	Estimated Future Payout Under Equity Incentive Plan Awards (#)(2)
Barry Diller					
Dara Khosrowshahi	07/31/2012	300,000	\$ 56.99	\$ 56.99	
	07/31/2012				50,000
Mark D. Okerstrom	02/28/2012	100,000	33.79	33.79	
Robert J. Dzielak	02/28/2012	20,000	33.79	33.79	
	05/09/2012	50,000	41.14	41.14	
Victor A. Kaufman	02/28/2012	100,000	33.79	33.79	
Dhiren Fonseca	02/28/2012	60,000	33.79	33.79	
Gary M. Fritz					

- (1) All options have a seven-year term and vest in four equal installments commencing on the first anniversary of the grant date.
- (2) Represents the number of shares of Expedia common stock to be issued upon satisfaction of the award, without taking into account shares withheld to cover applicable taxes, if any. The award is subject to (i) the achievement of performance goals relating either to stock price performance or hotel bookings and (ii) a \$10 million maximum amount that was intended to preserve flexibility under Section 162(m) of the Code to ensure deductibility of any bonus that the Compensation Committee may award, if appropriate. Mr. Khosrowshahi's RSU award is described in further detail in the section titled "Compensation Discussion and Analysis - Compensation Program Elements - 2012 Equity Incentive Awards." Mr. Khosrowshahi has agreed to forfeit the award described in this footnote if the Compensation Committee does not approve the Amended 2005 Plan.
- (3) These amounts reflect an estimate of the grant date fair value and may not correspond to the amount that will be recognized by the named executive officers. For stock options, reflects the full grant date fair value calculated in accordance with FASB ASC Topic 718 using a Black-Scholes option valuation model, as described in footnote 3 of the 2012 Summary Compensation Table above for more information regarding the Black-Scholes pricing model. For RSUs, reflects the full grant date fair value, calculated in accordance with FASB ASC Topic 718 using the closing price of Expedia common stock on the NASDAQ listing on the day immediately preceding the grant date.

**Table of Contents****2013 Grants of Plan-Based Awards**

On March 13, 2013, the Section 16 Committee approved stock option awards to the named executives as follows:

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options#(1)	Exercise Price or Base Price of Option Awards (\$/Sh)	Closing Market Price on Date of Grant (\$)
Barry Diller	03/13/2013	100,000	\$ 65.75	\$ 65.75
Dara Khosrowshahi	03/13/2013	200,000	65.75	65.75
Mark D. Okerstrom	03/13/2013	100,000	65.75	65.75
Robert J. Dzielak	03/13/2013	70,000	65.75	65.75
Victor A. Kaufman	03/13/2013	50,000	65.75	65.75
Dhiren Fonseca				
Gary M. Fritz				

- (1) All options have a seven-year term and vest in four equal installments commencing on the first anniversary of the grant date.
- (2) Reflects the full grant date fair value, calculated in accordance with FASB ASC Topic 718 using the Black-Scholes option valuation methodology. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the named executive officer. The Black-Scholes model incorporates various other assumptions including expected volatility, risk-free interest rates. The expected volatility is based on historical volatility of our common stock and other relevant factors. The expected term is based on our historical experience and on the terms and conditions of the stock option awards granted to employees. The expected term (and related risk-free interest rate) for Barry Diller is based on his historical practice of holding Expedia stock options until expiration. The following table summarizes the assumptions used in the Black-Scholes option pricing model for awards to the named executives as of March 13, 2013:

	Expected Term (years)	Risk-Free Interest Rate (%)	Expected Volatility (%)
Barry Diller	7.00	1.35	48.10
All other named executive officers	4.00	0.68	44.88

**Table of Contents****Outstanding Equity Awards at 2012 Year-End**

The following table provides information regarding the holdings of stock options and RSUs by the officers as of December 31, 2012. The market value of the RSUs is based on the closing price of the stock on the NASDAQ Stock Market on December 31, 2012, the last trading day of the year, which was \$63.00.

Name	Grant Date(1)	Option Awards		Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested(\$)
		Number of Securities Underlying Unexercised Options(#)	Number of Securities Underlying Unexercised Options(#)				
Barry Diller	06/07/2005	1,196,855(2)		\$ 26.95	06/07/2015		
	06/07/2005	698,165(2)		36.27	06/07/2015		
	03/02/2009		24,935(4)	6.97	03/02/2016		
	02/23/2010	49,868	49,869(5)	21.21	02/23/2017		
	03/01/2011	12,467	37,401(5)	18.63	03/01/2018		
	02/28/2008					10,319(6)	\$ 634,000
Dara Khosrowshahi	03/02/2009	3,423	66,088(4)	6.97	03/02/2016		
	03/02/2009	211,481(3)		8.71	03/02/2016		
	02/23/2010	116,706	158,611(5)	21.21	02/23/2017		
	03/01/2011	39,652	118,959(5)	18.63	03/01/2018		
	07/31/2012		300,000(5)	56.99	07/31/2019		
	02/28/2008					43,640(6)	2,681,242
Mark D. Okerstrom	03/02/2009	26,414	17,949(4)	6.97	03/02/2016		
	04/06/2009	19,450	13,218(4)	9.81	04/06/2016		
	04/06/2009	37,009(3)		12.26	04/06/2016		
	02/23/2010	23,341	31,722(5)	21.21	02/23/2017		
	03/01/2011	19,826	59,479(5)	18.63	03/01/2018		
	09/15/2011	13,217	39,653(5)	27.94	09/15/2018		
	02/28/2012		100,000(5)	33.79	02/28/2019		
	02/28/2008					2,837(6)	174,305
	08/21/2008					2,293(7)	140,882
Robert J. Dzielak	03/02/2009		10,786(4)	6.97	03/02/2016		
	02/23/2010		10,574(5)	21.21	02/23/2017		
	03/01/2011		13,878(5)	18.63	03/01/2018		
	02/28/2012		20,000(5)	33.79	02/23/2019		
	05/09/2012		50,000(5)	41.14	05/09/2019		
	02/28/2008					1,397(6)	85,832
Victor A. Kaufman	03/02/2009	77,053	39,653(4)	6.97	03/02/2016		
	02/23/2010	58,352	79,306(5)	21.21	02/23/2017		
	03/01/2011	19,826	59,479(5)	18.63	03/01/2018		
	02/28/2012		100,000(5)	33.79	02/28/2019		
	02/28/2008					6,984(6)	429,097

Dhiren						
Fonseca	03/02/2009	59,479(4)	6.97	03/02/2016		
	02/23/2010	42,296(5)	21.21	02/23/2017		
	03/01/2011	71,375(5)	18.63	03/01/2018		
	02/28/2012	60,000(5)	33.79	02/28/2019		
	02/28/2008				5,238(6)	321,823

Gary M. Fritz

(1) Represents the date on which the original grant was approved by the applicable compensation committee. Grants made prior to the effective date of the IAC/Expedia Spin-Off of August 9, 2005 were granted by IAC and converted into Expedia equity awards upon effectiveness of the spin-off. All share and per share amounts have been adjusted for Expedia's one-for-two reverse stock split effected and the impact of the TripAdvisor Spin-Off, both completed on December 20, 2011.

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- (2) Options vested in full on June 7, 2010, the fifth anniversary of the grant date.
- (3) Options vested in full on March 2, 2012, or April 6, 2012 in the case of Mr. Okerstrom, the third anniversary of the grant date.
- (4) Options vested in full on March 2, 2013, or April 6, 2013 in the case of Mr. Okerstrom, the fourth anniversary of the grant date.
- (5) Options vest in four equal installments commencing on the first anniversary of the grant date.
- (6) These RSUs vested on February 28, 2013.
- (7) These RSUs will vest on August 21, 2013.
- (8) These RSUs will vest in full on July 31, 2015, subject to (i) the achievement of performance goals relating to performance or worldwide hotel bookings and (ii) stockholder approval of the Amended 2005 Plan. Mr. Okerstrom agreed to forfeit the award described in this footnote if the stockholders of the Company do not approve the Amended 2005 Plan. Mr. Khosrowshahi's RSU award is described in further detail in the section above titled "Compensation Analysis - Compensation Program Elements - 2012 Equity Compensation Awards."

**TripAdvisor Spin-Off: Equity Compensation Award Adjustments**

In the connection with the TripAdvisor Spin-Off and a one-for-two reverse stock split that was completed immediately prior to the completion of that spin-off on December 20, 2011, the following adjustments to compensation awards held by Expedia employees, including the named executive officers:

*Vested options:* Vested Expedia stock options were converted into options to purchase shares of TripAdvisor common stock and options to purchase shares of TripAdvisor common stock with adjustments to the number of shares subject to such options and the option exercise prices to maintain pre- and post-transaction values.

*Unvested options other than unvested options held by Mr. Diller:* Unvested options held by employees who continued to work for Expedia following the spin-off (other than those unvested options held by Mr. Diller) remained options to purchase shares of Expedia common stock, with adjustments to the exercise prices of options to maintain pre- and post-transaction values.

*Restricted stock units:* Restricted stock units held by employees that continued to work for Expedia following the spin-off (other than those held by Mr. Diller and 800,000 performance-based restricted stock units held by Mr. Khosrowshahi) remained restricted stock units of Expedia, with adjustments to the number of shares and units to maintain pre- and post-transaction values.

*Restricted stock units and unvested options held by Mr. Diller:* Following completion of the spin-off, Mr. Diller served as Senior Executive and Chairman of the Board of TripAdvisor, as well as retaining those unvested options. As a result of the one-for-two reverse stock split and the spin-off, immediately following the spin-off, Mr. Diller held restricted stock units of Expedia and TripAdvisor, in each case equal to one half the number of shares of restricted stock units that he held immediately prior to the spin-off. With respect to Mr. Diller's unvested options, such options were converted into options to purchase shares of Expedia common stock and options to purchase shares of TripAdvisor common stock, with adjustments to the number of shares subject to such options and the option exercise prices to maintain pre- and post-transaction values.

*Performance-based restricted stock units held by Mr. Khosrowshahi:* On March 7, 2006, Expedia and TripAdvisor, Mr. Khosrowshahi, entered into a restricted stock unit agreement covering 800,000 shares of Expedia common stock, with vesting of such restricted stock units generally subject to the satisfaction of performance goals and the achievement of a specified level of operating income before amortization ( "OIBA" ) in a given year. In connection with the spin-off, Expedia and TripAdvisor agreed to divide Mr. Khosrowshahi's 800,000 restricted stock unit award between the companies, in accordance with the treatment of shares of Expedia common stock in the spin-off, such that the initial award was converted into (1) restricted stock units covering 400,000 shares of Expedia common stock and (2) restricted stock units covering 400,000 shares of TripAdvisor common stock.

For named executive officers other than Mr. Diller, any value realized upon exercise of TripAdvisor stock options or vesting of restricted stock units is considered compensation payable to them in their respective capacities as executive officers of the Company. For Mr. Diller, any value realized upon exercise of his TripAdvisor stock options or vesting of his restricted stock units is considered compensation payable to him in his capacity as Chairman/

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Senior Executive of TripAdvisor following the TripAdvisor Spin-Off. In the case of Mr. Khosrowshahi, the value realized upon the vesting of his TripAdvisor performance-based restricted stock unit award is compensation payable to him in recognition of his role in growing TripAdvisor during the five years ending December 31, 2012 from the original 2006 grant date of the performance-based restricted stock unit award and the TripAdvisor Spin-Off, as in his capacity as a director of TripAdvisor following the TripAdvisor Spin-Off.

**2012 Option Exercises and Stock Vested**

The following table provides information regarding (i) Expedia stock options exercised by and Restricted Stock Unit Awards vested for the named executive officers, and (ii) TripAdvisor stock options exercised by and Restricted Stock Unit Awards vested for the named executive officers other than Mr. Diller, in each case during the fiscal year ended December 31, 2012.

Name	Company(1)	Option Awards		Number of Shares Acquired on Vesting (#)(3)
		Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(2)	
Barry Diller	Expedia	149,605	\$ 7,848,277	19,530
Dara Khosrowshahi	Expedia	125,000	6,601,773	484,271(3)
	TripAdvisor	62,336	1,415,102	
Mark D. Okerstrom	Expedia			6,420
	TripAdvisor	22,178	399,629	
Robert J. Dzielak	Expedia	23,191	472,168	2,907
	TripAdvisor	2,493	50,458	
Victor A. Kaufman	Expedia	52,870	2,498,885	16,723
Dhiren Fonseca	Expedia	249,798	9,645,561	10,594
	TripAdvisor	66,075	1,268,712	
Gary M. Fritz	Expedia	354,217	10,973,641	15,832

- (1) The table immediately below presents TripAdvisor stock options held by our named executive officers as of December 31, 2012 for which any value realized upon exercise will be considered compensation. (2) Represents the value of exercised options calculated by multiplying (i) the number of shares of common stock to which the exercise of the option relates (or TripAdvisor shares, as the case may be) by the difference between the market price of Expedia shares (or TripAdvisor shares, as the case may be) at the time of exercise and the exercise price of the options. (3) Represents the gross number of shares acquired upon vesting of RSUs without taking into account any shares that may be withheld to satisfy applicable tax obligations.

Name	Number of Options (#)	Option Exercise Price (\$)
Dara Khosrowshahi	37,401	23.7
Victor A. Kaufman	37,401	7.8
	18,700	23.7
Gary M. Fritz	56,102	7.8
	9,973	23.7

- (2) Represents the value of exercised options calculated by multiplying (i) the number of shares of common stock to which the exercise of the option relates (or TripAdvisor shares, as the case may be) by the difference between the market price of Expedia shares (or TripAdvisor shares, as the case may be) at the time of exercise and the exercise price of the options. (3) Represents the gross number of shares acquired upon vesting of RSUs without taking into account any shares that may be withheld to satisfy applicable tax obligations.

- (4) Represents the value of vested RSUs calculated by multiplying the gross number of vested price of Expedia common stock on the NASDAQ Stock Market on the vesting date or if the on a day on which the NASDAQ Stock Market was closed for trading, the next trading day

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- (5) Includes the acceleration of 400,000 Expedia performance based restricted stock units. See *Compensation Discussion and Analysis Equity Compensation 2012 Equity Compensation Khosrowshahi Equity Compensation.*

**Potential Payments Upon Termination or Change in Control**

Certain of our compensation plans, award agreements and employment agreements entitle some executive officers to accelerated vesting of equity awards and other severance benefits in the event of a change in control of Expedia and/or upon the termination of the executive's employment with Expedia under certain circumstances. These plans and agreements are described below as they apply to each named executive officer.

***Expedia 2005 Plan***

Pursuant to the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan (the "Plan"), in the event of a change in control, outstanding stock options and RSUs held by each of our executive officers, as of immediately prior to the change in control, will become fully vested and, in the case of stock options, will be immediately exercisable. Any restrictions applicable to restricted stock and RSUs will lapse, and RSUs will be immediately exercisable and payable in full and will be settled in cash or shares of Expedia common stock as promptly as practicable, to the extent such settlement must be delayed pursuant to the rules and regulations of Section 409(a).

The Expedia 2005 Plan defines a change in control as follows: (i) another party, other than Microsoft Corporation or their respective affiliates, becomes the beneficial owner of at least 50% of the outstanding voting stock, with certain exceptions; (ii) the members of the Board as of the date the Plan was adopted by the Board (the "incumbent Board members") cease to constitute a majority of the Board, and replacement directors that are endorsed by a majority of the Company directors who are incumbent directors (generally counting as incumbent Board members); (iii) the Company consummates a merger, consolidation with another party, or the sale or other disposition of all or substantially all of the assets of the Company or the purchase of assets or stock of another entity ( "Business Combination"), unless (A) all or substantially all of the beneficial stockholders of the Company immediately prior to such Business Combination retain the combined voting power of the outstanding voting securities of the entity resulting from the Business Combination in substantially the same proportions as their ownership of voting stock immediately prior to the Business Combination, (B) no person (excluding Mr. Diller, Liberty Interactive Corporation and its affiliates, any employee benefit plan (or related trust) of the Company or such entity resulting from the Business Combination) beneficially owns more than a majority of the combined voting power of the then outstanding securities of such entity except to the extent that such ownership of the Company existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or equivalent governing body) of the entity resulting from the Business Combination were incumbent members of the board of directors at the time of the initial agreement or Board action providing for such Business Combination; or (iv) the stockholders approve the complete liquidation or dissolution of the Company.

It is common for the Company to utilize two separate vesting schedules with respect to the stock options we grant to our named executive officers:

A stock option award that features incremental vesting whereby 25% of the stock option award becomes exercisable on each anniversary of the date of grant over 4 years, subject to continued service with us through each applicable vesting date, is an Incremental Vesting Stock Option Award.

A stock option award that features a cliff vesting schedule whereby the stock option award becomes exercisable on a date certain (typically, 3 years from the date of grant), subject to continued service with us through each applicable vesting date, is a Cliff Vesting Stock Option Award.

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### ***Barry Diller***

*Stock Option Awards.* Mr. Diller was granted Incremental Vesting Stock Option Awards under the Expedia 2005 Plan in March 2009, February 2010 and March 2011 and a Cliff Vesting Stock Option Award under the Expedia 2005 Plan in March 2009. In the event of a change in control of Expedia, outstanding and unvested stock options will vest as described in the section above titled *Expedia 2005 Plan*.

*RSU Awards.* Mr. Diller was granted an RSU award under the Expedia 2005 Plan in both February 2008, which award vests over a five-year term, subject to the satisfaction of certain performance conditions which have subsequently been satisfied. As of December 31, 2012, 10,319 of these RSUs remain unvested. Remaining RSUs vested on February 28, 2013.

### ***Victor Kaufman***

*Stock Option Awards.* Mr. Kaufman was granted Incremental Vesting Stock Option Awards under the Expedia 2005 Plan in March 2009, February 2010, March 2011 and February 2012 and a Cliff Vesting Stock Option Award under the Expedia 2005 Plan in March 2009. In the event of a change in control of Expedia, outstanding and unvested stock options will vest as described in the section above titled *Expedia 2005 Plan*.

*RSU Awards.* Mr. Kaufman was granted an RSU award under the Expedia 2005 Plan in both February 2008, with the award vesting over a five-year term, subject to the satisfaction of certain performance conditions which have subsequently been satisfied. As of December 31, 2012, 6,984 of these RSUs remain unvested. Remaining RSUs vested on February 28, 2013.

### ***Dara Khosrowshahi***

*Employment Agreement.* Expedia entered into an employment agreement with Mr. Khosrowshahi (the "Khosrowshahi Employment Agreement"), effective as of August 2, 2012, for a term of 3 years. Pursuant to the Khosrowshahi Employment Agreement, if Mr. Khosrowshahi resigns for good reason or the Company terminates his employment other than for cause, death or disability, Mr. Khosrowshahi is entitled to receive, upon the timely execution of a separation and release of claims agreement in favor of the Company, his base salary for the 12-month period following his termination date, plus (i) the completion of the term of the Khosrowshahi Employment Agreement and (ii) 12 months of COBRA insurance (regardless of whether he actually elects COBRA coverage). Further, the Company will consider the payment of discretionary bonuses on a pro rata basis for the year in which his termination of employment occurs. Pursuant to the severance benefit provisions in Mr. Khosrowshahi's employment agreement, all unvested stock options owned by Mr. Khosrowshahi that otherwise would have vested during the 12-month period following his termination of employment will accelerate (provided that (i) equity awards that vest less frequently than annually will vest if and only to the extent such performance conditions are satisfied) and (ii) any award amount that is subject to outstanding performance conditions will vest if and only to the extent such performance conditions are satisfied). Mr. Khosrowshahi will have 12 months following his termination date to exercise any vested stock options (including stock options that vest pursuant to the terms of the Khosrowshahi Employment Agreement) or, if earlier, through the date of any such option. As an additional condition to receiving severance benefits, Mr. Khosrowshahi shall not compete with the Company, solicit or hire Company employees, or solicit business partners or clients of the Company or affiliates of the Company for a two-year period following the termination of his employment with the Company.

Good reason means the occurrence of any of the following without Mr. Khosrowshahi's consent: (i) a material breach of any material provision of the Khosrowshahi Employment Agreement, (ii) a material reduction in Mr. Khosrowshahi's title, duties or reporting responsibilities, (iii) a material reduction in Mr. Khosrowshahi's salary, or (iv) the relocation of Mr. Khosrowshahi's principal place of employment more than 50 miles from the Seattle metropolitan area, in each case, following a requisite notice and cure period in favor of the Company.

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Cause means Mr. Khosrowshahi's (i) plea of guilty or nolo contendere to, conviction for, or felony offense, (ii) material breach of a fiduciary duty owed to the Company or any of its subsidiaries, (iii) breach of any of the covenants made pursuant to the Khosrowshahi Employment Agreement, (iv) neglect of the material duties required by the Khosrowshahi Employment Agreement, or (v) known violation of any Company policy pertaining to ethics, legal compliance, wrongdoing or conflicts of interest, or (vi) failure to meet certain qualifications.

*Stock Option Awards.* Mr. Khosrowshahi was granted an Incremental Vesting Stock Option Award under the Expedia 2005 Plan in March 2009, February 2010, March 2011 and July 2012. He was granted a Stock Option Award under the Expedia 2005 Plan in March 2009. In the event of a change in control of the Company, these stock option awards, to the extent outstanding, will vest as described in the section above titled *Expedia 2005 Plan*. In the event Mr. Khosrowshahi resigns his employment for good reason or the Company terminates his employment other than for cause, death or disability, any then-outstanding and unvested stock options described in the section above titled *Dara Khosrowshahi Employment Agreement*.

*2007, 2008 and 2012 RSU Awards.* Mr. Khosrowshahi was granted an RSU award under the Expedia 2005 Plan in 2007 and 2008, with each award vesting over a five year term, and in 2012, with such award cliff vesting over its entirety three years from the date of grant. As of December 31, 2012, 93,640 of these RSUs remain unvested. In the event of a change in control of Expedia, any of these RSUs that are outstanding and unvested as of the date described in the section above titled *Expedia 2005 Plan*. In the event Mr. Khosrowshahi resigns his employment or the Company terminates his employment other than for cause, death or disability, then outstanding RSUs will vest as described in the section above titled *Dara Khosrowshahi Employment Agreement*. Mr. Khosrowshahi's 2008 RSU award was contingent on the satisfaction of certain performance goals that have subsequently been satisfied. As further described under *Compensation Discussion and Analysis*, the *Program Elements* *Equity Compensation* *2012 Equity Compensation* *2012 Khosrowshahi Equity Compensation*, the grant of Mr. Khosrowshahi's 2012 RSU award is subject to the achievement of one or another set of performance goals designed to permit the Company to deduct the compensation relating to such award in accordance with Section 162(m) of the Code. In addition, Mr. Khosrowshahi has agreed to forfeit the award if the stockholders of the Company do not approve the Amended 2005 Plan.

*2006 RSU Award.* On March 7, 2006, the Compensation Committee approved certain compensation arrangements with Mr. Khosrowshahi, including the grant of 800,000 RSUs pursuant to the Expedia 2005 Plan (the "2006 RSU Award"). In connection with the TripAdvisor Spin-Off, the 2006 RSU Award was split between Expedia and TripAdvisor, such that the award was converted into restricted stock units covering 400,000 shares of Expedia common stock and TripAdvisor common stock. On December 20, 2011, Expedia and TripAdvisor entered into an RSU agreement governing the 400,000 RSUs for Expedia common stock (the "2006 RSU Agreement").

On August 2, 2012, pursuant to the Khosrowshahi Employment Agreement, all 400,000 RSUs for Expedia common stock subject to the RSU Agreement vested in full. Mr. Khosrowshahi is required to retain direct or indirect ownership, not sell, transfer, assign or pledge, 80% of the shares of Company common stock received pursuant to the 2006 RSU Agreement, net of shares withheld for taxes, until August 2, 2015 (the "Retention Requirement"). The Retention Requirement will terminate upon termination of Mr. Khosrowshahi's employment by the Company without cause or if Mr. Khosrowshahi dies (or of his death or disability) or if Mr. Khosrowshahi resigns for good reason.

### ***Mark D. Okerstrom***

*Employment Agreement.* Expedia entered into an employment agreement with Mr. Okerstrom (the "Okerstrom Employment Agreement"), effective as of October 20, 2011 for a term of 3 years. Pursuant to the Okerstrom Employment Agreement, if Mr. Okerstrom resigns for good reason or the Company terminates his employment

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employment without cause (other than for death or disability), Mr. Okerstrom is entitled to receive the same benefits and is subject to the same restrictions as Mr. Khosrowshahi under the Khosrowshahi Employment Agreement described above under the section titled *Dara Khosrowshahi Employment Agreement*, except that COBRA benefits will be paid by the Company on a monthly basis. Under the Okerstrom Employment Agreement, the terms "good reason" and "cause" have the same meaning as under the Khosrowshahi Employment Agreement. Mr. Okerstrom's "good reason" rights also may be triggered if Mr. Okerstrom's total annual compensation is materially reduced. Mr. Okerstrom's severance benefits also are conditioned upon his timely execution of a separation and release of claims agreement in favor of the Company and covenants to not compete with the Company, solicit or hire Company employees, or solicit customers, suppliers, business partners and business affiliates of the Company for an 18-month period following the termination of his employment with the Company.

*Stock Option Awards.* Mr. Okerstrom was granted an Incremental Vesting Stock Option Award under the Expedia 2005 Plan in each of March 2009, April 2009, February 2010, March 2011, September 2011 and April 2012. Mr. Okerstrom also was granted a Cliff Vesting Stock Option Award under the Expedia 2005 Plan in April 2009. In the event of a change in control of Expedia, outstanding and unvested stock options will vest as described in the section above titled *Expedia 2005 Plan*. In the event Mr. Okerstrom resigns for good reason or the Company terminates his employment without cause (other than for death or disability), outstanding and unvested stock options will vest as described in the section above titled *Mark D. Okerstrom Employment Agreement*.

*RSU Awards.* Mr. Okerstrom was granted RSU awards under the Expedia 2005 Plan in both 2007 and 2008, with the award vesting over a five-year term. As of December 31, 2012, 5,130 of these RSUs remained unvested. In the event of a change in control of Expedia, these RSUs will vest as described in the section above titled *Expedia 2005 Plan*. In the event Mr. Okerstrom resigns for good reason or the Company terminates his employment without cause (other than for death or disability), outstanding and unvested RSUs will vest as described in the section above titled *Mark D. Okerstrom Employment Agreement*.

### ***Robert J. Dzielak***

*Employment Agreement.* Expedia entered into an Employment Agreement with Mr. Dzielak (the "Dzielak Employment Agreement"), effective as of May 9, 2012, for a term of 3 years. Pursuant to the Dzielak Employment Agreement, if Mr. Dzielak resigns for good reason or the Company terminates his employment without cause (other than for death or disability), Mr. Dzielak is entitled to receive the same benefits and is subject to the same restrictions as Mr. Khosrowshahi under the Khosrowshahi Employment Agreement described above under the section titled *Khosrowshahi Employment Agreement*. Under the Dzielak Employment Agreement, "good reason" has the same meaning as under the Khosrowshahi Employment Agreement, except that Mr. Dzielak's severance benefits will not be triggered if Mr. Dzielak suffers a reduction in his title or reporting responsibilities. Mr. Dzielak's severance benefits also are conditioned upon his timely execution of a separation and release of claims agreement in favor of the Company and covenants to not compete with the Company, solicit or hire Company employees, or solicit customers, suppliers, business partners and business affiliates of the Company for an 18-month period following the termination of his employment with the Company.

*Stock Option Awards.* Mr. Dzielak was granted an Incremental Vesting Stock Option Award under the Expedia 2005 Plan in each of March 2009, February 2010, March 2011, February 2012 and May 2012. In the event of a change in control of Expedia, outstanding and unvested stock options will vest as described in the section above titled *Expedia 2005 Plan*. In the event Mr. Dzielak resigns for good reason or the Company terminates his employment other than for cause, death or disability, then outstanding and unvested stock options will vest as described in the section above titled *Robert J. Dzielak Employment Agreement*.

*RSU Awards.* Mr. Dzielak was granted RSU awards under the Expedia 2005 Plan in both 2007 and 2008, with the award vesting over a five-year term. As of December 31, 2012, 1,397 of these RSUs remained unvested.

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the event of a change in control of Expedia, any outstanding and unvested RSUs will vest as described above titled *Expedia 2005 Plan*. In the event Mr. Dzielak resigns for good reason or the Company terminates his employment other than for cause, death or disability, then outstanding and unvested RSUs will vest as described in the section above titled *Robert J. Dzielak Employment Agreement*.

### ***Dhiren Fonseca***

*Employment Agreement.* Pursuant to a reorganization of Expedia's Partner Services Group in early 2012, the Company entered into an Employment Agreement with Mr. Fonseca (the "2012 Fonseca Employment Agreement") which expired April 17, 2013. Pursuant to the 2012 Fonseca Employment Agreement, if Mr. Fonseca is terminated for good reason or the Company terminated his employment other than for cause, death or disability, Mr. Fonseca was entitled to receive his base salary for 18 months and a payment equal to 18 months of COBRA health insurance premiums. Further, the Company would consider in good faith the payment of a discretionary bonus based on the basis for the year in which the termination of Mr. Fonseca's employment occurs. Equity awards that otherwise would have vested during the 12-month period following termination of his employment for good reason or by the Company without cause would accelerate (provided that (i) equity awards that normally vest frequently than annually will be treated as though such awards vested annually and (ii) any amount of such awards outstanding performance conditions will vest if and only to the extent such performance conditions are met). While his March 2009 Incremental Vesting Stock Option Award (discussed below) provides for accelerated vesting, the award will be fully vested by March 2013. In addition, the 2012 Fonseca Employment Agreement entitled Mr. Fonseca to certain severance benefits upon his termination of employment, including the expiration of its one-year term, which are substantially similar to the benefits to which Mr. Fonseca would be eligible if he were to terminate his employment for good reason or the Company were to terminate his employment without cause, except that Mr. Fonseca's equity award acceleration would be limited to awards that were outstanding as of February 15, 2012. Under the 2012 Fonseca Employment Agreement, "good reason" and "cause" have the same meaning as under the Khosrowshahi Employment Agreement described above under the section titled *Khosrowshahi Employment Agreement*, except that a reduction in Mr. Fonseca's title with the Company will trigger a right to resign for good reason. In addition, Mr. Fonseca's severance benefits are conditioned on the timely execution of a separation and release of claims agreement in favor of the Company and a non-solicit to compete with the Company, solicit or hire Company employees, or solicit customers, suppliers, vendors, franchisees and business affiliates of the Company for an 18-month period following the termination of his employment with the Company.

On April 17, 2013, Expedia entered into a new employment agreement with Mr. Fonseca, pursuant to which the Company will provide the same payments and equity acceleration on the same terms and conditions as described above except that, if Mr. Fonseca is terminated due to expiration of his new employment agreement, Mr. Fonseca is entitled to receive \$312,500 over 18 months.

*Stock Option Awards.* Mr. Fonseca was granted an Incremental Vesting Stock Option Award under the Expedia 2005 Plan in each of March 2009, February 2010, March 2011 and February 2012. He was granted a total of four Stock Option Awards under the Expedia 2005 Plan in March 2009. In the event of a change in control of the Company, any outstanding and unvested stock options will vest as described in the section above titled *Expedia 2005 Plan*. In the event Mr. Fonseca resigns for good reason or the Company terminates his employment without cause, then outstanding and unvested stock options will vest as described in the section above titled *Dhiren Fonseca Employment Agreement*. In addition, upon his termination of employment due to the expiration of the one-year term of Mr. Fonseca's employment, any outstanding and unvested stock option awards that were granted to Mr. Fonseca as of February 15, 2012, will vest in the same manner as if Mr. Fonseca had terminated his employment with the Company or the Company had terminated his employment without cause.

*RSU Awards.* Mr. Fonseca was granted RSU awards under the Expedia 2005 Plan in both 2007 and 2008. The RSU awards vest over a five-year term. As of December 31, 2012, 5,238 of these RSUs remained unvested.

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the event of a change in control of Expedia, any of these RSUs that are outstanding and unvested described in the section above titled *Expedia 2005 Plan*. In the event Mr. Fonseca resigns from the Company or the Company terminates his employment without cause, any outstanding and unvested RSUs will vest in accordance with the section above titled *Dhiren Fonseca Employment Agreement*. In addition, upon the expiration of the employment agreement, any unvested RSU awards that were granted prior to February 15, 2012, will vest in the same manner as if Mr. Fonseca had terminated his employment for good reason or the Company terminated his employment without cause.

***Gary M. Fritz***

*Employment and Severance Agreements.* Mr. Fritz resigned effective March 12, 2012. Pursuant to his Employment Agreement, dated as of June 11, 2011, and a separation agreement, dated as of March 12, 2012,

Mr. Fritz is entitled to receive his base salary (\$425,000 on an annualized basis) during the 12-month period following his termination date;

Mr. Fritz is entitled to receive a monthly cash payment equal to the premiums charged for COBRA health insurance for Mr. Fritz and his eligible dependents for 18 months;

the Compensation Committee approved a 2011 cash bonus for Mr. Fritz of \$260,391, which is the maximum funding level applicable for the Partner Services Group division;

Mr. Fritz received \$125,000 in connection with the termination of the individual performance bonus;

104,419 options and 5,238 RSUs held by Mr. Fritz that otherwise would have vested during the 12-month period following his termination date vested on March 20, 2012; and

Mr. Fritz's unvested stock options will remain exercisable for 18 months following his termination date.

**Estimated Potential Incremental Payments Upon Termination or Change in Control**

The table below reflects the estimated amount of incremental compensation payable to the named executive officer upon the occurrence of:

- (i) a termination either by the Company without cause or by the executive for good reason or the Company with a change in control; or
- (ii) a change in control.

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Except as provided in the footnotes below, amounts shown in the table assume that the triggering event is effective as of December 31, 2012 and that the price of Expedia common stock on which certain amounts are based was the closing price of \$61.44 on the NASDAQ Stock Market on that date. These amounts represent the incremental amounts that would be paid out to the executive upon such triggering event. The actual amounts to be paid out can only be determined at the time of the triggering event, if any.

Name and Benefits	Termination w/o Cause or for Good Reason
<b>Barry Diller</b>	
RSU Awards (vesting accelerated)	\$
Stock Option Awards (vesting accelerated)	
Total Estimated Incremental Value	
<b>Victor Kaufman</b>	
RSU Awards (vesting accelerated)	
Stock Option Awards (vesting accelerated)	
Total Estimated Incremental Value	
<b>Dara Khosrowshahi</b>	
Cash Severance (salary)	2,607,143
RSU Awards (vesting accelerated)	3,705,242
Common Stock (release of restrictions)(2)	12,494,438
Stock Option Awards (vesting accelerated)	8,821,548
Health and Benefits(3)	18,407
Total Estimated Incremental Value	27,646,778
<b>Mark D. Okerstrom</b>	
Cash Severance (salary)	899,725
RSU Awards (vesting accelerated)	315,187
Stock Option Awards (vesting accelerated)	4,281,019
Health and Benefits(3)	18,721
Total Estimated Incremental Value	5,514,652
<b>Robert J. Dzielak</b>	
Cash Severance (salary)	891,140
RSU Awards (vesting accelerated)	85,832
Stock Option Awards (vesting accelerated)	1,390,248
Health and Benefits(3)	6,307
Total Estimated Incremental Value	2,373,527
<b>Dhiren Fonseca</b>	
Cash Severance (salary)	637,500(4)
RSU Awards (vesting accelerated)	321,823
Stock Option Awards (vesting accelerated)	5,523,891
Health and Benefits(3)	28,082
Total Estimated Incremental Value	6,511,296
<b>Gary M. Fritz(5)</b>	
Cash Severance (salary)	637,500
RSU Awards (vesting accelerated)	177,097
Stock Option Awards (vesting accelerated)	2,224,044
Health and Benefits(3)	43,719

Total Estimated Incremental Value	3,082,360
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- (1) Some of our plans and award agreements provide benefits to the named executive officers in the event of a change in control. The amounts to which the executive would be entitled in such event are shown in the column captioned "Upon Change in Control."
- (2) Accounts for termination of the Retention Requirement, described above under the section titled "Khosrowshahi Employment Agreement."
- (3) Reflects the payment of COBRA premiums for 12 months following termination of employment for Mr. Khosrowshahi, Mr. Okerstrom and Mr. Dzielak, and for 18 months following termination of employment for Mr. Fonseca and Mr. Fritz.
- (4) Pursuant to the employment agreement with Mr. Fonseca, dated April 17, 2013, Mr. Fonseca is entitled to a total of \$312,500 following termination of his employment due to expiration of his employment agreement, with payments made over a period of 18 months, described above under the section titled "Fonseca Employment Agreement."
- (5) Mr. Fritz' employment with the Company terminated March 12, 2012. The amounts shown for Mr. Fritz represent actual amounts received in connection with his employment agreement termination, which are described in the section above titled "Potential Payments Upon Termination of Employment Control Gary M. Fritz."

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**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

**Review and Approval or Ratification of Related Person Transactions**

In general, the Company will enter into or ratify a related person transaction only when it has been approved by the Audit Committee of the Board of Directors. Related persons include the Company's executive officers, directors, and more than 10% or more beneficial owners of our common stock, immediate family members of these persons and any other person if one of these persons has a direct or indirect material interest. Related person transactions are transactions that exceed the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person or entity has a direct or indirect material interest). When a potential related person transaction is identified, management presents it to the Audit Committee for review and determine whether to approve or ratify. When determining whether to approve, ratify, disapprove or not act on a related person transaction, the Audit Committee considers all relevant factors, including the extent of the related person's interest in the transaction, whether the terms are commercially reasonable and whether the transaction is consistent with the best interests of the Company and its stockholders.

The legal and accounting departments work with business units throughout the Company to identify and review related person transactions prior to execution. In addition, the Company takes the following steps to review related person transactions:

On an annual basis, each director, director nominee and executive officer of the Company completes a Director and Officer Questionnaire that requires disclosure of any transaction, arrangement or relationship with the Company during the last fiscal year in which the director or executive officer, or his or her immediate family, had a direct or indirect material interest.

Each director, director nominee and executive officer is expected to promptly notify the legal department of any direct or indirect interest that such person or an immediate family member or his or her person had, has or may have in a transaction in which the Company participates.

The Company performs a quarterly search of its accounts payable, accounts receivable and other financial statements to identify any other potential related person transactions that may require disclosure.

Any reported transaction that the Company's legal department determines may qualify as a related person transaction is referred to the Audit Committee.

If any related person transaction is not approved, the Audit Committee may take such action as it deems necessary or desirable in the best interests of the Company and its stockholders.

**Related Person Transactions**

***Relationships With Officers and Directors***

Subject to the terms of the Stockholders Agreement between Mr. Diller and Liberty Interactive, Mr. Diller holds an irrevocable proxy to vote shares of Expedia common stock and Class B common stock beneficially owned by Liberty Interactive. By virtue of the proxy, as well as through shares owned by Mr. Diller directly, Mr. Diller is effectively able to control the outcome of all matters submitted to a vote or for the consent of Expedia's Board of Directors (other than with respect to the election by the holders of Expedia common stock of 25% of the members of the Board of Directors and matters as to which Delaware law requires a separate class vote).

From the completion of the TripAdvisor Spin-Off in December 2011 until December 2012, Mr. Diller was the chairman and senior executive of TripAdvisor, and through similar arrangements between Mr. Diller and

Interactive, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote of the stockholders of TripAdvisor without the consent of TripAdvisor's stockholders during that time (other than with respect to the election of directors).

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of TripAdvisor's common stock of 25% of the members of TripAdvisor's Board of Directors a Delaware law requires a separate class vote). Mr. Diller continues to serve as a director of TripA

Mr. Diller is also the chairman and senior executive of IAC, and through his IAC ownership into and certain contractual rights pursuant to an amended and restated governance agreement between Mr. Diller, Mr. Diller is currently in a position to influence, subject to IAC's organizational doc law, the composition of IAC's Board of Directors and the outcome of corporate actions requiring approval, such as mergers, business combinations and dispositions of assets, among other corpo

***Relationship Between Expedia and IAC***

In connection with and following the IAC/Expedia Spin-Off in August of 2005, Expedia and IA certain arrangements, including arrangements regarding the sharing of certain costs and the use the Company aircraft and various commercial and other relationships, which are described below

*Cost-Sharing Arrangements.* Expedia and IAC have agreed, in light of Mr. Diller's senior role a his use of certain resources to the benefit of both companies, that certain expenses associated wi be shared. These expenses include certain of Mr. Diller's business expenses, costs for equipmen Mr. Diller's use and expenses relating to Mr. Diller's support staff, as well as certain other cos paid 35% of such expenses. The aggregate amount of costs paid by Expedia was approximately which amount does not include amounts paid by Expedia for its costs attributable to Mr. Diller Company aircraft. See footnote 1 to the table above titled *2012 All Other Compensation* for i personal use of Company aircraft.

*Aircraft Arrangements.* Each of Expedia and IAC has a 50% ownership interest in an aircraft tha both companies. Expedia and IAC share capital costs relating to this aircraft equally and operati based on actual usage. Members of the Company aircraft's flight crew are employed by an enti Expedia and IAC has a 50% ownership interest. In 2012, total payments of approximately \$581, this entity by Expedia. On the fifth anniversary of IAC/Expedia Spin-Off and annually thereafter when Mr. Diller ceases to serve as Chairman of either Expedia or IAC, IAC will have a call righ have a put right with respect to Expedia's interest in the Company aircraft, in each case at fair r the right to sell the aircraft on behalf of both parties. On February 1, 2013, each of Expedia and the \$46.5 million purchase price and related costs for an additional aircraft in which each compa ownership interest. The new aircraft is expected to be available for use by both companies in the 2013.

*Commercial and Other Relationships.* Since the spin-off from IAC, Expedia has continued to w IAC's businesses pursuant to a variety of commercial relationships. These relationships general agreements, primarily involving advertising sales services provided by IAC businesses. For 201 did not, individually or together with similar agreements, involve revenues to (or payments from) businesses in excess of \$120,000.

***Relationship Between Expedia and Liberty Interactive***

Liberty Interactive, Expedia and Mr. Diller are parties to the Governance Agreement, pursuant t Interactive has the right to nominate up to a number of directors equal to 20% of the total numb Board of Directors (rounded up to the next whole number if the number of directors on the Boar multiple of five) and has certain other rights regarding committee participation, so long as certai requirements applicable to Liberty Interactive are satisfied.

The Governance Agreement also provides that if Expedia issues or proposes to issue shares of B stock or Expedia Class B common stock, Liberty Interactive has preemptive rights that generally

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it to purchase a number of Expedia common shares, subject to a cap, so that Liberty Interactive held the same ownership interest in Expedia that Liberty Interactive held immediately prior to such issuance. Liberty Interactive did not exercise any such preemptive rights in 2012. On January 28, 2013, Liberty Interactive delivered a notice to Expedia exercising its preemptive rights under the Governance Agreement with respect to issuances by Expedia of its common stock made from May 8, 2012 to December 27, 2012. In 2013, Expedia issued 467,672 shares of its common stock to Liberty at a price per share of \$54.00, with a value of approximately \$25,272,995 pursuant to and in accordance with the Governance Agreement.

### ***Relationships Between Expedia and TripAdvisor***

Following the TripAdvisor Spin-Off, Expedia and TripAdvisor were related parties since they were under common control. In connection with the TripAdvisor Spin-Off, Expedia and TripAdvisor entered into various agreements, including, among others, a separation agreement, a tax sharing agreement, an employee matters and transition services agreement. Summaries of the separation, tax sharing, employee matters and transition services agreements are set forth in Expedia's Definitive Proxy Statement/Prospectus dated October 31, 2011. Each of these agreements were filed as exhibits to Expedia's Current Report on Form 8-K filed on December 27, 2011.

Under the transition services agreement, Expedia agreed to provide certain assistance and services to TripAdvisor on an interim, transitional basis for the one-year period following the TripAdvisor Spin-Off, which assistance consisted primarily of services relating to finance and accounting, tax and legal, among other areas. Charges for assistance and services provided pursuant to this agreement are on a cost plus a fee or hourly basis, as applicable. TripAdvisor paid Expedia approximately \$219,000 for services provided by Expedia to TripAdvisor pursuant to the transition services agreement in 2012.

**Commercial Agreements.** In connection with the TripAdvisor Spin-Off, Expedia and TripAdvisor entered into various commercial agreements that generally had a one-year term and are discussed further below. Expedia believes that these arrangements were negotiated on an arm's length basis and, whether taken individually or in aggregate, do not constitute a material contract to Expedia. Although these agreements have generally expired, the parties have continued to perform under substantially similar terms. During 2012 Expedia recognized approximately \$205 million in sales and marketing expense relating to these commercial agreements. During 2012, Expedia recognized approximately \$6 million in advertising revenue from TripAdvisor in connection with these agreements.

**Click-Based Advertising Agreements.** Certain subsidiaries of Expedia entered into an agreement with TripAdvisor for click-based advertising, primarily in connection with the "check rates" feature on TripAdvisor websites, including textlink advertising on TripAdvisor websites. The pricing for such advertising are on a cost-plus basis or revenue-share basis.

**Display-based and Other Advertising Agreements.** Certain subsidiaries of Expedia entered into an agreement with TripAdvisor to purchase banner display and "exit window" advertising on TripAdvisor websites, and vice versa. The pricing for such advertising is on a cost-per-thousand impressions or revenue-share basis.

**Content Sharing Agreement.** Expedia and TripAdvisor entered into a content sharing agreement whereby the parties agreed to continue providing the other, without charge, with certain proprietary and/or user-generated content. TripAdvisor continued to provide certain subsidiaries of Expedia with proprietary content, including hotel reviews, as well as proprietary ratings and summary statistics. Expedia continued to provide TripAdvisor with proprietary content, including hotel star ratings, thumbnail images, hotel and flight availability data.

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**ANNUAL REPORTS**

Expedia's Annual Report to Stockholders for 2012, which includes Expedia's Annual Report on Form 10-K for the year ended December 31, 2012 (not including exhibits), is available at [www.RRDEZProxy.com](http://www.RRDEZProxy.com). **Expedia will provide, without charge, an additional copy of Expedia's 2012 Annual Report to Stockholders upon written request to Expedia, Inc., 333 108th Avenue N.E., Bellevue, Washington 98004, Attention: Investor Relations.** Expedia will furnish any exhibit contained in the Annual Report on Form 10-K upon payment of a fee. Stockholders may also review a copy of the Annual Report on Form 10-K (including exhibits) by visiting Expedia's corporate website at [www.expediainc.com](http://www.expediainc.com) or the SEC's website at [www.sec.gov](http://www.sec.gov).

**PROPOSALS BY STOCKHOLDERS FOR PRESENTATION AT THE 2014 ANNUAL MEETING**

**2014 ANNUAL MEETING**

Stockholders who wish to have a proposal considered for inclusion in Expedia's proxy materials for the 2014 Annual Meeting of Stockholders must submit the proposal to Expedia no later than December 15, 2013, to its principal executive offices at 333 108th Avenue N.E., Bellevue, Washington 98004, Attention: Investor Relations. The proposal must be made in accordance with the provisions of Rule 14a-8 of the Exchange Act. Stockholders who intend to present a proposal at the 2014 Annual Meeting of Stockholders without inclusion of the proposal in Expedia's proxy materials are required to provide notice of such proposal to Expedia at its principal executive offices no later than March 25, 2014. Expedia reserves the right to reject, rule out of order or take other action with respect to any proposal that does not comply with these and other applicable requirements.

Bellevue, Washington

April 30, 2013

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**SECOND AMENDED AND RESTATED EXPEDIA, INC.**

**2005 STOCK AND ANNUAL INCENTIVE PLAN**

**SECTION 1. PURPOSE; DEFINITIONS**

The purposes of this Plan are to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide the Company and its Subsidiaries with a stock and incentive plan providing incentives directly linked to stockholder value and to provide for other awards pursuant to the adjustment of awards granted under any IAC Long-Term Incentive Plan (as defined in the Employee Matters Agreement) in accordance with the terms of the Employee Matters Agreement (the "Awards"). Certain terms used herein have definitions given to them in the first place in which they appear. In addition, for purposes of this Plan, the following terms are defined as set forth below:

- (a) Affiliate means a corporation or other entity controlled by, controlling or under common control with the Company.
- (b) Adjusted Awards has the meaning set forth in the preamble to Section 1.
- (c) Applicable Exchange means the NASDAQ or such other securities exchange as may at the time be the principal market for the Common Stock.
- (d) Award means an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Cash-Based Award or Cash-Based Award granted or assumed pursuant to the terms of this Plan, including Awards.
- (e) Award Agreement means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.
- (f) Board means the Board of Directors of the Company.
- (g) Cash-Based Award means an Award denominated in a dollar amount.
- (h) Cause means, unless otherwise provided in an Award Agreement, (i) Cause as defined in the Award Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Award Agreement, Cause shall mean: (A) the willful or gross neglect by a Participant of his employment duties; (B) the willful or gross neglect by a Participant to perform his employment duties; (C) a Participant's failure to nolo contendere to, or conviction for, the commission of a felony offense by a Participant; (D) a Participant's failure to perform a fiduciary duty owed to the Company or any of its subsidiaries; (E) a Participant's failure to perform a fiduciary duty owed to the Company or any of its subsidiaries; (F) a Participant's failure to perform a nondisclosure, non-solicitation or non-competition obligation owed to the Company or any of its subsidiaries; or (G) before a Change in Control, such other events as shall be determined by the Committee in a Participant's Award Agreement. Notwithstanding the general rule of Section 2(c), following a Change in Control, any determination by the Committee as to whether Cause exists shall be subject to the determination of the Committee.
- (i) Change in Control has the meaning set forth in Section 10(b).
- (j) Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor provisions thereof, and any Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include references to any successor provision of the Code, and guidance, as well as any successor provision of the Code.
- (k) Commission means the Securities and Exchange Commission or any successor agency.
- (l) Committee has the meaning set forth in Section 2(a).

(m) Common Stock means common stock, par value \$0.001 per share, of the Company.



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(n) Company means Expedia, Inc., a Delaware corporation or its successor.

(o) Disability means (i) Disability as defined in any Individual Agreement to which the Participant is a party, or (ii) if there is no such Individual Agreement or it does not define Disability, (A) permanent and total disability as determined under the Company's long-term disability plan applicable to the Participant, or (B) permanent and total disability plan applicable to the Participant or the Committee determines otherwise in an applicable Award Agreement. Disability as determined by the Committee. Notwithstanding the above, with respect to an Incentive Award, Disability shall mean Permanent and Total Disability as defined in Section 22(e)(3) of the Code. For all Awards, to the extent required by Section 409A of the Code, Disability shall mean disability as defined in Section 409A of the Code.

(p) Disaffiliation means a Subsidiary's or Affiliate's ceasing to be a Subsidiary or Affiliate of the Company, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

(q) EBITA means for any period, operating profit (loss) plus (i) amortization, including goodwill impairment, (ii) amortization of non-cash distribution and marketing expense and non-cash compensation expense, (iii) disengagement expenses, (iv) restructuring charges, (v) non cash write-downs of assets or goodwill, (vi) charges relating to disposal of lines of business, (vii) litigation settlement amounts and (viii) other charges related to proposed and completed acquisitions.

(r) EBITDA means for any period, operating profit (loss) plus (i) depreciation and amortization, goodwill impairment, (ii) amortization of non-cash distribution and marketing expense and non-cash compensation expense, (iii) disengagement expenses, (iv) restructuring charges, (v) non cash write-downs of assets or goodwill, (vi) charges relating to disposal of lines of business, (vii) litigation settlement amounts and (viii) other charges related to proposed and completed acquisitions.

(s) Eligible Individuals means directors, officers, employees and consultants of the Company and its Subsidiaries or Affiliates, and prospective directors, officers, employees and consultants who have been or will be employed or consultancy from the Company or its Subsidiaries or Affiliates.

(t) Employee Matters Agreement means the Employee Matters Agreement by and between IAC and the Company dated as of August 9, 2005.

(u) Exchange Act means the Securities Exchange Act of 1934, as amended from time to time and the rules and regulations thereunder.

(v) Fair Market Value means, unless otherwise determined by the Committee, the closing price of the Company's Common Stock on the Applicable Exchange on the date of measurement, or if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares were traded on the Applicable Exchange as reported by such source as the Committee may select. If the Common Stock is not listed on an exchange, Fair Market Value shall be determined by the Committee in its good faith discretion, and such determination shall be made in a manner consistent with any applicable requirements of Section 409A of the Code.

(w) Free-Standing SAR has the meaning set forth in Section 5(b).

(x) Grant Date means (i) the date on which the Committee by resolution selects an Eligible Individual to receive a grant of an Award and determines the number of Shares to be subject to such Award or the form of such Award, or the number of shares or cash amount, (ii) such later date as the Committee shall provide in such resolution, or the initial date on which an Adjusted Award was granted under the applicable IAC Long-Term Incentive Plan.

(y) IAC means IAC/InterActiveCorp, a Delaware corporation.

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- (z) Incentive Stock Option means any Option that is designated in the applicable Award Agreement as an Incentive Stock Option within the meaning of Section 422 of the Code, and that in fact so qualifies.
- (aa) Individual Agreement means an employment, consulting or similar agreement between the Company or one of its Subsidiaries or Affiliates.
- (bb) NASDAQ means the National Association of Securities Dealers Inc. Automated Quotation System.
- (cc) Nonqualified Option means any Option that is not an Incentive Stock Option.
- (dd) Option means an Award described under Section 5.
- (ee) Outside Directors has the meaning set forth in Section 11(a).
- (ff) Participant means an Eligible Individual to whom an Award is or has been granted.
- (gg) Performance Goals means the performance goals established by the Committee in connection with the granting of an Award. In the case of Qualified-Performance Based Awards that are intended to qualify under Section 162(m)(4)(C) of the Code, (i) such goals shall be based on the attainment of one or any combination of the following: specified levels of earnings per share from continuing operations, net profit after tax, gross profit, cash generation, unit volume, market share, sales, including hotel room night bookings, total revenue, total assets, total liabilities, total equity, total debt, total capital, total return on equity, total return on assets, total return on capital, total return on investment, total return on sales, total return on assets sold, asset quality, earnings per share, operating income, revenues, return on assets, return on equity, return on capital, return on investment, return on sales, return on assets sold, asset quality, earnings per share, operating income, revenues, return on assets, return on equity, profits, total stockholder return (measured in terms of stock price appreciation and total return), cost saving levels, marketing- spending efficiency, core non-interest income, change in operating income, return on capital, and/or stock price, with respect to the Company or any Subsidiary, Affiliate, department of the Company and (ii) such Performance Goals shall be set by the Committee with respect to the attainment of specified levels of Company, Subsidiary, Affiliate or divisional performance under the measures described above relative to the performance of other entities, divisions or subsidiaries.
- (hh) Plan means this Second Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan as amended from time to time.
- (ii) Qualified Performance-Based Award means an Award intended to qualify for the Section 162(m)(4)(C) exemption provided in Section 11.
- (jj) Restricted Stock means an Award described under Section 6.
- (kk) Restricted Stock Units means an Award described under Section 7.
- (ll) Retirement means retirement from active employment with the Company, a Subsidiary or Affiliate upon a Participant's attainment of age 65.
- (mm) RS Restriction Period has the meaning set forth in Section 6(b)(ii).
- (nn) RSU Restriction Period has the meaning set forth in Section 7(b)(ii).
- (oo) Section 162(m) Exemption means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.
- (pp) Separation has the meaning set forth in the Employee Matters Agreement.
- (qq) Share means a share of Common Stock.



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(rr) Stock Appreciation Right has the meaning set forth in Section 5(b).

(ss) Subsidiary means any corporation, partnership, joint venture, limited liability company or any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the successor to the Company.

(tt) Tandem SAR has the meaning set forth in Section 5(b).

(uu) Term means the maximum period during which an Option or Stock Appreciation Right is outstanding, subject to earlier termination upon Termination of Employment or otherwise, as specified in the applicable Award Agreement.

(vv) Termination of Employment means the termination of the applicable Participant's employment for performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, if a Participant's employment with, or membership on a board of directors of, the Company or an Affiliate terminates but such Participant continues to provide services to the Company and its Affiliates in a non-employee director capacity or as an employee, as applicable, such change in status shall not constitute a Termination of Employment. A Participant employed by, or performing services for, a Subsidiary or Affiliate of a division of the Company and its Affiliates shall be deemed to incur a Termination of Employment if such Subsidiary, Affiliate or division ceases to be a Subsidiary, Affiliate or division of the Company, may be, and the Participant does not immediately thereafter become an employee of (or service provider) or a member of the board of directors of, the Company or another Subsidiary or Affiliate. Temporary employment because of illness, vacation or leave of absence and transfers among the Company and its Affiliates shall not be considered Terminations of Employment. For the avoidance of doubt, a change in status shall not constitute a Termination of Employment for purposes of any Adjusted Award. Notwithstanding anything to the contrary with respect to any Award that constitutes nonqualified deferred compensation within the meaning of Section 409(a) of the Code, Termination of Employment shall mean a separation from service as defined in Section 409(a) of the Code.

**SECTION 2. ADMINISTRATION**

(a) Committee. The Plan shall be administered by the Compensation Committee of the Board of Directors or a committee of the Board as the Board may from time to time designate (the "Committee"), which shall be composed of not less than two directors, and shall be appointed by and serve at the pleasure of the Board. The Committee shall, subject to Section 11, have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Among other things, the Committee shall have the authority, subject to the terms of the Plan and the Employee Matters Agreement (including the original terms of the grant of the Adjusted Award),

(i) to select the Eligible Individuals to whom Awards may from time to time be granted;

(ii) to determine whether and to what extent Incentive Stock Options, Nonqualified Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, other stock-based awards, Cash-Based Awards and Cash-Based Awards thereon, are to be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder or the amount of Cash-Based Award;

(iv) to determine the terms and conditions of each Award granted hereunder, based on such factors as the Committee shall determine;

(v) subject to Section 12, to modify, amend or adjust the terms and conditions of any Award, at any time from time to time;

(vi) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as the Committee from time to time deem advisable;

(vii) subject to Section 11, to accelerate the vesting or lapse of restrictions of any outstanding A case on such considerations as the Committee in its sole discretion determines;

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(viii) to interpret the terms and provisions of the Plan and any Award issued under the Plan (and relating thereto);

(ix) to establish any blackout period that the Committee in its sole discretion deems necessary;

(x) to decide all other matters that must be determined in connection with an Award; and

(xi) to otherwise administer the Plan.

(b) **Procedures.** (i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Exchange and subject to Section 11, allocate all or any portion of its responsibilities and powers to any person or persons of its members and may delegate all or any part of its responsibilities and powers to any person or persons by it.

(ii) Subject to Section 11(c) and any applicable law, regulation or listing standard, any authority or power of the Committee may also be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) **Discretion of Committee.** Subject to Section 1(h), any determination made by the Committee or any appropriately delegated officer pursuant to delegated authority under the provisions of the Plan shall be made in the sole discretion of the Committee or such delegate at the time of the determination, or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be binding on all persons, including the Company, Participants, and Eligible Individuals.

(d) **Award Agreements.** The terms and conditions of each Award (other than any Cash-Based Award) made by the Committee, shall be set forth in an Award Agreement, which shall be delivered to the Participant upon the grant of such Award. Such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The grant of an Award shall not be subject to the Award Agreements being signed by the Company and/or the Participant receiving the Award unless specifically so provided in the Award Agreement. Award Agreements shall be enforceable only in accordance with Section 12 hereof.

**SECTION 3. COMMON STOCK SUBJECT TO PLAN**

(a) **Plan Maximums.** The maximum number of Shares that may be delivered pursuant to Awards under the Plan shall be the sum of (i) the number of Shares that may be issuable upon exercise or vesting of the Awards under the Plan and (ii) 48,616,336. The maximum number of Shares that may be granted pursuant to Options in the Plan and Incentive Stock Options shall be 7,000,000 Shares. Shares subject to an Award under the Plan may be unissued and unissued Shares or may be treasury Shares.

(b) **Individual Limits.** During a calendar year, no single Participant may be granted:

(i) Options or Stock Appreciation Rights covering in excess of 3,000,000 Shares in the aggregate;

(ii) Qualified Performance-Based Awards (other than Options or Stock Appreciation Rights) covering in excess of 2,000,000 Shares in the aggregate;

provided, however, that Adjusted Awards shall not be subject to the limitations set forth in this Section 3.

(c) **Rules for Calculating Shares Delivered.**

(i) With respect to Awards other than Adjusted Awards, to the extent that any Award is forfeited, expires, or lapses without being exercised, or any Award is settled for cash, the Shares subject to such Award shall again be available for Awards under the Plan.

(ii) With respect to Awards other than Adjusted Awards, if the exercise price of any Option and withholding obligations relating to any Award are satisfied by delivering Shares to the Company

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either actual delivery or by attestation), only the number of Shares issued net of the Shares delivered shall be deemed delivered for purposes of the limits set forth in Section 3(a).

(iii) With respect to Awards other than Adjusted Awards, to the extent any Shares subject to an Award are not delivered to satisfy the exercise price (in the case of an Option) and/or the tax withholding obligations related to such Shares shall not be deemed to have been delivered for purposes of the limits set forth in Section 3(a).

(d) Adjustment Provisions.

(i) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, stock split, reverse stock split, separation, spinoff, reorganization, Disaffiliation (other than a spinoff), or similar event affecting the Company or any of its Subsidiaries (collectively, a Corporate Transaction), the Committee or the Board may in its discretion make such substitutions as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities subject to outstanding Awards, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number of Shares or other securities subject to outstanding Awards; and (D) the exercise price of outstanding Awards and Stock Appreciation Rights.

(ii) In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, dividend of cash or other property, share combination, or recapitalization or similar event affecting the Company or any of its Subsidiaries (collectively, a Share Change), the Committee or the Board shall make such adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, and (C) the exercise price of outstanding Awards and kind of Shares or other securities subject to outstanding Awards; and (D) the exercise price of outstanding Awards and Stock Appreciation Rights.

(iii) In the case of Corporate Transactions, the adjustments contemplated by clause (i) of this paragraph shall include, without limitation, (A) the cancellation of outstanding Awards in exchange for payment of cash or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction, the value of such Awards shall be determined as of the date of the Corporate Transaction with respect to which holders of Common Stock receive consideration other than publicly traded equity of the ultimate surviving entity, any such determination by the Committee that the value of an Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the Shares being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Award and the value of the Stock Appreciation Right shall conclusively be deemed valid); (B) the substitution of other property (including cash or other securities of the Company and securities of entities other than the Company) for Awards subject to outstanding Awards; and (C) in connection with any Disaffiliation, arranging for the substitution of other property (including cash or other securities of the Company and securities of entities other than the Company), by the Company, a Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division for Awards subject to outstanding Awards; and (D) the substitution of other property (including cash or other securities of the Company and securities of entities other than the Company) for Awards subject to outstanding Awards in connection with any Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company Awards).

(iv) Any adjustments made pursuant to this Section 3(d) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code. Any adjustments made pursuant to this Section 3(d) to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that, in the event of such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code.

(v) Any adjustment under this Section 3(d) need not be the same for all Participants.



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**SECTION 4. ELIGIBILITY**

Awards may be granted under the Plan to Eligible Individuals and, with respect to Adjusted Awards, with the terms of the Employee Matters Agreement; provided, however, that Incentive Stock Options shall be granted only to employees of the Company and its subsidiaries or parent corporation (within the meaning of Section 424(f) of the Code) and, with respect to Adjusted Awards that are intended to qualify as Incentive Stock Options within the meaning of Section 421 of the Code, in accordance with the terms of the Employee Matters Agreement.

**SECTION 5. OPTIONS AND STOCK APPRECIATION RIGHTS**

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the applicable Adjusted Award Agreement under the Employee Matters Agreement:

(a) Types of Options. Options may be of two types: Incentive Stock Options and Nonqualified Stock Options. The Award Agreement for an Option shall indicate whether the Option is intended to be an Incentive Stock Option or a Nonqualified Option.

(b) Types and Nature of Stock Appreciation Rights. Stock Appreciation Rights may be granted in conjunction with an Option, or Free-Standing SARs, which are not granted in conjunction with an Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of the underlying Share over the exercise price of the applicable Stock Appreciation Right, multiplied by (ii) the number of Shares to which the Stock Appreciation Right has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Common Stock or both, or shall reserve to the Committee the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

(c) Tandem SARs. A Tandem SAR may be granted at the Grant Date of the related Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Option is exercisable in accordance with the provisions of this Section 5, and shall have the same exercise price as the related Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Option, and the related Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) Exercise Price. The exercise price per Share subject to an Option or Stock Appreciation Right shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a share of the Common Stock on the applicable Grant Date. In no event may an Option or Stock Appreciation Right granted under this Plan be amended, other than pursuant to Section 3(d), to increase the exercise price thereof, be cancelled in exchange for cash or other Awards or in conjunction with the grant of an Option or Stock Appreciation Right with a lower exercise price or otherwise be subject to any action that would cause the Option or Stock Appreciation Right to fail to comply with the applicable listing standards or for accounting purposes, as a repricing of the Option or Stock Appreciation Right, unless such amendment, cancellation, or action is approved by the Committee.

(e) Term. The Term of each Option and each Stock Appreciation Right shall be fixed by the Committee and shall not exceed ten years from the Grant Date.

(f) Vesting and Exercisability. Except as otherwise provided herein, Options and Stock Appreciation Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Option or Stock Appreciation Right will become exercisable in installments, the Committee may at any time waive such installment exercise provisions, in whole or in part, on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Option or Stock Appreciation Right.

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(g) Method of Exercise. Subject to the provisions of this Section 5, Options and Stock Appreciation Rights may be exercised, in whole or in part, at any time during the applicable Term by giving written notice of exercise to the Company or through the procedures established with the Company's appointed third-party Option Administrator, specifying the number of Shares as to which the Option or Stock Appreciation Right is being exercised; however, that, unless otherwise permitted by the Committee, any such exercise must be with respect to the applicable Option or Stock Appreciation Right relating to no less than the lesser of the number of Shares subject to such Option or Stock Appreciation Right or 100 Shares. In the case of the exercise of an Option, notice shall be accompanied by payment in full of the aggregate purchase price (which shall equal the applicable per Share exercise price multiplied by the applicable number of Shares) by cash, bank check or such other instrument as the Company may accept. If approved by the Committee, payment in part, may also be made as follows:

(i) Payment may be made in the form of unrestricted Shares already owned by Participant (by delivery of such Shares or by attestation) of the same class as the Common Stock subject to the Option (based on the Fair Market Value of the Common Stock on the date the Option is exercised); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned Shares of the same class as the Common Stock subject to the Option may be authorized only at the time the Option is granted.

(ii) To the extent permitted by applicable law, payment may be made by delivering a properly executed check to the Company, together with a copy of irrevocable instructions to a broker to deliver proceeds to the Company the amount of sale proceeds necessary to pay the purchase price, and, if requested, the purchase price less federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokers. To the extent permitted by applicable law, the Committee may also provide for Company loans to Participants to facilitate the exercise of Options.

(iii) Payment may be made by instructing the Company to withhold a number of Shares having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the applicable Option is exercised) equal to the product of (A) the exercise price per Share multiplied by (B) the number of Shares in respect of which the Option shall have been exercised.

(h) Delivery; Rights of Stockholders. No Shares shall be delivered pursuant to the exercise of an Option or Stock Appreciation Right until the exercise price therefor has been fully paid and applicable taxes have been paid. The applicable Participant shall have all of the rights of a stockholder of the Company holding the applicable Common Stock that is subject to the Option or Stock Appreciation Right (including, if applicable, the right to receive dividends), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 14(a), and (iii) in the case of an Option, has paid in full for such Shares.

(i) Terminations of Employment. Subject to Section 10(c), a Participant's Options and Stock Appreciation Rights shall be forfeited upon such Participant's Termination of Employment, except as set forth below:

(i) Upon a Participant's Termination of Employment by reason of death, any Option or Stock Appreciation Right held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the first anniversary of the date of such death and (B) the expiration of the Term thereof;

(ii) Upon a Participant's Termination of Employment by reason of Disability or Retirement, any Option or Stock Appreciation Right held by the Participant that was exercisable immediately before the Termination of Employment may be exercised at any time until the earlier of (A) the first anniversary of such Termination of Employment and (B) the expiration of the Term thereof;

(iii) Upon a Participant's Termination of Employment for Cause, any Option or Stock Appreciation Right held by the Participant shall be forfeited, effective as of such Termination of Employment;

(iv) Upon a Participant's Termination of Employment for any reason other than death, Disability Cause, any Option or Stock Appreciation Right held by the Participant that was

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exercisable immediately before the Termination of Employment may be exercised at any time until (A) the 90<sup>th</sup> day following such Termination of Employment and (B) expiration of the Term thereof.

(v) Notwithstanding the above provisions of this Section 5(i), if a Participant dies after such Termination of Employment but while any Option or Stock Appreciation Right remains exercisable under the Plan, above, such Option or Stock Appreciation Right may be exercised at any time until the later of (1) the first anniversary of the date of such death and (2) expiration of the Term thereof and (B) which such Option or Stock Appreciation Right would have been exercisable, absent this Section 5(i).

Notwithstanding the foregoing, the Committee shall have the power, in its discretion, to apply different rules concerning the consequences of a Termination of Employment; provided, however, that if such rules are more favorable to the Participant than those set forth above, such rules are set forth in the applicable Award Agreement. If an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for such Option under Section 422 of the Code, such Option will thereafter be treated as a Nonqualified Option.

(j) Nontransferability of Options and Stock Appreciation Rights. No Option or Stock Appreciation Right shall be transferable by a Participant other than (i) by will or by the laws of descent and distribution, or (ii) by a Nonqualified Option or Stock Appreciation Right, pursuant to a qualified domestic relations order, or (iii) as expressly permitted by the Committee including, if so permitted, pursuant to a transfer to the Participant's family members or to a charitable organization, whether directly or indirectly or by means of a trust or other arrangement, or otherwise. For purposes of this Plan, unless otherwise determined by the Committee, the term "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto. A Tandem SAR shall be transferable only with the related Option or Stock Appreciation Right by the preceding sentence. Any Option or Stock Appreciation Right shall be exercisable, subject to the terms of the Plan, only by the applicable Participant, the guardian or legal representative of such Participant, or the estate of, or whom such Option or Stock Appreciation Right is permissibly transferred pursuant to this Section 5(i). It is understood that the term "Participant" includes such guardian, legal representative and other transferee. however, that the term "Termination of Employment" shall continue to refer to the Termination of Employment of the original Participant.

**SECTION 6. RESTRICTED STOCK**

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the Adjusted Award assumed under the Employee Matters Agreement:

(a) Nature of Awards and Certificates. Shares of Restricted Stock are actual Shares issued to a Participant and shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration, or by one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be issued in the name of the applicable Participant and shall bear an appropriate legend referring to the terms and conditions and restrictions applicable to such Award, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Second Amended and Restated Expedia, Inc. 2005 Stock Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the office of the Company, Inc.

The Committee may require that the certificates evidencing such shares be held in custody by the Company and that the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock of the Company in connection with the Award.

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(b) Terms and Conditions. Shares of Restricted Stock shall be subject to the following terms and conditions:

(i) The Committee shall, prior to or at the time of grant, condition the vesting or transferability of Restricted Stock upon the continued service of the applicable Participant or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, the Committee may, prior to or at the time of grant, designate such an Award as a Qualified Performance Award. The conditions for grant, vesting, or transferability and the other provisions of Restricted Stock (without limitation any Performance Goals) need not be the same with respect to each Participant.

(ii) Subject to the provisions of the Plan and the applicable Award Agreement, so long as a Restricted Stock Award remains subject to the satisfaction of vesting conditions (the RS Restriction Period), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.

(iii) Except as provided in this Section 6 and in the applicable Award Agreement, the applicable Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the Company in the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares and the right to receive any cash dividends. If so determined by the Committee in the applicable Award Agreement and subject to Section 14(e), (A) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be automatically reinvested in additional Restricted Stock upon the vesting of the underlying Restricted Stock, and (B) subject to any adjustment pursuant to the applicable Award Agreement, cash dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class of Common Stock with respect to which such dividend was paid, held subject to the vesting of the underlying Restricted Stock.

(iv) Except as otherwise set forth in the applicable Award Agreement and subject to Section 10(c), upon a Participant's Termination of Employment for any reason during the RS Restriction Period or before the applicable Performance Goals are satisfied, all shares of Restricted Stock still subject to restriction shall be forfeited to the Company; provided, however, that subject to Section 11(b), the Committee shall have the discretion to lift, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant's Restricted Stock.

(v) If and when any applicable Performance Goals are satisfied and the RS Restriction Period expires, upon the prior forfeiture of the shares of Restricted Stock for which legended certificates have been issued, legended certificates for such Shares shall be delivered to the Participant upon surrender of the legended certificates.

**SECTION 7. RESTRICTED STOCK UNITS**

With respect to Adjusted Awards, the provisions below will be applicable only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the Adjusted Award assumed under the Employee Matters Agreement:

(a) Nature of Awards. Restricted Stock Units are Awards denominated in Shares that will be set forth in the terms and conditions of the Restricted Stock Units, in an amount in cash, Shares or both, based on the Fair Market Value of a specified number of Shares.

(b) Terms and Conditions. Restricted Stock Units shall be subject to the following terms and conditions:

(i) The Committee shall, prior to or at the time of grant, condition the grant, vesting, or transferability of Restricted Stock Units upon the continued service of the applicable Participant or the attainment of Performance Goals and the continued service of the applicable Participant. In the event that the Committee conditions the grant or vesting of Restricted Stock Units upon

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the attainment of Performance Goals or the attainment of Performance Goals and the continued applicable Participant, the Committee may, prior to or at the time of grant, designate such Award Performance-Based Awards. The conditions for grant, vesting or transferability and the other provisions of Restricted Stock Units (including without limitation any Performance Goals) need not be the same for each Participant.

(ii) Subject to the provisions of the Plan and the applicable Award Agreement, so long as an Award of Restricted Stock Units remains subject to the satisfaction of vesting conditions (the RSU Restriction Period), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock Units.

(iii) The Award Agreement for Restricted Stock Units shall specify whether, to what extent and under what conditions the applicable Participant shall be entitled to receive current or delayed payments of dividends on Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to the provisions set forth below).

(iv) Except as otherwise set forth in the applicable Award Agreement and subject to Section 10(d), upon a Participant's Termination of Employment for any reason during the RSU Restriction Period or if Performance Goals are satisfied, all Restricted Stock Units still subject to restriction shall be forfeited by the Participant; provided, however, that subject to Section 11(b), the Committee shall have the discretion to waive, in whole or in part, any or all remaining restrictions with respect to any or all of such Participant's Restricted Stock Units.

(v) Except to the extent otherwise provided in the applicable Award Agreement, an award of Restricted Stock Units shall be settled as and when the Restricted Stock Units vest (but in no event later than March 15 of the year following the end of the calendar year in which the Restricted Stock Units vest).

## **SECTION 8. OTHER STOCK-BASED AWARDS**

Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to the value of, or otherwise based upon or settled in, Common Stock, including (without limitation), unrestricted Restricted Stock Units, dividend equivalents, and convertible debentures, may be granted under the Plan.

## **SECTION 9. CASH-BASED AWARDS**

Cash-Based Awards may be granted under this Plan. Cash-Based Awards that are Qualified Performance-Based Awards shall be subject to the provisions of Section 11 of this Plan. In addition, no Eligible Individual shall be granted a Cash-Based Award that is a Qualified Performance-Based Award that has an aggregate cash payment value in any calendar year in excess of \$10.0 million. Cash-Based Awards may be paid in cash or by check (valued as of the date of payment) as determined by the Committee.

## **SECTION 10. CHANGE IN CONTROL PROVISIONS**

(a) Impact of Event/Single Trigger. Unless otherwise provided in the applicable Award Agreement or the applicable IAC Long-Term Incentive Plan (it being understood that any reference to a change of control, change of control or similar definition in an Award Agreement or the applicable IAC Long-Term Incentive Plan for any such Adjusted Award shall be deemed to refer to a change in control, change of control or similar definition in an Award Agreement or the applicable IAC Long-Term Incentive Plan for any such Adjusted Award), notwithstanding any other provision of the Plan to the contrary, the occurrence of a Change in Control, with respect to Awards (other than Cash-Based Awards) held by a Participant of the Company (and not the Company's Subsidiaries) with a title of Senior Vice President or above as of the date of the Change in Control, and with respect to all other Participants solely to the extent provided in the applicable Award Agreement:

(i) any Options and Stock Appreciation Rights outstanding which are not then exercisable and vesting and are not fully exercisable and vested;



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(ii) the restrictions applicable to any Restricted Stock shall lapse, and such Restricted Stock shall be fully vested and transferable; and

(iii) all Restricted Stock Units shall be considered to be earned and payable in full, and any restrictions on such Restricted Stock Units shall be settled as promptly as is practicable in the form set forth in the Award Agreement (but in no event later than March 15 of the calendar year following the end of the calendar year in which the Restricted Stock Units vest).

(b) Definition of Change in Control. Except as otherwise may be provided in an applicable Award Agreement, for purposes of the Plan, a Change in Control shall mean any of the following events:

(i) The acquisition by any individual entity or group (within the meaning of Section 13(d)(3) or the Exchange Act), other than Barry Diller, Liberty Media Corporation, and their respective Affiliates, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 5% of the Company representing more than 50% of the voting power of the then outstanding equity securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company, (B) any acquisition directly from the Company by any employee benefit plan (or related trust) sponsored or maintained by the Company or any other entity controlled by the Company, or (D) any acquisition pursuant to a transaction which complies with the requirements of (B) and (C) of subsection (iii); or

(ii) Individuals who, as of the Effective Date, constitute the Board (the Incumbent Board) cease to constitute at least a majority of the Board; provided, however, that any individual becoming a director of the Company after the Effective Date, whose election, or nomination for election by the Company's stockholders, or ratification of the vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to have occurred if such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the purchase of assets or stock of another entity (a Business Combination); provided, however, in the case of a Business Combination, unless immediately following such Business Combination, (A) all or substantially all of the assets of the entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to the Business Combination will beneficially own, directly or indirectly, more than 50% of the then outstanding equity securities of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination, (including, without limitation, an entity which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (B) no Person (excluding Barry Diller, Liberty Media Corporation, and their respective Affiliates) or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination will beneficially own, directly or indirectly, more than a majority of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership of such securities existed prior to the Business Combination and (C) at least a majority of the members of the board of directors (or equivalent governing body, if applicable) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the initial agreement, or action of the Board, prior to the Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, the Separation shall not constitute a Change in Control.



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(c) Impact of Event/Double Trigger. Unless otherwise provided in the applicable Award Agreement Sections 3(d), 10(e) and 14(k), and with respect to Adjusted Awards only, to the extent specified in the Award Agreement, notwithstanding any other provision of this Plan to the contrary, upon a Participant's Termination of Employment, during the two-year period following a Change in Control, by the Company other than Disability or by the Participant for Good Reason (as defined below):

(i) any Options and Stock Appreciation Rights outstanding as of such Termination of Employment shall be fully exercisable and vested and shall remain so until the later of (i) the last date on which such Option or Stock Appreciation Right would be exercisable or vestable under this Section 10(c) and (ii) the earlier of (A) the first anniversary of such Change in Control and (B) the Term of such Option or Stock Appreciation Right;

(ii) all Restricted Stock outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall become free of all restrictions and become fully vested and transferable;

(iii) all Restricted Stock Units outstanding as of such Termination of Employment which were outstanding as of the date of such Change in Control shall be considered to be earned and payable in full, and any restrictions on such Restricted Stock Units shall be settled as promptly as is practicable (but in no event later than the calendar year following the end of the calendar year in which the Restricted Stock Units were earned);

(d) For purposes of this Section 10, Good Reason means (i) Good Reason as defined in an applicable Award Agreement to which the applicable Participant is a party, or (ii) if there is no such Individual Award Agreement, it does not define Good Reason, without the Participant's prior written consent: (A) a material and demonstrable change in the Participant's rate of annual base salary from the rate of annual base salary in effect for such Participant immediately prior to the Change in Control, (B) a relocation of the Participant's principal place of business from the city in which such Participant's principal place of business was located immediately prior to the Change in Control or (C) a material and demonstrable adverse change in the nature and scope of the Participant's duties from those in effect immediately prior to the Change in Control. In order to invoke a Termination of Employment for Good Reason, a Participant shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (A) through (C) within 90 days following the Participant's knowledge of the existence of such condition or conditions, and the Company shall have 30 days following receipt of such notice (the Cure Period) during which it may remedy the condition. In the event that the Company does not remedy the condition constituting Good Reason during the Cure Period, the Participant must terminate employment within 90 days following the Cure Period in order for such Termination of Employment to constitute a Termination of Employment for Good Reason.

(e) Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 10 shall be applicable only to the extent specifically provided in the Award Agreement or in the Individual Award Agreement.

**SECTION 11. QUALIFIED PERFORMANCE-BASED AWARDS; SECTION 16(b)**

(a) The provisions of this Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Participant who is or may be a covered employee (within the meaning of Section 409A of the Code) in the tax year in which such Option or Stock Appreciation Right is expected to be deductible for the Company qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intent. Without limitation, to require that all such Awards be granted by a committee composed solely of non-employee outside directors (satisfying the requirements for being outside directors for purposes of the Section 162(m) Exemption (the Directors)). When granting any Award other than an Option or Stock Appreciation Right, the Company shall designate such Award as a Qualified Performance-Based Award, based upon a determination

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that (i) the recipient is or may be a covered employee (within the meaning of Section 162(m) respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption. The terms of any such Award (and of the grant thereof) shall be consistent with such designation and such limitation, that all such Awards be granted by a committee composed solely of Outside Directors.

(b) Each Qualified Performance-Based Award (other than an Option or Stock Appreciation Right) shall be vested and/or payable (as applicable) upon the achievement of one or more Performance Goals, the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate.

(c) The full Board shall not be permitted to exercise authority granted to the Committee to the extent that the exercise or exercise of such authority would cause an Award designated as a Qualified Performance-Based Award to qualify for, or to cease to qualify for, the Section 162(m) Exemption.

(d) The provisions of this Plan are intended to ensure that no transaction under the Plan is subject to (and no transactions will be exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act (the "Section 16(b) Rules"). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be such that such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

## **SECTION 12. TERM, AMENDMENT AND TERMINATION**

(a) Effectiveness. The Board approved this Plan on February 28, 2013. The effective date (the "Effective Date") of this Plan is the date that the Plan is approved by the Company's stockholders.

(b) Termination. The Plan will terminate on the tenth anniversary of the Effective Date. Awards granted prior to such date shall not be affected or impaired by the termination of the Plan.

(c) Amendment of Plan. The Board may amend, alter, or discontinue the Plan, but no amendment or discontinuation shall be made which would materially impair the rights of the Participant with respect to any previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law (including without limitation Section 409A of the Code), stock exchange rules or listing standards. In addition, no amendment shall be made without the approval of the Company's stockholders to the extent that such approval is required by applicable law or the listing standards of the Applicable Exchange.

(d) Amendment of Awards. Subject to Section 5(d), the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall, without the Participant's consent, materially and adversely affect any Participant with respect to an Award, except such an amendment made to cause the Plan or the Award to comply with applicable law, stock exchange rules or accounting rules.

## **SECTION 13. UNFUNDED STATUS OF PLAN**

It is intended that the Plan constitute an unfunded plan. Solely to the extent permitted under Section 409(a), the Committee may authorize the creation of trusts or other arrangements to meet the obligations created by the Plan to deliver Common Stock or make payments; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

## **SECTION 14. GENERAL PROVISIONS**

(a) Conditions for Issuance. The Committee may require each person purchasing or receiving Shares under the Plan to represent to and agree with the Company in writing that such person is acquiring the Shares for investment purposes only.



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Shares without a view to the distribution thereof. The certificates for such Shares may include any restrictions on transfer that the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provisions of the Plan or any other agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificates for Shares under the Plan prior to fulfillment of all of the following conditions: (i) listing of such Shares upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or qualification of such Shares of the Company under any state or federal law or regulation, or the effect of any such registration or other qualification which the Committee shall, in its absolute discretion and in the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or authorization from any state or federal governmental agency which the Committee shall, in its absolute discretion and in the advice of counsel, determine to be necessary or advisable.

(b) Additional Compensation Arrangements. Nothing contained in the Plan shall prevent the Company, any Subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) No Contract of Employment. The Plan shall not constitute a contract of employment, and the Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee.

(d) Required Taxes. No later than the date as of which an amount first becomes includible in the income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to an Award under the Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required to be withheld with respect to such amount. If determined by the Company, withholding obligations with respect to such Common Stock, including Common Stock that is part of the Award that gives rise to the withholding obligations. The obligations of the Company under the Plan shall be conditional on such payment or arrangement. The Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) Limitation on Dividend Reinvestment and Dividend Equivalents. Reinvestment of dividends in Restricted Stock at the time of any dividend payment, and the payment of Shares with respect to Awards of Restricted Stock Units, shall only be permissible if sufficient Shares are available for such reinvestment or payment (taking into account then outstanding Awards of Restricted Stock Units). If sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of Restricted Stock Units equal in number to the Shares that would have been available for such payment or reinvestment, the terms of which Restricted Stock Units shall provide for settlement of such dividend equivalent reinvestment in further Restricted Stock Units on the terms contemplated by the Plan.

(f) Designation of Death Beneficiary. The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant's death shall be paid or by whom any rights of such eligible Individual, after such Participant's death, may be exercised.

(g) Subsidiary Employees. In the case of a grant of an Award to any employee of a Subsidiary, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, in consideration as the Committee may specify, upon the condition or understanding that the employee shall transfer the Shares to the employee in accordance with the terms of the Award specified by the Plan and subject to the provisions of the Plan. All Shares underlying Awards that are forfeited or canceled shall remain the property of the Company.

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(h) Governing Law and Interpretation. The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to its conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no effect.

(i) Non-Transferability. Except as otherwise provided in Section 5(j) or as determined by the Committee, Awards under the Plan are not transferable except by will or by laws of descent and distribution.

(j) Foreign Employees and Foreign Law Considerations. The Committee may grant Awards to Employees who are foreign nationals, who are located outside the United States or who are not compensated primarily from sources maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) tax or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions as may be different from those specified in the Plan as may, in the judgment of the Committee, be necessary or appropriate to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or appropriate in connection with such legal or regulatory provisions.

(k) Section 409A of the Code. It is the intention of the Company that no Award shall be deemed to be subject to Section 409A of the Code, unless and to the extent that the Committee specifically determines otherwise as provided in this Section 14(k), and the Plan and the terms and conditions of all Awards shall be construed accordingly. The terms and conditions governing any Awards that the Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of such Awards pursuant thereto and any rules regarding treatment of such Awards in the event of a Change in Control, shall be set forth in the applicable Award Agreement, and shall comply in all respects with Section 409A of the Code. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that is subject to Section 409A of the Code, if the Participant is a nonqualified deferred compensation plan participant within the meaning of Section 409A of the Code, if the Participant is an employee within the meaning of Section 409A of the Code, any payments (whether in cash, stock, or other property) to be made with respect to the Award upon the Participant's Termination of Employment shall be made until the earlier of (A) the first day of the seventh month following the Participant's Termination of Employment or (B) the Participant's death. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar date of any payment to be made under any Award.

(l) Employee Matters Agreement. Notwithstanding anything in this Plan to the contrary, to the extent that the terms of this Plan are inconsistent with the terms of an Adjusted Award, the terms of the Adjusted Award shall prevail. If governed by the Employee Matters Agreement, the applicable IAC Long-Term Incentive Plan or any other agreement granted thereunder.

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**EXPEDIA, INC.**

**2013 EMPLOYEE STOCK PURCHASE PLAN**

1. **Purpose.** The purpose of the Plan is to provide incentive for present and future eligible Employees to acquire equity interests (or increase existing equity interests) in the Company through the purchase of Shares. It is the Company's intention that the Plan qualify as an employee stock purchase plan under Section 79 of the Code. Accordingly, the provisions of the Plan shall be administered, interpreted and construed in a manner consistent with the requirements of that section of the Code.

2. **Definitions.**

(a) **Applicable Exchange** means the NASDAQ Stock Market or such other securities exchange or quotation system as may at the applicable time be the principal market for the Shares.

(b) **Applicable Percentage** means the percentage specified in Section 6(b), subject to adjustments as provided in Section 6(b).

(c) **Board** means the Board of Directors of the Company.

(d) **Code** means the United States Internal Revenue Code of 1986, as amended, and any successor code.

(e) **Committee** means the committee appointed by the Board to administer the Plan as described in the Plan. In the absence of a committee, the Board.

(f) **Company** means Expedia, Inc., a Delaware corporation, or any successor thereto.

(g) **Company Transaction** has the meaning given such term in Section 13(b)(iii).

(h) **Compensation** means, with respect to each Participant for each pay period: base salary, shift premium paid to such Participant by the Company or a Designated Subsidiary. Except as otherwise provided by the Committee, Compensation does not include: (i) any amounts contributed by the Company or a Designated Subsidiary to any pension plan, (ii) any automobile, relocation or housing allowances, or reimbursement of expenses, including automobile, relocation or housing expenses, (iii) any amounts paid as a bonus, starting bonus, referral fee, annual bonus, relocation bonus, or sales incentives or commissions, (iv) any amounts realized from the exercise of any stock options or incentive awards, (v) any amounts paid by the Company or a Designated Subsidiary for other fringe benefits, such as health and welfare, hospitalization and dental insurance, disability pay, or perquisites, or paid in lieu of such benefits, or (vi) other similar forms of compensation.

(i) **Designated Subsidiaries** means the Subsidiaries (if any) whose employees have been designated as eligible to participate in the Plan from time to time in its discretion as eligible to participate in the Plan.

(j) **Effective Date** means the date described in Section 16(m).

(k) **Employee** means any individual designated as an employee of the Company or a Designated Subsidiary in its payroll records thereof. Employee status shall be determined consistent with Treasury Regulations 1.421-1(h), or its successor provision.

(l) **Entry Date** means the first day of each Exercise Period.

(m) **ESPP Brokerage Account** has the meaning given such term in Section 9(a).

(n) Exercise Date means the last day of each Exercise Period.

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(o) Exercise Period means, subject to adjustment as provided in Section 4(b), the approximate period beginning on each: (i) March 1 of each year and ending the last day of May of such year, year and ending on the last day of August of such year, (iii) September 1 of each year and ending November of such year or (iv) December 1 of each year and ending on the last day of February of such year, until the Plan terminates; provided that the first Exercise Period shall begin on June 1, 2013.

(p) Exercise Price means the price per Share offered in a given Exercise Period determined as provided in Section 6(b).

(q) Fair Market Value means, if the Shares are listed on a national securities exchange, as of the closing price for a Share on such date on the Applicable Exchange, or if Shares were not traded on the Exchange on such measurement date, then on the closest preceding date on which Shares are so reported by such source as the Committee may select. If the Shares are not listed on a national securities exchange, the Fair Market Value of a Share shall mean the amount determined by the Board in good faith, consistent with Section 423 of the Code to be the fair market value of a Share.

(r) International Plan means the Expedia, Inc. 2013 International Employee Stock Purchase Plan, as in effect from time to time.

(s) Participant means an Employee who is eligible to participate in the Plan under Section 3(a) and who has elected to participate in the Plan by enrolling online as provided in Section 5 hereof.

(t) Plan means the Expedia, Inc. 2013 Employee Stock Purchase Plan, as in effect from time to time.

(u) Plan Contributions means, with respect to each Participant, the after-tax payroll deduction from the Compensation of the Participant and contributed to the Plan for the Participant as provided in Section 6 hereof.

(v) Share means a share of common stock, par value \$0.0001 per share, of the Company (including any additional or different stock or securities resulting from any change in capitalization pursuant to the Company's charter documents).

(w) Subsidiary means any corporation of which the Company owns, directly or indirectly, 50% or more of the combined voting power of all classes of stock, and that otherwise qualifies as a subsidiary corporation within the meaning of Section 424(f) of the Code.

(x) Terminating Event means a Participant ceases to be an Employee under any circumstance other than a Termination of Employment. If a Participant's status as an Employee shall be considered to be continued for purposes of the Plan, a Participant's status as an Employee shall be considered to be continued if such Participant is on military leave, sick leave, or other bona fide leave of absence approved by the Participant's supervisor; provided further, however, that if such period of leave of absence exceeds 90 (90) days, and the Participant's right to reemployment is not provided either by statute or by contract, the Participant's status as an Employee shall be deemed to have terminated on the first day immediately following the three (3)-month period. A transfer of a Participant's employment between or among Designated Entities of the Plan shall not be considered a Terminating Event.

**3. Eligibility.**

(a) General Rule. Except as otherwise provided herein, all Employees shall be eligible to participate in the Plan.

(b) Exclusion. Notwithstanding the provisions of Section 3(a), to the extent not inconsistent with the requirements of Section 423 of the Code, an Employee shall not be eligible to participate in an Exercise Period if the Employee is an "excluded individual" as defined in Section 423 of the Code.



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as of the Entry Date of such Exercise Period: (i) such Employee's customary employment is full-time, less than full-time, or part-time, or (ii) such Employee is a highly compensated employee (within the meaning of Section 415(b)(1)(E) of the Code) and his or her annual base salary equals or exceeds \$200,000, or such higher amount as the Committee may determine in its discretion prior to such Entry Date with respect to Employees generally.

### **4. Exercise Periods.**

(a) **In General.** The Plan shall generally be implemented by a series of Exercise Periods, each of which shall be approximately three (3) months.

(b) **Changes by Committee.** The Committee shall have the authority to make changes to the occurrence and/or the frequency of Exercise Periods with respect to future Exercise Periods if any such change is necessary prior to the scheduled beginning of the first Exercise Period to be affected, **provided** that the duration of any such Exercise Period may not exceed five (5) years from the Entry Date (or the expiration of such other applicable period under Section 423(b)(7) of the Code (or any successor provision of the Code thereto)).

**5. Participation.** Employees meeting the eligibility requirements of **Section 3** hereof may elect to participate in the Plan commencing on any Entry Date for the applicable Exercise Period by enrolling online in the Plan through the website designated by the Company during the period beginning on the First Enrollment Date and ending at 5:30 pm Pacific time on the Last Enrollment Date that corresponds to the applicable Exercise Period set forth below:

<b>Exercise Period</b>	<b>First Enrollment Date</b>	<b>Last Enrollment Date</b>
March 1 – May 31	February 1	February 21
June 1 – August 31	May 1	May 24
September 1 – November 30	August 1	August 24
December 1 – February 28 or 29	November 1	November 23

; **provided, however,** that before the Entry Date for any such Exercise Period, the Committee may, in its discretion, with respect to Employees generally any alternative enrollment period for such Exercise Period. Notwithstanding the foregoing, eligible Employees who are citizens or residents of a non-U.S. jurisdiction may be excluded from the Plan if (a) the grant of an option under the Plan or any offering to a citizen or resident of the non-U.S. jurisdiction is prohibited under the laws of such jurisdiction, or (b) compliance with the laws of the non-U.S. jurisdiction would cause the Plan or the offering to violate the requirements of Section 423 of the Code, in each case as determined by the Committee. The Committee may, in its discretion, allow an alternative enrollment period as provided under Section 423 of the Code.

### **6. Grant of Option.**

(a) **Shares Subject to Option.** On a Participant's Entry Date, subject to the limitations set forth in **Section 6(a)**, a Participant shall be granted an option to purchase on the subsequent Exercise Date (at the Exercise Price as provided in **Section 6(b)** below) up to a number of Shares determined by dividing such Participant's accumulated Contributions during the current Exercise Period prior to such Exercise Date and rounded up to the nearest whole number by the Exercise Price; **provided** that the maximum number of Shares a Participant may purchase during any Exercise Period shall be that whole number of Shares determined by dividing \$25,000 by the Fair Market Value of a Share on the Entry Date of such Exercise Period; **provided** that the maximum number of Shares may instead be established by the Committee as a fixed number or by a predetermined formula with respect to any Exercise Period prior to the Entry Date thereof. All Shares issued pursuant to an Exercise Period shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. No fractional Shares shall be issued or otherwise transferred upon the exercise of an option under the Plan.

(b) **Exercise Price.** The Exercise Price offered to each Participant in a given Exercise Period shall be a fixed percentage of the Fair Market Value of a Share on the Exercise Date. The Applicable Percentage shall be as follows:



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respect to each Exercise Period shall be 85% unless and until such Applicable Percentage is increased by the Committee, in its discretion, provided that any such increase in the Applicable Percentage with respect to an Exercise Period must be established prior to the commencement of the enrollment process for such Exercise Period.

(c) Limitations on Options that may be Granted. Notwithstanding any provision of the Plan to the contrary, an Employee may participate in the Plan if such Employee, immediately after the applicable Entry Date, is deemed for purposes of Section 423(b)(3) of the Code to possess five percent (5%) or more of the total voting power or value of all classes of stock of the Company or of any Subsidiary or of any other entity for purposes of Section 423 of the Code, and (ii) no Participant shall be granted an option under the Plan that permits his or her right to purchase Shares under the Plan to accrue at a rate which, when aggregated with all other Participant's rights to purchase shares under all other employee stock purchase plans of the Company or any Subsidiary, and any other related corporation for purposes of Section 423 of the Code, which are outstanding under Section 423 of the Code, exceeds \$25,000 in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such option is outstanding at any time. For purposes of (ii) of the preceding sentence, the Fair Market Value of Shares purchased with respect to a given Exercise Period shall be determined as of the Entry Date for such Exercise Period. The limitations set forth in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

(d) No Rights as Shareholder. A Participant shall have no voting, dividend or other shareholder rights with respect to such Shares covered by his or her option until such option has been exercised in accordance with the provisions of the Plan. Such Shares have actually been issued to such Participant.

(e) Bookkeeping Accounts Maintained. Individual bookkeeping accounts shall be maintained for each Participant. All Plan Contributions from a Participant's Compensation shall be credited to such Participant's account. However, all Plan Contributions made for a Participant shall be deposited in the Company's or any Subsidiary's general corporate accounts, and no interest shall accrue or be credited with respect to such Plan Contributions. All Plan Contributions received or held by the Company or a Designated Subsidiary shall be for the Company or such Designated Subsidiary for any corporate purpose, and neither the Company nor any Designated Subsidiary shall be obligated to segregate or otherwise set apart such Plan Contributions in any corporate funds.

**7. Plan Contributions.**

(a) Contribution by Payroll Deduction. All contributions to the Plan shall be made only by after-tax payroll deductions by the Company or Designated Subsidiary in a manner consistent with the provisions of the Code or any successor thereto.

(b) Payroll Deduction Election. At the time a Participant enrolls online with respect to an Exercise Period in accordance with Section 5, the Participant shall authorize payroll deductions from his or her Compensation on each payroll date during the portion of the Exercise Period that he or she is a Participant. The amount of payroll deductions shall be less than 1% and not more than 10% of the Participant's Compensation on each payroll date during the Exercise Period that he or she is a Participant. The amount of payroll deductions must be a whole number (e.g., 1%, 2%, 3%, etc.) of the Participant's Compensation. The amount of payroll deductions may be increased or decreased to the extent required by applicable law.

(c) Commencement of Payroll Deductions. Except as otherwise determined by the Committee under the Plan, to all Participants, payroll deductions shall commence with the earliest administratively practicable date after the Entry Date with respect to which the Participant enrolls online in accordance with Section 5 and to have elected continued participation in the Plan with respect to succeeding Exercise Periods in accordance with Section 7(d).

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(d) Automatic Continuation of Payroll Deductions for Succeeding Exercise Periods. With respect to a succeeding Exercise Period, a Participant shall be deemed (i) to have elected to participate in such succeeding Exercise Period (and, for purposes of such Exercise Period, the Participant's Entry Date shall be the first day of such succeeding Exercise Period), and (ii) to have authorized the same payroll deduction rate for the immediately succeeding Exercise Period as was in effect for the Participant immediately prior to the end of such succeeding Exercise Period, unless such Participant elects otherwise prior to the start of such succeeding Exercise Period, in accordance with Section 7(e) below or such Participant withdraws from the Plan in accordance with Section 12 hereof.

(e) Change of Payroll Deduction Election. A Participant may not decrease or increase the rate of payroll deductions during an Exercise Period. Using the online authorization process designated for this purpose by the Company in accordance with Section 5 above authorizing a change in the rate of payroll deductions, a Participant may decrease or increase the rate of his or her payroll deductions (within the limitations of Section 6(c)) commencing with the first Exercise Period that begins after the date of such online authorization. A Participant may withdraw from an Exercise Period as provided in Section 12(a) hereof.

(f) Automatic Changes in Payroll Deduction. The Company may decrease a Participant's rate of payroll deductions but not below zero percent, at any time during an Exercise Period to the extent necessary to comply with Section 423(b)(8) of the Code or any other applicable law or Section 6(a) or Section 6(c). Payroll deductions shall recommence at the rate provided in the Participant's online enrollment at the beginning of the following calendar year, unless the Participant's participation in the Plan terminates in accordance with Section 12.

**8. Exercise of Options and Purchase of Shares**

(a) Exercise of Options. On each Exercise Date, the option for the purchase of Shares of each Participant who has not withdrawn from the Plan and whose participation in the Exercise Period has not otherwise terminated shall be automatically exercised to purchase the number of whole Shares determined by (i) the total amount of the accumulated Plan Contributions then credited to the Participant's account during the Exercise Period and not previously applied toward the purchase of Shares by (ii) the Participant's election, subject to the limitations in Section 6(a) and Section 6(c) and any other limitation in the Plan.

(b) Pro Rata Allocation of Shares. If the aggregate number of Shares to be purchased by all Participants in the Domestic Plan and the International Plan on an Exercise Date exceeds the number of Shares available as provided in Section 6(a), the Company shall make a pro rata allocation of the remaining Shares in as uniform a manner as the Company determines to be equitable. Any fractional Share resulting from such pro rata allocation shall be disregarded and shall not be issued.

(c) Delivery of Shares. As soon as practicable after each Exercise Date, the Company shall arrange to deliver to the Participant the Shares purchased by each Participant on such Exercise Date to a broker designated by the Company to hold such Shares for the benefit of each such Participant; provided that the Company may arrange to deliver to a Participant of a certificate representing such Shares. Shares to be delivered to a Participant under this section shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant, her spouse, or, if applicable, in the names of the heirs of the Participant.

(d) Return of Cash Balance. Any cash balance remaining in a Participant's Plan account following an Exercise Date shall be refunded to the Participant as soon as practicable after such Exercise Date. However, if the amount to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole Share on such Exercise Date, the Company may arrange to have the cash balance to be retained in the Participant's Plan account and applied toward the purchase of Shares during the following Exercise Period, as the case may be.

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(e) Tax Withholding. At the time a Participant's option is granted or exercised, in whole or in part, the Participant shall be deemed to have made adequate provision for the federal, state, local and non-United States tax withholding obligations of the Company and/or the applicable Designated Subsidiary which arise upon grant or exercise of such option or such disposition of Shares, respectively. The Company and/or applicable Designated Subsidiary shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such tax obligations.

(f) Expiration of Option. Any portion of a Participant's option remaining unexercised after the end of the Exercise Period to which such option relates shall expire immediately upon the end of such Exercise Period.

(g) Provision of Reports to Participants. Unless otherwise determined by the Committee, each Participant who exercises all or part of his or her option under the Plan shall receive, as soon as practicable after the date of exercise, a report of such Participant's Plan account setting forth the total Plan Contributions accumulated under the Plan, the number of Shares purchased, the Exercise Price for such Shares, the date of purchase and the amount of any, remaining immediately after such purchase that is to be refunded or retained in the Participant's account pursuant to Section 8(d). The report pursuant to this Section may be delivered in such form and manner, including by electronic transmission, as the Company may determine.

**9. ESPP Brokerage Account; Required Holding Period; Disqualifying Disposition.**

(a) Deposit of Shares into ESPP Brokerage Account. Notwithstanding any other provisions of the Plan to the contrary, the Company may require that the Shares purchased on behalf of each Participant under the Plan be deposited directly into a brokerage account which the Company may establish for the Participant or the Company-designated brokerage firm (such an account, the ESPP Brokerage Account).

(b) Required Holding Period. The Shares deposited into a Participant's ESPP Brokerage Account shall not be transferred from the ESPP Brokerage Account or disposed of (whether electronically or in certificated form) until the required holding period for those Shares is satisfied. Unless otherwise determined by the Committee with respect to Participants generally, such required holding period shall be six (6) months from the Exercise Date on which such Shares are purchased, except as otherwise provided in Section 12(c) of the Plan in the event of a Participant's death. Following expiration of such required holding period, a Participant may withdraw from his or her ESPP Brokerage Account at any time, but in the absence of any such sale, the Participant shall be required to hold such shares in the ESPP Brokerage Account until expiration of the holdings periods specified in Section 423(a)(1) of the Code applicable to such Shares.

(c) Participant Required to Report Disqualifying Disposition. A Participant shall be required to report to the Company (or a person or firm designated by the Committee) any disposition of Shares purchased under the Plan prior to the expiration of the holding periods specified by Section 423(a)(1) of the Code.

**10. Designation of Beneficiary.**

(a) Designation. Unless otherwise determined by the Committee, a Participant may file with the Company (or a person or firm designated by the Committee) a written designation (in a form acceptable to the Company) of a beneficiary who is to receive any Shares and/or cash, if any, otherwise deliverable from the Participant's account and/or ESPP Brokerage Account in the event of the Participant's death prior to delivery of the Shares thereof, to the extent permitted and recognized by applicable law.

(b) Change of Designation; Absence of Designated Beneficiary. A Participant's beneficiary designation may be changed by the Participant at any time in the manner designated by the Company (or a person or firm designated by the Committee). In the event of the death of a Participant and in the absence of a beneficiary designation, the Shares shall be distributed to the Participant's estate.

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validly designated under the Plan in accordance with applicable law who is living at the time of death, the Company (or a person or firm designated by the Committee) shall deliver such Shares to the executor or administrator of the estate of the Participant, or if no such executor or administrator (to the knowledge of the Company), the Company (or a person or firm designated by the Committee) in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

11. **Transferability.** Neither Plan Contributions credited to a Participant's account nor any option or right to purchase Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution, or as provided in [Section 10](#)). Any assignment, transfer, pledge or other disposition shall be without effect, except that the Company may, at its discretion, as an election to withdraw in accordance with [Section 12\(a\)](#).

### 12. **Withdrawal; Terminating Event.**

(a) **Withdrawal.** A Participant may withdraw from an Exercise Period at any time by giving written notice to the Company (or a person or firm designated by the Committee) not later than 5:30 pm Pacific time on the day of withdrawal date that corresponds to the applicable Exercise Date set forth below:

<b>Exercise Period</b>	<b>Exercise Date</b>	<b>Last Withdrawal Date</b>
March 1 – May 31	Last day of May	May 24
June 1 – August 31	Last day of August	August 24
September 1 – November 30	Last day of November	November 23
December 1 – February 28 or 29	Last day of February	February 21

Payroll deductions, if any have been authorized, shall cease as soon as administratively practical after the Participant's notice of withdrawal, and, subject to administrative practicability, any Shares that have been purchased shall be made for the Participant's account. All Plan Contributions credited to such Participant's account, and not yet used to purchase Shares, shall be returned to the Participant as soon as administratively practical after receipt of the Participant's notice of withdrawal. Such Participant's unexercised options to purchase Shares pursuant to the Plan shall be automatically terminated. Payroll deductions will not resume on behalf of a Participant who has withdrawn from the Plan (a **Former Participant**) unless the Former Participant enrolls in the Plan during an Exercise Period in accordance with [Section 5](#) and subject to the restriction provided in [Section 12\(a\)](#).

(b) **Effect of Withdrawal on Subsequent Participation.** A Former Participant who has withdrawn from the Plan pursuant to [Section 12\(a\)](#) shall be eligible to participate in the Plan at the beginning of the next Exercise Period following the date the Former Participant withdrew, and the Former Participant must submit a new enrollment in accordance with [Section 5](#) in order to again become a Participant.

(c) **Terminating Event.** If a Participant has a Terminating Event, (i) such Participant may not make any further Plan Contributions, (ii) his or her right to purchase Shares in the then-current Exercise Period shall immediately terminate, (iii) any amount of cash then credited to his or her Plan account shall be promptly returned to the Participant, and (iv) all Shares held in such Participant's ESPP Brokerage Account shall continue to be held in the ESPP Brokerage Account unless the Participant sells or transfers such Shares, subject to satisfaction of the required holding period (provided that such required holding period shall not apply in the case of a Terminating Event due to death) and the Code Section 423(a)(1) holding period requirements, as referenced in [Section 10](#). In the event of the avoidance of doubt, in the event that the employment of a Participant is transferred, and such Participant becomes an employee of a Subsidiary that is not a Designated Subsidiary of the Plan, such Participant's employment shall be deemed a Terminating Event.

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13. Shares Issuable under the Plan.

(a) Number of Shares. Subject to adjustment as provided in Section 13(b), the maximum number of Shares that may be issued under the Plan and the International Plan in the aggregate shall be 1,500,000. Such Shares may be issued under the Plan and the International Plan in the aggregate only if the Plan may be authorized and unissued shares (which will not be subject to preemptive rights) are held in treasury by the Company, Shares purchased on the open market or by private purchase or any other means set forth in the foregoing. Any Shares issued under the Plan shall reduce on a Share-for-Share basis the number of Shares available for subsequent issuance under the Plan and the International Plan. If an outstanding option under the Plan or the International Plan for any reason expires or is terminated or cancelled, the Shares allocable to the exercise of such option shall again be available for issuance under the Plan or the International Plan.

(b) Adjustments Upon Changes in Capitalization: Company Transactions.

(i) If the outstanding Shares are increased or decreased, or are changed into or are exchanged for another class or kind of shares, including as a result of one or more mergers, reorganizations, restructurings, recapitalizations, reclassifications, stock splits, reverse stock splits, stock dividends or the like, or there occurs a stock split or other distribution of stock or property (including any extraordinary dividend, but excluding any stock dividend) affecting the Company, then appropriate adjustments shall be made to the number of Shares available for issuance in the aggregate under the Plan and the International Plan and under each option under the Plan and to the Exercise Price thereof, in each case as determined by the Committee, and the Committee's determination shall be conclusive.

(ii) In the event of any proposed dissolution or liquidation of the Company, immediately prior to the consummation of such proposed action, any outstanding Exercise Period will terminate, and any Shares held in Participant Plan Accounts, and all Plan Contributions credited to Participant Plan accounts and not used to purchase Shares, shall be distributed to each applicable Participant, unless otherwise provided by the Committee.

(iii) In the event of sale of all or substantially all of the Company's assets, or a merger, amalgamation, acquisition or sale or exchange of shares or similar event affecting the Company (each, a Company Transaction), then, as determined by the Committee, in its discretion, which determination shall be conclusive.

(A) each option under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent corporation (as defined in Section 424(e) of the Code) of such corporation, unless the Committee determines, in the exercise of its discretion, and in lieu of such assumption or substitution, to shorten the Exercise Period then in progress by setting a new Exercise Date (the New Exercise Date). If the Committee shortens the Exercise Period then in progress in lieu of assumption or substitution, in the event of a Company Transaction, the Company shall notify each Participant in writing, prior to the New Exercise Date, that the Exercise Date for such Participant's option has been changed to the New Exercise Date. If a Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Plan as provided in Section 12(a). For purposes of this Section 13(b), any Shares granted under the Plan shall be deemed to have been assumed if, following the Company Transaction, the Company confers the right to purchase, for each Share subject to the option immediately prior to the Company Transaction, the consideration (whether stock, cash or other securities or property) received in the Company Transaction by the holders of Shares for each Share held on the effective date of the Company Transaction (and if such consideration was offered a choice of consideration, the type of consideration chosen by the holders of a majority of the Shares); provided, that if the consideration received in the Company Transaction was not solely common stock of the Shares of the successor corporation or its parent corporation (as defined in Section 424(e) of the Code), the Committee may, with the consent of the successor corporation, provide for the consideration to be solely common stock of the successor corporation or its parent corporation or the market value of the market value to the per share consideration received by the holders of Shares in the Company Transaction.

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(B) the Plan shall terminate and any Shares held in ESPP Brokerage Accounts and all the Plan Credits credited to Participant Plan accounts and not yet used to purchase Shares, shall be distributed to the Participant.

(iv) In all cases, the Committee shall have discretion to exercise any of the powers and authority under Section 13, and the Committee's actions hereunder shall be final and binding on all Participants. All Shares of stock shall be issued under the Plan pursuant to any adjustment authorized under the provisions of Section 13.

14. Administration. The Plan shall be administered by the Committee. The Committee shall have the authority to do any act that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. In the generality of the foregoing sentences of this Section 14, subject to the express provisions of this Plan, the Committee shall have full and exclusive discretionary authority to interpret and construe any and all provisions of the Plan and any agreements, forms, and instruments relating to the Plan; prescribe the forms and instruments, and all online enrollment, designation or communication, rules, and regulations, and determine eligibility to participate in the Plan; adopt rules and regulations for administering the Plan; determine all disputes arising under or in connection with the Plan; determine whether a particular participant is eligible for Compensation; retain and engage such third parties as it shall determine to assist with the administration of the Plan and make all other determinations necessary or advisable for the administration of the Plan; and all actions and determinations by the Committee with respect to the Plan; any agreement, form or instrument relating to the Plan; or any operation or administration of the Plan shall be final, conclusive and binding on the Company and its Subsidiaries. To the extent necessary to comply with applicable laws, rules, and regulations, the Committee may, in its discretion, from time to time delegate any part of its responsibilities and powers under the Plan to any employee or group of employees of the Company or any Subsidiary, and revoke any such delegation. Notwithstanding the foregoing, the Board, in its discretion, may at any time and from time to time exercise any and all rights, duties and responsibilities of the Committee under the Plan, including, but not limited to, establishing procedures to be followed.

15. Amendment, Suspension, and Termination of the Plan.

(a) Amendment of the Plan. The Board or the Committee may at any time, or from time to time, amend the Plan in any respect; provided that (i) except as otherwise provided by Section 4(b) or Section 13(b), or to the extent prohibited by applicable law, regulation or rule, no such amendment may make any change in any option thereunder which materially adversely affects the previously accrued rights of any Participant with respect to the Plan without such Participant's consent, and (ii) the Plan shall not be amended in any way that will cause the Plan under the Plan to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Code or any successor thereto. To the extent necessary to comply with Section 423 of the Code, or any applicable law, regulation or rule, the Company shall obtain shareholder approval of any such amendment.

(b) Suspension of the Plan. The Board or the Committee may, at any time, suspend the Plan; provided that the Company shall provide notice to the Participants prior to the effectiveness of such suspension. The Board or the Committee may resume the operation of the Plan following any such suspension; provided that the Company shall provide notice to the Participants prior to the date of termination of the suspension period. A Participant shall remain a Participant in the Plan during any suspension period (unless he or she withdraws pursuant to Section 12(a)), however no options shall be granted or exercised, and no payroll deductions shall be made for any Participant during the suspension period.

(c) Termination of the Plan. The Plan and all rights of Participants hereunder shall terminate on the date:

(i) the Exercise Date at which Participants become entitled to purchase a number of Shares greater than the number of Shares remaining available for issuance under the Plan and the International Plan pursuant to the Plan;

(ii) such date as is determined by the Board in its discretion; or

(iii) the last Exercise Date immediately preceding the tenth (10th) anniversary of the Effective Date of the Plan.





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Notwithstanding the foregoing to the contrary, (i) the Board may at any time, with notice to Participant, terminate an Exercise Period then in progress and provide, in its discretion, that the outstanding balance of Shares credited to Participant Plan accounts and not yet used to purchase Shares shall either be (x) used to purchase Shares on an early Exercise Date established by the Board, or (y) distributed to the applicable Participant. In the event of any termination of the Plan, any Exercise Period then in progress shall be treated as may be determined by the Board in accordance with clause (i) of this sentence, and any Shares held in ESPP Brokerage Accounts shall be distributed to the applicable Participants.

16. Miscellaneous.

(a) Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be in writing and shall be deemed to have been duly given when received in the form of a letter to the Company at the location, or by the person or agent, designated by the Company for the receipt of notices.

(b) Expenses of the Plan. All costs and expenses incurred in administering the Plan shall be paid by the Company or a Designated Subsidiary, except that any stamp duties or transfer taxes applicable to participation in the Plan shall be charged to the account of such Participant by the Company.

(c) Rights of Participants.

(i) Rights or Claims. No person shall have any rights or claims under the Plan except in accordance with the provisions of the Plan and any applicable agreement thereunder. The liability of the Company or any Designated Subsidiary under the Plan is limited to the obligations expressly set forth in the Plan, and no term, condition, or provision of the Plan may be construed to impose any further or additional duties, obligations, or costs on the Company or any Designated Subsidiary or any other affiliate thereof or the Board or the Committee not expressly set forth in the Plan. The grant of any option under the Plan shall not confer any rights upon the Participant holder of such option other than such terms, and subject to such conditions, as are specified in the Plan as being applicable to such option or to all options. Without limiting the generality of the foregoing, neither the existence of the Plan nor any provision contained in the Plan or in any agreement thereunder shall be deemed to:

- (A) give any Participant the right to be retained in the service of the Company or any Designated Subsidiary, whether in any particular position, at any particular rate of compensation, or for any particular period of time or otherwise;
- (B) restrict in any way the right of the Company or any Designated Subsidiary to terminate, suspend, or modify any Participant's employment at any time with or without cause;
- (C) constitute a contract of employment between the Company or any Designated Subsidiary and any Employee, nor shall it constitute a right to remain in the employ of the Company or any Designated Subsidiary;
- (D) give any Employee of the Company or any Designated Subsidiary the right to receive any bonus or other payment, whether payable in cash or in Shares, or in any combination thereof, from the Company or any Designated Subsidiary, nor be construed as limiting in any way the right of the Company or any Designated Subsidiary to determine, in its discretion, whether or not it shall pay any bonus or other payment, and, if so paid, the amount thereof and the manner of such payment; or
- (E) give any Employee any rights whatsoever with respect to any Share options except as expressly provided in the Plan and any applicable agreement thereunder.

(ii) Options. Notwithstanding any other provision of the Plan, a Participant's right or entitlement to Shares under the Plan shall only result from continued employment with the Company or any Direct or Indirect Subsidiary.

(iii) No Effects on Benefits; No Damages. Any compensation received by a Participant under the Plan shall not be treated as any (1) normal or expected compensation or salary for any purpose, as an employee or

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otherwise; (2) termination, indemnity, severance, resignation, redundancy, end of service payment; (3) long-service awards; (4) pension or retirement benefits or (6) similar payments under any law, policies, programs, arrangements or otherwise, in each case, otherwise payable or provided to such Participant shall, by participating in the Plan, waive any and all rights to compensation or damages of termination of employment of such Participant for any reason whatsoever, whether lawfully or otherwise, as those rights arise or may arise from such Participant ceasing to have rights under the Plan as a result of termination of employment, or from the loss or diminution in value of such rights or entitlement to compensation or damages as a result of the operation of the terms of the Plan or the provisions of any statute or law relating to or entitlement to compensation or damages arises from the termination of the Plan or diminution in value of such rights or entitlement to compensation or damages option or Shares purchased under the Plan.

(iv) No Effect on Other Plans. Neither the adoption of the Plan nor anything contained herein shall affect the compensation or incentive plans or arrangements of the Company or any Designated Subsidiary or the right of the Company or any Designated Subsidiary to establish any other forms of incentive plans or arrangements for their employees or grant or assume options or other rights otherwise than under the Plan.

(d) Participants Deemed to Accept Plan. By accepting any benefit under the Plan, each Participant claiming under or through any such Participant shall be conclusively deemed to have indicated the ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Board, the Committee or the Company, in any case in accordance with the terms and conditions of the Plan.

(e) Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect Shares, the transfer of such Shares may nevertheless be effected on an uncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange. Notwithstanding any contrary provisions of the Plan prescribing the manner and form in which stock certificates may be issued and/or Shares may be transferred on behalf of Participants, the Company and any affiliate thereof shall have the right to make such arrangements as they may, in their discretion, determine, and which may include the transfer of Shares or the issue of stock certificates to any nominee or trust or other third party arrangement established for the benefit of whole or in part of Participants.

(f) Governing Law. The Plan and each agreement thereunder shall be governed by and construed under the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that would require the Plan to refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Participants shall agree to submit to the exclusive jurisdiction and venue of the federal or state courts of the State of Delaware and all issues that may arise out of or relate to the Plan or any related agreement.

(g) No Constraint on Corporate Action. Nothing contained in the Plan shall be construed to prevent any Designated Subsidiary from taking any corporate action (including the Company's right to reorganize, adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge, consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets) which may be appropriate, or in its best interest, whether or not such action would have an adverse effect on the rights awarded Participants under the Plan. No employee, beneficiary, or other person, shall have any claim against the Company or any Designated Subsidiary as a result of any such action.

(h) Section 16. The provisions and operation of the Plan are intended to result in no transaction being subject to (and not exempt from) the rules of Section 16 of the Securities Exchange Act of 1934, in so far as to the extent such rules are or become applicable to the Company.

(i) Requirements of Law; Limitations on Awards.

(i) The Plan, the granting, acceptance and exercise of options and the issuance of Shares under the Plan shall be subject to the Company's obligation to sell and deliver Shares upon the exercise of options to purchase Shares.

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shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental securities exchanges as may be required.

(ii) If at any time the Committee shall determine, in its discretion, that the listing, registration and Shares upon any securities exchange or under any state, Federal or non-United States law, or the approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of Shares hereunder, the Company shall have no obligation to allow the grant of an option under the Plan, or to issue or deliver evidence of title for Shares issued under the Plan, in connection with such sale or purchase, unless and until such listing, registration, qualification, consent and/or approval shall have been obtained, or otherwise provided for, free of any conditions not acceptable to the Committee.

(iii) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares or options is or may be in the circumstances unlawful or result in the imposition of excise taxes on the Company, any Designated Subsidiary or any affiliate respectively thereof under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any such sale or delivery in effect or to maintain any qualification or registration under the United States Securities Act of 1933 or otherwise with respect to Shares or options, and the right to exercise any option under the Plan shall be suspended until, in the opinion of such counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company, any Designated Subsidiary or any such affiliate.

(iv) Upon termination of any period of suspension under Section 16(i)(iii), any option affected by such suspension which shall not then have expired or terminated shall be reinstated as to all Shares available before such suspension and as to the Shares which would otherwise have become available during the period of such suspension shall extend the term of any option.

(v) The Committee may require each person receiving Shares in connection with any option under the Plan to represent and agree with the Company in writing that such person is acquiring such Shares for investment purposes in view to the distribution thereof, and/or provide such other representations and agreements as the Committee may prescribe. The Committee, in its absolute discretion, may impose such restrictions on the ownership, transferability of the Shares purchasable or otherwise receivable by any person under any option under the Plan as appropriate. Any such restrictions may be set forth in the applicable agreement, and the certificate of ownership of such shares may include any legend that the Committee deems appropriate to reflect any such restrictions.

(j) Data Protection. By participating in the Plan, each Participant consents to the collection, processing, use and storage by the Company and any Designated Subsidiary, in any form whatsoever, of any data, information or personal nature which is necessary for the purposes of administering the Plan. The Company and any Designated Subsidiary may share such information with any affiliate thereof, any trustee, its registrars, brokers, agents, administrator or any person who obtains control of the Company or any Designated Subsidiary or any division respectively thereof, or any division respectively thereof.

(k) Electronic Delivery. Any reference in the Plan or any related agreement to an agreement, document, instrument or notice, whether written or otherwise, will include any agreement, document, statement or notice delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto) or on the Company's intranet.

(l) Drafting Context: Captions. Except where otherwise indicated by the context, any masculine pronoun also shall include the feminine; the plural shall include the singular and the singular shall include the plural. The word "Section" herein shall refer to provisions of the Plan, unless expressly indicated otherwise. "Including" includes, and "including" herein shall be deemed to be followed by "without limitation" which shall be followed by such words or words of similar import, unless the context otherwise requires. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit or describe the scope or intent of the provisions of the Plan.

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(m) Effective Date. Following adoption of the Plan by the Board, the Plan shall become effective which the Plan is approved by the stockholders of the Company who are present and or represent special meeting of stockholders where a quorum is present, which approval occurs within the pe (12) months before or after the date the Plan is adopted by the Board.

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**EXPEDIA, INC.**

**2013 INTERNATIONAL EMPLOYEE STOCK PURCHASE PLAN**

1. **Purpose.** The purpose of the Plan is to provide incentive for present and future eligible Employees to acquire equity interests (or increase existing equity interests) in the Company through the purchase of Shares, which is not intended to qualify as an employee stock purchase plan under Section 423 of the Code.

2. **Definitions.**

(a) **Applicable Exchange** means the NASDAQ Stock Market or such other securities exchange or quotation system as may at the applicable time be the principal market for the Shares.

(b) **Applicable Percentage** means the percentage specified in Section 6(b), subject to adjustment as provided in Section 6(b).

(c) **Board** means the Board of Directors of the Company.

(d) **Code** means the United States Internal Revenue Code of 1986, as amended, and any successor code.

(e) **Committee** means the committee appointed by the Board to administer the Plan as described in Section 6(b); in the absence of a committee, the Board.

(f) **Company** means Expedia, Inc., a Delaware corporation, or any successor thereto.

(g) **Company Transaction** has the meaning given such term in Section 13(b)(iii).

(h) **Compensation** means, with respect to each Participant for each pay period: base salary, shift premium paid to such Participant by the Company or a Designated Subsidiary. Except as otherwise provided by the Committee, Compensation does not include: (i) any amounts contributed by the Company or a Designated Subsidiary to any pension plan, (ii) any automobile, relocation or housing allowances, or reimbursement of expenses, including automobile, relocation or housing expenses, (iii) any amounts paid as a bonus, starting bonus, referral fee, annual bonus, relocation bonus, or sales incentives or commissions, (iv) any amounts realized from the exercise of any stock options or incentive awards, (v) any amounts paid by the Company or a Designated Subsidiary for other fringe benefits, such as health and welfare, hospitalization and dental insurance benefits, disability pay, or perquisites, or paid in lieu of such benefits, or (vi) other similar forms of compensation.

(i) **Designated Countries** means the countries designated by the Board in writing from time to time in the Plan.

(j) **Designated Subsidiaries** means the Subsidiaries whose employees have been designated by the Company from time to time in its discretion as eligible to participate in the Plan.

(k) **Effective Date** means the date described in Section 16(m).

(l) **Employee** means any individual designated as an employee of a Designated Subsidiary on the Effective Date thereof.

(m) **Entry Date** means the first day of each Exercise Period.

(n) **ESPP Brokerage Account** has the meaning given such term in Section 9(a).

(o) Exercise Date means the last day of each Exercise Period.



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(p) Exercise Period means, subject to adjustment as provided in Section 4(b), the approximate period beginning on each: (i) March 1 of each year and ending the last day of May of such year, (ii) June 1 of each year and ending on the last day of August of such year, (iii) September 1 of each year and ending on the last day of November of such year or (iv) December 1 of each year and ending on the last day of February of such year, until the Plan terminates; provided that the first Exercise Period shall begin on June 1, 2013.

(q) Exercise Price means the price per Share offered in a given Exercise Period determined as provided in Section 6(b).

(r) Fair Market Value means, if the Shares are listed on a national securities exchange, as of the date of measurement the closing price for a Share on such date on the Applicable Exchange, or if Shares were not traded on such date, then on the closest preceding date on which Shares are so reported by such source as the Committee may select. If the Shares are not listed on a national securities exchange, the Fair Market Value of a Share shall mean the amount determined by the Board in good faith.

(s) Participant means an Employee who is eligible to participate in the Plan under Section 3 and who elects to participate in the Plan by enrolling online as provided in Section 5 hereof.

(t) Plan means the Expedia, Inc. 2013 International Employee Stock Purchase Plan, as in effect on the date hereof.

(u) Plan Contributions means, with respect to each Participant, the after-tax payroll deduction from the Participant's Compensation of the Participant and contributed to the Plan for the Participant as provided in Section 5.

(v) Share means a share of common stock, par value US\$ 0.0001 per share, of the Company or any other class of additional or different stock or securities resulting from any change in capitalization pursuant to the Company's charter or any plan or agreement.

(w) Subsidiary means any corporation of which the Company owns, directly or indirectly, 50% or more of the combined voting power of all classes of stock.

(x) Terminating Event means a Participant ceases to be an Employee under any circumstance other than death, disability or retirement. In addition, that, for purposes of the Plan, a Participant's status as an Employee shall be considered to be changed if: (i) such Participant is on military leave, sick leave, or other bona fide leave of absence approved by the Participant's supervisor. A transfer of a Participant's employment between or among any Direct or Indirect Subsidiaries (of the Plan or the U.S. Plan) shall be considered a Terminating Event.

(y) U.S. Plan means the Expedia, Inc. 2013 Employee Stock Purchase Plan, as in effect from the date hereof.

**3. Eligibility.**

(a) General Rule. Except as otherwise provided herein, all Employees shall be eligible to participate in the Plan.

(b) Exclusion. Notwithstanding the provisions of Section 3(a), to the extent permitted by applicable law, no Employee shall be eligible to participate in an Exercise Period if, as of the Entry Date of such Exercise Period:

(i) such Employee is classified as a vice president or more senior position in the records of any Direct or Indirect Subsidiary or (ii) such Employee is not employed in a Designated Country.

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### **4. Exercise Periods.**

(a) **In General.** The Plan shall generally be implemented by a series of Exercise Periods, each of approximately three (3) months.

(b) **Changes by Committee.** The Committee shall have the authority to make changes to the occurrence and/or the frequency of Exercise Periods with respect to future Exercise Periods if any such change is made prior to the scheduled beginning of the first Exercise Period to be affected.

**5. Participation.** Employees meeting the eligibility requirements of **Section 3** hereof may elect to participate in the Plan commencing on any Entry Date for the applicable Exercise Period by enrolling online in the Plan through the website designated by the Company during the period beginning on the First Enrollment Date and ending at 5:30 pm Pacific time on the Last Enrollment Date that corresponds to the applicable Exercise Period set forth below:

<b>Exercise Period</b>	<b>First Enrollment Date</b>	<b>Last Enrollment Date</b>
March 1 – May 31	February 1	February 21
June 1 – August 31	May 1	May 24
September 1 – November 30	August 1	August 24
December 1 – February 28 or 29	November 1	November 23

; **provided, however,** that before the Entry Date for any such Exercise Period, the Committee may, in its discretion, with respect to Employees generally any alternative enrollment period for such Exercise Period. Notwithstanding the foregoing, eligible Employees who are citizens or residents of a jurisdiction may be excluded from the Plan if the grant of an option under the Plan or any offering to a citizen or resident of the jurisdiction is prohibited by the laws of such jurisdiction.

### **6. Grant of Option.**

(a) **Shares Subject to Option.** On a Participant's Entry Date, subject to the limitations set forth in **Section 6(a)**, a Participant shall be granted an option to purchase on the subsequent Exercise Date (at the Exercise Price) a number of Shares as provided in **Section 6(b)** below) up to a number of Shares determined by dividing such Participant's accumulated Contributions during the current Exercise Period prior to such Exercise Date and rounded up to the nearest whole number by the Exercise Price; **provided** that the maximum number of Shares a Participant may purchase during any Exercise Period shall be that whole number of Shares determined by dividing US\$25,000 by the Fair Market Value of a Share on the Entry Date of such Exercise Period; **provided** that such maximum number of Shares may instead be established by the Committee as a fixed number of Shares or by a predetermined formula with respect to any Exercise Period prior to the Entry Date thereof. No fractional Shares shall be issued or otherwise transferred upon the exercise of an option under the Plan.

(b) **Exercise Price.** The Exercise Price offered to each Participant in a given Exercise Period shall be a Percentage of the Fair Market Value of a Share on the Exercise Date. The Applicable Percentage for each Exercise Period shall be 85% unless and until such Applicable Percentage is increased by the Committee in its discretion, **provided** that any such increase in the Applicable Percentage with respect to a given Exercise Period must be established prior to the commencement of the enrollment process for such Exercise Period.

(c) **Limitations on Options that may be Granted.** Notwithstanding any provision of the Plan to the contrary, no Employee may participate in the Plan if such Employee, immediately after the applicable Entry Date, is deemed for purposes of Section 423(b)(3) of the Code to possess five percent (5%) or more of the total voting power or value of all classes of stock of the Company or of any Subsidiary or of any other entity for purposes of Section 423 of the Code, and (ii) no Participant shall be granted an option under the Plan that permits his or her right to purchase Shares under the Plan to accrue at a rate which, when



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aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of the Company and any Subsidiary, and any other related corporation for purposes of Section 423 of the Code, exceeds US\$25,000 in Fair Market Value (or such amount, as may be imposed by the Code) for each calendar year in which such option is outstanding. For purposes of clause (ii) of the preceding sentence, the Fair Market Value of Shares purchased with such option during an Exercise Period shall be determined as of the Entry Date for such Exercise Period. The limitation on the number of Shares that may be purchased with such option under Section 6(c) shall be applied in conformance with applicable regulations under Section 423(b)(8).

(d) No Rights as Shareholder. A Participant shall have no voting, dividend or other shareholder rights with respect to such Shares covered by his or her option until such option has been exercised in accordance with the provisions of the Plan. Such Shares have actually been issued or otherwise transferred to such Participant or to an appointee of such Participant.

(e) Bookkeeping Accounts Maintained. Individual bookkeeping accounts shall be maintained for each Participant. All Plan Contributions from a Participant's Compensation shall be credited to such Participant's Plan account in the currency in which paid by the Designated Subsidiary until converted into U.S. dollars. Except as otherwise provided by law, all Plan Contributions made for a Participant shall be deposited in the general corporate account of the Company or the applicable Designated Subsidiary and may be used for any corporate purpose, and shall not accrue or be credited with respect to a Participant's Plan Contributions, and neither the Company nor the Designated Subsidiary shall be obligated to segregate or otherwise set apart such Plan Contributions from other corporate funds.

(f) Conversion into U.S. Dollars. For purposes of determining the number of Shares purchasable with Plan Contributions, the Plan Contributions credited to such Participant's Plan account during each Exercise Period shall be converted into U.S. dollars on the Exercise Date for such Exercise Period on the basis of the exchange rate in effect on the Exercise Date. The Committee shall have the discretion to determine the applicable exchange rate to be used on the Exercise Date by any reasonable method (including, without limitation, the exchange rate actual used by the Company for its intercompany financial transactions for the month of such purchase). Any change in the exchange rate at which Plan Contributions are converted into U.S. dollars on each Exercise Date shall be borne solely by each applicable Participant.

**7. Plan Contributions**

(a) Contribution by Payroll Deduction. All contributions to the Plan shall be made only by after-tax payroll deductions by the applicable Designated Subsidiary.

(b) Payroll Deduction Election. At the time a Participant enrolls online with respect to an Exercise Period in accordance with Section 5 the Participant shall authorize payroll deductions from his or her Compensation on each payroll date during the portion of the Exercise Period that he or she is a Participant. The amount of payroll deductions shall be less than 1% and not more than 10% of the Participant's Compensation on each payroll date during the Exercise Period that he or she is a Participant. The amount of payroll deductions must be a whole number percentage (1%, 2%, 3%, etc.) of the Participant's Compensation. The amount of payroll deductions may be limited to the extent required by applicable law.

(c) Commencement of Payroll Deductions. Except as otherwise determined by the Committee under the Plan, to all Participants, payroll deductions shall commence with the earliest administratively practicable date after the Entry Date with respect to which the Participant enrolls online in accordance with Section 5 and to have elected continued participation in the Plan with respect to succeeding Exercise Periods, as provided in Section 7(d).

(d) Automatic Continuation of Payroll Deductions for Succeeding Exercise Periods. With respect to a succeeding Exercise Period, a Participant shall be deemed (i) to have elected to participate in such Exercise Period.

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succeeding Exercise Period (and, for purposes of such Exercise Period, the Participant's Entry Date (and the first day of such succeeding Exercise Period), and (ii) to have authorized the same payroll deduction for the immediately succeeding Exercise Period as was in effect for the Participant immediately prior to the beginning of such succeeding Exercise Period, unless such Participant elects otherwise prior to the Entry Date of such succeeding Exercise Period, in accordance with Section 7(e) below or such Participant withdraws from the Plan in accordance with Section 12 hereof.

(e) Change of Payroll Deduction Election. A Participant may not decrease or increase the rate of payroll deductions during an Exercise Period. Using the online authorization process designated for this purpose by the Company in accordance with Section 5 above authorizing a change in the rate of payroll deductions, a Participant may decrease or increase the rate of his or her payroll deductions (within the limitations of Section 6(c)) commencing with the first Exercise Period that begins after the date of such online authorization. A Participant may withdraw from an Exercise Period as provided in Section 12(a) hereof.

(f) Automatic Changes in Payroll Deduction. The Company may decrease a Participant's rate of payroll deductions but not below zero percent, at any time during an Exercise Period to the extent necessary to comply with applicable law or Section 6(a) or Section 6(c). Payroll deductions shall recommence at the rate of the Participant's online enrollment at the beginning of the first Exercise Period beginning in the following Exercise Period unless the Participant's participation in the Plan terminates as provided in Section 12.

**8. Exercise of Options and Purchase of Shares.**

(a) Exercise of Options. On each Exercise Date, the option for the purchase of Shares of each Participant who has not withdrawn from the Plan and whose participation in the Exercise Period has not otherwise terminated on such Exercise Date shall be automatically exercised to purchase the number of whole Shares determined by (i) the total amount of the accumulated Plan Contributions, as converted into U.S. dollars, then divided by (ii) the Exercise Price, subject to the limitations in Section 6(a) and Section 6(c) and any other limitations in the Plan.

(b) Pro Rata Allocation of Shares. If the aggregate number of Shares to be purchased by all Participants on an Exercise Date and the U.S. Plan on an Exercise Date exceeds the number of Shares available as provided in Section 6(c), the Company shall make a pro rata allocation of the remaining Shares in as uniform a manner as practicable. Any fractional Share resulting from such pro rata allocation shall be disregarded and shall not be issued.

(c) Delivery of Shares. As soon as practicable after each Exercise Date, the Company shall arrange to deliver the Shares purchased by each Participant on such Exercise Date to a broker designated by the Company to hold such Shares for the benefit of each such Participant; provided that the Company may arrange to deliver to a Participant of a certificate representing such Shares. Shares to be delivered to a Participant under this section shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant, her spouse, or, if applicable, in the names of the heirs of the Participant.

(d) Return of Cash Balance. Any cash balance remaining in a Participant's Plan account following the end of an Exercise Period shall be refunded, in the currency in which collected by the Designated Subsidiary, to the Participant as soon as practicable after such Exercise Date. However, if the cash balance to be returned to a Participant under the preceding sentence is less than the amount that would have been necessary to purchase an additional whole Share on such Exercise Date, the Company may arrange for the cash balance to be retained in the Participant's Plan account and applied toward the purchase of Shares in the subsequent Exercise Period, as the case may be.

(e) Tax Withholding / Social Security. The Company, the Participant's employer, any other applicable administrator, or any trustee of an applicable employee benefit trust may withhold

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amount or make any arrangements which it considers necessary to satisfy any liability to tax or contributions which may arise from the grant, exercise, assignment, release or cancellation of rights of a Participant pursuant to the terms of the Plan. These arrangements may include the sale of Shares by the Participant, unless he or she satisfies the relevant liability himself or herself.

(f) Expiration of Option. Any portion of a Participant's option remaining unexercised after the Exercise Period to which such option relates shall expire immediately upon the end of such Exercise Period.

(g) Provision of Reports to Participants. Unless otherwise determined by the Committee, each Participant who exercises all or part of his or her option under the Plan shall receive, as soon as practicable after the date of exercise, a report of such Participant's Plan account setting forth the total Plan Contributions accumulated under the Plan, the number of Shares purchased, the Exercise Price for such Shares, the date of purchase and the amount of cash paid, any, remaining immediately after such purchase that is to be refunded or retained in the Participant's account pursuant to Section 8(d). The report pursuant to this Section may be delivered in such form and manner, including by electronic transmission, as the Company may determine.

**9. ESPP Brokerage Account; Required Holding Period.**

(a) Deposit of Shares into ESPP Brokerage Account. Notwithstanding any other provisions of the Plan to the contrary, the Company may require that the Shares purchased on behalf of each Participant under the Plan be deposited directly into a brokerage account which the Company may establish for the Participant with a Company-designated brokerage firm (such an account, the ESPP Brokerage Account).

(b) Required Holding Period. The Shares deposited into a Participant's ESPP Brokerage Account shall not be transferred from the ESPP Brokerage Account or disposed of (whether electronically or in certificate form) or pledged until the required holding period for those Shares is satisfied. Unless otherwise determined by the Committee with respect to Participants generally, such required holding period shall be six (6) months from the Exercise Date on which such Shares are purchased, except as otherwise provided in Section 12(c) of the Plan in the event of a Participant's death. Following expiration of such required holding period, a Participant may withdraw from his or her ESPP Brokerage Account at any time.

**10. Designation of Beneficiary.**

(a) Designation. Unless otherwise determined by the Committee, a Participant may file with the Company a person or firm designated by the Committee) a written designation (in a form acceptable to the Company) of a beneficiary who is to receive any Shares and/or cash, if any, otherwise deliverable from the Participant's account and/or ESPP Brokerage Account in the event of the Participant's death prior to delivery of such Shares and/or cash thereof, to the extent permitted and recognized by applicable law.

(b) Change of Designation; Absence of Designated Beneficiary. A Participant's beneficiary designation may be changed by the Participant at any time in the manner designated by the Company (or a person or firm designated by the Committee). In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan in accordance with applicable law who is living at the time of such Participant's death (or a person or firm designated by the Committee) shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (or is known to the knowledge of the Company), the Company (or a person or firm designated by the Committee), shall deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

11. Transferability. Neither Plan Contributions credited to a Participant's account nor any option or right to purchase any option or receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of.

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of in any way (other than by will or the laws of descent and distribution, or as provided in Section 12(a)) attempted such assignment, transfer, pledge or other disposition shall be without effect, except that the Participant may treat such act as an election to withdraw in accordance with Section 12(a).

**12. Withdrawal: Terminating Event.**

(a) Withdrawal. A Participant may withdraw from an Exercise Period at any time by giving written notice to the Company (or a person or firm designated by the Committee) not later than 5:30 pm Pacific time on the withdrawal date that corresponds to the applicable Exercise Date set forth below:

<b>Exercise Period</b>	<b>Exercise Date</b>	<b>Last Withdrawal Date</b>
March 1 – May 31	Last day of May	May 24
June 1 – August 31	Last day of August	August 24
September 1 – November 30	Last day of November	November 23
December 1 – February 28 or 29	Last day of February	February 21

Payroll deductions, if any have been authorized, shall cease as soon as administratively practicable after the Company of the Participant's notice of withdrawal, and, subject to administrative practicability, any Shares purchases shall be made for the Participant's account. All Plan Contributions credited to such Participant's account, any, and not yet used to purchase Shares, shall be returned, in the currency in which collected by the Designated Subsidiary, to the Participant as soon as administratively practicable after receipt of the Participant's notice of withdrawal. Such Participant's unexercised options to purchase Shares pursuant to the Plan shall terminate. Payroll deductions will not resume on behalf of a Participant who has withdrawn from the Plan (a Former Participant) unless the Former Participant enrolls in a subsequent Exercise Period in accordance with Section 5 and subject to the restriction provided in Section 12(b), below.

(b) Effect of Withdrawal on Subsequent Participation. A Former Participant who has withdrawn from the Plan pursuant to Section 12(a) shall be eligible to participate in the Plan at the beginning of the next Exercise Period following the date the Former Participant withdrew, and the Former Participant must submit a new enrollment in accordance with Section 5 in order to again become a Participant.

(c) Terminating Event. If a Participant has a Terminating Event, (i) such Participant may not make any further Contributions, (ii) his or her right to purchase Shares in the then-current Exercise Period shall terminate, (iii) any amount of cash then credited to his or her Plan account shall be promptly returned to the Participant in the currency in which it was collected by the Designated Subsidiary, to such Participant, and (iv) all Shares in the Participant's ESPP Brokerage Account shall continue to be held in such ESPP Brokerage Account. If the Participant sells or transfers such Shares, subject to satisfaction of the required holding period as set forth in Section 9(b), provided that such required holding period shall not apply in the case of a Terminating Event by death. For the avoidance of doubt, in the event that the employment of a Participant is transferred to another Subsidiary or the Participant becomes an employee of the Company or another Subsidiary (whether or not such Subsidiary is a Designated Subsidiary), such Participant shall have Terminating Event.

**13. Shares Issuable under the Plan.**

(a) Number of Shares. Subject to adjustment as provided in Section 13(b), the maximum number of Shares that may be issued under the Plan and the U.S. Plan in the aggregate shall be 1,500,000. Such Shares issued under the Plan may be authorized and unissued shares (which will not be subject to preemptive rights), Shares issued by the Company, Shares purchased on the open market or by private purchase or any combination thereof. Any Shares issued under the Plan shall reduce on a Share-for-Share basis the number of Shares available for subsequent issuance under the Plan and the U.S. Plan. If an outstanding option under the Plan or the U.S. Plan for any reason expires or is terminated or cancelled, the Shares allocable to the unexercised portion of such option shall again be available for issuance under the Plan or the U.S. Plan.

(b) Adjustments Upon Changes in Capitalization; Company Transactions.





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(i) If the outstanding Shares are increased or decreased, or are changed into or are exchanged for or kind of shares, including as a result of one or more mergers, reorganizations, restructurings, r reclassifications, stock splits, reverse stock splits, stock dividends or the like, or there occurs a s or other distribution of stock or property (including any extraordinary dividend, but excluding a dividends) affecting the Company, then appropriate adjustments shall be made to the number and available for issuance in the aggregate under the Plan and the U.S. Plan and under each outstanding Plan and to the Exercise Price thereof, in each case as determined by the Committee, in its discretion. Committee's determination shall be conclusive.

(ii) In the event of any proposed dissolution or liquidation of the Company, immediately prior to of such proposed action, any outstanding Exercise Period will terminate, and any Shares held in Accounts, and all Plan Contributions credited to Participant Plan accounts and not used to purchase distributed to each applicable Participant, unless otherwise provided by the Committee.

(iii) In the event of sale of all or substantially all of the Company's assets, or a merger, amalgam acquisition or sale or exchange of shares or similar event affecting the Company (each, a Com then, as determined by the Committee, in its discretion, which determination shall be conclusive.

(A) each option under the Plan shall be assumed or an equivalent option shall be substituted by a successor corporation or a parent corporation (as defined in Section 424(e) of the Code) of such corporation, unless the Committee determines, in the exercise of its discretion, and in lieu of such substitution, to shorten the Exercise Period then in progress by setting a new Exercise Date (the Date ). If the Committee shortens the Exercise Period then in progress in lieu of assumption or event of a Company Transaction, the Company shall notify each Participant in writing, prior to the Date, that the Exercise Date for such Participant's option has been changed to the New Exercise Date. Participant's option will be exercised automatically on the New Exercise Date, unless prior to such Participant has withdrawn from the Plan as provided in Section 12(a). For purposes of this Section granted under the Plan shall be deemed to have been assumed if, following the Company Transaction confers the right to purchase, for each Share subject to the option immediately prior to the Company the consideration (whether stock, cash or other securities or property) received in the Company by holders of Shares for each Share held on the effective date of the Company Transaction (and if s offered a choice of consideration, the type of consideration chosen by the holders of a majority of Shares); provided, that if the consideration received in the Company Transaction was not solely Shares of the successor corporation or its parent corporation (as defined in Section 424(e) of the Committee may, with the consent of the successor corporation, provide for the consideration to exercise of the option to be solely common stock of the successor corporation or its parent corporation market value to the per share consideration received by the holders of Shares in the Company Transaction.

(B) the Plan shall terminate and any Shares held in ESPP Brokerage Accounts and all the Plan Contributions credited to Participant Plan accounts and not yet used to purchase Shares, shall be distributed to Participant.

(iv) In all cases, the Committee shall have discretion to exercise any of the powers and authority Section 13, and the Committee's actions hereunder shall be final and binding on all Participants. of stock shall be issued under the Plan pursuant to any adjustment authorized under the provisions Section 13.

14. Administration. The Plan shall be administered by the Committee. The Committee shall have may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plan. the generality of the foregoing sentences of this Section 14, subject to the express provisions of Committee shall have full and exclusive discretionary authority to interpret and construe any and

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provisions of the Plan and any agreements, forms, and instruments relating to the Plan; prescribe the manner of any agreements, forms, and instruments, and all online enrollment, designation or contribution relating to the Plan; determine eligibility to participate in the Plan; adopt rules and regulations for the Plan; adjudicate and determine all disputes arising under or in connection with the Plan; determine whether a particular item is included in Compensation; retain and engage such third parties as it shall deem necessary for the administration of the Plan and make all other determinations necessary or advisable for the administration of the Plan. All decisions, actions and determinations by the Committee with respect to the Plan; any agreement or instrument relating to the Plan; or any operation or administration of the Plan shall be final, conclusive and binding on all persons. Subject to applicable laws, rules, and regulations, the Committee may, in its discretion, at any time, delegate all or any part of its responsibilities and powers under the Plan to any employee or former employee of the Company or any Subsidiary, and revoke any such delegation. Notwithstanding the foregoing, the Board, in its absolute discretion, may at any time and from time to time exercise any and all rights and responsibilities of the Committee under the Plan, including, but not limited to, establishing procedures to be followed by the Committee.

15. Amendment, Suspension, and Termination of the Plan.

(a) Amendment of the Plan. The Board or the Committee may at any time, or from time to time, amend the Plan in any respect; provided that except as otherwise provided by Section 4(b) or Section 13(b), or to the extent prohibited by applicable law, regulation or rule, no such amendment may make any change in any option thereunder which materially adversely affects the previously accrued rights of any Participant with respect to the Plan without such Participant's consent. To the extent necessary to comply with any applicable law, regulation or rule, the Company shall obtain shareholder approval of any such amendment.

(b) Suspension of the Plan. The Board or the Committee may, at any time, suspend the Plan; provided that the Company shall provide notice to the Participants prior to the effectiveness of such suspension. The Board or the Committee may resume the operation of the Plan following any such suspension; provided that the Board or the Committee shall provide notice to the Participants prior to the date of termination of the suspension period. A Participant shall remain a Participant in the Plan during any suspension period (unless he or she withdraws pursuant to Section 12(a)), however no options shall be granted or exercised, and no payroll deductions shall be made for any Participant during the suspension period.

(c) Termination of the Plan. The Plan and all rights of Participants hereunder shall terminate on the date:

- (i) the Exercise Date at which Participants become entitled to purchase a number of Shares greater than the number of Shares remaining available for issuance under the Plan and the U.S. Plan pursuant to Section 12(a);
- (ii) such date as is determined by the Board in its discretion; or
- (iii) the last Exercise Date immediately preceding the tenth (10th) anniversary of the Effective Date of the Plan.

Notwithstanding the foregoing to the contrary, (i) the Board may at any time, with notice to Participants, terminate an Exercise Period then in progress and provide, in its discretion, that the outstanding balance of Shares credited to Participant Plan accounts and not yet used to purchase Shares shall either be (x) used to purchase Shares on an early Exercise Date established by the Board, or (y) distributed to the applicable Participants; and (ii) on any termination of the Plan, any Exercise Period then in progress shall be treated as may be determined by the Board in accordance with clause (i) of this sentence, and any Shares held in ESPP Brokerage Accounts shall be distributed to the applicable Participants.

16. Miscellaneous.

(a) Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be in writing and shall be deemed to have been duly given when received in the form of a letter to the Company at the location, or by the person or agent, designated by the Company for the receipt of notices.



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(b) Expenses of the Plan. All costs and expenses incurred in administering the Plan shall be paid by the Company or any Designated Subsidiary, except that any stamp duties or transfer taxes applicable to participation shall be charged to the account of such Participant by the Company.

(c) Rights of Participants.

(i) Rights or Claims. No person shall have any rights or claims under the Plan except in accordance with the provisions of the Plan and any applicable agreement thereunder. The liability of the Company or any Designated Subsidiary under the Plan is limited to the obligations expressly set forth in the Plan, and no term of the Plan may be construed to impose any further or additional duties, obligations, or costs on the Company or any Designated Subsidiary or any other affiliate thereof or the Board or the Committee not expressly provided for in the Plan. The grant of any option under the Plan shall not confer any rights upon the Participant holder other than such terms, and subject to such conditions, as are specified in the Plan as being applicable to all options. Without limiting the generality of the foregoing, neither the existence of the Plan nor the terms contained in the Plan or in any agreement thereunder shall be deemed to:

- (A) give any Participant the right to be retained in the service of the Company or any Designated Subsidiary, whether in any particular position, at any particular rate of compensation for any particular period of time or otherwise;
- (B) restrict in any way the right of the Company or any Designated Subsidiary to terminate or modify any Participant's employment at any time with or without cause;
- (C) constitute a contract of employment between the Company or any Designated Subsidiary and any Employee, nor shall it constitute a right to remain in the employ of the Company or any Designated Subsidiary;
- (D) give any Employee of the Company or any Designated Subsidiary the right to receive any compensation, whether payable in cash or in Shares, or in any combination thereof, from the Company or any Designated Subsidiary, nor be construed as limiting in any way the right of the Company or any Designated Subsidiary to determine, in its discretion, whether or not it shall pay any bonus, and, if so paid, the amount thereof and the manner of such payment; or
- (E) give any Employee any rights whatsoever with respect to any Share options except as expressly provided in the Plan and any applicable agreement thereunder.

(ii) Options. Notwithstanding any other provision of the Plan, a Participant's right or entitlement to receive Shares under the Plan shall only result from continued employment with the Company or any Designated Subsidiary.

(iii) No Effects on Benefits; No Damages. Any compensation received by a Participant under any (1) normal or expected compensation or salary for any purpose, as an employee or otherwise; (2) indemnity, severance, resignation, redundancy, end of service payments; (3) bonuses; (4) long-term disability benefits; (5) pension or retirement benefits or (6) similar payments under any laws, plans, contracts, policies, or arrangements or otherwise, in each case, otherwise payable or provided to such Participant. A Participant participating in the Plan, waive any and all rights to compensation or damages in consequence of the termination of employment of such Participant for any reason whatsoever, whether lawfully or otherwise, insofar as such rights may arise or may arise from such Participant ceasing to have rights under the Plan as a result of such termination of employment, or from the loss or diminution in value of such rights or entitlements, including by reason of the operation of the terms of the Plan or the provisions of any statute or law relating to taxation. No

to compensation or damages arises from the termination of the Plan or diminution in value of an  
purchased under the Plan.

(iv) No Effect on Other Plans. Neither the adoption of the Plan nor anything contained herein shall  
compensation or incentive plans or arrangements of the Company or any Designated

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Subsidiary, or prevent or limit the right of the Company or any Designated Subsidiary to establish or modify the Plan, or to grant or assume options or other rights or benefits under the Plan, or to amend or terminate the Plan.

(d) Participants Deemed to Accept Plan. By accepting any benefit under the Plan, each Participant claiming under or through any such Participant shall be conclusively deemed to have indicated the ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Board, the Committee or the Company, in any case in accordance with the terms and conditions of the Plan.

(e) Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect Shares, the transfer of such Shares may nevertheless be effected on an uncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange. Notwithstanding any contrary provision in the Plan, the manner and form in which stock certificates may be issued and/or Shares may be transferred on behalf of Participants, the Company and any affiliate thereof shall have the right to make such arrangements as they may, in their discretion, determine, and which may include the transfer of or the issue of stock certificates to any nominee or trust or other third party arrangement established for the whole or in part of Participants.

(f) Governing Law. The Plan and each agreement thereunder shall be governed by and construed under the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that would refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Participants shall submit to the exclusive jurisdiction and venue of the federal or state courts of the State of Delaware and all issues that may arise out of or relate to the Plan or any related agreement.

(g) No Constraint on Corporate Action. Nothing contained in the Plan shall be construed to prevent any Designated Subsidiary from taking any corporate action (including the Company's right to merge, reorganize, consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets) which may be appropriate, or in its best interest, whether or not such action would have an adverse effect on the rights awarded Participants under the Plan. No employee, beneficiary, or other person, shall have any claim against the Company or any Designated Subsidiary as a result of any such action.

(h) Section 16. The provisions and operation of the Plan are intended to result in no transaction being subject to (and not exempt from) the rules of Section 16 of the Securities Exchange Act of 1934, in so far as extent such rules are or become applicable to the Company.

(i) Requirements of Law; Limitations on Awards.

(i) The Plan, the granting, acceptance and exercise of options and the issuance of Shares under the Plan, shall be subject to the Company's obligation to sell and deliver Shares upon the exercise of options to purchase Shares under the Plan, and to such approvals by any governmental agencies and stock exchanges as may be required.

(ii) If at any time the Committee shall determine, in its discretion, that the listing, registration and qualification of Shares upon any securities exchange or under any state, Federal or non-United States law, or the approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of Shares hereunder, the Company shall have no obligation to allow the grant or exercise of an option under the Plan, or to issue or deliver evidence of title for Shares issued under the Plan, in the absence of, unless and until such listing, registration, qualification, consent and/or approval shall have been obtained, or otherwise provided for, free of any conditions not acceptable to the Committee.

(iii) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares under the Plan or the exercise of an option is or may be in the circumstances unlawful or result in the imposition of excise taxes



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on the Company, any Designated Subsidiary or any affiliate respectively thereof under the statute, regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or to make any application or to effect or to maintain any qualification or registration under the United States Securities Act of 1933, as amended, or otherwise with respect to Shares or options, and the right to exercise the Plan shall be suspended until, in the opinion of such counsel, such sale or delivery shall be likely to result in the imposition of excise taxes on the Company, any Designated Subsidiary or any such affiliate.

(iv) Upon termination of any period of suspension under Section 16(i)(iii), any option affected by such suspension which shall not then have expired or terminated shall be reinstated as to all Shares available before such suspension and as to the Shares which would otherwise have become available during the period of such suspension shall extend the term of any option.

(v) The Committee may require each person receiving Shares in connection with any option under the Plan to represent and agree with the Company in writing that such person is acquiring such Shares for investment and in view to the distribution thereof, and/or provide such other representations and agreements as the Committee may prescribe. The Committee, in its absolute discretion, may impose such restrictions on the ownership, transferability of the Shares purchasable or otherwise receivable by any person under any option under the Plan as appropriate. Any such restrictions may be set forth in the applicable agreement, and the certificates for such shares may include any legend that the Committee deems appropriate to reflect any such restrictions.

(j) Data Protection. As a condition of participation, the Participant shall:

(i) explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of the Participant's Personal Data (as defined below) by and among, as applicable, the Company, its Designated Subsidiaries, affiliates, and the trustee of any applicable employee benefit trust for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan;

(ii) agree that the Company and the applicable Designated Subsidiary, affiliate, or trustee (as the case may be) hold certain personal information about the Participant, including, but not limited to, the Participant's name, address and telephone number, date of birth, social insurance number (to the extent permitted under applicable law) or other identification number, salary, nationality, job title, residency status, any Shares or options of the Company and/or its affiliates (if any), details of all shares or any other entitlement to shares or options vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan (collectively, Personal Data);

(iii) further agree that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan (the Recipients) and that these recipients may be located in the Participant's country, or elsewhere (including outside the European Economic Area), and that there may be different data privacy laws and protections than the Participant's country;

(iv) authorize the Recipients to receive, possess, use, retain and transfer Personal Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Personal Data as may be required to a broker, escrow agent or other third party to whom the unrestricted Shares acquired upon vesting thereof may be deposited;

(v) agree that Personal Data will be held only as long as is necessary to implement, administer and manage her participation in the Plan; and

(vi) agree that refusal or withdrawal of consent given pursuant to this Section 16(j) may affect her ability to participate in the Plan

(k) Electronic Delivery. Any reference in the Plan or any related agreement to an agreement, document, instrument or notice, whether written or otherwise, will include any agreement, document, statement or notice





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instrument or notice delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website) or posted on the Company's intranet.

(l) **Drafting Context; Captions.** Except where otherwise indicated by the context, any masculine pronoun also shall include the feminine; the plural shall include the singular and the singular shall include the plural. The word "Section" herein shall refer to provisions of the Plan, unless expressly indicated otherwise. "Including" includes, and "including" herein shall be deemed to be followed by "without limitation" which shall be followed by such words or words of similar import, unless the context otherwise requires. The headings and captions appearing herein are inserted only as a matter of convenience. They do not define, limit, or describe the scope or intent of the provisions of the Plan.

(m) **Effective Date.** Following adoption of the Plan by the Board, the Plan shall become effective on the date which the Plan is approved by the stockholders of the Company who are present and or represented at a special meeting of stockholders where a quorum is present, which approval occurs within the period of (12) months before or after the date the Plan is adopted by the Board.

(n) **Country Appendices.** Notwithstanding any provision in the Plan to the contrary, the Board may determine that options shall be subject to special terms and provisions for each Designated Country. If the Participant is in a different Designated Country, the special terms and conditions for such country will apply to such Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable to comply with local law or facilitate the administration of the Plan and provided the imposition of such special terms and conditions will not result in any adverse accounting expense with respect to the option (unless the Board specifically determines to incur such expense).

(o) **Imposition of other Requirements.** The Company reserves the right to impose other requirements on a Participant's participation in the Plan, and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan and to require Participant to sign any additional agreements or undertakings that may be necessary or advisable in the foregoing.

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**Electronic Voting Instructions**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose to use the electronic voting methods outlined below to vote your shares.

VALIDATION DETAILS ARE LOCATED IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone received by 11:59 p.m., Eastern Time, on the record date will be counted.**  
**Vote by Internet**

Go to [www.investorvote.com](http://www.investorvote.com).  
Or scan the QR code with your mobile device.  
Follow the steps outlined in the instructions.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) in the United States, Puerto Rico, Alaska, Hawaii, territories & Canada on a touch tone telephone.  
Follow the instructions provided by the automated system.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE DOTTED LINE TO DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals** The Board of Directors recommends a vote **FOR** all the nominees listed and **FOR** all the proposals.

	<b>For</b>	<b>Withhold</b>	<b>For</b>	<b>Withhold</b>	<b>For</b>	<b>Withhold</b>
1. Election of Directors:						

02 - Pamela L. Coe

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01 - George Skip Battle*	..	..	..	..	03 - Barry Diller	..	..
04 - Jonathan L. Dolgen	..	..	05 - Craig A. Jacobson*	..	..	06 - Victor A. Kaufman	..
07 - Peter M. Kern*	..	..	08 - Dara Khosrowshahi	..	..	09 - John C. Malone	..
10 - José A. Tazón	..	..	<b>For Against Abstain</b>				<b>For</b>

2. Approval of the Second Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan, including an amendment to increase the number of shares of Expedia common stock authorized for issuance thereunder by 6,000,000.	..	..	..	3. Approval of the Expedia, Inc. 2013 Employee Stock Purchase Plan and the Expedia, Inc. 2013 International Employee Stock Purchase Plan.	..
4. Ratification of the appointment of Ernst & Young LLP as Expedia's independent registered public accounting firm for the year ending December 31, 2013.	..	..	..	5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.	..

\* To be voted upon by the holders of Expedia, Inc.'s Common Stock voting as a separate class. All nominees will serve a term of one year or until their respective successors shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from the Board of Directors).

**B Authorized Signatures** This section must be completed for your vote to be counted. Date and

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) below.	Please print date	Signature 1 within the box.	Please keep signature	Signature 2 within the box.
	/	/		

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**Important notice regarding the Internet availability of proxy materials for the Annual Meeting of Stockholders**

The Proxy Statement and the 2012 Annual Report to Stockholders are available at: <http://www.RRDEZProxy.com>

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE DOTTED LINE, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy** Expedia, Inc.

**Notice of 2013 Annual Meeting of Stockholders**

**8800 West Sunset Boulevard, West Hollywood, California 90069**

**Proxy Solicited by Board of Directors for Annual Meeting June 18, 2013**

The undersigned stockholder of Expedia, Inc., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April 30, 2013 and hereby appoints each of Dara C. H. and Robert J. Dzielak proxy and attorney-in-fact, each with full power of substitution, on behalf and in the name of the undersigned to represent the undersigned at the Annual Meeting of Stockholders of Expedia, Inc. to be held on Tuesday, June 18, 2013 at 10:00 a.m. local time, and at any adjournments or postponements thereof, and to vote all shares of Common Stock of Expedia, Inc. which the undersigned would be entitled to vote if then and there personally present, on the reverse side hereof.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE PROVIDED.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR EACH OF THE PROPOSALS LISTED, AND IN THE DISCRETION OF THE PROXIES ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING ANY OTHER THINGS, CONSIDERATION OF ANY MOTION MADE FOR ADJOURNMENT OR POSTPONEMENT OF THE MEETING.

(Items to be voted appear on reverse side.)

**C Non-Voting Items**

**Change of Address** Please print your new address below.

**Comments** Please print your comments below.

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