

EBAY INC  
Form PRE 14A  
April 18, 2005

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**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant  **p**  
Filed by a Party other than the Registrant  **o**

Check the appropriate box:

- p** Preliminary Proxy Statement
- o** Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o** Definitive Proxy Statement
- o** Definitive Additional Materials
- o** Soliciting Material under Rule 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)

- p** No fee required.
- o** Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1.** Title of each class of securities to which transaction applies:
  
- 2.** Aggregate number of securities to which transaction applies:
  
- 3.** Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- 4.** Proposed maximum aggregate value of transaction:
  
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- o** Fee paid previously with preliminary materials.
- o** Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

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1. Amount Previously Paid:
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**PRELIMINARY COPY**

**The approximate date on which definitive copies of this proxy statement and accompanying proxy are intended to be released to stockholders is May 11, 2005.**

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 23, 2005**

**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 Thursday, June 23, 2005, at 8:00 a.m. Pacific time at the Silicon Valley Conference Center, El Camino Room, 2161 N. First Street, San Jose, California 95131 for the following purposes:

1. To elect three directors to hold office until our 2008 Annual Meeting of Stockholders.
2. To approve our eBay Incentive Plan in order to qualify it under Section 162(m) of the Internal Revenue Code.
3. To approve an amendment to our Certificate of Incorporation to increase the authorized number of shares of common stock from 1,790,000,000 shares to 3,580,000,000 shares.
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2005.
5. To consider a stockholder proposal regarding granting of performance-vesting shares to senior executives.
6. To consider a stockholder proposal regarding the voting standard for director elections.
7. 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 April 25, 2005 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

May , 2005

**The proxy statement and the accompanying form of proxy are being mailed on or about May , 2005 in connection with the solicitation of proxies on behalf of the Board of Directors of eBay. All stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the Annual Meeting, you are urged to vote your shares as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions on the proxy or voting instruction card. For specific instructions on voting, please refer to the instructions on the proxy or voting instruction card.**

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

**PROXY STATEMENT**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND  
OUR 2005 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 2005 Annual Meeting of Stockholders, which will take place on June 23, 2005. Stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

**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 directors and our most highly paid executive officers, and certain other required information. eBay's 2004 Annual Report, which includes eBay's audited consolidated financial statements, is also enclosed.

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

**A:** There are six proposals scheduled to be voted on at the Annual Meeting:  
the election of three directors for a three-year term;

the approval of the eBay Incentive Plan in order to qualify it under Section 162(m) of the Internal Revenue Code;

the approval of an amendment to our Certificate of Incorporation to increase the authorized number of shares of common stock from 1,790,000,000 shares to 3,580,000,000;

a stockholder proposal regarding granting of performance-vesting shares to senior executives; and

a stockholder proposal regarding the voting standard for director elections.

In addition, stockholders are being asked to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2005.

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

**A:** eBay's Board recommends that you vote your shares **FOR** each of the nominees to the Board, **FOR** the approval of the amendment to our Certificate of Incorporation, **FOR** the approval of our eBay Incentive Plan and the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors, and **AGAINST** the two stockholder proposals.

**Q: What class of shares is entitled to be voted? How many shares can vote?**

**A:**

Each share of eBay's common stock outstanding as of the close of business on April 25, 2005, the record date, is entitled to one vote at the Annual Meeting. At the close of business on April 25, 2005, \_\_\_\_\_ shares of common stock were outstanding and entitled to vote.

**Q: What shares owned by me can be voted?**

**A:** All shares owned by you as of the close of business on the record date of April 25, 2005 may be voted by you. You may cast one vote per share of common stock that you held 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 through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and shares owned beneficially.

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**Stockholder of Record**

If your shares are registered directly in your name with eBay's transfer agent, Mellon Investor 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 vote on the Internet or by telephone as described below under "How can I vote my shares without attending the Annual Meeting?"

**Beneficial Owner**

If your shares are held in a stock brokerage account or by a 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 or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner or nominee, you have the right to direct your broker on how to vote, 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. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee regarding how to vote your shares. You may also vote on the Internet or by telephone as described below under "How can I vote my shares without attending the Annual Meeting?"

**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 April 25, 2005. If you are a stockholder of record you must bring proof of identification. If you hold your shares through a stock broker or other nominee, you will need to provide proof of ownership by bringing either a copy of the voting instruction card provided by your broker or a copy of a brokerage statement showing your share ownership as of April 25, 2005. 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 the enclosed proxy card and proof of identification. Even if you plan to attend the Annual Meeting, eBay recommends that you vote 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 bank or other nominee may be voted in person by you if you obtain a signed proxy from the record holder 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 direct your vote without attending the Annual Meeting by Internet, by telephone or by completing and mailing your proxy card or voting instruction card in the enclosed pre-paid envelope. Please refer to the enclosed materials for details.

**Q: Can I change my vote?**

**A:** You may change your proxy instructions at any time before your proxy is voted at the Annual Meeting. Proxies may be revoked by any of the following actions: (1) filing a written notice of revocation with our Corporate Secretary at our principal executive office (2145 Hamilton Avenue, San Jose, California 95125); (2) filing a properly executed proxy showing a later date with our Corporate Secretary at our principal executive office; or (3) attending the Annual Meeting and voting in person (attendance at the meeting will

not, by itself, revoke a proxy).

**Q: How are votes counted?**

**A:** In the election of directors, you may vote **FOR** all of the nominees or your vote may be **WITHHELD** with respect to one or more of the nominees. For the approval of the eBay Incentive Plan, the approval of the amendment to the Certificate of Incorporation, the ratification of the selection of PricewaterhouseCoopers LLP, and the stockholder proposals, you may vote **FOR**, **AGAINST** or **ABSTAIN**. If you **ABSTAIN**, it has the same effect as a vote **AGAINST**. If you sign and return your proxy card or broker voting instruction card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors, except that in the case of a broker voting instruction card, your broker may only vote on those matters over which the broker has discretionary voting power.

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

**A:** A representative of ADP Investor Communication Services will tabulate the votes and act as the inspector of election.



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**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. 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. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted.

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

**A:** In the election for directors, the three persons receiving the highest number of FOR votes will be elected. The proposal to approve the eBay Incentive Plan, the proposal to ratify the selection of the auditors, and the stockholder proposals each require the affirmative FOR vote of a majority of those shares present and entitled to vote to be approved. The proposal to amend the Certificate of Incorporation requires the affirmative FOR vote of a majority of the shares of common stock outstanding as of April 25, 2005. If you are a beneficial owner and do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes, as described above in What is the quorum requirement for the Annual Meeting? in this section.

**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 (1) the broker has not received voting instructions from the beneficial owner and (2) the broker 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, a broker may not be entitled to vote shares held for a beneficial owner on certain non-routine items, such as, the approval of the eBay Incentive Plan and the two stockholder proposals, absent instructions from the beneficial owner of such shares. 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. Because approval of Proposal 3 (amendment of the Certificate of Incorporation) requires the affirmative vote of a majority of all outstanding shares, broker non-votes have the same effect as a vote AGAINST that proposal. For the proposals requiring the affirmative vote of those shares present and entitled to vote, broker non-votes will not affect the outcome of the vote.

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

**A:** It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

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

**A:** eBay will announce preliminary voting results at the Annual Meeting and publish final results in eBay's quarterly report on Form 10-Q for the second quarter of 2005.

**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

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 Georgeson Shareholder Communications Inc., a professional proxy solicitation firm, to aid in the solicitation of proxies. Georgeson may solicit proxies by personal interview, mail, telephone and electronic communications. eBay estimates that it will pay Georgeson its customary fee, estimated to be approximately \$8,500, 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 material to such beneficial owners. Solicitations may also be made by personal interview, telephone and electronic communication by directors, officers and other employees of eBay, but we will not additionally compensate our 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 2006 annual meeting of stock-

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holders your proposal must be received by our Corporate Secretary no later than January 9, 2006. 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 2006 annual meeting so long as it is submitted to our Corporate Secretary no earlier than March 25, 2006, and no later than April 24, 2006. We advise you to review our Bylaws, which contain this and other requirements with respect to advance notice of stockholder proposals and director nominations. Our Bylaws were filed with the Securities and Exchange Commission, or SEC, as an exhibit to our quarterly report on Form 10-Q on November 13, 1998, which can be viewed by visiting our investor relations website at <http://investor.ebay.com/edgar.cfm> and may also be obtained 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 2004 Annual Report may be viewed online on our investor relations website at <http://investor.ebay.com/annual.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 <http://investor.ebay.com/adp.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 to 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.

**2005 ANNUAL MEETING OF STOCKHOLDERS  
NOTICE OF ANNUAL MEETING AND PROXY STATEMENT  
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Our business is managed by our employees under the direction and oversight of the Board of Directors. Except for Ms. Whitman, 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 of Directors has adopted corporate governance guidelines that, along with the charters of the Board committees and our Code of Business Conduct and Ethics, which we refer to as the Code of Conduct, provide the framework for the governance of the company. A complete copy of our governance guidelines, the charters of our Board committees, and our Code of Conduct may be found on our investor relations website at <http://investor.ebay.com/governance>. (Information contained on eBay's 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 on the same location on our website.

**Our Corporate Governance Practices**

We believe 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, several of our key governance initiatives are summarized below.

*Governance Guidelines.* 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.

*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 committees: the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee. Each committee meets regularly and has a written charter 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. Each committee performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations.

*Independence.* Nasdaq rules require listed companies to have a board of directors with at least a majority of independent directors. Our Board has determined that seven of our nine directors are independent under the listing standards of the Nasdaq Stock Market. The Board limits membership on the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee to independent non-employee directors. In addition, the Board has a designated lead independent director who chairs and can call formal closed sessions of outside directors, leads Board meetings in the absence of the Chairman, and leads the annual board self-assessment. Mr. Tierney is currently the lead independent director, and will serve in that capacity until the Board meeting following our 2006 annual meeting of stockholders.

*Stockholder Communication.* Stockholders may communicate with the Board of Directors 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 (a) advertisements or promotional communications, (b) solely related to complaints by users with respect to ordinary course of business customer service and satisfaction issues, or (c) 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 the company's annual meeting of stockholders. All nine of our directors attended our 2004 annual meeting of stockholders.

*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. Prior to 2003, Board compensation was 100% equity based. After a review, in December 2002, Board compensation was substantially

revised by the Board, with equity compensation reduced and cash compensation added. Board compensation has subsequently been reviewed annually by the Compensation Committee, which has not changed cash compensation and has effectively reduced equity compensation by holding the number of options granted annually to the same absolute number notwithstanding two subsequent stock splits. Current Board compensation is described under the heading Executive Compensation Compensation of Directors below.

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*Stock Ownership Guidelines.* In September 2004, our Board adopted stock ownership guidelines to better align the interests of our directors and executives with the interests of stockholders and further promote our commitment to sound corporate governance. Under the 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). Until an executive achieves the required level of ownership, he or she is required to retain 25% of the net shares received as the result of the exercise of eBay stock options. 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 executives and directors as of April 1, 2005 are set forth in the section entitled "Security Ownership of Certain Beneficial Owners and Management" below.

*Outside Advisors.* The Board and each of its committees may retain outside advisors and consultants of their choosing at the company's expense. The Board need not obtain 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 to ensure that it provides clear guidance to its employees and directors.

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

*Board Effectiveness.* 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.

*Succession Planning.* The Board recognizes the importance of effective executive leadership to eBay's success, and meets to discuss executive succession planning at least annually.

*Auditor Independence.* eBay has taken a number of steps to ensure continued independence of our outside auditors. Our independent auditors report directly to the Audit Committee and we limit the use of our audit firm for non-audit services. The fees for services provided by our auditors in 2004 and 2003 and our policy on pre-approval of non-audit services are described under Proposal 4 below.

*Corporate Hotline.* eBay has established a corporate hotline to allow any employee to confidentially and anonymously lodge a complaint about any accounting, internal control, auditing or other matter of concern.

**Board Committees and Meetings**

During 2004, our Board of Directors held four 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 of Directors 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 Exchange Act. Our Audit Committee consists of Messrs. Anderson and Schlosberg and Ms. Lepore. Mr. Anderson is the chairman of the committee. Mr. Kagle served as a member of the committee until September 2004, when Mr. Schlosberg was elected to the committee. The Audit Committee held 11 meetings during fiscal year 2004. 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 the financial statements, including the independent auditors' judgment about the quality of accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the financial 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, 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 also prepares the Audit Committee Report for inclusion in our proxy statement, approves



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audit and non-audit services provided to us by our independent auditors, considers conflicts of interest involving executive officers or Board members, and meets with our General Counsel to discuss legal matters that may have a material impact on our financial statements or our compliance policies. Our Board has determined that Mr. Anderson is an audit committee financial expert as defined by the SEC, and that each member of the Audit Committee is independent under the listing standards of the Nasdaq Stock Market. 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. Kagle, Bourguignon, and Tierney. Mr. Kagle is the chairman of the committee. The committee met five times during 2004. 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. In addition, the Compensation Committee also 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 Stock Market. You can view our Compensation Committee Charter on the corporate governance section of our investor relations website at <http://investor.ebay.com/governance>.

*Corporate Governance and Nominating Committee*

Our Corporate Governance and Nominating Committee consists of Messrs. Cook, Schlosberg, and Tierney and Ms. Lepore. Mr. Cook is the chairman of the committee. Mr. Schlosberg was elected to the committee when he became a director in March 2004. The committee met four times during 2004. The Corporate Governance and Nominating Committee makes recommendations to the Board as to the appropriate size of the Board or any Board committee and reviews the qualifications of candidates for the Board of Directors and makes recommendations to the Board of Directors on potential Board members (whether created by vacancies 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 retained Spencer Stuart, 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. 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 2006 annual meeting of stockholders should submit their proposals to the Corporate Governance and Nominating Committee 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 2005 Annual Meeting above. All members of our Corporate Governance and Nominating Committee are independent under the listing standards of the Nasdaq Stock 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>.

**Table of Contents****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 April 1, 2005, 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 set forth under Executive Compensation Summary of Compensation 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)	215,336,568	16.0%
Jeffrey S. Skoll(3)	90,578,494	6.7
Margaret C. Whitman(4)	31,230,684	2.3
Maynard G. Webb, Jr.(5)	1,532,916	*
Jeffrey D. Jordan(6)	1,473,151	*
Matthew J. Bannick(7)	486,149	*
William C. Cobb(8)	802,583	*
Fred D. Anderson(9)	6,000	*
Philippe Bourguignon(10)	516,250	*
Scott D. Cook(11)	2,209,256	*
Robert C. Kagle(12)	3,728,336	*
Dawn G. Lepore(13)	351,250	*
Richard T. Schlosberg, III(14)	3,200	*
Thomas J. Tierney(15)	22,750	*
All directors and executive officers as a group (21 persons)(16)	263,368,256	19.3

\* 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 Securities and Exchange Commission. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, 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 April 1, 2005 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 1,348,840,742 shares of our common stock outstanding as of April 1, 2005. Amounts have been adjusted to reflect the two-for-one stock split effective on February 16, 2005.

(2) Mr. Omidyar is our Founder and Chairman of the Board. Includes 490,000 shares held by his spouse as to which he disclaims beneficial ownership. The address for Mr. Omidyar is 2145 Hamilton Avenue, San Jose, California 95125.

(3) Mr. Skoll is a former officer and director of the company. The address for Mr. Skoll is c/o Seiler & Company, LLP, 1100 Marshall Street, Redwood City, CA 94063, Attn: James G.B. DeMartini, III.

- (4) Ms. Whitman is our President and Chief Executive Officer. Includes 7,646,842 shares held by the Griffith R. Harsh, IV & Margaret C. Whitman TTEES of Sweetwater Trust U/ A/ D 10/15/99, 1,330,046 shares held by the Griffith R. Harsh, IV, TTEE, GRH 2003 GRAT, and 1,330,046 shares held by the Margaret C. Whitman TTEE, MCW 2003 GRAT, 4,000,000 shares held by the Griffith R. Harsh, IV, TTEE, GRH 2004 GRAT and 4,000,000 shares held by the Margaret C. Whitman TTEE, MCW 2004 GRAT and 2,000,000 shares held by the Griffith R. Harsh, IV, TTEE GRH 2005 GRAT and 2,000,000 shares held by the Margaret C. Whitman TTEE, MCW 2005 GRAT. In addition, it includes (a) 4,792 shares held by Griffith Rutherford Harsh IV Custodian Griffith Rutherford Harsh V UTMA California as to which Ms. Whitman's spouse is custodian for the trust and as to which Ms. Whitman disclaims beneficial ownership and (b) 4,792 shares held by Griffith Rutherford Harsh IV Custodian William Whitman Harsh UTMA California as to which Ms. Whitman's spouse is custodian for the trust and as to which Ms. Whitman disclaims beneficial ownership. Includes 4,954,166 shares Ms. Whitman has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Ms. Whitman is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.

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- (5) Mr. Webb is our Chief Operating Officer. Includes 1,432,916 shares Mr. Webb has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Webb is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (6) Mr. Jordan is our President, PayPal. Includes 1,432,951 shares Mr. Jordan has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Jordan is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (7) Mr. Bannick is our President, eBay International. Includes 465,001 shares Mr. Bannick has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Bannick is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (8) Mr. Cobb is our President, eBay North America. Includes 768,583 shares Mr. Cobb has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Cobb is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (9) The address for Mr. Anderson is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (10) Includes 514,250 shares Mr. Bourguignon has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Bourguignon is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (11) Includes 2,046,250 shares Mr. Cook has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Cook is c/o Intuit, Inc., 2535 Garcia Avenue, Mountain View, California 94043.
- (12) Includes 356,250 shares Mr. Kagle has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Kagle is c/o Benchmark Capital, 2480 Sand Hill Road, Suite 200, Menlo Park, California 94025.
- (13) Includes 311,250 shares Ms. Lepore has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Ms. Lepore is c/o drugstore.com, inc., 13920 S.E. Eastgate Way #300, Bellevue, WA 98005.
- (14) The address for Mr. Schlosberg is 9901 IT-10 West, Suite 800, San Antonio, TX 78230.
- (15) Includes 18,750 shares Mr. Tierney has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Tierney is c/o The Bridgespan Group, 535 Boylston Street, 10th Floor, Boston, MA 02116
- (16) Includes 17,211,430 shares subject to options exercisable within 60 days.

**Proposal 1**

**Election of Directors**

Our Certificate of Incorporation and Bylaws, as amended to date, provide for the Board to be divided into three classes, with each class having a three-year term. Each class currently consists of three directors. The term of office for the first class expires at our upcoming Annual Meeting, the term of office for the second class expires at our 2006 Annual Meeting, and the term of office for the third class expires at our 2007 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 nine members, seven of whom are currently independent directors within the meaning of the listing standards of the Nasdaq Stock Market. There are three nominees in the class whose term of office expires at the Annual Meeting, all of whom are currently members of the Board of Directors. Two of the three nominees for election at the Annual Meeting were previously elected by the stockholders. If elected at the Annual Meeting, each of the nominees would serve until our 2008 Annual Meeting and until his successor is elected and qualified, or until his earlier death, resignation or removal.

Directors are elected by a plurality (excess of votes cast over opposing nominees) of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by signed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. If any of the nominees is unexpectedly unavailable for election, these shares will be voted for the election of a substitute nominee proposed by our Corporate Governance and Nominating Committee. Each person nominated for election has agreed to serve if elected. Management has no reason to believe that any of the nominees will be unable to serve.

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

**Nominees for Election for a Three-Year Term Expiring at Our 2008 Annual Meeting****Fred D. Anderson**

Fred D. Anderson, age 60, 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 Computer, Inc., a manufacturer of personal computers and related software. Prior to joining Apple, 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. Mr. Anderson also serves on the board of directors of Apple Computer, Inc. and E.piphany, Inc. Mr. Anderson holds a B.A. degree from Whittier College and an M.B.A. from the University of California, Los Angeles.

**Scott D. Cook**

Scott D. Cook, age 52, has served as a director of eBay since June 1998. Mr. Cook is the founder of Intuit Inc., a financial software developer. 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. 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.

**Robert C. Kagle**

Robert C. Kagle, age 49, has served as a director of eBay since June 1997. Mr. Kagle has been a Member of Benchmark Capital, the General Partner of Benchmark Capital Partners, L.P. and Benchmark Founders Fund, L.P., since its founding in May 1995. Mr. Kagle also has been a General Partner of Technology Venture Investors since January 1984. Mr. Kagle also serves on the board of directors of E-LOAN, Inc. and ZipRealty, Inc. Mr. Kagle holds a B.S. degree in Electrical and Mechanical Engineering from the General Motors Institute (renamed Kettering University in January 1998) and an M.B.A. degree from the Stanford Graduate School of Business.

**The Board Of Directors Recommends****A Vote In Favor Of Each Named Nominee.****Directors Continuing in Office Until Our 2006 Annual Meeting****Dawn G. Lepore**

Dawn G. Lepore, age 51, 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. She also serves on the board of directors of Catalyst, a research and advisory organization working to expand opportunities for women in business, and as a trustee of Smith College. Ms. Lepore holds a B.A. degree from Smith College.

**Pierre M. Omidyar**

Pierre M. Omidyar, age 37, 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



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developer services engineer at General Magic, a mobile communication 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 Computer, and for other Macintosh-oriented software development companies. Mr. Omidyar is currently Chairman and CEO of Omidyar Network. He also serves on the Board of Trustees of Tufts University and The Santa Fe Institute, and as a director of several private companies. Mr. Omidyar holds a B.S. degree in Computer Science from Tufts University.

**Richard T. Schlosberg, III**

Richard T. Schlosberg, III, age 60, 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 & 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 national board member of the Smithsonian Institution and the National Air and Space museum, a member of the USO World Board of Governors, and a trustee of Pomona College. Mr. Schlosberg is a graduate of the United States Air Force Academy, and holds an M.B.A. degree from the Harvard Business School.

**Directors Continuing in Office Until Our 2007 Annual Meeting****Philippe Bourguignon**

Philippe Bourguignon, age 57, has served as a director of eBay since December 1999. Mr. Bourguignon has been the Chairman of Aegis Media France, a media communications and market research company, since April 2004. 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 Mediterranee S.A., a resort operator. Prior to his appointment at Club Mediterranee 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 51, 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*.

**Margaret C. Whitman**

Margaret C. Whitman, age 48, serves eBay as President and Chief Executive Officer. She has served in that capacity since February 1998 and as a director since March 1998. From January 1997 to February 1998, she was General Manager of the Preschool Division of Hasbro Inc., a toy company. From February 1995 to December 1996, Ms. Whitman was employed by FTD, Inc., a floral products company, most recently as President, Chief Executive Officer and a director. From October 1992 to February 1995, Ms. Whitman was employed by The Stride Rite Corporation, a footwear company, in various capacities, including President, Stride Rite Children's Group and Executive Vice President, Product Development, Marketing & Merchandising, Keds Division. From May 1989 to October 1992, Ms. Whitman was employed by The Walt Disney Company, an entertainment company, most recently as Senior Vice President, Marketing, Disney Consumer Products. Before joining Disney, Ms. Whitman was at Bain & Co., a consulting firm, most recently as a Vice President. Ms. Whitman also serves on the board of directors of The Procter & Gamble Company and Gap Inc. Ms. Whitman holds an A.B. degree in Economics from Princeton University and an M.B.A. degree from the Harvard Business School.





**Table of Contents****Proposal 2****Approval of eBay Incentive Plan**

The Board of Directors, upon the recommendation of the Compensation Committee, approved and adopted the eBay Incentive Plan, which we refer to as the eIP, on March 17, 2005, to be effective as of January 1, 2005, subject to the approval of the eIP by eBay's stockholders. The eIP is being submitted to stockholders for approval so that payments to certain executive officers under the eIP will be deductible by eBay for federal income tax purposes as described below.

The eIP is an element of eBay's overall compensation strategy to align employee compensation with eBay's business objectives, strategy, and performance. The eIP is designed to reward eBay's employees for delivering measurable results. The purpose of the eIP is to align compensation with quarterly and annual performance and to enable eBay to attract, retain, and reward highly qualified individuals who contribute to eBay's success and motivate them to enhance the value of the Company.

As described below under Federal Income Tax Information, Section 162(m) of the Code denies a tax deduction to public companies for compensation paid to certain covered employees in a taxable year to the extent the compensation paid to a covered employee exceeds \$1,000,000, unless the plan contains certain features that qualify the compensation as performance-based compensation.

The eIP is intended to satisfy the requirements for performance-based compensation as required by Section 162(m) of the Code. One of the requirements of performance-based compensation is that compensation be paid pursuant to a plan that has been approved by the company's stockholders. This is the first year eBay is asking stockholders to approve the eIP. However, eBay intends to administer the plan that is being submitted for stockholder approval for 2005 in a manner almost identical to the Management Incentive Plan that eBay has used in the past to motivate employees to drive demonstrated superior results for the company.

In addition to asking for stockholder approval of the eIP, eBay has structured the eIP to satisfy additional requirements of Section 162(m) of the Code for performance-based compensation. The Board believes approval of the eIP is in the best interest of eBay and its stockholders. The eIP motivates and rewards eBay's employees for achievement of strategic, operational and financial goals that drive stockholder value, and will now be structured to be advantageous for federal income tax purposes.

If the eIP is not approved by stockholders, it is currently contemplated that eBay would continue to make awards under its current Management Incentive Plan and that such bonuses to covered employees would not be deductible under Section 162(m) of the Code to the extent that (in combination with other non-exempt compensation, e.g., salary) they exceed the \$1,000,000 limit. If the eIP is not approved by stockholders, it is currently contemplated that eBay would resubmit the eIP for stockholder approval in 2006.

**The Board Of Directors Recommends****A Vote In Favor Of Proposal 2.**

A summary of the eIP is set forth below. The discussion below is qualified in its entirety by reference to the eIP, a copy of which is attached as [Appendix A](#) to this proxy statement.

**General and Administration**

The eIP provides for a quarterly and annual bonus to eligible eBay employees. The Compensation Committee will be responsible for administering the eIP. The members of the Compensation Committee (or the sub-committee selected to administer the eIP) must qualify as outside directors under Section 162(m) of the Code in order for Incentive Awards to covered employees to qualify as deductible performance-based compensation under the Code. The Compensation Committee will have complete and absolute authority to make decisions regarding the administration of the eIP, including interpreting the terms and provisions, and establishing, adjusting or paying Incentive Awards, even if those actions result in the non-deductibility of those awards. Under the eIP, no participant may receive an award of more than \$3,000,000 (or the equivalent amount of equity, based on fair market value on the date of grant) in any fiscal year.

**Eligibility**

All active regular full-time and part-time employees who are notified by the Company are eligible to participate in the eIP. Employees who participate in other bonus programs, such as any sales incentive plan, are not eligible to

participate in the eIP unless they are specifically made eligible in writing by an executive officer of the Company. In addition, the Company may, in its sole discretion, provide for a payout under the eIP for any employee who has changed positions and, as a result, may have been eligible to

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participate in the eIP and another bonus program during a quarter. The eIP contains special provisions for designating additional eligible employees (e.g., new hires) for participation in the eIP.

The actual number of participants cannot be determined in advance. However, as of April 1, 2005, we and our consolidated subsidiaries employed approximately 8,600 persons (excluding approximately 650 temporary emplo