

EBAY INC  
Form PRE 14A  
March 09, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

eBay Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(4) Date Filed:

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**Table of Contents**

**eBay Inc.  
2145 Hamilton Avenue  
San Jose, California 95125**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On April 29, 2009**

To the Stockholders of eBay Inc.:

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Stockholders of **eBay Inc.**, a Delaware corporation, will be held on Wednesday, April 29, 2009, at 8:00 a.m. Pacific time at Town Square, 2161 North First Street, San Jose, California 95131 for the following purposes:

1. To vote on the election of Marc L. Andreessen, William C. Ford, Jr., Dawn G. Lepore, Pierre M. Omidyar and Richard T. Schlosberg, III as directors, to hold office until our 2012 Annual Meeting of Stockholders.
2. To approve amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than our named executive officers and directors.
3. To approve the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million shares and to add market share and volume metrics as performance criteria under the plan.
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2009.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

These business items are described more fully in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on March 4, 2009 as the record date for identifying those stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement of this meeting.

By Order of the Board of Directors

**Michael R. Jacobson**  
Secretary

San Jose, California  
March [ ], 2009

**All stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, you are urged to submit your proxy or voting instructions as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. Telephone and**

**Internet voting are available. For specific instructions on voting, please refer to the instructions on the proxy card or voting instruction form.**

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**Table of Contents**

**eBay Inc.  
2145 Hamilton Avenue  
San Jose, California 95125**

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND  
OUR 2009 ANNUAL MEETING**

**Q: Why am I receiving these materials?**

A: eBay's Board of Directors, or the Board, is providing these proxy materials to you in connection with the Board's solicitation of proxies for use at eBay's 2009 Annual Meeting of Stockholders, or the Annual Meeting, which will take place on April 29, 2009. Stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement. The proxy statement and the accompanying proxy card are being mailed on or about March 19, 2009 in connection with the solicitation of proxies on behalf of the Board.

**Q: What information is contained in these materials?**

A: The information included in this proxy statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of our most highly paid executive officers and our directors, and certain other required information. eBay's 2008 Annual Report, which includes eBay's audited consolidated financial statements, is also enclosed with this proxy statement.

**Q: What proposals will be voted on at the Annual Meeting?**

A: There are four proposals scheduled to be voted on at the Annual Meeting:

the election as directors of the five nominees named in this proxy statement to serve for a three-year term (Proposal 1);

the approval of amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than our named executive officers and directors (Proposal 2);

the approval of the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million shares and to add market share and volume metrics as performance criteria under the plan (Proposal 3); and

the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2009 (Proposal 4).

**Q: What are eBay's Board's voting recommendations?**

A: eBay's Board recommends that you vote your shares as follows:

**FOR** each of the five nominees to the Board named in this proxy statement (Proposal 1);

**FOR** the approval of amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than our named executive officers and directors (Proposal 2);

**FOR** the approval of the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million shares and to add market share and volume metrics as performance criteria under the plan (Proposal 3); and

**FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2009 (Proposal 4).

**Q: How many shares are entitled to vote?**

A: Each share of eBay's common stock outstanding as of the close of business on March 4, 2009, the record date, is entitled to one vote at the Annual Meeting. At the close of business on March 4, 2009, 1,286,261,230 shares of common stock were outstanding and entitled to vote. You may vote all of the shares owned by you as of the

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## **Table of Contents**

close of business on the record date of March 4, 2009, and you are entitled to cast one vote per share of common stock held by you on the record date. These shares include shares that are (1) held of record directly in your name, including shares purchased through eBay's equity incentive plans, and (2) held for you as the beneficial owner through a stockbroker, bank, or other nominee.

### **Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

A: Most stockholders of eBay hold their shares beneficially through a broker, bank, or other nominee rather than directly in their own name. There are some distinctions between shares held of record and shares owned beneficially, specifically:

#### ***Shares held of record***

If your shares are registered directly in your name with eBay's transfer agent, BNY Mellon Shareowner Services, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you by eBay. As the stockholder of record, you have the right to grant your voting proxy directly to eBay or to vote in person at the Annual Meeting. eBay has enclosed a proxy card for you to use. You may also submit voting instructions via the Internet or by telephone as described below under "How can I vote my shares without attending the Annual Meeting?"

#### ***Shares owned beneficially***

If your shares are held in a stock brokerage account or by a broker, bank, or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank, or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or other nominee on how to vote the shares in your account, and you are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you request and receive a valid proxy from your broker, bank, or nominee. Your broker, bank, or nominee has enclosed a voting instruction form for you to use in directing the broker, bank, or nominee regarding how to vote your shares. Many brokers or banks also offer voting by Internet or telephone. Please refer to your voting instruction form for instructions on the voting methods offered by your broker or bank.

### **Q: Can I attend the Annual Meeting?**

A: You are invited to attend the Annual Meeting if you are a stockholder of record or a beneficial owner as of March 4, 2009. If you are a stockholder of record, you must bring proof of identification. If you hold your shares through a stockbroker or other nominee, you will need to provide proof of ownership by bringing either a copy of the voting instruction form provided by your broker or a copy of a brokerage statement showing your share ownership as of March 4, 2009. If you do not attend the Annual Meeting, you can listen to a webcast of the proceedings at eBay's investor relations site at <http://investor.ebay.com>.

### **Q: How can I vote my shares in person at the Annual Meeting?**

A: Shares held directly in your name as the stockholder of record may be voted in person at the Annual Meeting. If you choose to vote in person, please bring proof of identification. Even if you plan to attend the Annual Meeting, eBay recommends that you submit a proxy with respect to the voting of your shares in advance as described below so that your vote will be counted if you later decide not to attend the Annual Meeting. Shares held in street name through a brokerage account or by a broker, bank, or other nominee may be voted in person by you if you



obtain a valid proxy from your broker, bank or nominee giving you the right to vote the shares.

**Q: How can I vote my shares without attending the Annual Meeting?**

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may vote by proxy or submit a voting instruction form without attending the Annual Meeting via the Internet, by telephone, or by completing and mailing your proxy card or voting instruction form in the enclosed pre-paid envelope. Please refer to the enclosed materials for details.

**Table of Contents**

**Q: Can I change my vote or revoke my proxy?**

A: If you are the stockholder of record, you may change your proxy instructions or revoke your proxy at any time before your proxy is voted at the Annual Meeting. Proxies may be revoked by any of the following actions:

filing a timely written notice of revocation with our Corporate Secretary at our principal executive office (2145 Hamilton Avenue, San Jose, California 95125);

submitting a new proxy at a later date on the Internet, by telephone, or by mail to our Corporate Secretary at our principal executive office; or

attending the Annual Meeting and voting in person (attendance at the Annual Meeting will not, by itself, revoke a proxy).

If your shares are held in a brokerage account by a broker, bank, or other nominee, you should follow the instructions provided by your broker, bank, or nominee.

**Q: How are votes counted?**

A: In the election of directors, you may vote FOR, AGAINST, or ABSTAIN with respect to each of the nominees. If you elect to abstain from the election of directors, the abstention will not have any effect on the election of directors. In tabulating the voting results for the election of directors, only FOR and AGAINST votes are counted.

You may vote FOR, AGAINST, or ABSTAIN with respect to the proposals to approve (1) amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than our named executive officers and directors, and (2) the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million shares and to add market share and volume metrics as new performance criteria under the plan. If you elect to abstain from voting on either of these proposals, the abstention will not have any effect on the approval of the respective proposal. In tabulating the voting results for the approval of (1) the proposed amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than our named executive officers and directors and (2) the proposed amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million shares and to add market share and volume metrics as new performance criteria under the plan, only FOR and AGAINST votes with respect to each proposal will be counted.

You may vote FOR, AGAINST, or ABSTAIN with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors. If you elect to abstain, the abstention will have the same effect as a vote AGAINST.

If you sign and return your proxy card or voting instruction form without giving specific voting instructions, your shares will be voted as recommended by our Board. If you are a beneficial holder and do not return a voting instruction form, your broker may only vote on the election of directors and the ratification of the selection of PricewaterhouseCoopers LLP.

**Q: Who will count the votes?**

A: A representative of Broadridge Financial Solutions, Inc. will tabulate the votes and act as the inspector of election.

**Q: What is the quorum requirement for the Annual Meeting?**

A: The quorum requirement for holding the Annual Meeting and transacting business is a majority of the outstanding shares entitled to be voted at the Annual Meeting. The shares may be present in person or represented by proxy at the Annual Meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

**Q: What is the voting requirement to approve each of the proposals?**

A: In an uncontested election of directors, such as this election, each director must be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares of common stock present in

## **Table of Contents**

person or represented by proxy and entitled to vote. A majority of votes cast means that the number of votes FOR a director nominee must exceed the number of votes AGAINST that director nominee.

The proposals to approve (1) amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than named executive officers and directors and (2) the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million and to add market share and volume metrics as new performance criteria under the plan, each require the affirmative vote of a majority of the votes cast with respect to the proposal by the shares present in person or represented by proxy and entitled to vote. A majority of votes cast means that the number of votes FOR the approval of the proposal must exceed the number of votes AGAINST the approval of the proposal. If you are a beneficial owner and do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes (see What are broker non-votes and what effect do they have on the proposals? below).

The proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal.

### **Q: What happens if a nominee who is duly nominated does not receive the required majority vote?**

A: Each current director who is standing for re-election at the Annual Meeting has tendered an irrevocable resignation from the Board that will become effective if the Corporate Governance and Nominating Committee or another committee of the Board determines to accept it after the director fails to receive the required majority vote. This determination will be made within 90 days of the Annual Meeting and will be publicly reported promptly after it is made.

### **Q: What are broker non-votes and what effect do they have on the proposals?**

A: Generally, broker non-votes occur when shares held by a broker in street name for a beneficial owner are not voted with respect to a particular proposal because the broker (1) has not received voting instructions from the beneficial owner and (2) lacks discretionary voting power to vote those shares. A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the election of our directors and the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors, without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on certain non-routine items, such as the approval of (1) amendments to certain of our existing equity incentive plans to allow for a one-time option exchange program for employees other than named executive officers and directors and (2) the amendment and restatement of our 2008 Equity Incentive Award Plan to increase the aggregate number of shares authorized for issuance under the plan by 50 million and to add market share and volume metrics as performance criteria under the plan. Broker non-votes count for purposes of determining whether a quorum exists but do not count as entitled to vote with respect to individual proposals. Thus, if you do not give your broker specific instructions, your shares may not be voted on these matters and will not be counted in determining the number of shares necessary for approval, although they will count for purposes of determining whether a quorum exists.

### **Q: What does it mean if I receive more than one proxy card or voting instruction form?**

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for each proxy card and voting instruction form you receive to ensure that all of your shares are voted.

**Q: Where can I find the voting results of the Annual Meeting?**

A: eBay will announce preliminary voting results at the Annual Meeting and will publish final results in eBay's quarterly report on Form 10-Q for the second quarter of 2009.

**Q: Who will bear the cost of soliciting votes for the Annual Meeting?**

A: eBay will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials. eBay will provide copies of these proxy materials to banks, brokerage houses, fiduciaries, and

**Table of Contents**

custodians holding in their names shares of our common stock beneficially owned by others so that they may forward these proxy materials to the beneficial owners. eBay has retained the services of D.F. King & Co., Inc., a professional proxy solicitation firm, to aid in the solicitation of proxies. D.F. King may solicit proxies by personal interview, mail, telephone, facsimile, email, or otherwise. eBay expects that it will pay D.F. King its customary fee, estimated to be approximately \$12,500, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. In addition, eBay may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Solicitations may also be made by personal interview, mail, telephone, facsimile, email, or otherwise by directors, officers, and other employees of eBay, but eBay will not additionally compensate its directors, officers, or other employees for these services.

**Q: May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as directors?**

A: You may submit proposals for consideration at future annual stockholder meetings. In order for a stockholder proposal to be considered for inclusion in the proxy materials for our 2010 Annual Meeting of Stockholders, your proposal must be received by our Corporate Secretary no later than November 19, 2009. A stockholder proposal or a nomination for director that is received after this date will not be included in our proxy statement and proxy, but will otherwise be considered at the 2010 Annual Meeting of Stockholders so long as it is submitted to our Corporate Secretary no earlier than December 30, 2009 and no later than January 29, 2010. We advise you to review our Bylaws, which contain these and other requirements with respect to advance notice of stockholder proposals and director nominations, including certain information that must be included concerning the stockholder and each nominee and proposal. Our Bylaws were filed with the Securities and Exchange Commission, or SEC, on Form 8-K on October 3, 2008, and can be viewed by visiting our investor relations website at <http://investor.ebay.com/sec.cfm>. You may also obtain a copy by writing to our Corporate Secretary at our principal executive office (2145 Hamilton Avenue, San Jose, California 95125).

**Q: How can I get electronic access to the Proxy Statement and Annual Report?**

A: This proxy statement and our 2008 Annual Report may be viewed online on our investor relations website at <http://investor.ebay.com/annuals.cfm>. You can also elect to receive an email that will provide an electronic link to future annual reports and proxy statements rather than receiving paper copies of these documents. Choosing to receive your proxy materials electronically will save us the cost of printing and mailing documents to you. You can choose to receive future proxy materials electronically by visiting our investor relations website at <http://investor.ebay.com/annuals.cfm>. If you choose to receive future proxy materials electronically, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your choice to receive proxy materials electronically will remain in effect until you contact eBay Investor Relations and tell us otherwise. You may visit our investor relations website at <http://investor.ebay.com> or contact eBay Investor Relations by mail at 2145 Hamilton Avenue, San Jose, California 95125 or by telephone at 866-696-3229.

**Q: How do I obtain a separate set of proxy materials if I share an address with other stockholders?**

A: To reduce expenses, in some cases, we are delivering one set of proxy materials to certain stockholders who share an address, unless otherwise requested. A separate proxy card is included in the proxy materials for each of these stockholders. If you reside at such an address and wish to receive a separate copy of the proxy materials, including our annual report, you may contact eBay Investor Relations at the website, address, or phone number in the previous paragraph. You may also contact eBay Investor Relations if you would like to receive separate proxy materials in the future or if you are receiving multiple copies of our proxy materials and would like to receive

only one copy in the future.

**Table of Contents**

**Q: How can I obtain an additional proxy card or voting instruction form?**

A: If you lose, misplace, or otherwise need to obtain a proxy card or voting instruction form, and:

you are a stockholder of record, contact eBay Investor Relations by mail at 2145 Hamilton Avenue, San Jose, California 95125 or by telephone at 866-696-3229; or

you are the beneficial owner of shares held indirectly through a bank, broker, or similar institution, contact your account representative at that organization.



**2009 ANNUAL MEETING OF STOCKHOLDERS**

**PROXY STATEMENT**

**TABLE OF CONTENTS**

<b><u>QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND OUR 2009 ANNUAL MEETING</u></b>	1
<b><u>TABLE OF CONTENTS</u></b>	7
<b><u>CORPORATE GOVERNANCE</u></b>	8
<u>Our Corporate Governance Practices</u>	8
<u>Board Committees and Meetings</u>	10
<u>Audit Committee</u>	10
<u>Compensation Committee</u>	11
<u>Corporate Governance and Nominating Committee</u>	11
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	12
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	14
<b><u>CERTAIN TRANSACTIONS WITH DIRECTORS AND OFFICERS</u></b>	14
<b><u>PROPOSALS REQUIRING YOUR VOTE</u></b>	16
<u>PROPOSAL 1 Election of Directors</u>	16
<u>PROPOSAL 2 Approval of Amendments to Certain of Our Existing Equity Incentive Plans to Allow for a One-Time Stock Option Exchange Program for Employees Other Than Our Named Executive Officers and Directors</u>	20
<u>PROPOSAL 3 Approval of Amendment and Restatement of Our 2008 Equity Incentive Award Plan</u>	33
<u>PROPOSAL 4 Ratification of Selection of Independent Auditors</u>	42
<u>Audit and Other Professional Fees</u>	42
<u>Audit Committee Pre-Approval Policy</u>	42
<b><u>AUDIT COMMITTEE REPORT</u></b>	43
<b><u>OUR EXECUTIVE OFFICERS</u></b>	45
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	46
<u>Introduction: Objectives of Compensation Programs</u>	46
<u>Role of the Compensation Committee</u>	47
<u>Role of Executive Officers and Consultants in Compensation Decisions</u>	47
<u>Competitive Considerations</u>	48
<u>Elements of Compensation/Executive Compensation Practices</u>	50
<u>Equity Compensation Grant Practices</u>	57
<u>Employment Agreements, Change-in-Control Arrangements, and Severance Arrangements with Executive Officers</u>	58
<u>Stock Ownership Guidelines</u>	59
<u>Impact of Accounting and Tax Requirements on Compensation</u>	59
<u>Conclusion</u>	59
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	60
<b><u>COMPENSATION TABLES</u></b>	61
<u>Summary Compensation Table</u>	61
<u>Grants of Plan-Based Awards</u>	66
<u>Outstanding Equity Awards at Fiscal Year-End</u>	68
<u>Option Exercises and Stock Vested</u>	71
<b><u>COMPENSATION OF DIRECTORS</u></b>	71

<u>Director Summary Compensation Table</u>	72
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	73
<b><u>OTHER MATTERS</u></b>	75
<b><u>APPENDIX A: Amendment and Restatement of Our 2008 Equity Incentive Award Plan</u></b>	A-1

**Table of Contents**

**CORPORATE GOVERNANCE**

Our business is managed by our employees under the direction and oversight of the Board of Directors. Except for Mr. Donahoe, none of our Board members is an employee of eBay. We keep Board members informed of our business through discussions with management, materials we provide to them, visits to our offices, and their participation in Board and Board committee meetings.

The Board has adopted corporate governance guidelines that, along with the charters of the principal Board committees and our Code of Business Conduct and Ethics, which we refer to as our Code of Conduct, provide the framework for the governance of the company. A complete copy of our governance guidelines, the charters of our principal Board committees, and our Code of Conduct may be found on our investor relations website at <http://investor.ebay.com/governance>. Information contained on our website is not part of this proxy statement. The Board regularly reviews corporate governance developments and modifies these policies as warranted. Any changes in these governance documents will be reflected in the same location on our website.

**OUR CORPORATE GOVERNANCE PRACTICES**

We believe that open, effective, and accountable corporate governance practices are key to our relationship with our stockholders. To help our stockholders understand our commitment to this relationship and our governance practices, the Board has adopted a set of governance guidelines to set a framework within which the Board will conduct its business. The governance guidelines can be found on our website at <http://investor.ebay.com/governance> and are summarized below along with certain other of our governance practices.

*Committee Responsibilities.* Board committees help the Board run effectively and efficiently, but do not replace the oversight of the Board as a whole. There are currently three principal Board committees: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Each committee meets regularly and has a written charter that has been approved by the Board. In addition, at each regularly scheduled Board meeting, a member of each committee reports on any significant matters addressed by the committee since the last Board meeting. Each committee performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations.

*Independence.* The rules of The Nasdaq Stock Market require listed companies to have a board of directors with at least a majority of independent directors. These rules have both objective tests and a subjective test for determining who is an independent director. The objective tests state, for example, that a director is not considered independent if he or she is an employee of the company, or is a partner in, or a controlling shareholder or executive officer of, an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year. The subjective test requires our Board to affirmatively determine that the director does not have a relationship that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. On an annual basis, each member of our Board is required to complete an independence questionnaire designed to provide information to assist the Board in determining whether the director is independent under the listing standards of the Nasdaq Global Select Market and our corporate governance guidelines. Our Board has adopted guidelines setting forth certain categories of transactions, relationships, and arrangements that it has deemed immaterial for purposes of making its determination regarding a director's independence, and does not consider any such transactions, relationships, and arrangements in making its subjective determination.

Our Board has determined that each of the following directors is independent under the listing standards of the Nasdaq Global Select Market: Mr. Anderson, Mr. Andreessen, Mr. Barnholt, Mr. Bourguignon, Mr. Cook, Mr. Ford, Ms. Lepore, Mr. Moffett, Mr. Schlosberg, and Mr. Tierney. Also, our Board determined that Mr. Kagle, who served as a director until his term expired upon the conclusion of our 2008 Annual Meeting of Stockholders held on June 19, 2008, was independent under the listing standards of the Nasdaq Global Select Market. In making this assessment, the Board considered the transactions, relationships, and arrangements described under the heading Certain Transactions with Directors and Officers below. In addition, certain of our directors serve as members of the board of directors for the same company or have investments in venture funds where another director serves as a general partner. The Board was aware of these relationships when it made its determination.

## **Table of Contents**

The Board limits membership on the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee to independent directors. Our governance guidelines require any director who has previously been determined to be independent to inform the Chairman of the Board and our Corporate Secretary of any change in circumstance that may cause his or her status as an independent director to change.

*Lead Independent Director.* Our Board has a designated lead independent director who chairs and may call formal closed sessions of the independent directors, leads Board meetings in the absence of the Chairman, and leads the annual Board self-assessment. In addition, the lead independent director, together with the chair of the Corporate Governance and Nominating Committee, conducts interviews to confirm the continued qualification and willingness to serve of each director whose term is expiring at an annual meeting prior to the time at which directors are nominated for re-election. Mr. Barnholt is currently the lead independent director, having been appointed to a two-year term in June 2008. He will serve as lead independent director until the Board meeting following our 2010 Annual Meeting of Stockholders.

*Stockholder Communication.* Stockholders may communicate with the Board or individual directors care of the Corporate Secretary, eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125. The Corporate Governance and Nominating Committee has delegated responsibility for initial review of stockholder communications to our Corporate Secretary. In accordance with the committee's instructions, our Corporate Secretary will summarize all correspondence and make it available to each member of the Board. In addition, the Corporate Secretary will forward copies of all stockholder correspondence to each member of the Corporate Governance and Nominating Committee, except for communications that are (1) advertisements or promotional communications, (2) solely related to complaints by users with respect to ordinary course of business customer service and satisfaction issues, or (3) clearly unrelated to our business, industry, management, or Board or committee matters.

*Attendance at Annual Meetings.* Absent exigent circumstances, all directors are expected to attend eBay's annual meeting of stockholders. All of our directors serving on our Board at the time of our last annual meeting of stockholders, which was held in June 2008, attended such meeting except for Mr. Kagle, whose term as a director expired upon the conclusion of that meeting.

*Formal Closed Sessions.* At the conclusion of each regularly scheduled Board meeting, the outside directors have the opportunity to meet without our management or the other directors. The lead independent director leads the discussions.

*Board Compensation.* Board compensation is determined by the Compensation Committee. Since 2003, Board compensation has consisted of a mixture of equity compensation and cash compensation. Board compensation is reviewed annually by the Compensation Committee. A more detailed description of current Board compensation can be found under the heading "Compensation of Directors" below.

*Stock Ownership Guidelines.* In September 2004, our Board adopted stock ownership guidelines to better align the interests of our directors and executive officers with the interests of our stockholders and further promote our commitment to sound corporate governance. Under these guidelines, our executive officers are required to achieve ownership of eBay common stock valued at three times their annual base salary (five times in the case of our Chief Executive Officer, or CEO). The guidelines provide that the required ownership level for each executive officer is re-calculated whenever an executive officer changes pay grade, and as of January 1 of every third year. Until an executive officer achieves the required level of ownership, he or she is required to retain 25% of the after-tax net shares received as the result of the exercise of eBay stock options or the vesting of restricted stock or restricted stock units. Directors are required to achieve ownership of eBay common stock valued at three times the amount of the annual retainer paid to directors within three years of joining the Board, or in the case of directors serving at the time the guidelines were adopted, within three years of the date of adoption of the guidelines. A more detailed summary of

our stock ownership guidelines can be found on our website at <http://investor.ebay.com/governance>. The ownership levels of our executive officers and directors as of March 3, 2009 are set forth in the section entitled "Security Ownership of Certain Beneficial Owners and Management" below.

*Outside Advisors.* The Board and each of its principal committees may retain outside advisors and consultants of their choosing at the company's expense. The Board need not obtain management's consent to

## **Table of Contents**

retain outside advisors. In addition, the principal committees need not obtain either the Board's or management's consent to retain outside advisors.

*Conflicts of Interest.* eBay expects its directors, executives, and employees to conduct themselves with the highest degree of integrity, ethics, and honesty. eBay's credibility and reputation depend upon the good judgment, ethical standards, and personal integrity of each director, executive, and employee. In order to better protect eBay and its stockholders, eBay regularly reviews its Code of Conduct and related policies to ensure that it provides clear guidance to its directors, executives, and employees.

*Transparency.* eBay believes it is important that stockholders understand the governance practices of eBay. In order to help ensure the transparency of our practices, we have posted information regarding our corporate governance procedures on our website at <http://investor.ebay.com/governance>.

*Board Effectiveness and Director Performance Reviews.* It is important to eBay that the Board and its committees are performing effectively and in the best interest of the company and its stockholders. The Board performs an annual self-assessment, led by the lead independent director, to evaluate its effectiveness in fulfilling its obligations. As part of this annual self-assessment, directors are able to provide feedback on the performance of other directors. The lead independent director then follows up on this feedback and takes such further action with directors receiving comments and other directors as he or she deems appropriate.

*Succession Planning.* The Board recognizes the importance of effective executive leadership to eBay's success. eBay conducts an annual review process that includes succession plans for eBay's senior leadership positions. These succession plans are reviewed and approved by our CEO, and details on these succession plans, including potential successors for members of eBay's executive staff (including the CEO), are presented to the Board. In addition, the Board reviews and updates eBay's CEO succession plan, which includes formal criteria for the CEO position used to evaluate potential successors and addresses the possibility of an emergency situation. In conducting this review, the Board considers, among other factors, organizational and operational needs, competitive challenges and leadership/management potential and development.

*Auditor Independence.* eBay has taken a number of steps to ensure continued independence of its outside auditors. eBay's independent auditors report directly to the Audit Committee, and eBay limits the use of its auditors for non-audit services. The fees for services provided by eBay's auditors in 2008 and 2007 and eBay's policy on pre-approval of non-audit services are described under Proposal 4 Ratification of Selection of Independent Auditors below.

*Corporate Hotline.* eBay has established a corporate hotline (operated by a third party) to allow any employee to confidentially and anonymously lodge a complaint about any accounting, internal control, auditing, or (where legally permissible) other matters of concern.

## **BOARD COMMITTEES AND MEETINGS**

During 2008, our Board held five meetings, and each Board member attended at least 75% of the aggregate of all of our Board meetings and committee meetings for committees on which such director served. The Board has three principal committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee.

### **Audit Committee**

Our Board has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Our Audit Committee consists of Mr. Anderson, Ms. Lepore, Mr. Moffett and Mr. Schlosberg, each of whom is independent in accordance with the rules and regulations of the Nasdaq Global Select Market and the SEC. Mr. Anderson is the chairman of the committee. The Audit Committee held 12 meetings during 2008. The primary responsibilities of the Audit Committee are to meet with our independent auditors to review the results of the annual audit and to discuss our financial statements, including the independent auditors' judgment about the quality of accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in our financial



## **Table of Contents**

statements, eBay's internal control over financial reporting, and management's report with respect to internal control over financial reporting. Additionally, the Audit Committee meets with our independent auditors to review the interim financial statements prior to the filing of our Quarterly Reports on Form 10-Q, recommends to the Board the independent auditors to be retained by us, oversees the independence of the independent auditors, evaluates the independent auditors' performance, reviews and approves the fees of the independent auditors, and receives and considers the independent auditors' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls, including our system to monitor and manage business risks and legal and ethical compliance programs. The Audit Committee approves the compensation of our Vice President of Internal Audit, who meets with the committee regularly without other members of management present.

The Audit Committee also prepares the Audit Committee Report for inclusion in our proxy statement, approves audit and non-audit services provided to us by our independent auditors, considers conflicts of interest and reviews all transactions with related persons involving executive officers or Board members that are reasonably expected to exceed specified thresholds, and meets with our General Counsel to discuss legal matters that may have a material impact on our financial statements or our compliance policies and with other members of management to discuss other areas of risk to the company. Our Board has determined that Mr. Anderson is an audit committee financial expert as defined by the SEC. You can view our Audit Committee Charter on the corporate governance section of our investor relations website at <http://investor.ebay.com/governance>.

## **Compensation Committee**

Our Compensation Committee consists of Messrs. Barnholt, Bourguignon, Ford and Tierney. Mr. Ford joined the committee on March 27, 2008. Mr. Kagle was a member of the committee until his term as a director expired upon the conclusion of our 2008 Annual Meeting of Stockholders held on June 19, 2008. Mr. Barnholt is the chairman of the committee. The committee met nine times during 2008. The Compensation Committee reviews and approves all compensation programs applicable to directors and executive officers, the overall strategy for employee compensation, and the compensation of our CEO and our other executive officers. The committee also reviews the Compensation Discussion and Analysis contained in our proxy statement and prepares the Compensation Committee Report for inclusion in our proxy statement. All members of our Compensation Committee are independent under the listing standards of the Nasdaq Global Select Market. The Compensation Committee Charter permits the committee to, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the committee. You can view our Compensation Committee Charter on the corporate governance section of our investor relations website at <http://investor.ebay.com/governance>.

A more detailed description of the role of the committee, including the role of executive officers and consultants in compensation decisions, can be found under "Compensation Discussion and Analysis - Role of the Compensation Committee" and "Role of Executive Officers and Consultants in Compensation Decisions" below.

*Compensation Committee Interlocks and Insider Participation.* All members of the Compensation Committee during 2008 were independent directors, and no member was an employee or former employee of eBay. No Compensation Committee member had any relationship requiring disclosure under Item 404 of Regulation S-K promulgated by the SEC. During 2008, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Compensation Committee or Board.

## **Corporate Governance and Nominating Committee**

Our Corporate Governance and Nominating Committee consists of Mr. Cook, Ms. Lepore, Mr. Schlosberg, and Mr. Tierney. Mr. Ford served on the committee until March 27, 2008. Mr. Cook is the chairman of the committee. The committee met four times during 2008. The Corporate Governance and Nominating Committee makes

recommendations to the Board as to the appropriate size of the Board or any Board committee, reviews the qualifications of candidates for the Board of Directors, and makes recommendations to the Board of Directors on potential Board members (whether as a result of vacancies, including any vacancy created by an increase in the size

**Table of Contents**

of the Board, or as part of the annual election cycle). The committee considers nominee recommendations from a variety of sources, including nominees recommended by stockholders. The committee has from time to time retained an executive search firm to help facilitate the screening and interview process of director nominees. The committee has not established specific minimum age, education, experience, or skill requirements for potential members, but, in general, expects that qualified candidates will have high-level managerial experience in a complex organization and will be able to represent the interests of the stockholders as a whole rather than special interest groups or constituencies. The committee considers each candidate's integrity, judgment, skill, diversity of background, and time available to devote to Board activities, among other factors. The committee will also consider the interplay of a candidate's skill and experience with that of other Board members, and the extent to which a candidate may be a desirable addition to any committee of the Board.

In addition to recommending director candidates, the Corporate Governance and Nominating Committee establishes procedures for the oversight and evaluation of the Board and management, reviews correspondence received from stockholders, and reviews on an annual basis a set of corporate governance guidelines for the Board. Stockholders wishing to submit recommendations or director nominations for our 2010 Annual Meeting of Stockholders should submit their proposals to the Corporate Governance and Nominating Committee in care of our Corporate Secretary in accordance with the time limitations, procedures, and requirements described under the heading "May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as directors?" in the section entitled

Questions and Answers about the Proxy Materials and Our 2009 Annual Meeting above. All members of our Corporate Governance and Nominating Committee are independent under the listing standards of the Nasdaq Global Select Market. You can view our Corporate Governance and Nominating Committee Charter on the corporate governance section of our investor relations website at <http://investor.ebay.com/governance>.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of March 3, 2009, by (i) each stockholder known to us to be the beneficial owner of more than 5% of our common stock, (ii) each director and nominee for director, (iii) each of the executive officers named in the Summary Compensation Table below, and (iv) all executive officers and directors as a group.

Name of Beneficial Owner	Shares Beneficially Owned(1)	
	Number	Percent
Pierre M. Omidyar(2)	167,250,408	13.0%
Morgan Stanley(3)	65,770,981	5.1
John J. Donahoe(4)	1,767,102	*
Margaret C. Whitman(5)	21,731,035	1.7
Robert H. Swan(6)	607,029	*
Elizabeth L. Axelrod(7)	943,729	*
Lorrie M. Norrington(8)	738,401	*
Scott Thompson(9)	1,012,088	*
Rajiv Dutta(10)	49,233	*
Fred D. Anderson(11)	67,875	*
Marc L. Andreessen(11)	0	*
Edward W. Barnholt(11)	36,375	*
Philippe Bourguignon(11)	127,875	*
Scott D. Cook(12)	644,881	*

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William C. Ford, Jr.(13)	143,275	*
Dawn G. Lepore(14)	419,875	*
David M. Moffett(15)	5,000	*
Richard T. Schlosberg, III(16)	67,875	*
Thomas J. Tierney(17)	115,875	*
All directors and executive officers as a group (19 persons)(18)	177,384,784	13.7

**Table of Contents**

\* Less than one percent.

- (1) This table is based upon information supplied by officers, directors, and principal stockholders and Schedules 13D and 13G filed with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated in the footnotes to this table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 3, 2009 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding those options, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of beneficial ownership is based on 1,286,264,017 shares of common stock outstanding as of March 3, 2009.
- (2) Mr. Omidyar is our founder and Chairman of the Board. Includes 100,000 shares held by his spouse as to which he disclaims beneficial ownership, and 37,730,230 shares Mr. Omidyar has pledged as security. The address for Mr. Omidyar is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (3) The address for Morgan Stanley is 1585 Broadway, New York, New York 10036. This information is based solely upon a Schedule 13G filed by Morgan Stanley on February 17, 2009.
- (4) Mr. Donahoe is our President and CEO. Includes 1,680,048 shares Mr. Donahoe has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Donahoe is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (5) Ms. Whitman is our former President and CEO, and subsequently served as a special advisor to the President and CEO and a member of the Board until December 31, 2008. Includes 4,000,000 shares pledged as security, 15,210,492 shares held by the Griffith R. Harsh, IV & Margaret C. Whitman TTEES of Sweetwater Trust U/A/D 10/15/99, 9,584 shares held by the Whitford Limited Partnership and 2,490,000 shares held by the Sheridan Investments Limited Partnership. The Managing General Partner for both is Griffith R. Harsh, IV, not individually but as trustee of the Griffith R. Harsh, IV & Margaret C. Whitman TTEES of Sweetwater Trust U/A/D 10/15/99. The address for Ms. Whitman is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (6) Mr. Swan is our Senior Vice President, Finance and Chief Financial Officer. Includes 533,167 shares Mr. Swan has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Swan is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (7) Ms. Axelrod is our Senior Vice President, Human Resources. Includes 902,215 shares Ms. Axelrod has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Ms. Axelrod is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (8) Ms. Norrington is our President, eBay Marketplaces. Includes 686,926 shares Ms. Norrington has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Ms. Norrington is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (9) Mr. Thompson is our President, PayPal. Includes 955,510 shares Mr. Thompson has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Thompson is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.

- (10) Mr. Dutta is our former President, eBay Marketplaces. The address for Mr. Dutta is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (11) Includes, in the case of Mr. Anderson, 61,875 shares Mr. Anderson has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009, in the case of Mr. Barnholt, 31,875 shares Mr. Barnholt has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009, and, in the case of Mr. Bourguignon, 121,875 shares Mr. Bourguignon has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for each of Messrs. Anderson, Andreessen, Barnholt, and Bourguignon is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.

**Table of Contents**

- (12) Includes 481,875 shares Mr. Cook has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Cook is c/o Intuit Inc., 2535 Garcia Avenue, Mountain View, California 94043.
- (13) Includes (a) 25 shares held by Mr. Ford's spouse as a custodian for the trust for his children and as to which Mr. Ford disclaims beneficial ownership and (b) 750 shares held in a trust for two of Mr. Ford's children as to which Mr. Ford is trustee and as to which Mr. Ford disclaims beneficial ownership. Includes 17,500 shares Mr. Ford has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Ford is c/o Ford Motor Company, One American Road, Dearborn, Michigan 48126.
- (14) Includes 399,875 shares Ms. Lepore has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Ms. Lepore is c/o drugstore.com, inc., 411 108th Avenue NE, Suite 1400, Bellevue, Washington 98004.
- (15) The address for Mr. Moffett is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (16) Includes 61,875 shares Mr. Schlosberg has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Schlosberg is Bank of San Antonio, 800 E. Sonterra Blvd., Suite 140, San Antonio, Texas 78257.
- (17) Includes 111,875 shares Mr. Tierney has the right to acquire pursuant to outstanding options exercisable within 60 days of March 3, 2009. The address for Mr. Tierney is c/o The Bridgespan Group, 535 Boylston Street, 10th Floor, Boston, Massachusetts 02116.
- (18) Includes 8,989,675 shares subject to options exercisable within 60 days of March 3, 2009. Excludes shares beneficially owned by Ms. Whitman and Mr. Dutta because they were not executive officers as of March 3, 2009.

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

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our common stock to file reports regarding their ownership and changes in ownership of our securities with the SEC, and to furnish us with copies of all Section 16(a) reports that they file.

We believe that during the fiscal year ended December 31, 2008, our directors, executive officers, and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements, except that (i) one Form 4 involving an option exercise and sale of shares held by Mr. Cook was filed late, and (ii) one Form 4 involving the vesting of restricted stock units held by Mr. Thompson was filed late.

In making this statement, we have relied upon a review of the copies of Section 16(a) reports furnished to us and the written representations of our directors, executive officers, and greater than 10% stockholders.

**CERTAIN TRANSACTIONS WITH DIRECTORS AND OFFICERS**

The Audit Committee is charged with reviewing reports relating to (1) compliance program activities, and (2) the adjudication of potential conflict of interest situations under our Code of Business Conduct. The Audit Committee also reviews and approves all transactions with related persons that are required to be disclosed in this section of our proxy statement. The charter of our Audit Committee and our Code of Conduct may be found on our investor relations

website at <http://investor.ebay.com/governance>.

Our Board has adopted a written policy for the review of related person transactions. For purposes of the policy, a related person transaction includes transactions in which (i) the amount involved is more than \$120,000 in any consecutive twelve-month period, (ii) eBay is a participant, and (iii) any related person has a direct or indirect material interest. The policy defines a related person to include directors, nominees for director, executive officers, holders of more than 5% of eBay's outstanding common stock and their respective immediate family members. Pursuant to the policy, all related person transactions must be approved by the Audit Committee or, in the event of an inadvertent failure to bring the transaction to the Audit Committee for pre-approval, ratified by the Audit Committee. In the event that a member of the Audit Committee has an interest in a related person transaction, the



**Table of Contents**

transaction must be approved or ratified by the disinterested members of the Audit Committee. In deciding whether to approve or ratify a related person transaction, the Audit Committee will consider the following factors:

whether the terms of the transaction are (1) fair to eBay and (2) at least as favorable to eBay as would apply if the transaction did not involve a related person;

whether there are demonstrable business reasons for eBay to enter into the transaction;

whether the transaction would impair the independence of an outside director under eBay's director independence standards; and

whether the transaction would present an improper conflict of interest for any director or executive officer, taking into account the size of the transaction, the overall financial position of the related person, the direct or indirect nature of the related person's interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the committee deems relevant.

From time to time, we have entered into and may continue to enter into commercial arrangements with companies with which our directors or executive officers may have relationships (including as a director or executive officer of such other companies), but with respect to which our directors or executive officers do not have a material interest and, thus, are not required to be disclosed. These commercial arrangements are entered into in the ordinary course of business and on an arm's-length basis.

In July 2008, PayPal entered into an ordinary course commercial transaction with Intuit Inc. involving the integration and promotion of PayPal as a preferred payment option in Intuit's online Quickbooks Merchant Services. In connection with the transaction, PayPal agreed to pay Intuit a revenue share for PayPal Merchant Services accounts acquired through Intuit on terms consistent with the terms PayPal had offered other merchants in similar situations. Mr. Cook, a member of our Board, is a director and the Chairman of the Executive Committee of Intuit. The Audit Committee pre-approved this transaction. We believe this transaction was made on terms no less favorable to us than we could have obtained from unaffiliated third parties and did not present an improper conflict of interest. While we do not believe that Mr. Cook had a direct or indirect material interest in this transaction, and thus it is not required to be disclosed, we are disclosing its existence as a matter of good corporate governance.

Ms. Whitman, our former President and CEO and a former member of our Board, entered into an aircraft time sharing agreement with eBay Inc., effective April 1, 2008, pursuant to which she agreed to reimburse us for her personal use of the corporate aircraft following her resignation as President and Chief Executive Officer on March 31, 2008. Under the terms of the agreement, Ms. Whitman agreed to reimburse us at the maximum amount allowable under applicable law. Ms. Whitman fulfilled her obligations under the agreement and reimbursed us \$145,747, which exceeded the incremental cost incurred by us. The Audit Committee pre-approved the agreement. Given that Ms. Whitman reimbursed us in an amount that exceeded the incremental cost related to the operation of the corporate aircraft for her personal use after March 31, 2008, we do not consider such use to be a perquisite or to provide any other personal benefit to Ms. Whitman.

Mr. Omidyar from time to time makes his personal aircraft available to our officers for business purposes at no cost to us. No use of Mr. Omidyar's personal aircraft was made by our officers during 2008.

We have entered into indemnification agreements with each of our directors and executive officers. These agreements require us to indemnify such individuals, to the fullest extent permitted by Delaware law, for certain liabilities to which they may become subject as a result of their affiliation with eBay.



**Table of Contents**

**PROPOSALS REQUIRING YOUR VOTE**

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Our Certificate of Incorporation and Bylaws, each as amended to date, provide for the Board to be divided into three classes, with each class having a three-year term. The first class currently consists of four directors, the second class currently consists of five directors and the third class currently consists of three directors. The term of office for the first class expires at our 2011 Annual Meeting, the term of office for the second class expires at our upcoming Annual Meeting, and the term of office for the third class expires at our 2010 Annual Meeting. A director elected to fill a vacancy (including a vacancy created by an increase in the size of the Board) will serve for the remainder of the term of the class of directors in which the vacancy occurred and until his or her successor is elected and qualified, or until his or her earlier death, resignation, or removal.

Our Board is presently composed of 12 members, 10 of whom are currently independent directors within the meaning of the listing standards of the Nasdaq Global Select Market. The five nominees standing for election at the Annual Meeting are from the class whose term of office expires at the upcoming Annual Meeting. These five nominees are all currently members of the Board of Directors, and, except for Mr. Andreessen, have been previously elected by the stockholders. If elected at the Annual Meeting, each of the nominees would serve until our 2012 Annual Meeting and until his or her successor is elected and qualified, or until his or her earlier death, resignation, or removal.

*Majority Vote Standard for Election of Directors; Director Resignation Policy.* Our Bylaws require that each director be elected by the affirmative vote of a majority of the votes cast with respect to such director in uncontested elections such as this one (the number of shares voted FOR a director nominee must exceed the number of votes cast AGAINST that nominee). In a contested election, the standard for election of directors would be the affirmative vote of a plurality of the votes cast by the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. A contested election is one in which the Board has determined that the number of nominees exceeds the number of directors to be elected at the meeting and has not rescinded this determination by the date that is at least 20 days prior to the date of the meeting as initially announced.

If a nominee who is serving as a director is not elected at the annual meeting, under Delaware law the director would continue to serve on the Board as a holdover director until his or her successor is elected and qualified, or until his or her earlier resignation or removal pursuant to our Bylaws. In accordance with our governance guidelines, our Board expects each incumbent director who is nominated for re-election to resign, in accordance with the procedure set forth in our Bylaws, from the Board if he or she fails to receive the required number of votes for re-election in accordance with our Bylaws. Our governance guidelines provide that, in considering whether to nominate any incumbent director for re-election, the Board will take into account whether the director has tendered an irrevocable resignation that will be effective upon the Board's acceptance of such resignation in the event the director fails to receive the required vote to be re-elected. In the case of a proposed nominee who is not an incumbent director, the Board will take into account whether the individual has agreed to tender such a resignation prior to being nominated for re-election. If a nominee who is an incumbent director does not receive the required vote for re-election, the Corporate Governance and Nominating Committee or another committee of the Board will decide whether to accept or reject such director's resignation (if the director has tendered such a resignation), or whether to take other action, within 90 days after the date of the certification of the election results (subject to an additional 90-day period in certain circumstances). In reaching its decision, the committee will review factors it deems relevant, which may include any stated reasons for against votes, whether the underlying cause or causes of the against votes are curable, criteria considered by the

committee in evaluating potential candidates for the Board, the length of service of the director, the size and holding period of such director's stock ownership in the company, and the director's contributions to the company. The committee's decision will be publicly disclosed in a filing with the SEC. If a nominee who was not already serving as a director fails to receive the required votes to be elected at the annual meeting, he or she will not become a member of the Board. Each director nominee is currently serving on the Board and has submitted an irrevocable resignation of the type described above.

**Table of Contents**

Set forth below is biographical information for each of the nominees as well as for each director whose term of office will continue after the upcoming Annual Meeting.

**NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT OUR 2012 ANNUAL MEETING**

***Marc L. Andreessen***

Marc L. Andreessen, age 37, has served as a director of eBay since September 2008. Mr. Andreessen is a co-founder and chairman of Ning Inc., an online platform for people to create their own social networks founded in late 2004. From September 1999 to July 2007, Mr. Andreessen co-founded and served as the Chairman of the board of directors of Opsware, Inc. (formerly known as Loudcloud Inc.). From March 1999 to September 1999, Mr. Andreessen served as Chief Technology Officer of America Online, Inc. From April 1994 to March 1999, Mr. Andreessen was a co-founder of Netscape Communications Corporation, a software company, serving in various positions, including Chief Technology Officer and Executive Vice President of Products. Mr. Andreessen also serves on the board of directors of Facebook Inc., Stanford Hospital and Room to Read. Mr. Andreessen holds a B.S. degree in Computer Science from the University of Illinois at Urbana-Champaign.

***William C. Ford, Jr.***

William C. Ford, Jr., age 51, has served as a director of eBay since July 2005. Mr. Ford has served as Executive Chairman of the Board of Directors of Ford Motor Company, a company that manufactures and distributes automobiles, since September 2006 and has served as Chairman of the Board of Ford since January 1999. Mr. Ford also serves as Chairman of Ford's Finance Committee and as a member of Ford's Environmental and Public Policy Committee. From October 2001 to September 2006, Mr. Ford was Ford's Chief Executive Officer. Mr. Ford has held a number of management positions at Ford since 1979. Mr. Ford serves as Vice Chairman of The Detroit Lions, Inc. and Chairman of the Board of Trustees of The Henry Ford. He is also a Vice Chairman of Detroit Renaissance. Mr. Ford holds a B.A. degree from Princeton University and a M.S. degree in management from the Massachusetts Institute of Technology.

***Dawn G. Lepore***

Dawn G. Lepore, age 54, has served as a director of eBay since December 1999. Ms. Lepore has served as Chief Executive Officer and Chairman of the Board of drugstore.com, inc., a leading online provider of health, beauty, vision, and pharmacy solutions, since October 2004. From August 2003 to October 2004, Ms. Lepore served as Vice Chairman of Technology, Active Trader, Operations, Business Strategy, and Administration for the Charles Schwab Corporation and Charles Schwab & Co, Inc., a financial holding company. Prior to this appointment, she held various positions with the Charles Schwab Corporation including: Vice Chairman of Technology, Operations, Business Strategy, and Administration from May 2003 to August 2003; Vice Chairman of Technology, Operations, and Administration from March 2002 to May 2003; Vice Chairman of Technology and Administration from November 2001 to March 2002; and Vice Chairman and Chief Information Officer from July 1999 to November 2001. Ms. Lepore also serves on the board of directors of The New York Times Company. Ms. Lepore holds a B.A. degree from Smith College.

***Pierre M. Omidyar***

Pierre M. Omidyar, age 41, founded eBay as a sole proprietorship in September 1995. He has been a director and Chairman of the Board since eBay's incorporation in May 1996 and also served as its Chief Executive Officer, Chief Financial Officer, and President from inception to February 1998, November 1997 and August 1996, respectively.

Prior to founding eBay, Mr. Omidyar was a developer services engineer at General Magic, a mobile communications platform company, from December 1994 to July 1996. Mr. Omidyar co-founded Ink Development Corp. (later renamed eShop) in May 1991 and served as a software engineer there from May 1991 to September 1994. Prior to co-founding Ink, Mr. Omidyar was a developer for Claris, a subsidiary of Apple Inc., and for other Macintosh-oriented software development companies. Mr. Omidyar is currently co-founder and chairman of Omidyar Network, a philanthropic investment firm committed to creating opportunity for individuals to improve

**Table of Contents**

their lives. He serves on the Board of Trustees of Tufts University, Omidyar-Tufts Microfinance Fund, the Santa Fe Institute and the Punahou School, and as a director of Meetup, Inc. Mr. Omidyar holds a B.S. degree in Computer Science from Tufts University.

***Richard T. Schlosberg, III***

Richard T. Schlosberg, III, age 64, has served as a director of eBay since March 2004. From May 1999 to January 2004, Mr. Schlosberg served as President and Chief Executive Officer of the David and Lucile Packard Foundation, a private family foundation. Prior to joining the foundation, Mr. Schlosberg was Executive Vice President of The Times Mirror Company and publisher and Chief Executive Officer of the Los Angeles Times. Prior to that, he served in the same role at the Denver Post. Mr. Schlosberg serves on the board of directors of Edison International, and is also a member of the USO World Board of Governors, a trustee of Pomona College and a founding Director of the U.S. Air Force Academy Endowment. Mr. Schlosberg is also Chairman of the Board of the Kaiser Family Foundation. Mr. Schlosberg is a graduate of the United States Air Force Academy and holds an M.B.A. degree from the Harvard Business School.

**THE BOARD OF DIRECTORS RECOMMENDS  
A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

**DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2010 ANNUAL MEETING**

***Philippe Bourguignon***

Philippe Bourguignon, age 61, has served as a director of eBay since December 1999. Mr. Bourguignon has been Vice Chairman of Revolution Resorts, a division of Revolution LLC, a company focused on health, living, and resort investments and operations, since January 2006. From April 2004 to January 2006, Mr. Bourguignon served as Chairman of Aegis Media France, a media communications and market research company. From September 2003 to March 2004, Mr. Bourguignon was Co-Chief Executive Officer of The World Economic Forum (The DAVOS Forum). From August 2003 to October 2003, Mr. Bourguignon served as Managing Director of The World Economic Forum. From April 1997 to January 2003, Mr. Bourguignon served as Chairman of the Board of Club Méditerranée S.A., a resort operator. Prior to his appointment at Club Méditerranée S.A., Mr. Bourguignon was Chief Executive Officer of Euro Disney S.A., the parent company of Disneyland Paris, since 1993, and Executive Vice President of The Walt Disney Company (Europe) S.A. since October 1996. Mr. Bourguignon was named President of Euro Disney in 1992, a post he held through April 1993. He joined The Walt Disney Company in 1988 as head of Real Estate Development. Mr. Bourguignon holds a Masters Degree in Economics at the University of Aix-en-Provence and holds a post-graduate diploma from the Institut d'Administration des Entreprises (IAE) in Paris.

***Thomas J. Tierney***

Thomas J. Tierney, age 55, has served as a director of eBay since March 2003. Mr. Tierney is the founder of The Bridgespan Group, a non-profit consulting firm serving the non-profit sector, and has been its Chairman of the Board since late 1999. Prior to founding Bridgespan, Mr. Tierney served as Chief Executive Officer of Bain & Company, a consulting firm, from June 1992 to January 2000. Mr. Tierney holds a B.A. degree in Economics from the University of California at Davis and an M.B.A. degree with distinction from the Harvard Business School. Mr. Tierney is the co-author of a book about organization and strategy called *Aligning the Stars*.

***David M. Moffett***

David Moffett, age 57, has served as a director of eBay since July 2007. Mr. Moffett served as Chief Executive Officer of Federal Home Loan Mortgage Corp. (Freddie Mac) from September 2008 to March 2009, as a director of Freddie Mac from December 2008 to March 2009. Mr. Moffett has more than 30 years of strategic finance and operational experience in banking and payment processing. He joined Star Banc Corporation in 1993 as CFO and played integral roles as Star Banc Corporation acquired Firststar Corporation in 1998, which then acquired U.S. Bancorp in February 2001, retaining the U.S. Bancorp name. Prior to 1993, Mr. Moffett held executive



**Table of Contents**

level positions at some of the nation's leading financial services companies, including Bank of America and Security Pacific Corp. Mr. Moffett holds a B.S. degree in Economics from the University of Oklahoma and a Master's degree from Southern Methodist University.

**DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2011 ANNUAL MEETING*****Fred D. Anderson***

Fred D. Anderson, age 64, has served as a director of eBay since July 2003. Mr. Anderson has been a Managing Director of Elevation Partners, a private equity firm focused on the media and entertainment industry, since July 2004. From March 1996 to June 2004, Mr. Anderson served as Executive Vice President and Chief Financial Officer of Apple Inc., a manufacturer of personal computers and related software. Prior to joining Apple Inc., Mr. Anderson was Corporate Vice President and Chief Financial Officer of Automatic Data Processing, Inc., an electronic transaction processing firm, from August 1992 to March 1996. On April 24, 2007, the SEC filed a complaint against Mr. Anderson and another former officer of Apple Inc. The complaint alleged that Mr. Anderson failed to take steps to ensure that the accounting for an option granted in 2001 to certain executives of Apple Inc., including himself, was proper. Simultaneously with the filing of the complaint, Mr. Anderson settled with the SEC, neither admitting nor denying the allegations in the complaint. In connection with the settlement, Mr. Anderson agreed to a permanent injunction from future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and Section 16(a) of the Exchange Act and Rules 13b2-2 and 16a-3 thereunder, and from aiding and abetting future violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, and 14a-9 thereunder. He also agreed to disgorge approximately \$3.5 million in profits and interest from the option he received and to pay a civil penalty of \$150,000. Under the terms of the settlement, Mr. Anderson may continue to act as an officer or director of public companies. Mr. Anderson also serves on the board of directors of Move, Inc. and Palm, Inc. Mr. Anderson holds a B.A. degree from Whittier College and an M.B.A. degree from the University of California, Los Angeles.

***Edward W. Barnholt***

Edward W. Barnholt, age 65, has served as a director of eBay since April 2005. Mr. Barnholt served as President and Chief Executive Officer of Agilent Technologies, Inc., a measurement company, from May 1999 until March 2005, and served as Chairman of the Board of Agilent from November 2002 until March 2005. Before being named Agilent's Chief Executive Officer, Mr. Barnholt served as Executive Vice President and General Manager of Hewlett-Packard Company's Measurement Organization from 1998 to 1999. From 1990 to 1998, he served as General Manager of Hewlett-Packard Company's Test and Measurement Organization. He was elected a Senior Vice President of Hewlett-Packard Company in 1993 and an Executive Vice President in 1996. Mr. Barnholt also serves as the Non-Executive Chairman of the Board of KLA-Tencor Corporation, a member of the Board of Directors of Adobe Systems Incorporated, and a member of the Board of Trustees of the David and Lucile Packard Foundation. Mr. Barnholt holds a B.S. and an M.S. degree in electrical engineering from Stanford University.

***Scott D. Cook***

Scott D. Cook, age 56, has served as a director of eBay since June 1998. Mr. Cook is the founder of Intuit Inc., a maker of business and financial management technology solutions, including Quickbooks, Quicken and TurboTax. Mr. Cook has been a director of Intuit since March 1984 and is currently Chairman of the Executive Committee of the Board of Intuit. From March 1993 to July 1998, Mr. Cook served as Chairman of the Board of Intuit. From March 1984 to April 1994, Mr. Cook served as President and Chief Executive Officer of Intuit. Mr. Cook also serves on the board of directors of The Procter & Gamble Company, The Asia Foundation and The Intuit Scholarship Foundation. Mr. Cook holds a B.A. degree in Economics and Mathematics from the University of Southern California and an

M.B.A. degree from the Harvard Business School.

***John J. Donahoe***

John J. Donahoe, age 48, serves eBay as its President and CEO. He has served in that capacity since March 2008, as a director of eBay since January 2008. From January 2008 to March 2008, Mr. Donahoe served as CEO-

**Table of Contents**

designate. From March 2005 to January 2008, Mr. Donahoe served as President, eBay Marketplaces. From January 2000 to February 2005, Mr. Donahoe served as Worldwide Managing Director for Bain & Company, a global business consulting firm. Mr. Donahoe serves on the Board of Trustees for Dartmouth College. Mr. Donahoe holds a B.A. in Economics from Dartmouth College and an M.B.A. degree from the Stanford Graduate School of Business.

**PROPOSAL 2**

**APPROVAL OF AMENDMENTS TO CERTAIN OF OUR EXISTING EQUITY INCENTIVE PLANS TO ALLOW FOR A ONE-TIME STOCK OPTION EXCHANGE PROGRAM FOR EMPLOYEES OTHER THAN OUR NAMED EXECUTIVE OFFICERS AND DIRECTORS**

We are asking you to approve amendments to certain of our existing equity incentive plans to allow for a one-time stock option exchange program. Our Board of Directors, upon recommendation by our Compensation Committee, authorized the stock option exchange program on March 4, 2009, subject to stockholder approval of the equity incentive plan amendments. If implemented, this one-time stock option exchange program, or option exchange, would permit some of our employees, including employees of our majority-owned subsidiaries, to surrender certain outstanding stock options that are significantly underwater (i.e., those options with an exercise price that is significantly greater than our current trading price) for cancellation in exchange for a lesser number of restricted stock units, or RSUs, to be granted under the eBay Inc. 2008 Equity Incentive Award Plan, or the 2008 Plan. Each RSU issued in the option exchange program will represent an unfunded right to receive one share of our common stock on one or more specified future dates when the RSU vests.

We believe this option exchange program, as designed, is in the best interests of our stockholders and our employees. If approved by stockholders, we believe the option exchange would enable us to:

Motivate and engage our eligible employees to continue to build stockholder value;

Reduce the total number of our outstanding stock options, or overhang, since a substantially smaller number of RSUs will be granted for the surrendered stock options; and

Recapture value from the compensation expense that we record in our financial statements with respect to certain eligible options.

In designing our option exchange, we have taken into account our stockholders' interests by focusing on the following exchange principles:

Named executive officers and members of our Board will be excluded from participating in the option exchange. All other employees holding eligible grants of stock options will generally be eligible to participate.

To ensure that only those stock options that are significantly underwater may be exchanged, only stock options with a per share exercise price greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange will be eligible to be exchanged for RSUs.

Stock options granted within the 12-month period immediately prior to the start of the option exchange and options that will expire within the 12-month period immediately following the completion of the option exchange will not be eligible for exchange.

The exchange ratios will be determined so that the new RSUs will have a fair value equal to approximately 90% of the fair value of the surrendered options.

None of the new RSUs will be vested on the date of grant. The new RSUs will be scheduled to vest at least 12 months later than the options for which they are exchanged would have otherwise vested.

The stock options surrendered in the exchange will be cancelled and shares subject to the cancelled options will not be available for future issuance under our equity incentive plans.

## **Table of Contents**

In certain instances, instead of RSUs, a lesser number of new stock options or a small cash payment will be issued in exchange for surrendered options, in each case, calculated so as to reflect the same approximate discount to fair value.

Stockholder approval of the amendments to our equity incentive plans to permit the option exchange is required under the Nasdaq listing rules and the terms of certain of our equity incentive plans.

Our ability to effect the option exchange is also contingent upon stockholder approval of Proposal 3 of this proxy statement at the Annual Meeting, which would amend the 2008 Plan to increase the number of shares of our common stock issuable under the plan by 50 million and would amend certain of our other equity incentive plans to decrease the number of shares issuable under those plans. If our stockholders approve Proposal 3 of this proxy statement and this proposal, and our Board, Compensation Committee or CEO determines to implement the option exchange, the option exchange would commence within 12 months of the date of the Annual Meeting.

Stockholder approval of this proposal requires the affirmative vote of a majority of the votes cast with respect to this proposal by the shares present in person or represented by proxy and entitled to vote thereon at the Annual Meeting. A majority of votes cast means that the number of votes FOR the approval of the option exchange must exceed the number of votes AGAINST the approval of the option exchange.

## **OVERVIEW**

Like many companies, we have experienced a significant decline in our stock price over the last year in light of the current global financial and economic crisis. Our Marketplaces and Payments segments have been directly impacted by the global economic environment as buyers reduce their spending. Additional pressure on our stock price has been caused by the anticipated decrease in our net revenue and earnings per diluted share as a result of (i) the strengthening U.S. dollar, (ii) lower global interest rates, (iii) the uncertain global consumer spending environment, and (iv) the long-term slowing of our Marketplaces business. While we have made significant changes to simplify and streamline our organization, improve our cost structure, and strengthen our competitiveness, and we continue to make changes to enhance and diversify our portfolio of ecommerce businesses, our stock price has nevertheless declined. As a result, a considerable number of our employees hold stock options with exercise prices significantly above the recent trading prices of our common stock. In addition, the market for key employees remains extremely competitive, notwithstanding the current economic turmoil.

Because of the continued challenging economic environment and the uncertain impact of our efforts to change our business, we believe these underwater stock options are no longer effective as incentives to motivate and retain our employees. We believe that employees perceive that these options have little or no value. In addition, although these stock options are not likely to be exercised as long as our stock price is lower than the applicable exercise price, they will remain on our books with the potential to dilute stockholders' interests for up to the full remaining term of these options, while delivering little or no retentive or incentive value and no opportunity to recapture value from the associated compensation expense, unless they are surrendered or cancelled.

The objective of our equity incentive plans has been, and continues to be, to link the personal interests of equity incentive plan participants to those of our stockholders. We believe that, if approved by our stockholders, the option exchange would be an important component in our efforts to:

Motivate eligible employees to continue to build stockholder value and achieve future stock price growth by exchanging underwater stock options for RSUs with new extended vesting periods, and which have a value that moves directly in line with our stock price. As of February 17, 2009, assuming the per share trading price of

our common stock was \$12.00 per share, approximately 96% of stock options held by our employees were underwater. We believe that those stock options that are significantly underwater no longer serve to motivate or help retain our employees. We believe that the option exchange would aid both motivation and retention of those employees participating in the option exchange, while better aligning the interests of our employees with the interests of our stockholders.

Reduce our total number of outstanding stock options, or overhang, since a substantially smaller number of RSUs will be granted for the surrendered stock options. Based on the assumptions described under [Details](#)

**Table of Contents**

of the Stock Option Program Exchange Ratios below, the number of underwater stock options that would be eligible for the option exchange is approximately 62.53 million. Because we will be exchanging a substantially smaller number of RSUs for those options surrendered, our overhang and the potential dilution of stockholders' interests provided by these awards will decrease. We believe that after the option exchange, the overhang provided by our equity awards, including the newly granted RSUs, would represent an appropriate balance between the objectives of our equity incentive plans and our stockholders' interest in minimizing overhang and potential dilution.

Recapture value from the compensation expense that we record with respect to certain eligible options. If this proposal is not approved by our stockholders, we will be obligated to recognize approximately \$142.5 million of remaining compensation expense over the next three years with respect to the significantly underwater options that we expect to be eligible for the option exchange, even if these stock options are never exercised. Because we will be replacing surrendered stock options with RSUs that have a slightly lower fair value than the surrendered stock options, we believe that we can provide an incentive to retain and motivate our participating employees without materially increasing the compensation expense we already must recognize (other than increases in compensation expense that may result from decreases in our stock price after the option exchange commences, but before the exchange actually occurs). Based on the assumptions below, if our stock price does not fluctuate between the date the option exchange commences (and the exchange ratios are set) and the date the exchange actually occurs, then, as a result of the option exchange, we would expect to recognize an incremental non-cash accounting charge of approximately \$1 million to \$2 million over the vesting periods of the new RSUs. However, even if our stock price fluctuates between the date the option exchange commences and the date the exchange actually occurs, we would not expect to recognize any material non-cash accounting charges as a result of the option exchange.

The majority of the stock options eligible for the option exchange were granted under our guidelines as part of our periodic broad-based focal grants. The table below reflects information as of February 17, 2009 regarding the outstanding options that were granted as part of our periodic broad-based focal grants that would be eligible for the option exchange if the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange was at or below \$27.01.

<b>Focal Grant</b>	<b>Number of Shares Underlying Eligible Options as of February 17, 2009</b>	<b>Per Share Exercise Price</b>	<b>Weighted Average Remaining Life of Options</b>
March 2004	7,187,685	\$ 34.62	4.76
March 2005	6,474,964	42.58	5.77
March 2006	9,357,813	39.90	3.96
September 2006	5,789,197	28.15	4.40
March 2007	7,515,741	31.93	4.85
Total Number of Shares Underlying Options Eligible for Exchange (from focal grants)	36,325,400	\$ 35.81(1)	4.70

- (1) Represents the weighted average per share exercise price of all eligible options under our periodic broad-based focal grants.



**Table of Contents**

In addition to our periodic broad-based focal grants, historically we have granted options under our guidelines at varying times and having a broad range of exercise prices generally to newly hired employees and employees who have been promoted outside our focal granting processes. Please see Compensation Discussion and Analysis Equity Compensation Grant Practices. We have also assumed options previously granted by other companies in connection with our acquisition of those companies; however, these options constitute a minimal portion of the options eligible for exchange under the option exchange. The table below reflects information as of February 17, 2009 regarding the options that were not granted as part of our periodic broad-based focal grants that would be eligible for the option exchange if the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange was at or below \$27.01.

<b>Exercise Price of Eligible Options Which Are Not Focal Grants</b>	<b>Number of Shares Underlying Options as of February 17, 2009</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life of Options</b>
\$27.01 to \$28.14	2,768,865	\$ 27.55	4.49
\$28.16 to \$30.99	3,086,026	29.92	4.84
\$31.00 to \$34.60	5,845,886	33.27	5.11
\$34.63 to \$36.99	1,681,554	35.57	5.05
\$37.00 to \$40.99	4,988,179	39.09	5.25
\$41.00 to \$44.99	3,530,832	43.15	5.63
\$45.00 to \$51.99	3,179,090	46.35	5.50
\$52.00 and above	1,128,390	55.47	5.59
Total Number of Shares Underlying Options Eligible for Exchange (other than focal grants)	26,208,822	\$ 37.40	5.18

In sum, as of February 17, 2009, assuming that the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange was at or below \$27.01, the total number of shares underlying options that would be eligible for the option exchange was approximately 62.53 million.

**If our stockholders do not approve the amendments to certain of our equity incentive plans to provide for the option exchange or if our stockholders do not approve Proposal 3 of this proxy statement to increase the number of shares available for issuance under the 2008 Plan, eligible options will remain outstanding in accordance with their existing terms. We will continue to recognize compensation expense for these eligible options, even though these options may have little or no retentive or incentive value.**

**Summary of Material Terms**

The option exchange authorized by the amendments to certain of our existing equity incentive plans, if approved by our stockholders, would provide for the following:

The option exchange will be open to all eligible employees (except where we determine that it is infeasible or impractical to offer the option exchange under local regulations as described below) who are employed by us

or one of our majority-owned subsidiaries as of the start of the option exchange and remain employed by us or one of our majority-owned subsidiaries through the completion date of the option exchange. Eligible employees will be permitted to elect which of their eligible options they wish to exchange for new RSUs on a grant-by-grant basis.

Our named executive officers and members of our Board will not be eligible to participate in the option exchange.

Only stock options that have a per share exercise price greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange will be eligible for exchange.

Stock options granted within the 12-month period immediately prior to the commencement date of the option exchange will not be eligible for exchange.

## Table of Contents

Stock options which have a remaining term of less than 12 months immediately following the completion of the option exchange (based on their terms as of their original grant date) will not be eligible for exchange.

The exchange ratios used to determine the number of new RSUs to be granted in exchange for the eligible options surrendered will be determined in a manner intended to result in the grant of new RSUs that have a fair value equal to approximately 90% of the fair value of the eligible options for which they are exchanged. The exchange ratios will be established shortly before the start of the option exchange and will depend on the then-current fair value of the eligible option (calculated using the Black-Scholes option pricing model with a computation of expected volatility based on a combination of historical and market-based implied volatility from traded options on our common stock), the fair market value of our common stock and the original exercise price of the eligible option. The option exchange will not be a one-for-one exchange. Instead, participating employees will receive a substantially smaller number of RSUs than the number of shares that are covered by the surrendered eligible options.

None of the new RSUs granted in exchange for eligible options will be vested on the date of grant. The new RSUs will vest, subject to the participant's continued employment, in equal installments on each anniversary of the date of grant of the new RSUs with the number of installments determined using the date the surrendered option would have otherwise become fully vested in relation to the date the new RSUs are granted (unless local regulations or restrictions require that the vesting occur later than the first anniversary of the date of grant). Additional details regarding the vesting of the new RSUs is provided under the heading "Details of the Stock Option Exchange Program - Vesting of New RSUs" below.

In certain instances, as described below, instead of granting RSUs, a small cash payment will be made or a lesser number of new options will be granted in exchange for surrendered eligible options. In these limited cases, the cash provided or the new options granted will have a fair value intended to equal approximately 90% of the fair value of the surrendered options.

If our stockholders approve Proposal 3 of this proxy statement and this proposal, and our Board, Compensation Committee or CEO determines to implement the option exchange, the option exchange would commence within 12 months of the date of the Annual Meeting. If the option exchange does not commence within 12 months of the date of the Annual Meeting, we would consider any future option exchange or similar program to require new stockholder approval before it can be implemented.

**While the terms of the option exchange are expected to be materially similar to the terms described in this proposal, each of our Board, Compensation Committee and CEO will have the discretion to change the terms of the option exchange to take into account a change in circumstances or local regulations and to determine not to implement the option exchange even if stockholder approval of the amendment of the equity incentive plans is obtained.**

### **Reasons for the Option Exchange**

We believe that to be successful, our employees need to think like owners. Consistent with this philosophy, our equity program continues to be broad-based. This broad-based equity program provides us with a competitive advantage, particularly in our efforts to hire and retain top talent in technology-related fields.

Due to the significant decline of our stock price during the last year, many of our employees now hold stock options with exercise prices significantly higher than the current market price of our common stock. For example, the closing price of our common stock on the Nasdaq Global Select Market on March 3, 2009 was \$10.42, whereas the weighted

average exercise price of all outstanding options held by our employees on that date was \$28.77. As of February 17, 2009, assuming the per share trading price of our common stock was \$12.00, approximately 96% of outstanding stock options held by our employees were underwater. Although we continue to believe that equity awards are an important component of our employees' total incentive benefits and provide us with a competitive advantage, we also believe that many of our employees view their existing options as having little or no value due to the significant difference between the exercise prices and the current market price of our common stock. In addition, the market for key employees remains extremely competitive, notwithstanding the current economic turmoil. As a

**Table of Contents**

result, for many employees, we believe that those stock options that are significantly underwater are no longer effective at providing the incentives that our Board and Compensation Committee believe are necessary to motivate and retain our employees.

**Alternatives Considered**

When considering how best to continue to provide incentives to and reward our employees who hold options that are significantly underwater, we considered the following alternatives:

*Increase cash compensation.* To replace equity incentives, we considered whether we could substantially increase base and target bonus cash compensation. However, significant increases in cash compensation would substantially increase our cash compensation expenses and reduce our cash flow from operations, which could adversely affect our business and operating results. In addition, these increases would not reduce our overhang and would not necessarily best align the interests of our employees with those of our stockholders. Further, in some non-U.S. jurisdictions, cash compensation is treated as a different type of benefit than equity awards and often has less favorable tax treatment than equity awards, so the long-term incentive and retention value would be diminished.

*Grant additional equity awards.* We also considered special grants of additional stock options at current market prices or RSUs. However, these additional grants would substantially increase our overhang and dilute the interests of our stockholders.

*Exchange options for cash.* We also considered implementing a program to exchange significantly underwater options for cash payments. However, an exchange program where options are generally exchanged for cash would substantially increase our compensation expenses and reduce our cash flow from operations, which could adversely affect our business and operating results. In addition, we do not believe that such a program would have significant long-term retention value. However, in certain instances where we have determined that offering RSUs would provide minimal retentive value, would be overly burdensome to administer or would not provide a meaningful benefit to holders of eligible options, we will provide for a cash payment in exchange for their surrendered options. Based on the assumptions described under [Details of the Stock Option Exchange Program](#) [Cash Payments](#) below, the amount of cash that we expect would be paid under the proposed option exchange is approximately \$1.9 million.

*Exchange options for options with lower exercise prices.* We also considered implementing a program to exchange significantly underwater options for options having an exercise price equal to the market price of our common stock on the date of the exchange. We believe, however, that implementing an option-for-RSU exchange program would have two relative advantages versus an option-for-option exchange program with an equivalent accounting impact. First, an option-for-RSU exchange program would require the grant of substantially fewer RSUs than options in an option-for-option exchange program (i.e., fewer shares will be subject to the replacement RSU awards granted than replacement option awards). Second, our overhang and stockholder dilution would decrease more significantly in an option-for-RSU exchange program compared with an option-for-option exchange program. In addition, granting RSUs is consistent with our current grant practices and provides value to our employees even if current economic conditions continue and our stock price fails to increase further. However, in Canada, an option-for-RSU exchange is subject to taxation on the date the options are exchanged for new RSUs. In light of the potential adverse consequences of such taxation to eligible employees in Canada, we will grant a lesser number of options in exchange for options surrendered by our eligible employees resident in Canada to avoid the tax inefficiency associated with an option-for-RSU exchange in Canada. If we determine that similar adverse tax consequences may arise in other foreign jurisdictions, we may grant a lesser number of options in exchange for surrendered options in those

jurisdictions as well. We do not expect this to impact a material additional number of eligible optionees.

### **The Option Exchange**

After weighing each of these alternatives, subject to the exceptions described in this proposal, we have decided to provide an option-for-RSU exchange. We have determined that a program under which our employees generally

## **Table of Contents**

could exchange significantly underwater stock options for a substantially smaller number of RSUs was the most attractive alternative for a number of reasons, including the following:

*The option exchange offers a reasonable, balanced and meaningful incentive for our eligible employees.* Under the option exchange, participating employees would surrender eligible options (which are significantly underwater) for a substantially smaller number of RSUs that will vest at least 12 months later than the eligible options for which they are exchanged. New RSUs that are granted in exchange for eligible options that were fully vested when surrendered will vest on the first anniversary of the date of grant (unless local regulations or restrictions require that the vesting occur later than the first anniversary of the date of grant). We believe that the lower number of new RSUs to be granted, the requirement that any eligible option has a per share exercise price greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange, and a new 12 month or longer vesting requirement, represents a reasonable and balanced option exchange with the potential for a significant positive impact on employee retention, motivation and performance. Additionally, the value of the RSUs directly correlates with movements in the market price of our common stock over time, thereby aligning employee and stockholder interests.

*The exchange ratio will be calculated to return value to our stockholders.* We will calculate the exchange ratios in a manner intended to result in the new RSUs having a fair value, for accounting purposes, that will be approximately equal to 90% of the fair value of the eligible options that are exchanged, which we believe will have no significant adverse impact on our reported earnings.

*The option exchange will reduce our equity award overhang.* Not only do the underwater options have little or no retention value, they cannot be removed from our equity award overhang until they are exercised, expire, or the employee who holds them leaves our employment. The option exchange will reduce our overhang while eliminating the ineffective options that are currently outstanding. Because a lesser number of shares will be subject to awards granted in exchange for eligible options, the number of shares of stock subject to all outstanding equity awards will be reduced, thereby reducing our overhang. Based on the assumptions described under *Details of the Stock Option Exchange Program Exchange Ratios* below, if all eligible options are exchanged, options to purchase approximately 62.53 million shares would be surrendered and cancelled, while approximately 3.57 million new RSUs would be granted in exchange for eligible options, resulting in a net reduction in the equity award overhang by approximately 58.96 million shares. As of March 3, 2009, the total number of shares of our common stock outstanding was approximately 1.3 billion. All eligible options that are not exchanged will remain outstanding and in effect in accordance with their existing terms.

*Our named executive officers and members of our Board will not be eligible to participate in the option exchange.* Although our named executive officers and members of our Board also hold options that are significantly underwater, these individuals are not eligible to participate in the option exchange because we believe that their compensation should remain at greater risk based on our stock price.

## **DETAILS OF THE STOCK OPTION EXCHANGE PROGRAM**

### **Implementing the Option Exchange**

We have not commenced the option exchange and will not do so unless our stockholders approve this proposal to amend certain of our equity incentive plans to permit the option exchange and Proposal 3 to increase the number of shares of common stock reserved for issuance under the 2008 Plan. Our Board authorized the option exchange on March 4, 2009, subject to such stockholder approval. If this proposal is approved, and our Board, Compensation Committee or CEO determines to implement the option exchange, the option exchange would commence within

12 months of the date of the Annual Meeting.



## **Table of Contents**

If stockholders approve this proposal to amend certain of our equity incentive plans and Proposal 3 and the Board, Compensation Committee or CEO determines to commence the option exchange, eligible employees will be offered the opportunity to participate in the option exchange pursuant to a written offer that will be distributed to all eligible employees. Eligible employees will be given at least 20 business days in which to accept the offer of the new RSUs in exchange for the surrender of their eligible options. The surrendered options will be cancelled on the first business day following this election period. The new RSUs will be granted under the 2008 Plan on the date of cancellation of the surrendered options. In those limited cases where new options will be granted or cash payments made in exchange for surrendered options, such grants or payments also will be made on the date of the cancellation of the surrendered options. The shares of our common stock subject to surrendered options will not be available for future issuance under our equity incentive plans once the surrendered options are cancelled.

Prior to commencement of the option exchange, we will file the offer to exchange with the SEC as part of a tender offer statement on Schedule TO. Eligible employees, as well as stockholders and members of the public, will be able to review the offer to exchange and other related documents filed by us with the SEC free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov).

## **Eligibility**

If implemented, the option exchange will be open to all of our active employees, worldwide, including any employees of our majority-owned subsidiaries, who hold options with a per share exercise price greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange, except where we determine that it is infeasible or impractical to offer the option exchange under local regulations. Our named executive officers and members of the Board will not be eligible to participate in the option exchange. Based on the assumptions described below, as of February 17, 2009, we estimate that approximately 93% of our employees holding options would be eligible to participate in the option exchange. The program also will not be available to any former employees. An active employee who tenders his or her options for exchange must also remain an eligible employee through the date the new RSU grant is made following the completion of the option exchange in order to receive the new RSUs. Active employment does not include any period of garden leave or notice periods that may be provided for under local law. If an option holder is no longer an active employee with us or one of our majority-owned subsidiaries for any reason, including layoff, termination, voluntary resignation, death or disability, on the date that the option exchange is commenced, that option holder cannot participate in the option exchange. If an option holder is no longer an active employee with us or one of our majority-owned subsidiaries for any reason on the date that the new RSU grant is made following the completion of the offer, even if he or she had elected to participate and had tendered his or her options for exchange, such employee's tender will automatically be deemed withdrawn and he or she will not participate in the option exchange. He or she will retain his or her outstanding options in accordance with their original terms and conditions, and he or she may exercise them during a limited period of time following termination of employment in accordance with their terms and to the extent that they are vested. A vote by an employee in favor of this proposal at the Annual Meeting does not constitute an election to participate in the option exchange.

Based on the assumptions described under [Details of the Stock Option Exchange Program](#) [Exchange Ratios](#) below, of the outstanding options held by eligible employees as of February 17, 2009, the maximum number of shares of common stock underlying options which could be surrendered for exchange is 62.53 million, and the maximum number of shares of common stock which would be subject to RSUs granted under the proposed option exchange, using the estimated exchange ratios below, would be 3.57 million. The amount of cash that we expect would be paid under the proposed option exchange, using the estimated exchange ratios below, is approximately \$1.9 million.

## **Exchange Ratios**

The exchange ratios set forth below for the option exchange (that is, how many options an employee must surrender in order to receive one RSU) will be determined using the Black-Scholes option pricing model with a computation of expected volatility based on a combination of historical and market-based implied volatility from traded options on our common stock. Volatility is calculated on the same basis as we use for calculating stock expense under FAS 123(R). We chose to use this model to enable us to implement the option exchange in a manner

**Table of Contents**

that will result in the granting of new RSUs that have approximately 90% of the fair value of the stock options that are surrendered, and to avoid the stockholder dilution that occurs when all options are exchanged on a one option for one RSU basis. New RSU grants calculated according to the exchange ratios will be rounded down to the nearest whole share on a grant-by-grant basis. Fractional RSUs will not be issued.

The ratios set forth below are for illustrative purposes only. They were established based on an illustrative stock price of \$12.00, and the assumption that the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange was at or below \$27.01, and on the principle that the new RSUs granted will have approximately 90% of the fair value of the stock options that are surrendered in the option exchange. Since the majority of eligible options were granted as part of our periodic broad-based focal grants and the terms of the options granted in connection with a particular focal grant are substantially similar, we have calculated exchange ratios separately for those options granted as part of our periodic broad-based focal grants and those granted apart from our focal grants. The actual exchange ratios will be determined at the time the option exchange commences based on our then-current stock price and volatility.

The illustrative exchange ratios for new RSUs granted in exchange for surrendered options which were originally part of a periodic broad-based focal grant are set forth in the table below.

<b>Focal Grant</b>	<b>Per Share Exercise Price</b>	<b>Exchange Ratio (Surrendered Options to New RSU)</b>
March 2004	\$ 34.62	16.5 to 1
March 2005	42.58	18.5 to 1
March 2006	39.90	35 to 1
September 2006	28.15	13 to 1
March 2007	31.93	14 to 1

The illustrative exchange ratios for new RSUs granted in exchange for surrendered options which were granted apart from a periodic broad-based focal grant are set forth in the table below.

<b>Exercise Price of Eligible Employee Option Grants Other than Focal Grants</b>	<b>Exchange Ratio (Surrendered Options to New RSU)</b>
\$27.01 to \$28.14	12 to 1
\$28.16 to \$30.99	13 to 1
\$31.00 to \$34.60	15 to 1
\$34.63 to \$36.99	16.5 to 1
\$37.00 to \$40.99	18.5 to 1
\$41.00 to \$44.99	21 to 1
\$45.00 to \$51.99	26 to 1
\$52.00 and above	35 to 1

**Election to Participate**

Participation in the option exchange will be voluntary. Under the option exchange, eligible employees may make an election to surrender eligible stock options that have an exercise price greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange in exchange for new RSUs in accordance with the actual exchange ratios, which will be determined at the time the option exchange commences.

**Vesting of New RSUs**

New RSUs granted in the option exchange will not be vested on their date of grant regardless of whether the surrendered option was fully vested. Instead, the new RSUs will vest in equal installments on each anniversary of the date of grant of the new RSUs with the number of installments determined using the date the new RSUs granted in the option exchange are issued and the date the surrendered option would have otherwise become fully vested.

**Table of Contents**

For illustrative purposes, the table below provides the vesting schedule with respect to the new RSUs (unless local regulations or restrictions require that the vesting occur later than the first anniversary of the date of grant), assuming that the new RSUs are issued on August 1, 2009:

<b>Final Vesting Date of Surrendered Option Grant</b>	<b>Number of Vesting Installments</b>
Prior to August 1, 2009	1
On or after August 1, 2009 and before August 1, 2010	2
On or after August 1, 2010 and before August 1, 2011	3
On or after August 1, 2012	4

For example, if an eligible option was granted on March 1, 2007 and would vest with respect to 25% of the shares subject to the eligible option on the first anniversary of the date of grant and then with respect to 2.08% of the shares over the subsequent 36 months, the eligible option would become fully vested on March 1, 2011. Using the table above, new RSUs granted in exchange for the surrender of this eligible option would vest in three equal installments on the first three anniversaries of the date the new RSUs are granted.

New RSUs will only vest if the award holder remains an employee with us or one of our majority-owned subsidiaries. Any portion of the new RSUs that are not vested at termination of employment will be forfeited. As described above, the new RSUs will be completely unvested on the date of grant, regardless of whether the surrendered options were partially or completely vested.

**Term and Conditions of New RSUs**

The terms and conditions of the new RSUs will be governed by the terms and conditions of the 2008 Plan and the RSU agreement entered into thereunder.

**New Stock Options**

In Canada, and potentially in other foreign jurisdictions, an option-for-RSU exchange is subject to taxation on the date the options are cancelled in exchange for the new RSUs grants. In light of the potential adverse consequences of such taxation to eligible employees in foreign jurisdictions such as Canada, we will grant a lesser number of new options in exchange for surrendered options held by employees in Canada and other foreign jurisdictions where we determine that the tax consequences of an option-for-RSU exchange are prohibitively adverse to employees. We expect this to be the case in an immaterial number of foreign jurisdictions. Any new options granted as part of the option exchange will be granted on the date of cancellation of the old options, will have a per share exercise price equal to the fair market value of our common stock on the date of grant and will have a fair value intended to be approximately equal to 90% of the fair value of the surrendered options (as calculated using the same assumptions as are used for the RSU exchange ratios). Any new options granted as part of the option exchange will vest in same manner described above for new RSUs granted in exchange for surrendered options.

**Cash Payments**

In certain instances where we have determined that offering RSUs would provide minimal retentive value, would be overly burdensome to implement or administer or would not provide a meaningful benefit to holders of eligible options, we will provide for a cash payment in exchange for surrendered options. Generally, this will be limited to

cases where less than an aggregate of 100 new RSUs would be issuable to an employee in the option exchange. The amount of the cash payment will be calculated based on the RSU exchange ratio and in a manner intended to provide those receiving cash payments with approximately 90% of the fair value of their surrendered options, less any taxes and social insurance contributions due on the payments. The cash payments will not be subject to any vesting schedule and will be made on the date that replacement RSUs are granted. The aggregate number of eligible options that may be exchanged for cash payments as of February 17, 2009 based upon the illustrative exchange ratios is approximately 3.0 million and we expect the amount of these cash payments to be approximately \$1.9 million, assuming all such eligible options are exchanged.

**Table of Contents****U.S. Federal Income Tax Consequences and Other Tax Consequences**

The option exchange should be treated as a non-taxable exchange for U.S. federal income tax purposes, and we and our participating employees should recognize no income for U.S. federal income tax purposes upon the issuance of the new RSUs. Recipients of cash payments will recognize ordinary income for U.S. federal income tax purposes on the date the cash payments are made to them, and the payments will be subject to applicable tax withholdings. The tax consequences of the option exchange in foreign jurisdictions will depend on applicable foreign tax rules and regulations but will be fully disclosed to participants subject to the tax laws of foreign jurisdictions as part of the offer to exchange options.

**Accounting Impact**

The intent of the option exchange is that it will not result in us incurring significant additional compensation expenses. Based on this objective, the average fair value of the awards granted to employees in exchange for surrendered stock options, measured as of the date such awards are granted (and the amount of any cash payments made for eligible options) will be equal to approximately 90% of the fair value of the surrendered options (other than compensation expense that might result from fluctuations in stock price after the exchange ratios have been set but before the exchange actually occurs). The unamortized compensation expense from the surrendered options and incremental compensation expense, if any, associated with the new awards under the option exchange will be recognized over the service period of the new awards. If any portion of the new awards granted is forfeited due to termination of employment, the compensation cost for the forfeited portion of the award generally will not be recognized. Based on the assumptions described under **Details of the Stock Option Program Exchange Ratios** above, and assuming that our stock price does not materially fluctuate between the establishment of the exchange ratios and the date the exchange actually occurs, then, as a result of the option exchange, we would expect to recognize an incremental non-cash accounting charge of approximately \$1 million to \$2 million over the vesting period of the new awards. However, even if our stock price fluctuates between the date the option exchange commences and the date the exchange actually occurs, we would not expect to recognize any material non-cash accounting charges as a result of the option exchange.

**Potential Modification to Terms to Comply with Governmental Requirements**

The terms of the option exchange will be described in a tender offer document that will be filed with the SEC. Although we do not anticipate that the SEC would require us to modify the terms materially, it is possible that we will need to alter the terms of the option exchange to comply with potential SEC comments. In addition, it is currently our intention to make the program available to our eligible employees, including eligible employees of our majority-owned subsidiaries who are located outside of the United States, where permitted by local law and where we determine it is feasible and practical to do so. It is possible that we will make modifications to the terms offered to employees in countries outside the United States to comply with local requirements, or for tax or accounting reasons. Specifically, as described above, because of the adverse tax consequences to participants who are resident in Canada of an option-for-RSU exchange, we intend to issue a lesser number of options, calculated based on the same methodology as for the option-for-RSU exchange described above, to employees resident in Canada and potentially to employees in jurisdictions with similar adverse tax consequences.

**Benefits of the Option Exchange to Eligible Employees**

Because the decision whether to participate in the option exchange is completely voluntary, we are not able to predict who will participate, how many options any particular group of employees will elect to exchange, or the number of new RSUs that we may grant. As noted above, however, our named executive officers and members of our Board are not eligible to participate in the option exchange. The option exchange also will not be available to any former employees of us or our majority-owned subsidiaries.

**Effect on Stockholders**

The option exchange was designed to provide renewed incentives and motivate the eligible employees to continue to create stockholder value and reduce the number of shares currently subject to outstanding options,



## **Table of Contents**

thereby avoiding the dilution in ownership that normally results from supplemental grants of new stock options or other awards. We are unable to predict the precise impact of the option exchange on our stockholders because we cannot predict which or how many employees will elect to participate in the option exchange, and which or how many eligible options such employees will elect to exchange. Please see the Details of Stock Option Exchange Program Eligibility section above for the approximate reduction in the number of shares underlying options outstanding assuming that 100% of eligible options are exchanged and new awards are issued in accordance with the exchange ratios set forth above.

## **Text of Amendments to Existing Equity Plans**

In order to permit us to implement the option exchange in compliance with our existing equity incentive plans and applicable Nasdaq listing rules, our Compensation Committee recommended and our Board approved amendments to certain of our equity incentive plans, subject to approval of the amendments by our stockholders. We are seeking stockholder approval to amend the following existing equity incentive plans, which we refer to hereinafter as the amended equity incentive plans: the 2008 Plan, eBay Inc. 2001 Equity Incentive Plan, eBay Inc. 1999 Global Equity Incentive Plan, eBay Inc. 1998 Equity Incentive Plan and Shopping.com Ltd. 2004 Equity Incentive Plan, to provide for the option exchange notwithstanding any provision to the contrary in the respective plan. The amendments will read substantially as follows:

Notwithstanding any other provision of the Plan to the contrary, upon approval of this amendment by the Company's stockholders in accordance with the terms of this Plan, our Board of Directors or Compensation Committee may provide for, and the Company may implement, a one-time-only option exchange offer, pursuant to which certain outstanding Options could, at the election of the person holding such Option, be tendered to the Company for cancellation in exchange for the issuance of a lesser amount of restricted stock units, stock options or cash payments, *provided* that such one-time-only option exchange offer is commenced within 12 months of the date of such stockholder approval.

## **Summary of our Amended Equity Incentive Plans**

The following is a summary of the material terms of the amended equity incentive plans. A more comprehensive discussion of the material terms of the 2008 Plan and the U.S. federal income tax consequences of awards granted under the 2008 Plan is included in Proposal 3 of this proxy statement and is incorporated into this proposal by this reference. We administer the other amended equity incentive plans consistent with our administration of the 2008 Plan, and the U.S. federal income tax consequences associated with awards under our other amended equity incentive plans are the same as similar awards granted under the 2008 Plan.

Generally, the amended equity incentive plans provide for equity awards to be made to our employees, directors and executive officers. Currently, the types of awards that our Compensation Committee grants consist of incentive stock options, or ISOs, non-statutory stock options, or NSOs, restricted stock units, or RSUs, nonvested shares of our common stock, which we also refer to as restricted stock, and performance-based RSUs. As of December 31, 2008, 79.4 million shares were available for future grant under our amended equity incentive plans.

Stock options granted under the amended equity incentive plans generally vest 25% one year from the date of grant (or 12.5% six months from the date of grant for grants to existing employees), and the remainder vest at a rate of 2.08% per month thereafter, and generally expire seven to ten years from the date of grant. The cost of stock options is determined using the Black-Scholes option pricing model on the date of grant.

RSUs and restricted stock are granted to eligible employees under our amended equity incentive plans. In general, RSUs and restricted stock vest over one to five years, are subject to the employees' continuing service to us and do not

have an expiration date. The cost of RSUs and nonvested shares is determined using the fair value of our common stock on the date of grant.

Certain executives are eligible for performance-based RSUs under our amended equity incentive plans. The number of RSUs ultimately received depends on our business performance against specified performance targets set by the Compensation Committee. If the performance criteria are satisfied, the performance-based RSUs will vest on specified dates or over any period determined by the Compensation Committee.

**Table of Contents**

The table below sets forth the types of awards that we may grant under each of the amended equity incentive plans.

<b>Name of Equity Plan</b>	<b>Shares Available for Awards as of March 3, 2009</b>	<b>Types of Awards(1)</b>	<b>Maximum Term(2)</b>
<b>2008 Plan</b>	7,192,587	ISOs, NSOs, Restricted Stock, RSUs, Stock Appreciation Rights, Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock Units, Other Stock-Based Awards and Performance-Based Awards	10 years
<b>eBay Inc. 2001 Plan</b>	42,398,975	ISOs, NSOs	10 years
<b>eBay Inc. 1999 Plan</b>	6,114,654	NSOs, Stock Bonuses, and Restricted Stock	No limit
<b>eBay Inc. 1998 Equity Incentive Plan</b>	0	ISOs, NSOs, Stock Bonuses, and Stock Bonus Awards, Restricted Stock Purchase Awards, Restricted Stock Units and Performance Restricted Stock Units	10 years
<b>Shopping.com 2004 Plan</b>	0	ISOs, NSOs, Restricted Stock, Stock Appreciation Rights and Stock Units	10 years

(1) For a description of each type of award, please see our description of awards that may be granted under the 2008 Plan under the heading "Awards" in Proposal 3 of this proxy statement.

(2) Where no limit is listed, the maximum is controlled by the applicable award agreement.

The option exchange is contingent upon stockholder approval of Proposal 3 of this proxy statement at the Annual Meeting, which would amend the 2008 Plan to increase the number of shares of our common stock issuable under the plan by 50 million, to a total of 85 million. As of March 3, 2009, an aggregate of 35 million shares are authorized pursuant to the 2008 Plan, and 7.2 million shares are available for grant under the 2008 Plan. As of March 3, 2009, there were a total of 105.3 million shares underlying options outstanding under our amended equity incentive plans. Based on the assumptions described under "Details of the Stock Option Exchange Program" "Exchange Ratios" above, of the outstanding options under our amended equity incentive plans, as of March 3, 2009, options to purchase 62.53 million shares of common stock would be eligible for exchange under the proposed option exchange. Assuming all of the 62.53 million eligible options are surrendered and cancelled pursuant to the option exchange, 3.57 million shares would be needed in order to issue the new RSUs in accordance with the estimated exchange ratios. Since there would not be enough shares available for grant under the 2008 Plan in order to continue to make grants consistent with our equity compensation grant practices and effect the option exchange, the option exchange is contingent upon stockholder approval of Proposal 3 in this proxy statement, which proposal would increase the number of shares issuable under the 2008 Plan by an additional 50 million, to a total of 85 million shares.

**VOTE REQUIRED**

Approval of the amendment of the amended equity incentive plans requires the affirmative vote of a majority of the votes cast with respect to this proposal by the shares present in person or represented by proxy and entitled to vote thereon at the Annual Meeting. A majority of votes cast means that the number of votes FOR the approval of the amendment must exceed the number of votes AGAINST the approval of the amendment.

**THE BOARD OF DIRECTORS RECOMMENDS  
A VOTE IN FAVOR OF PROPOSAL 2.**

**Table of Contents**

**PROPOSAL 3**

**APPROVAL OF AMENDMENT AND RESTATEMENT OF OUR  
2008 EQUITY INCENTIVE AWARD PLAN**

We are asking you to approve an amendment and restatement of the eBay Inc. 2008 Equity Incentive Award Plan, or the 2008 Plan, to increase the number of shares of common stock we may issue under the 2008 Plan by 50 million to 85 million and to add market share and volume metrics as performance criteria for performance-based awards granted under the 2008 Plan. Our Board adopted, subject to stockholder approval, the amendment and restatement of the 2008 Plan to provide us the continued ability to grant a variety of equity awards as a valuable tool to help attract and retain members of our Board and employees and consultants of our company and its subsidiaries. In addition, an increase to the number of shares of common stock reserved under the 2008 Plan will ensure that we will be able to grant restricted stock units, or RSUs, under the 2008 Plan in exchange for cancelled options in the event that the option exchange described in Proposal 2 of this proxy statement is approved. The amendment and restatement of the 2008 Plan will only become effective if it is approved by the affirmative vote of a majority of the votes cast with respect to this proposal by the shares present in person or represented by proxy and entitled to vote thereon at the Annual Meeting.

A majority of votes cast means that the number of votes FOR the approval of the amendment and restatement of the 2008 Plan must exceed the number of votes AGAINST the approval of the amendment and restatement of the 2008 Plan.

**INTRODUCTION**

The purpose of the 2008 Plan is to promote the success and enhance the value of our company by linking the personal interests of employees, the members of our Board, and consultants to those of our stockholders and by providing these individuals with an incentive to work to generate superior returns to our stockholders. The 2008 Plan is also intended to provide us with flexibility in creating competitive plans to motivate, attract, and retain the services of employees, members of our Board and consultants upon whose judgment, interest, and special effort our success is largely dependent.

We believe that to be successful, our employees need to think like owners. Consistent with this philosophy, our equity program continues to be broad-based. This broad-based equity program provides us with a competitive advantage, particularly in our efforts to hire and retain top talent in technology-related fields. Furthermore, we encourage stock ownership by our senior executives and members of our Board through the use of equity awards and stock ownership guidelines applicable to our executive officers and directors.

As a result of various historical factors, we currently maintain multiple plans, each typically used to grant awards to different groups of employees. Over the next several years, we intend to reduce the number of plans we administer to two plans, one for stock options and the other for full-value equity grants, including RSUs, deferred stock units, and performance-based RSUs. A simple, smoothly functioning equity award program is an important component of our general compensation program and helps streamline our daily operations.

As explained in greater detail in the Compensation Discussion and Analysis section of this proxy statement, over time our equity grants have shifted from being made in the form of stock options to being made in the form of combinations of RSUs, performance-based RSUs and/or stock options for our most senior classes of employees and purely as RSUs for other employees. As a result of this shift, we have granted substantially all of the RSUs that can be granted under our equity incentive plans. In order to continue to make grants in accordance with the compensation philosophy adopted by the Compensation Committee, our Compensation Committee and the Board have approved and

are asking you to approve the amendment and restatement of the 2008 Plan. This will ensure that we have sufficient shares authorized and available for grants of equity awards and the flexibility to create the most appropriate equity grant program possible, including the option exchange contemplated by Proposal 2 of this proxy statement.

The 2008 Plan, as amended and restated subject to stockholder approval, authorizes 85 million shares of our common stock for issuance pursuant to the 2008 Plan. In connection with the adoption of the amendment and restatement of the 2008 Plan, the Board has authorized, contingent upon stockholder approval of the amendment

**Table of Contents**

and restatement of the 2008 Plan, the amendment of the eBay Inc. 2001 Equity Incentive Plan, or the 2001 Plan, to reduce the number of shares reserved for issuance and, therefore, available for grant under those plans by approximately 16 million shares of common stock to help offset the dilutive impact created by the adoption to the amendment and restatement of the 2008 Plan, which will reduce the number of shares available for grant pursuant to the 2001 Plan to approximately 26.4 million shares. In addition, contingent upon stockholder approval of the amendment and restatement of the 2008 Plan, we will not make any new grants under the eBay Inc. 1999 Global Equity Incentive Plan, or the 1999 Plan, following our receipt of such stockholder approval. As of March 3, 2009, we had approximately 6.1 million shares available for grant pursuant to the 1999 Plan.

Assuming stockholder approval of the amendment and restatement of the 2008 Plan (together with the contingent reduction of shares available for grant under the 2001 Plan described above and our ceasing to make any new grants under the 1999 Plan following stockholder approval of the amendment and restatement of the 2008 Plan) and based on the awards outstanding under our equity incentive plans as of March 3, 2009, we will have a total of approximately 84.4 million shares available to grant under all plans, consisting of (i) an aggregate total of approximately 26.4 million shares available for grant under the 2001 Plan (ii) approximately 848,000 shares available for grant under the eBay Inc. 2003 Deferred Stock Unit Plan, or 2003 Plan, and (iii) 57.2 million shares available for grant under the 2008 Plan. The number of shares available for grant under the 2008 Plan, 2003 Plan and 2001 Plan may increase in connection with the cancellation or forfeiture of awards outstanding under such plans. We do not allow for liberal share counting under the 2001 Plan, and any shares of common stock tendered in payment of an award's exercise price, shares withheld to pay taxes, and shares repurchased by us using option proceeds may not be added back into the authorized pool of shares eligible for grant pursuant to the 2001 Plan.

The following tables provide information about our outstanding stock options as of March 3, 2009. Approximately 71.7% of outstanding stock options were exercisable on that date and 65.2% of exercisable options had exercise prices above the closing price on that date. In addition to stock options, we had 42.5 million unvested RSUs outstanding as of March 3, 2009.

Range of Exercise Prices	Options Outstanding Under Plans Approved by eBay Inc. Stockholders			Options Exercisable Under Plans Approved by eBay Inc. Stockholders		
	Number Outstanding as of 3/3/09 (in thousands)	Weighted- Average Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable as of 3/3/09 (in thousands)	Weighted Average Exercise Price	
Under \$10.00	170	1.87	\$ 8.81	170	\$ 8.81	
\$10.01 - \$20.00	20,877	4.12	14.19	13,667	15.85	
\$20.01 - \$30.00	22,520	4.70	26.85	15,183	26.98	
\$30.01 - \$40.00	44,700	4.41	35.51	33,868	35.79	
\$40.01 - \$50.00	16,676	5.19	43.30	16,089	43.27	
\$50.01 and above	1,205	5.47	55.53	1,204	55.53	

Range of Exercise Prices	Options Outstanding Under Plans Assumed in Acquisitions (and not approved by eBay Inc. stockholders)			Options Exercisable Under Plans Assumed in Acquisitions (and not approved by eBay Inc. stockholders)	
	Weighted- Average Number Remaining	Outstanding Contractual as of 3/3/09 (in thousands)	Life (in Years)	Weighted Average Exercise Price	Number Exercisable as of 3/3/09 (in thousands)
Under \$10.00	6,944	7.76	\$ 2.66	2,106	\$ 1.81
\$10.01 - \$20.00	2,987	6.21	12.93	719	13.37
\$20.01 - \$30.00	7	6.15	24.89	7	24.89
\$30.01 - \$40.00	564	6.14	35.75	563	35.74
\$40.01 - \$50.00	6	5.92	41.50	6	41.50



**Table of Contents**

Range of Exercise Prices	Aggregate Options Outstanding			Aggregate Options Exercisable		
	Number Outstanding as of 3/3/09 (in thousands)	Weighted- Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable as of 3/3/09 (in thousands)	Weighted Average Exercise Price	
Under \$10.00	7,113	7.62	\$ 2.81	2,275	\$ 2.33	
\$10.01 - \$20.00	23,864	4.38	14.03	14,386	15.73	
\$20.01 - \$30.00	22,527	4.70	26.85	15,190	26.98	
\$30.01 - \$40.00	45,263	4.43	35.51	34,431	35.79	
\$40.01 - \$50.00	16,683	5.19	43.30	16,095	43.27	
\$50.01 and above	1,205	4.79	55.53	1,204	55.53	
Total	116,655	4.79	\$ 28.77	83,581	\$ 31.55	

The Company's equity overhang on March 3, 2009, considering all equity incentive awards granted plus shares available for grant under all active plans, was 16.8%.

The Company and the Compensation Committee review our equity program annually to ensure that we are balancing our goal to include the use of equity in our compensation programs in order to attract and motivate our employees with our interest and our stockholders' interest in limiting dilution from equity plans. We have adjusted our grant guidelines over the past two years to significantly increase the use of RSUs in lieu of stock options for our broad-based equity program, and, as described in detail in Proposal 2 of this proxy statement, we propose to exchange new grants of RSUs with surrendered eligible stock options with per share exercise prices greater than or equal to the highest per share trading price of our common stock for the 52-week period immediately preceding the start of the option exchange. We have also monitored market trends carefully and have made reductions in our grant guidelines at most levels to reflect the reduced use of equity by our competitors. The following table provides information on our annual share usage.

**Run Rate (shares in millions)**

	FY2006	FY2007	FY2008	3-Year Average
Stock options granted (includes assumed options)	38.83	20.74	23.28	27.62
Time-based restricted stock and RSUs granted	1.02	9.24	23.55	11.27
Performance-based RSUs earned	0	0.10	0.09	0.06
Total number of shares cancelled	15.11	15.36	21.37	17.28
Weighted average common shares outstanding	1,403	1,359	1,304	1,355
Net run rate(1)	1.76%	1.08%	1.96%	1.60%
Equity awards made to Named Executive Officers	3.89%	5.68%	9.53%	6.37%

- (1) Net run rate is calculated as (x) all shares (i) granted as stock options or RSUs or (ii) earned as performance-based RSUs, minus (y) the number of shares cancelled, divided by (z) the weighted average shares outstanding.

The 2008 Plan, as amended and restated subject to stockholder approval, also provides for market share and volume metrics as new performance criteria for the purposes of granting awards that qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. We believe that the addition of market share and volume metrics (e.g., measures such as the total number of items bought in a period for the core marketplace business and total minutes of use for Skype) to the performance criteria approved for performance-based awards under the 2008 Plan will provide us more flexibility to make awards under the 2008 Plan using performance goals that continue to align the interests of our named executive officers with those of our stockholders by allowing us to correlate the earning of compensation under the 2008 Plan with key metrics by which we believe our businesses are measured over time.

## **Table of Contents**

A summary of the principal provisions of the 2008 Plan is set forth below. The summary is qualified by reference to the full text of the amendment and restatement of the 2008 Plan, which is attached as Appendix A to this proxy statement.

### **GENERAL**

The 2008 Plan has a ten-year term from the date our stockholders initially approved the 2008 Plan in June 2008.

The 2008 Plan provides for the grant of stock options, both incentive stock options and nonqualified stock options, restricted stock, RSUs, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock units, other stock-based awards, and performance-based awards to eligible individuals.

Subject to stockholder approval of the amendment and restatement of the 2008 Plan, 85 million shares of common stock in the aggregate are authorized for issuance pursuant to awards under the 2008 Plan.

Subject to stockholder approval of the amendment and restatement of the 2008 Plan, the authorized shares of common stock under the 2008 Plan represent approximately 6.6% of the total outstanding shares of common stock as of March 4, 2009, the record date.

Subject to stockholder approval of the amendment and restatement of the 2008 Plan, market share and volume metrics will be included in the performance criteria that may be used in setting performance goals for performance-based awards.

As of March 4, 2009, the closing price of our common stock on the Nasdaq Global Select Market was \$10.81 per share.

### **ADMINISTRATION**

The 2008 Plan is administered by the Compensation Committee of our Board. The Compensation Committee may delegate to a committee of one or more members of our Board or one or more of our officers the authority to grant or amend awards to participants other than our senior executives who are subject to Section 16 of the Exchange Act or employees who are covered employees within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, or the Code. Pursuant to this provision, our Compensation Committee is currently in the practice of delegating to our Chief Executive Officer the authority to determine and make most of the individual grants to our employees below the level of Senior Vice President within guidelines approved by the Compensation Committee. Unless otherwise determined by the Board, the Compensation Committee shall consist solely of two or more members of the Board, each of whom is an outside director within the meaning of Section 162(m) of the Code, a non-employee director, and an independent director under the rules of The Nasdaq Stock Market (or other principal securities market on which shares of our common stock are traded).

The Compensation Committee has the exclusive authority to administer the 2008 Plan, including the power to determine eligibility, the types and sizes of awards, the price and timing of awards and the acceleration or waiver of any vesting restriction, as well as the authority to delegate such administrative responsibilities.

### **ELIGIBILITY**

Persons eligible to participate in the 2008 Plan include all non-employee members of our Board, consisting of eleven directors following the Annual Meeting, approximately 16,200 employees of the company and its subsidiaries and affiliates, as determined by the Compensation Committee, and consultants.

**LIMITATION ON AWARDS AND SHARES AVAILABLE**

Subject to stockholder approval of the amendment and restatement of the 2008 Plan, an aggregate of 85 million shares of common stock are available for grant pursuant to the 2008 Plan. The shares of common stock covered by the 2008 Plan may be treasury shares, authorized but unissued shares, or shares purchased in the open market.

**Table of Contents**

To the extent that an award terminates, expires, or lapses for any reason, or an award is settled in cash without delivery of shares to the participant, then any shares subject to the award may be used again for new grants under the 2008 Plan. Additionally, any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award may be used again for new grants under the 2008 Plan. To the extent permitted by applicable law or any exchange rule, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by us or any of our subsidiaries or affiliates will not be counted against shares available for issuance under the 2008 Plan. The payment of dividend equivalents in conjunction with outstanding awards will not be counted against the shares available for issuance under the 2008 Plan.

The maximum number of shares of common stock that may be subject to one or more awards granted to any one participant pursuant to the 2008 Plan during any calendar year is 1 million and the maximum amount that may be paid in cash during any calendar year with respect to any performance-based award is \$3,000,000.

**AWARDS**