

EBAY INC  
Form DEF 14A  
April 26, 2006

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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:

- ☐ 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 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)

- ☐ No fee required.
- ☐ 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):
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  4. Date Filed:
-

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To Be Held On June 13, 2006

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 Tuesday, June 13, 2006, at 8:00 a.m. Pacific time at the Wynn Resort Las Vegas, Mouton 1 Room, 3131 Las Vegas Boulevard South, Las Vegas, Nevada 89109 for the following purposes:

1. To elect four directors to hold office until our 2009 Annual Meeting of Stockholders.
2. To approve an amendment to our 2001 Equity Incentive Plan to increase by 30,000,000 the number of shares of common stock that may be issued under our 2001 Equity Incentive Plan.
3. To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2006.
4. 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 17, 2006 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  
April 26, 2006

**The proxy statement and the accompanying form of proxy are being mailed on or about April 26, 2006 in connection with the solicitation of proxies on behalf of the Board of Directors of eBay. 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 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. Telephone and Internet voting are available. 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 2006 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 2006 Annual Meeting of Stockholders, which will take place on June 13, 2006. 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 2005 Annual Report, which includes eBay's audited consolidated financial statements, is also included with this Proxy Statement.

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

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

the election of four directors for a three-year term;

the approval of an amendment to our 2001 Equity Incentive Plan to increase the authorized number of shares of common stock we may issue under the plan by 30,000,000 shares; and

the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2006.

**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 the 2001 Equity Incentive Plan, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors.

**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 17, 2006, the record date, is entitled to one vote at the Annual Meeting. At the close of business on April 17, 2006, 1,409,869,244 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 17, 2006 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.

***Shares held 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

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also vote on 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 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 17, 2006. 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 17, 2006. 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 of the amendment to the 2001 Equity Incentive Plan and the ratification of the selection of PricewaterhouseCoopers LLP, 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, 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 four persons receiving the highest number of FOR votes will be elected. The proposal to amend the 2001 Equity Incentive Plan and the proposal to ratify the selection of the auditors each require the affirmative FOR vote of a majority of those shares present and entitled to vote to be approved. 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 amendment of the 2001 Equity Incentive Plan, 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.

**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 will publish final results in eBay's quarterly report on Form 10-Q for the second quarter of 2006.

**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 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 and electronic communications. eBay estimates that it will pay D.F. King 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 2007 Annual

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Meeting of Stockholders, your proposal must be received by our Corporate Secretary no later than December 27, 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 2007 annual meeting so long as it is submitted to our Corporate Secretary no earlier than March 13, 2007, and no later than April 12, 2007. 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 2005 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 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.

**2006 ANNUAL MEETING OF STOCKHOLDERS**

**NOTICE OF ANNUAL MEETING AND PROXY STATEMENT**

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**CORPORATE GOVERNANCE**

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 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. 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 nine of our eleven 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 was recently reappointed to the position for a second two-year term. He will serve as lead independent director until the Board meeting following our 2008 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. Nine of the ten directors who were then on the Board attended our 2005 Annual Meeting of Stockholders.

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*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.

*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, 2006 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. The Code of Conduct was most recently updated in October 2005.

*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 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 asked 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 deems appropriate.

*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. As part of this process, the Board reviews the capabilities of the company's senior leadership as set out in written succession planning documents and identifies and discusses potential successors for members of the company's executive staff, including the Chief Executive Officer.



*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 auditors for non-audit services. The fees for services provided by our auditors in 2005 and 2004 and our policy on pre-approval of non-audit services are described under Proposal 3 below.

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*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 2005, our Board of Directors held ten meetings, and each Board member except for Mr. Ford attended at least 75% of the aggregate of all of our Board meetings and committee meetings for committees on which such director served. Mr. Ford's aggregate meeting attendance was below 75% because he was unable to modify his schedule to attend a series of special meetings of our Board of Directors related to our acquisition of Skype Technologies that were scheduled with relatively little notice and that occurred shortly after he joined the Board in July 2005. 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. The Audit Committee held 12 meetings during fiscal year 2005. 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 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 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 in 2005 consisted of Messrs. Kagle, Barnholt, Bourguignon, Ford, and Tierney. Mr. Kagle was the chairman of the committee. Mr. Barnholt joined the committee in June 2005, and Mr. Ford joined the committee in July 2005. Commencing April 1, 2006, Mr. Barnholt became the chair of the committee and Mr. Ford moved to the Corporate Governance and Nominating Committee. The committee met six times during 2005. 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>.

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**Corporate Governance and Nominating Committee**

Our Corporate Governance and Nominating Committee consisted of Messrs. Cook, Schlosberg, and Tierney and Ms. Lepore in 2005. Mr. Ford became a member of the committee effective April 1, 2006. Mr. Cook is the chairman of the committee. The committee met three times during 2005. 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 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 in the past 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. 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 2007 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 2006 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, 2006, 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)	202,323,408	14.4%
Jeffrey S. Skoll(3)	83,024,912	5.9
FMR Corp(4)	70,819,310	5.0
Margaret C. Whitman(5)	33,027,600	2.3
Maynard G. Webb, Jr.(6)	1,380,416	*
John J. Donahoe(7)	292,459	*
Jeffrey D. Jordan(8)	1,028,359	*
Rajiv Dutta(9)	1,918,492	*
Fred D. Anderson(10)	20,375	*
Edward W. Barnholt(10)	0	*
Philippe Bourguignon(10)	182,125	*
Scott D. Cook(11)	1,807,723	*
William C. Ford(12)	125,225	*
Robert C. Kagle(13)	3,777,711	*
Dawn G. Lepore(14)	401,625	*
Richard T. Schlosberg, III(15)	19,375	*
Thomas J. Tierney(16)	52,125	*
All directors and executive officers as a group (20 persons)(17)	251,866,316	17.6

\* 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, 2006 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 1,408,671,441 shares of common stock outstanding as of April 1, 2006.

(2)

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Mr. Omidyar is our Founder and Chairman of the Board. Includes 285,000 shares held by his spouse as to which he disclaims beneficial ownership. The address for Mr. Omidyar is c/o eBay Inc., 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) The address for FMR Corp. is 82 Devonshire Street, Boston, MA 02109.
- (5) Ms. Whitman is our President and Chief Executive Officer. Includes 8,108,380 shares held by the Griffith R. Harsh, IV & Margaret C. Whitman TTEES of Sweetwater Trust U/A/D 10/15/99, 1,098,777 shares held by the Griffith R. Harsh, IV, TTEE, GRH 2005 GRAT, 1,098,777 shares held by the Margaret C. Whitman, TTEE,

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MCW 2005 GRAT, 3,000,000 shares held by the Griffith R. Harsh, IV, TTEE, GRH 2006 Two Year GRAT, 3,000,000 shares held by the Margaret C. Whitman, TTEE, MCW 2006 Two Year GRAT, 3,000,000 shares held by the Griffith R. Harsh, IV, TTEE, GRH March 2006 Two Year GRAT and 3,000,000 shares held by the Margaret C. Whitman, TTEE, MCW March 2006 Two Year GRAT. In addition, 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 6,752,082 shares Ms. Whitman has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Ms. Whitman is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.

- (6) Mr. Webb is our Chief Operating Officer. Includes 1,280,416 shares Mr. Webb has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Webb is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (7) Mr. Donahoe is our President, eBay Business Unit. Includes 291,666 shares Mr. Donahoe has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Donahoe is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (8) Mr. Jordan is our President, PayPal. Includes 988,159 shares Mr. Jordan has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Jordan is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (9) Mr. Dutta is our President, Skype. Includes 1,875,874 shares Mr. Dutta has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Dutta is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (10) Includes in the case of Mr. Anderson, 14,375 shares Mr. Anderson has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006 and in the case of Mr. Bourguignon, 176,125 shares Mr. Bourguignon has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Messrs. Anderson, Barnholt, and Bourguignon is c/o eBay Inc., 2145 Hamilton Avenue, San Jose, California 95125.
- (11) Includes 1,644,717 shares Mr. Cook has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Cook is c/o Intuit, Inc., 2535 Garcia Avenue, Mountain View, California 94043.
- (12) The address for Mr. Ford is c/o Ford Motor Company, One American Road, Dearborn, Michigan 48126.
- (13) Includes 415,625 shares Mr. Kagle has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Kagle is c/o Benchmark Capital, 2480 Sand Hill Road, Suite 200, Menlo Park, California 94025.
- (14) Includes 361,625 shares Ms. Lepore has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Ms. Lepore is c/o drugstore.com, inc., 411 108th Avenue NE, Suite 1400, Bellevue, Washington 98004.
- (15)

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Includes 14,375 shares Mr. Schlosberg has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Schlosberg is 9901 IT-10 West, Suite 800, San Antonio, Texas 78230.

(16) Includes 48,125 shares Mr. Tierney has the right to acquire pursuant to outstanding options exercisable within 60 days of April 1, 2006. The address for Mr. Tierney is c/o The Bridgespan Group, 535 Boylston Street, 10th Floor, Boston, Massachusetts 02116

(17) Includes 18,755,797 shares subject to options exercisable within 60 days of April 1, 2006.



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**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. The first and second classes currently consist of four directors and the third class currently consists of three directors. The term of office for the first class expires at our 2008 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 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 eleven members, nine of whom are currently independent directors within the meaning of the listing standards of the Nasdaq Stock Market. There are four nominees in the class whose term of office expires at the Annual Meeting, all of whom are currently members of the Board of Directors. Three of the four 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 2009 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 four 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.

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 2009 ANNUAL MEETING**

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

William C. Ford, Jr., age 48, has served as a director of eBay since July 2005. Mr. Ford has served as Chief Executive Officer of Ford Motor Company, a company that engages in the manufacture and distribution of automobiles, since October 2001 and has served as Chairman of the Board of Ford since September 1998. Mr. Ford also serves as Chairman of Ford's Environmental and Public Policy Committee and as a member of Ford's Finance Committee. 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 master of science degree in management from the Massachusetts Institute of Technology (MIT).

***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. Ms. Lepore holds a B.A. degree from Smith College.

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***Pierre M. Omidyar***

Pierre M. Omidyar, age 38, 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 for Apple Computer, and for other Macintosh-oriented software development companies. Mr. Omidyar is currently Chairman and CEO of Omidyar Network, a mission-based investment group committed to fostering individual self-empowerment on a global scale. He also serves on the Board of Trustees of Tufts University and the Santa Fe Institute, 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 62, 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, BEA Systems, Inc, and is also a national board member of the Smithsonian Institution, 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.

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

**DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2007 ANNUAL MEETING**

***Philippe Bourguignon***

Philippe Bourguignon, age 58, 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 52, 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*.

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***Margaret C. Whitman***

Margaret C. Whitman, age 49, 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 DreamWorks Animation SKG, Inc. Ms. Whitman holds an A.B. degree in Economics from Princeton University and an M.B.A. degree from the Harvard Business School.

**DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2008 ANNUAL MEETING**

***Fred D. Anderson***

Fred D. Anderson, age 61, 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 Homestore, Inc. Mr. Anderson holds a B.A. degree from Whittier College and an M.B.A. from the University of California, Los Angeles.

***Edward W. Barnholt***

Edward W. Barnholt, age 62, 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 on the board of directors of KLA-Tencor Corporation and Adobe Systems Incorporated and is a member of the Board of Trustees of the Packard Foundation. Mr. Barnholt holds a bachelor's degree and a master's degree in electrical engineering from Stanford University.

***Scott D. Cook***

Scott D. Cook, age 53, 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 50, 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

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January 1984. Mr. Kagle also serves on the board of directors of 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.

**PROPOSAL 2**

**APPROVAL OF AMENDMENT TO 2001 EQUITY INCENTIVE PLAN**

We are asking you to approve an amendment to our 2001 Equity Incentive Plan, which we refer to as the 2001 Plan. The purpose of the amendment is to increase the number of shares of common stock we may issue under the 2001 Plan by 30,000,000 shares from 192,000,000 to 222,000,000 shares.

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

A summary of the 2001 Plan is set forth below. The discussion below is qualified in its entirety by reference to the 2001 Plan, a copy of which, as amended, is attached as Appendix A to this proxy statement.

**GENERAL**

The 2001 Plan provides for the grant of incentive stock options and nonstatutory stock options. Incentive stock options granted under the 2001 Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Code. Nonstatutory stock options granted under the 2001 Plan are not intended to qualify as incentive stock options under the Code. We have not granted any incentive stock options since our initial public offering.

**PURPOSE**

The purpose of the 2001 Plan is to provide a means by which eligible employees, directors, and consultants of eBay and its affiliates may be given an opportunity to purchase our common stock. We believe that the 2001 Plan assists us in retaining the services of such persons, in securing and retaining the services of persons capable of filling such positions, and in providing incentives for such persons to exert maximum efforts for our success.

**ADMINISTRATION**

The Board administers the 2001 Plan. Subject to the provisions of the 2001 Plan, it may construe and interpret the 2001 Plan and the options granted under it, and to establish, amend, and revoke rules and regulations for its administration. The Board determines the persons to whom and the dates on which options will be granted. Subject to the provisions of the 2001 Plan, it also may determine the number of shares of our common stock to be subject to each option, the exercise and vesting schedule, the exercise price, the type of consideration, and other terms of the option. Pursuant to its authority to delegate administration of the 2001 Plan to a committee of one or more members of the Board of Directors, the Board of Directors has delegated such administration to its Compensation Committee. Therefore, when referring to the Board in reference to the 2001 Plan, we are referring to the Compensation Committee as well as to the Board of Directors itself.

The 2001 Plan provides that, in the Board's discretion, directors serving on the Compensation Committee may be outside directors within the meaning of Section 162(m). This limitation would exclude from such committee directors who are: (i) current employees of ours or of an affiliate of ours; (ii) former employees of ours or an affiliate of ours receiving compensation for past services (other than benefits under a tax-qualified pension plan); (iii) current and

former officers of ours or an affiliate of ours; (iv) directors currently receiving direct or indirect remuneration from us or an affiliate of ours in any capacity (other than as a director); and (v) any other person who is not otherwise considered an outside director for purposes of Section 162(m). The definition of an outside director under Section 162(m) is generally narrower than the definition of a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, as amended. All of the directors on our Compensation Committee are and have been outside directors since our initial public offering.



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**ELIGIBILITY**

We intended the 2001 Plan to benefit all of our employees and consultants and the employees, directors, and consultants of our affiliates. As such, all are eligible to participate in the 2001 Plan. However, nonemployee directors are eligible only for grants where the essential terms have been set forth in the 2001 Plan and been approved by our stockholders, and the 2001 Plan currently does not provide for such nondiscretionary grants. In addition, the Board may grant incentive stock options under the 2001 Plan only to our employees and employees of our affiliates. As of December 31, 2005, we and our consolidated subsidiaries employed approximately 11,600 persons (excluding approximately 1,000 temporary employees), all of whom are eligible to receive grants under the 2001 Plan, although option grants to our employees outside of the U.S. are generally made under our 1999 Equity Incentive Plan.

The Board may not grant an incentive stock option under the 2001 Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of us or any of our affiliates, unless the exercise price is at least 110% of the fair market value of the common stock subject to the option on the date of grant and the term of the option does not exceed five years from the date of grant. In addition, the aggregate fair market value, determined at the time of grant, of the shares of our common stock with respect to which incentive stock options are exercisable for the first time by the optionholder during any calendar year (under the 2001 Plan and any other plan of ours or our affiliates) may not exceed \$100,000.

No employee may be granted options under the 2001 Plan covering more than 4,000,000 shares of our common stock during any calendar year.

**STOCK SUBJECT TO THE 2001 PLAN**

Assuming adoption of this Proposal 2, we have reserved an aggregate of 222,000,000 shares of our common stock for issuance under the 2001 Plan. As of April 14, 2006, there were 100,949,981 shares to be issued upon the exercise of outstanding options under the 2001 Plan and only 34,832,849 shares were available for future grant under the 2001 Plan from the 192,000,000 shares previously approved by our stockholders. If options granted under the 2001 Plan expire or otherwise terminate without being exercised, the shares of our common stock not acquired pursuant to such options again become available for issuance under the 2001 Plan. As of April 14, 2006, the closing price of our common stock as reported on the Nasdaq Stock Market was \$38.59 per share.

**TERMS OF OPTIONS**

*Exercise Price; Payment.* The exercise price of incentive stock options may not be less than 100% of the fair market value of the common stock subject to the option on the date of the grant and, in some cases (see Eligibility above), may not be less than 110% of such fair market value. Prior to March 2004, the Board had the ability to grant nonstatutory stock options at an exercise price of up to a 15% discount to fair market value if the discount was expressly granted in lieu of a reasonable amount of salary or a cash bonus. In 2004, the Board amended the 2001 Plan to provide that no options may be granted at an exercise price less than 100% of the fair market value of the common stock on the date of grant (except in the context of a merger where such options replace outstanding options of a company we have acquired). Optionholders may pay the exercise price either in cash or, if allowed by the Board, by delivery of other shares of our common stock or in any other form of legal consideration acceptable to the Board.

*Option Exercise.* Options granted under the 2001 Plan may become exercisable in cumulative increments, or vest, as determined by the Board, and the Board may accelerate the time during which an option may vest or be exercised. In addition, options may permit exercise prior to vesting, but in such event the optionholder will be required to enter into an early exercise stock purchase agreement that allows us to repurchase unvested shares, generally at the optionholder's exercise price, should the optionholder's service terminate before vesting. To the extent provided by the

terms of an option, an optionholder may satisfy any tax withholding obligation relating to the exercise of the option by a cash payment upon exercise, by authorizing us to withhold a portion of the common stock otherwise issuable to the optionholder, by delivering already-owned shares of our common stock (or providing assurances of ownership and receiving shares on a net basis), or by a combination of these means.

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*Term.* The term of options will be 10 years or less, and until 2006, we generally granted options with a ten-year term. Beginning in January 2006, we began granting options with a seven-year term. Options generally will terminate three months after termination of the optionholder's service. If such termination is due to the optionholder's disability, as determined under the 2001 Plan, the option generally may be exercised (to the extent the option was exercisable at the time of the termination of service) at any time within 12 months of such termination. If the optionholder dies during the option term, or within three months after termination of service other than for cause or because of disability, the option generally may be exercised (to the extent the option was exercisable at the time of the optionholder's death) within 18 months of the optionholder's death. An optionholder may designate a beneficiary who may exercise the option following the optionholder's death.

## **RESTRICTIONS ON TRANSFER**

In general, the optionholder may not transfer an incentive stock option other than by will or by the laws of descent and distribution. However, the Board may grant nonstatutory stock options that are transferable to the extent provided in the stock option agreement. If the option agreement does not provide for transferability, then the nonstatutory stock option is not transferable other than by will or by the laws of descent and distribution.

## **ADJUSTMENT PROVISIONS**

Transactions not involving our receipt of consideration, such as a merger, consolidation, reorganization, stock dividend, or stock split, may change the class and number of shares of our common stock subject to the 2001 Plan and to outstanding options. In that event, the Board will appropriately adjust the 2001 Plan as to the class and the maximum number of shares of our common stock subject to the 2001 Plan as well as the maximum number of shares that may be issued to an employee during any calendar year, and will adjust outstanding options as to the class, number of shares and price per share of our common stock.

## **EFFECT OF CERTAIN CORPORATE EVENTS**

In the event of our dissolution or liquidation, outstanding options will terminate immediately prior to the date of such event. However, outstanding options do not automatically terminate in the event of a change in control. A change in control means a sale, lease or other disposition of all or substantially all of our assets, a merger or consolidation in which we are not the surviving corporation, or a reverse merger in which we are the surviving corporation but the shares of our stock outstanding immediately preceding the merger are converted by virtue of the merger into other property. In the event of a change in control, any surviving corporation or acquiring corporation must either assume or continue outstanding options or substitute similar options. If it refuses to do so, then with respect to options held by optionholders whose service has not terminated, the vesting of such options (and, if applicable, the time during which such options may be exercised) will be accelerated in full. The unexercised portion of all outstanding options will terminate upon the change in control. The acceleration of an option in the event of a change in control may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of us.

## **DURATION, AMENDMENT, REPRICING, AND TERMINATION**

The Board may amend, suspend, or terminate the 2001 Plan at any time or from time to time. Stockholders initially approved the 2001 Plan at our 2001 Annual Meeting of Stockholders. Stockholder approval of any amendment to the 2001 Plan must be sought if necessary under applicable laws or regulations. Stockholder approval also must be sought for any material amendment to the 2001 Plan. However, the Board may submit any amendment to the 2001 Plan for stockholder approval at its discretion.

In 2002, the Board amended the 2001 Plan to provide that prior stockholder approval is required before the Board may cancel an option and replace it with a new option or cash, reduce the exercise price of any option it has already granted under the 2001 Plan, or take any other action with respect to an outstanding option that is treated as a repricing under generally accepted accounting principles. The 2001 Plan terminates on March 21, 2011, unless sooner terminated.

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**FEDERAL INCOME TAX INFORMATION**

The following is a summary of the general federal income tax consequences of options granted under the 2001 Plan to persons subject to United States taxation. U.S. tax consequences to any particular individual may be different.

*Incentive Stock Options.* Incentive stock options under the 2001 Plan are intended to be eligible for the favorable federal income tax treatment accorded incentive stock options under the Code. To date, no incentive stock options have been granted under the 2001 Plan.

There generally are no federal income tax consequences to us or to the optionholder by reason of the grant or exercise of an incentive stock option. However, the exercise of an incentive stock option may increase the optionholder's alternative minimum tax liability, if any.

If an optionholder holds stock acquired through exercise of an incentive stock option for at least two years from the date on which the option is granted and at least one year from the date on which the shares are transferred to the optionholder upon exercise of the option, any gain or loss on a disposition of such stock will be a long-term capital gain or loss if the optionholder held the stock for more than one year.

Generally, if the optionholder disposes of the stock before the expiration of either of these holding periods (a disqualifying disposition), then at the time of disposition the optionholder will realize taxable ordinary income equal to the lesser of (i) the excess of the stock's fair market value on the date of exercise over the exercise price, or (ii) the optionholder's actual gain, if any, on the purchase and sale. The optionholder's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year.

To the extent the optionholder recognizes ordinary income by reason of a disqualifying disposition, we will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

*Nonstatutory Stock Options.* There are no tax consequences to us or to the optionholder by reason of the grant of a nonstatutory stock option. Upon acquisition of the stock, the optionholder normally will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the optionholder elects to be taxed on receipt of the stock. With respect to employees, we are generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we generally will be entitled to a business expense deduction equal to the taxable ordinary income realized by the optionholder.

Upon disposition of our stock, the optionholder will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the optionholder held our stock for more than one year. Slightly different rules may apply to optionholders who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

*Capital Gains.* Long-term capital gains currently are generally subject to lower tax rates than ordinary income or short-term capital gains. The maximum long-term capital gains rate for federal income tax purposes is currently generally 15% while the maximum ordinary income rate and short-term capital gains rate is effectively 35%. Slightly

different rules may apply to participants who acquire stock subject to our repurchase right.

*Potential Limitation on Company Deductions.* Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1,000,000. It is possible that compensation attributable to options, when combined with all other types of compensation received by a covered employee from us, may cause this limitation to be exceeded in any particular year.

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Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. In accordance with Treasury regulations issued under Section 162(m), compensation attributable to stock options will generally qualify as performance-based compensation if (i) the option is granted by a compensation committee composed solely of two or more outside directors, (ii) the plan contains a per-employee limitation on the number of shares for which such options may be granted during a specified period, (iii) the plan is approved by the stockholders, and (iv) under the terms of the option, the amount of compensation an employee could receive is based solely on an increase in the value of the stock after the date of the grant (which requires that the exercise price of the option is not less than the fair market value of the stock on the date of grant). All options granted to date under the 2001 Plan qualify as performance-based compensation.

**PARTICIPATION IN THE 2001 PLAN**

The grant of stock options under the 2001 Plan to executive officers, including the executive officers named in the Summary Compensation Table set forth under Executive Compensation Summary of Compensation, is subject to the discretion of the Board. During 2005, all current executive officers as a group, including the Named Executive Officers, and all other employees as a group were granted options under the 2001 Plan to purchase 4,226,000 shares at a weighted average exercise price of \$39.67 and 20,253,254 shares at a weighted average exercise price of \$41.80, respectively. During this period, options to purchase an aggregate of 10,119,756 shares under the 2001 Plan were cancelled. Since the 2001 Plan's inception, none of our current directors, with the exception of Ms. Whitman, has been granted options to purchase shares under the 2001 Plan. As of December 31, 2005, the weighted average exercise price of outstanding options under the 2001 Plan was \$25.15. As of the date hereof, there has been no determination as to future awards under the 2001 Plan. Accordingly, future benefits or amounts received are not determinable.

**PROPOSAL 3**

**RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

We have selected PricewaterhouseCoopers LLP, or PwC, as our independent auditors for the fiscal year ending December 31, 2006. We are submitting our selection of independent auditors for ratification by the stockholders at the Annual Meeting. PwC has audited our historical consolidated financial statements for all annual periods since our incorporation in 1996. We expect that representatives of PwC will be present at the Annual Meeting, will have an opportunity to make a statement if they wish, and will be available to respond to appropriate questions.

Our Bylaws do not require that the stockholders ratify the selection of PwC as our independent auditors. However, we are submitting the selection of PwC to the stockholders for ratification as a matter of good corporate practice. If the stockholders do not ratify the selection, the Board of Directors and the Audit Committee will reconsider whether or not to retain PwC. Even if the selection is ratified, the Board of Directors and the Audit Committee, in their discretion, may change the appointment at any time during the year if we determine that such a change would be in the best interests of eBay and our stockholders.

**THE BOARD OF DIRECTORS RECOMMENDS  
A VOTE IN FAVOR OF PROPOSAL 3.**

**Table of Contents****AUDIT AND OTHER PROFESSIONAL FEES**

During the fiscal years ended December 31, 2004 and December 31, 2005, fees for services provided by PwC were as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2004</b>	<b>2005</b>
Audit Fees	\$ 3,757	\$ 3,174
Audit-Related Fees	1,617	2,202
Tax Fees		
All Other Fees		
Total	\$ 5,374	\$ 5,376

Audit Fees consisted of fees incurred for services rendered for the audit of eBay's annual financial statements, review of financial statements included in eBay's quarterly reports on Form 10-Q, other services normally provided in connection with statutory and regulatory filings, and for attestation services related to Sarbanes-Oxley compliance.

Audit-Related Fees consisted of fees billed for due diligence procedures in connection with acquisitions and divestitures and consultation regarding financial accounting and reporting matters. We did not incur any Tax Fees or All Other Fees in the fiscal years ended December 31, 2004 and 2005.

The Audit Committee of our Board of Directors has determined that the rendering of non-audit services by PwC was compatible with maintaining their independence.

**AUDIT COMMITTEE PRE-APPROVAL POLICY**

The Audit Committee of our Board of Directors has adopted a policy requiring the pre-approval of any non-audit engagement of PwC. In the event that we wish to engage PwC to perform accounting, technical, diligence, or other permitted services not related to the services performed by PwC as our independent registered public accounting firm, our internal finance personnel will prepare a summary of the proposed engagement, detailing the nature of the engagement, the reasons why PwC is the preferred provider of such services, and the estimated duration and cost of the engagement. The report will be provided to our Audit Committee or a designated committee member, who will evaluate whether the proposed engagement will interfere with the independence of PwC in the performance of its auditing services. Beginning with the first quarter of 2003, we have disclosed all approved non-audit engagements during a quarter in the appropriate quarterly report on Form 10-Q or annual report on Form 10-K.

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

1

We constitute the Audit Committee of the Board of Directors of eBay Inc. The Audit Committee's responsibility is to provide assistance and guidance to the Board of Directors in fulfilling its oversight responsibilities to eBay's stockholders with respect to (1) eBay's corporate accounting and reporting practices, (2) eBay's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the performance of



eBay's internal audit function and independent auditors, (5) the quality and integrity of eBay's financial statements and reports, (6) reviewing and approving all audit engagement fees and terms, as well as all non-audit engagements with the independent auditors, and (7) producing this report. The Audit Committee members are not professional accountants or auditors and these functions are not intended to replace or duplicate the activities of management or the independent auditors. Management has primary responsibility for preparing the financial statements and designing and assessing the effectiveness of internal control over financial reporting. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with

<sup>1</sup> The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, referred to as the 1933 Act, or the Exchange Act of 1934, as amended, referred to as the 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

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accounting standards and applicable laws and regulations. PricewaterhouseCoopers LLP, or PwC, eBay's independent auditors, are responsible for planning and carrying out an audit of eBay's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and of management's assessment of eBay's internal control over financial reporting, expressing an opinion on the conformity of eBay's audited financial statements with generally accepted accounting principles as well as the effectiveness of eBay's internal control over financial reporting and management's assessment thereof, reviewing eBay's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

During the last year, and earlier in 2006, in connection with the preparation of eBay's annual report on Form 10-K for the year ended December 31, 2005, and in fulfillment of our oversight responsibilities, we did the following, among other things:

- discussed with PwC the overall scope of and plans for their audit;

- reviewed, upon completion of the audit, the financial statements to be included in the Form 10-K and management's report on internal control over financial reporting and discussed the financial statements and eBay's internal control over financial reporting with management;

- conferred with PwC and with senior management of eBay regarding the scope, adequacy and effectiveness of internal accounting and financial reporting controls (including eBay's internal control over financial reporting) in effect;

- instructed PwC that the independent auditors are ultimately accountable to the Board of Directors and the Audit Committee, as representatives of the stockholders;

- discussed with PwC the results of their audit, including PwC's assessment of the quality and appropriateness, not just acceptability, of the accounting principles applied by eBay, the reasonableness of significant judgments, the nature of significant risks and exposures, the adequacy of the disclosures in the financial statements as well as other matters required to be communicated under generally accepted auditing standards, including the matters required by the Statement on Auditing Standards No. 61 (Communications with Audit Committees); and

- obtained from PwC in connection with the audit a timely report relating to eBay's annual audited financial statements describing all critical accounting policies and practices to be used, all alternative treatments of financial information within generally accepted accounting principles that were discussed with management, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by PwC, and any material written communications between PwC and management.

The Audit Committee held 12 meetings in 2005. Throughout the year we conferred with PwC, eBay's internal audit team, and senior management in separate executive sessions to discuss any matters that the Audit Committee, PwC, the internal audit team, or senior management believed should be discussed privately with the Audit Committee. We have direct and private access to both the internal and external auditors of eBay.

We have discussed with PwC their independence from management and eBay and have received and reviewed the written disclosure and the letter regarding the auditors' independence as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committee). We have also concluded that PwC's provision to eBay and its affiliates of the non-audit services described under "Audit and Other Professional Fees" above is compatible with PwC's obligation to remain independent.

We have also established procedures for the receipt, retention, and treatment of complaints received by eBay regarding accounting, internal accounting controls, or auditing matters and for the confidential anonymous submission by eBay employees of concerns regarding questionable accounting or auditing matters.

After reviewing the qualifications of the current members of the committee, and any relationships they may have with eBay that might affect their independence from eBay, the Board of Directors determined that each member of the Audit Committee meets the independence requirements of the Nasdaq Stock Market and of Section 10A of the Exchange Act, that each member is able to read and understand fundamental financial

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statements and that Mr. Anderson qualifies as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act. The Audit Committee operates under a written charter adopted by the Board of Directors, which was last modified in March 2004. The Audit Committee Charter, as so amended, is shown on the corporate governance section of eBay's investor relations website at [http://investor.ebay.com/governance/charter\\_audit.cfm](http://investor.ebay.com/governance/charter_audit.cfm). Any future changes in the charter or key practices will also be reflected on the website.

Based on our reviews and discussions described above, we recommended to the Board of Directors, and the Board approved, the inclusion of the audited financial statements in eBay's Annual Report on Form 10-K for the year ended December 31, 2005, which eBay filed with the SEC on February 24, 2006. We have also recommended, and the Board has approved, the selection of PwC as our independent auditors for 2006.

**AUDIT COMMITTEE**

Fred D. Anderson, Chair  
Dawn G. Lepore  
Richard T. Schlosberg, III

**OUR EXECUTIVE OFFICERS**

Executive officers are elected annually by the Board and serve at the discretion of the Board. Set forth below is information regarding our executive officers as of April 1, 2006.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Margaret C. Whitman	49	President and Chief Executive Officer
Elizabeth L. Axelrod	43	Senior Vice President, Human Resources
Matthew J. Bannick	41	President, eBay International
William C. Cobb	49	President, eBay North America
John J. Donahoe	45	President, eBay Business Unit
Rajiv Dutta	44	President, Skype
Michael R. Jacobson	51	Senior Vice President Legal Affairs, General Counsel and Secretary
Jeffrey D. Jordan	47	President, PayPal
Robert H. Swan	45	Senior Vice President, Finance and Chief Financial Officer
Maynard G. Webb, Jr.	50	Chief Operating Officer

*Margaret C. Whitman's* biography is set forth under the heading "Proposal 1 Election of Directors Directors Continuing in Office Until Our 2007 Annual Meeting."

*Elizabeth L. Axelrod* serves eBay as Senior Vice President, Human Resources. She has served in that capacity since March 2005. From May 2002 to March 2005, Ms. Axelrod served as the Chief Talent Officer for WPP Group PLC, a global communications services group where she was also an executive director. Ms. Axelrod was a partner at McKinsey & Company, a consulting firm where she worked from October 1989 to April 2002. Ms. Axelrod holds a B.S.E. degree in Finance from the Wharton School of the University of Pennsylvania and a Master's degree in Public and Private Management (MPPM) from the Yale School of Management. Ms. Axelrod is a co-author of *The War for Talent* published by Harvard Business School Press in 2001.

*Matthew J. Bannick* serves eBay as President, eBay International. He has served in that capacity since December 2004. On March 6, 2006, eBay announced that Mr. Bannick will be transitioning out of his current role later in 2006 in order to spearhead eBay's initiatives in corporate philanthropy and the developing world. From October 2002 to November 2004, Mr. Bannick served as Senior Vice President and General Manager, Global Online Payments and Chief Executive Officer of PayPal. From November 2000 to October 2002, Mr. Bannick served as eBay's Senior Vice President and General Manager, eBay International. From February 1999 to November 2000, Mr. Bannick served in a variety of other executive positions at eBay. From April 1995 to January

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1999, Mr. Bannick was an executive for Navigation Technologies (NavTech), a leading provider of digital map databases for the vehicle navigation and internet mapping industries. Mr. Bannick was President of NavTech North America for three years and also served as Senior Vice President of Marketing and Vice President of Operations. From June 1992 to August 1992, Mr. Bannick served as a consultant for McKinsey & Company, a consulting firm, in Europe and from June 1993 to April 1995 in the U.S. Mr. Bannick also served as a U.S. diplomat in Germany during the period of German unification. Mr. Bannick holds a B.A. in Economics and International Studies from University of Washington and an M.B.A degree from the Harvard Business School.

*William C. Cobb* serves eBay as President, eBay North America. He has served in that capacity since December 2004. From September 2002 to November 2004, Mr. Cobb served as Senior Vice President and General Manager, eBay International. From November 2000 to September 2002, Mr. Cobb served as eBay's Senior Vice President, Global Marketing. From February 2000 to June 2000, Mr. Cobb served as the General Manager of Consumer Sales for Netpliance, Inc., an Internet-based content company. From July 1997 to February 2000, Mr. Cobb served as the Senior Vice President of International Marketing for Tricon Global Restaurants, Inc. (now known as Yum! Brands, Inc.), a restaurant operator and franchiser. From August 1995 to July 1997, Mr. Cobb served as the Senior Vice President and Chief Marketing Officer for Pizza Hut, Inc., a division of Tricon Global Restaurants, Inc. From May 1994 to August 1995, Mr. Cobb served as Vice President of Colas for the Pepsi-Cola Company, a division of PepsiCo., Inc. Mr. Cobb holds a B.S. degree in Economics from the University of Pennsylvania and an M.B.A. degree from Northwestern University.

*John J. Donahoe* serves eBay as President, eBay Business Unit. He has served in that capacity since March 2005. 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 and Sacred Heart and sits on the Advisory Board of Stanford Graduate School of Business. Mr. Donahoe holds a B.A. in Economics from Dartmouth College and an M.B.A. degree from the Stanford Graduate School of Business.

*Rajiv Dutta* serves eBay as President, Skype. He has served in that capacity on a full-time basis since March 2006. From January 2001 to March 2006, Mr. Dutta served as eBay's Senior Vice President and Chief Financial Officer. From August 1999 to January 2001, Mr. Dutta served as eBay's Vice President of Finance and Investor Relations. From July 1998 to August 1999, Mr. Dutta served as eBay's Finance director. From February 1998 to July 1998, Mr. Dutta served as the World Wide Sales Controller of KLA-Tencor, a manufacturer of semiconductor equipment. Prior to KLA-Tencor, Mr. Dutta spent ten years, from January 1988 to February 1998, at Bio-Rad Laboratories, Inc., a manufacturer and distributor of life science and diagnostic products with operations in over 24 countries. Mr. Dutta held a variety of positions with Bio-Rad, including the group controller of the Life Science Group. Mr. Dutta holds a B.A. degree in Economics from St. Stephen's College, Delhi University in India and an M.B.A. degree from Drucker School of Management.

*Michael R. Jacobson* serves eBay as Senior Vice President, Legal Affairs, General Counsel and Secretary. He has served in that capacity or as Vice President, Legal Affairs, General Counsel since August 1998. From 1986 to August 1998, Mr. Jacobson was a partner with the law firm of Cooley Godward LLP, specializing in securities law, mergers and acquisitions, and other transactions. Mr. Jacobson holds an A.B. degree in Economics from Harvard College and a J.D. degree from Stanford Law School.

*Jeffrey D. Jordan* serves eBay as President, PayPal. He has served in that capacity since December 2004. From April 2000 to November 2004, Mr. Jordan served as eBay's Senior Vice President, eBay North America. From September 1999 to April 2000, Mr. Jordan served as eBay's Vice President, Regionals and Services. From September 1998 to September 1999, Mr. Jordan served as Chief Financial Officer for Hollywood Entertainment Corporation, a video rental company, and President of their subsidiary, Reel.com. From September 1990 to September 1998, Mr. Jordan served in various capacities including most recently Senior Vice President and Chief Financial Officer of The Disney

Store Worldwide, a subsidiary of The Walt Disney Company. Mr. Jordan holds a B.A. degree in Political Science and Psychology from Amherst College and an M.B.A. degree from the Stanford Graduate School of Business.

*Robert H. Swan* serves eBay as Senior Vice President, Finance and Chief Financial Officer. He has served in that capacity since March 2006. From February 2003 to March 2006, Mr. Swan served as Executive Vice President and Chief Financial Officer of Electronic Data Systems Corporation. From July 2001 to December 2002, Mr. Swan

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was Executive Vice President and Chief Financial Officer of TRW Inc. Mr. Swan served in executive positions at Webvan Group, Inc. from 1999 to 2001, including Chief Executive Officer from April 2001 to July 2001, Chief Operating Officer from September 2000 to July 2001 and Chief Financial Officer from October 1999 to July 2001. (Webvan filed a voluntary petition for Chapter 11 bankruptcy in July 2001.) Mr. Swan holds a B.S. from the State University of New York at Buffalo and an M.B.A. from State University of New York at Binghamton.

*Maynard G. Webb, Jr.* serves eBay as Chief Operating Officer. He has served in that capacity since June 2002. From August 1999 to June 2002, Mr. Webb served as President, eBay Technologies. From July 1998 to August 1999, Mr. Webb was Senior Vice President and Chief Information Officer at Gateway, Inc., a computer manufacturer. From February 1995 to July 1998, Mr. Webb was Vice President and Chief Information Officer at Bay Networks, Inc., a manufacturer of computer networking products. From June 1991 to January 1995, Mr. Webb was Director, IT at Quantum Corporation. Mr. Webb also serves on the board of directors of Gartner, Inc., a high technology research and consulting firm and Hyperion Solutions, a software company. Mr. Webb holds a B.A.A. degree from Florida Atlantic University.

**EXECUTIVE COMPENSATION****SUMMARY OF COMPENSATION**

The following table shows certain compensation earned during the fiscal years ended December 31, 2003, 2004, and 2005, by our Chief Executive Officer and four most highly-compensated other executive officers (based on their total annual salary and bonus compensation), also referred to as the Named Executive Officers, at December 31, 2005.

**Summary Compensation Table**

Name and 2005 Principal Positions	Fiscal Year	Annual Compensation		Other Annual Compensation(3)	Long-Term and Other Compensation Number of Securities Underlying Options Options	
		Salary(1)	Bonus(2)		(#)(4)	All Other Compensation(5)
Margaret C. Whitman President and Chief Executive Officer	2005	\$ 995,016	\$ 1,697,651(6)	\$ 404,917	550,000	\$ 3,483
	2004	994,052	1,553,480(6)	358,735	1,200,000	3,639
	2003	843,823	1,159,132(6)	377,496	2,200,000	3,639
Maynard G. Webb, Jr. Chief Operating Officer	2005	625,008	799,580(7)	268,309	300,000	1,246
	2004	620,203	1,880,279(7)	35,755	650,000	1,297
	2003	582,007	1,266,601(7)		1,100,000	1,297
John J. Donahoe President, eBay Business Unit	2005	568,269(8)	1,217,546(9)	1,080	1,000,000	2,621
	2004					
	2003					
Jeffrey D. Jordan President, PayPal	2005	510,747	722,245(10)	25,074	185,000	2,527
	2004	494,284	934,973(10)	2,065	440,000	2,516
	2003	439,345	858,793(10)		600,000	1,016
Rajiv Dutta	2005	416,302	588,089(12)	104,423	385,000	2,497



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Senior Vice President and	2004	392,337	368,699(12)	1,440	330,000	2,279
Chief Financial Officer(11)	2003	341,794	275,606(12)		500,000	2,279

- (1) Effective March 1, 2005, all eligible employees of eBay, including certain of the Named Executive Officers, received an annual salary increase representing: (i) in the case of Mr. Jordan, a salary of \$515,016 per annum; and (ii) in the case of Mr. Dutta, a salary of \$414,000 per annum. Mr. Dutta received an additional salary increase to \$500,000 per annum effective November 21, 2005. Total salary amounts reported are lower than

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these 2005 annual salary increases because lower salaries were in effect for a portion of 2005. Neither Ms. Whitman nor Mr. Webb received an annual salary increase. Mr. Donahoe received a salary of \$750,000 per annum effective March 17, 2005 (his date of hire).

- (2) All 2005 bonuses represent amounts paid in 2005 and 2006 for services rendered in 2005, all 2004 bonuses represent amounts paid in 2004 and 2005 for services rendered in 2004, and all 2003 bonuses represent amounts paid in 2003 and 2004 for services rendered in 2003.
- (3) Represents the perquisites outlined in the table below. Perquisites are valued at the incremental cost of providing such perquisites.

The incremental cost to eBay of personal usage of its corporate aircraft is calculated based on a methodology that includes the weighted average cost of fuel, maintenance expenses, parts and supplies, landing fees, ground services, catering, and crew expenses associated with such use. Because the corporate aircraft is used primarily for business travel, the methodology excludes fixed costs that do not change based on usage. Fixed costs include pilot salaries, the purchase or lease costs of the aircraft, and the cost of maintenance not related to such personal travel. Executives, their families, and invited guests occasionally fly on corporate aircraft as additional passengers on business flights. In those cases, the aggregate incremental cost to eBay is a *de minimis* amount, and as a result, no amount is reflected in the table. Prior to 2004, eBay calculated the cost of the personal use of its corporate aircraft using the Standard Industrial Fare Level (SIFL) tables prescribed under applicable IRS regulations. Because eBay has determined that the incremental cost methodology produces generally higher amounts than use of the SIFL calculation method, the incremental cost methodology has also been used to calculate the value of personal use of corporate aircraft by Ms. Whitman for 2003. Our annual report and proxy statement covering the period ended December 31, 2003 reflected the value of Ms. Whitman's personal use of corporate aircraft in 2003 using the SIFL calculation method and valued such use at \$115,857.

Information Technology Equipment and Services consist of information technology support services provided for computer equipment located at the residences of our executive officers. In the case of Mr. Webb, Information Technology Equipment and Services also consist of certain computer hardware installed at Mr. Webb's residence to permit quicker and more effective remote monitoring of the Company's website and the related cost of installation.

Tax reimbursements consist of additional bonuses granted by the Compensation Committee to cover any income taxes relating to personal use of the corporate aircraft, including taxes on imputed income resulting from executives, their families, and guests traveling as additional passengers on business flights which resulted in *de minimis* aggregate incremental costs to eBay.

Name	Fiscal Year	Personal Aircraft Usage	Information Technology Equipment and	Tax Reimbursements	Total
			Services		
Margaret C. Whitman	2005	\$ 290,062	\$ 480	\$ 114,375	\$ 404,917
	2004	229,145	1,200	128,390	358,735
	2003	307,496		70,000	377,496
Maynard G. Webb, Jr	2005	202,501	13,523	52,285	268,309
	2004	28,070	420	7,265	35,755

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John J. Donahoe	2003				
	2005		1,080		1,080
	2004				
Jeffrey D. Jordan	2003				
	2005	18,539	2,640	3,895	25,074
	2004			2,065	2,065
Rajiv Dutta	2003				
	2005	90,698	120	13,605	104,423
	2004		1,440		1,440
	2003				

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(4) Amounts have been adjusted to reflect all prior stock splits, including eBay's two-for-one stock split that occurred on February 16, 2005.

(5) Represents the following payments by eBay:

Name	Fiscal Year	<div>Premiums Paid for Accidental Death and Dismemberment Coverage</div>				Total
		Premiums Paid for Group Life Insurance		Matching 401(k) Contributions		
Margaret C. Whitman	2005	\$ 1,553	\$ 430	\$ 1,500		\$ 3,483
	2004	1,664	475	1,500		3,639
	2003	1,664	475	1,500		3,639
Maynard G. Webb, Jr	2005	976	270			1,246
	2004	1,009	288			1,297
	2003	1,009	288			1,297
John J. Donahoe	2005	878	243	1,500		2,621
	2004					
	2003					
Jeffrey D. Jordan	2005	804	223	1,500		2,527
	2004	790	226	1,500		2,516
	2003	790	226			1,016
Rajiv Dutta	2005	781	216	1,500		2,497
	2004	606	173	1,500		2,279
	2003	606	173	1,500		2,279

(6) Represents amounts paid to Ms. Whitman under the eBay Incentive Plan, which for years prior to 2005 was referred to as eBay's Management Incentive Plan.

(7) Represents: (i) for 2005, \$799,580 paid under the eBay Incentive Plan; (ii) for 2004, \$726,279 paid under eBay's Management Incentive Plan and \$1,154,000 paid under Mr. Webb's special retention plan; and (iii) for 2003, \$620,501 paid under eBay's Management Incentive Plan and \$646,100 paid under Mr. Webb's special retention plan. We entered into Mr. Webb's special retention plan in January 2001, under which Mr. Webb received bonus payments in August of 2001, 2002, 2003, and 2004.

(8) Mr. Donahoe was hired by eBay on March 17, 2005. Accordingly, the amounts shown in the table above for fiscal year 2005 are for a period of less than a year. Mr. Donahoe's salary in 2005 was \$750,000 per annum.

(9) Represents \$717,546 paid under the eBay Incentive Plan and \$500,000 paid under Mr. Donahoe's special retention plan. We entered into a special retention bonus plan with Mr. Donahoe in November 2004 in connection with his hiring. Under the terms of this bonus plan, Mr. Donahoe received a \$500,000 bonus in April 2005. In addition, the terms of the bonus plan provide for three additional bonus payments of \$500,000, payable on each of the first, second, and third anniversaries of the date of his commencement of employment, assuming his continued employment with us.

- (10) Represents: (i) for 2005, \$525,482 paid under the eBay Incentive Plan and \$196,763 under Mr. Jordan's special retention plan; (ii) for 2004, \$462,948 for 2004 paid under eBay's Management Incentive Plan and \$472,025 under Mr. Jordan's special retention plans; and (iii) for 2003, \$361,505 paid under eBay's Management Incentive Plan and \$497,288 under Mr. Jordan's special retention plans. In May 2000, we entered into a special retention bonus plan with Mr. Jordan under which Mr. Jordan received bonus payments in May of 2001, 2002, 2003, and 2004. In April 2001, we entered into a second special retention bonus plan with Mr. Jordan under which Mr. Jordan received bonus payments in April of 2002, 2003, 2004, and 2005.
- (11) Mr. Dutta served eBay as Senior Vice President and Chief Financial Officer until March 16, 2006 and has completed his transition to his new role as President, Skype.
- (12) Represents amounts paid to Mr. Dutta under the eBay Incentive Plan, which for years prior to 2005 was referred to as eBay's Management Incentive Plan.

The following executive officers received grants of options in 2005 under eBay's 2001's Equity Incentive Plan, which we also refer to as the 2001 Plan.

**Table of Contents****OPTION GRANTS DURING 2005**

<b>Name</b>	<b>Number of Securities Underlying Options Granted(1)</b>	<b>Percentage of Total Options Granted to Employees During 2005(2)</b>	<b>Exercise Price per Share(3)</b>	<b>Expiration Date</b>	<b>Grant Date Present Value(4)</b>
Margaret C. Whitman	550,000	1.6%	\$ 42.58	3/1/15	\$ 6,894,546
Maynard G. Webb, Jr.	300,000	0.9	42.58	3/1/15	3,760,661
John J. Donahoe	1,000,000	2.9	35.50	3/25/15	10,619,950
Jeffrey D. Jordan	185,000	0.5	42.58	3/1/15	2,319,074
Rajiv Dutta	185,000	0.5	42.58	3/1/15	2,319,074
	200,000	0.6	46.71	11/25/15	2,650,250

- (1) Options granted in 2005 were granted under our 2001 Equity Incentive Plan. All options granted in 2005 to the Named Executive Officers were granted by our Board of Directors, are nonqualified stock options, and are subject to a four-year vesting schedule, and, except for Mr. Donahoe's option and Mr. Dutta's November 25, 2005 option grant, such options vest 12.5% six months after the grant date and 1/48 per month thereafter. Mr. Donahoe's new hire option grant vests 25% on the first anniversary of the grant date and 1/48 per month thereafter. Mr. Dutta's November 25, 2005 option grant vests 50% on November 22, 2007 and 1/48 per month thereafter. Amounts have been adjusted to reflect the two-for-one stock split that occurred on February 16, 2005.
- (2) Based on options to purchase 34,488,548 shares of our common stock granted to employees in 2005.
- (3) Options were granted at an exercise price equal to the fair market value of our common stock, as determined by our Board of Directors, on the date of grant. The exercise prices per share listed in the table above are rounded up to the nearest cent. The exercise per share has been adjusted to reflect the two-for-one stock split that occurred on February 16, 2005.
- (4) Represents the estimated fair value of stock options as of the applicable grant date. The Black-Scholes method is used to estimate the fair value in accordance with the requirements of Financial Accounting Standards Board's Statement of Financial Accounting Standards 123(R) (FAS 123R). The estimated fair value of all stock-based compensation is amortized over the vesting period and is reflected in the footnotes to eBay's consolidated financial statements through fiscal year 2005 and, beginning in fiscal year 2006, will be included as an expense in the eBay's consolidated income statement in accordance with FAS 123R.

The following table sets forth the number of shares acquired and the value realized upon exercise of stock options during 2005 and the number of shares of our common stock subject to exercisable and unexercisable stock options held as of December 31, 2005 by each of the Named Executive Officers. The value at fiscal year end is measured as the difference between the exercise price and the fair market value at close of market on December 31, 2005, which was \$43.22.

**Aggregate Option Exercises in 2005 and Values at December 31, 2005**

Name	Shares Acquired on Exercise(1)	Value Realized(2)	Number of Securities Underlying		Value of Unexercised	
			Unexercised Options Exercisable (#)	Unexercisable (#)	In-The-Money Options Exercisable (\$)	Unexercisable (\$)
Margaret C. Whitman		\$	6,165,625	1,984,375	\$ 165,124,612	\$ 26,255,288
Maynard G. Webb, Jr.	600,000	14,996,096	1,231,875	978,125	24,381,887	12,212,312
John J. Donahoe				1,000,000		7,720,000
Jeffrey D. Jordan	640,000	15,833,862	1,058,055	607,813	22,714,974	7,340,450
Rajiv Dutta	285,000	7,993,726	1,672,644	946,356	45,285,061	13,763,116

(1) Amounts have been adjusted to reflect the two-for-one stock split that occurred on February 16, 2005.

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- (2) Value realized is based on the fair market value of our common stock on date of exercise minus the exercise price and does not necessarily reflect proceeds actually received by the Named Executive Officer.

**PENSION PLAN AND OTHER RETIREMENT ARRANGEMENTS**

We do not have any pension plan or deferred compensation plan for our U.S. employees, including our executive officers. We have a savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. We contribute one dollar for each dollar a participant contributes, with a maximum contribution of \$1,500 per employee (including our executive officers). Our non-U.S. employees are covered by various other savings plans, and in some cases, pension plans.

**EQUITY COMPENSATION PLAN INFORMATION**

The table below gives information about our shares of common stock that may be issued upon the exercise of options, warrants, and rights under all of our existing equity compensation plans as of December 31, 2005, including our 1996 Stock Option Plan, 1997 Stock Option Plan, 1998 Equity Incentive Plan, 1998 Directors Stock Option Plan, 1999 Global Equity Incentive Plan, 2001 Equity Incentive Plan, and 2003 Deferred Stock Unit Plan, as well as shares of our common stock that may be issued under individual compensation arrangements that were not approved by our stockholders, also referred to as our Non-Plan Grants. We refer to these plans and grants collectively as our Equity Compensation Plans. No warrants are outstanding under any of the foregoing plans.

As of April 14, 2006, there were 1,409,839,646 shares of eBay's common stock outstanding. As of April 14, 2006, there were (i) 143,566,575 shares to be issued upon the exercise of outstanding options under our Equity Compensation Plans at a weighted average exercise price of \$30.20, and with a weighted average remaining life of 7.28 years, and (ii) 269,224 shares of restricted stock and deferred stock units granted and outstanding under our Equity Compensation Plans. As of April 14, 2006, there were 78,036,402 shares available for future grants under our Equity Compensation Plans.

The following table gives information about our Equity Compensation Plans as of December 31, 2005:

<b>Plan Category</b>	<b>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))</b>
Equity compensation plans approved by securityholders	123,622,549(1)	\$ 29.97(2)	103,280,368(3)
Equity compensation plans not approved by securityholders	1,382,728(4)	0.39	



Total	125,005,277	\$	28.65	103,280,368
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- (1) Includes 27,391 shares of our common stock issuable pursuant to deferred stock units, or DSUs, under our 2003 Deferred Stock Unit Plan. DSUs represent an unfunded, unsecured right to receive shares of eBay common stock (or the equivalent value thereof in cash or property), and the value of DSUs varies directly with the price of eBay's common stock.
- (2) Because DSUs do not have an exercise price, the 27,391 shares of our common stock issuable pursuant to DSUs under our 2003 Deferred Stock Unit Plan are not included in the calculation of weighted average exercise price.
- (3) Includes 5,788,596 shares of our common stock remaining reserved for future issuance under our 1998 Employee Stock Purchase Plan, as amended, or the ESPP, as of December 31, 2005. Our ESPP contains an evergreen provision that automatically increases, on each January 1, the number of securities reserved for issuance under the ESPP by the number of shares purchased under the ESPP in the preceding calendar year, provided that the aggregate number of shares reserved for issuance under the ESPP may not exceed 36,000,000 shares. As of December 31, 2005, an aggregate amount of 8,160,996 shares had been purchased under the ESPP since its inception. An aggregate amount of 1,411,404 shares was purchased under the ESPP in

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2005, and the number of securities available for issuance under the ESPP was increased by that number on January 1, 2006, bringing the total number of shares reserved for future issuance on January 1, 2006 to 7,200,000. None of our other plans has an evergreen provision.

- (4) Does not include: (i) 12,262 shares of our common stock, with a weighted average exercise price of \$2.38 per share, to be issued upon exercise of outstanding options assumed by us under the Half.com, Inc. 1999 Equity Compensation Plan; (ii) 60,572 shares of our common stock, with a weighted average exercise price of \$0.77 per share, to be issued upon exercise of outstanding options assumed by us under the X.com Corporation 1999 Stock Plan; (iii) 637,142 shares of our common stock, with a weighted average exercise price of \$9.19 per share, to be issued upon exercise of outstanding options assumed by us under the PayPal, Inc. 2001 Equity Incentive Plan; (iv) 445,623 shares of our common stock, with a weighted average exercise price of \$8.42 per share, to be issued upon exercise of outstanding options assumed by us under the Shopping.com Ltd. 2003 Omnibus Stock Option and Restricted Stock Incentive Plan; (v) 1,153,067 shares of our common stock, with a weighted average exercise price of \$36.19 per share, to be issued upon exercise of outstanding options assumed by us under the Shopping.com Ltd. 2004 Equity Incentive Plan; or (vi) 1,822,090 shares of our common stock, with a weighted average exercise price of \$4.02 per share, to be issued upon exercise of outstanding options assumed by us under the Skype Technologies S.A. Stock Option Plan Rules. All of the options and related plans referenced above were assumed by us in connection with acquisitions. We cannot make subsequent grants or awards of our equity securities under any of these plans. Prior to each acquisition, the stockholders of the acquired company approved the acquired company's plan. Our stockholders, however, did not approve any of the plans in connection with the acquisitions.

The only outstanding Non-Plan Grant as of December 31, 2005 relates to an individual compensation arrangement that was made prior to the initial public offering of our common stock in 1998. At the time of this Non-Plan Grant, members of our Board and their affiliates beneficially owned in excess of 90% of our then outstanding equity and voting interests. This Non-Plan Grant has been previously disclosed in our initial public offering prospectus filed with the SEC on September 25, 1998 under the headings Management Director Compensation and Compensation Arrangements. Except as set forth below, the terms and conditions of this Non-Plan Grant are identical to the terms of our 1997 Stock Option Plan, a copy of which was filed as an exhibit to our S-1 Registration Statement (No. 33-59097) filed in connection with our initial public offering.

The outstanding Non-Plan Grant involved the Board's grant of an option to purchase 3,600,000 shares of our common stock at an exercise price of \$0.39 to Mr. Cook upon his joining our Board in June 1998 as an independent director. These options granted to Mr. Cook were non-qualified options and were immediately exercisable, with a term of 10 years. These options vested as to 25% of the underlying shares in June 1999 and as to 2.08% of the shares each month thereafter until they fully vested in June 2002. Mr. Cook exercised options to purchase 480,000 shares in 2002, exercised options to purchase 1,430,000 shares in 2003, and exercised options to purchase 307,272 shares during 2005. As of December 31, 2005, options to purchase 1,382,728 shares remain outstanding under the Non-Plan Grant.

## **Employment Agreements, Change-in-Control Arrangements, Severance Arrangements, and Retention Bonus Plans with Executive Officers**

We do not have individual long-term employment agreements or change-in-control arrangements with any of our executive officers. We do not have any severance payment arrangements with any of our executive officers, except that: (i) under her January 16, 1998 employment letter agreement, if Ms. Whitman is terminated other than for cause, she is entitled to receive salary compensation for six months, and if she remains unemployed at the end of such six-month period, she is eligible to receive additional salary compensation for the lesser of six months or commencement of other employment; and (ii) under his July 17, 1999 offer letter, if Mr. Webb is terminated other than for cause, he is entitled to receive salary compensation for six months, and if he remains unemployed at the end

of such six-month period, he is eligible to receive additional salary compensation for the lesser of six months or commencement of other employment. See footnotes 9 and 10 of the Summary Compensation Table above for descriptions of the special retention bonus plans that we entered into with Mr. Jordan and Mr. Donahoe.

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Similar to the provisions of broad-based equity compensation plans of many other public companies, our broad-based equity compensation plans provide that in the event of a change in control, any surviving corporation or acquiring corporation must either assume or continue outstanding awards or substitute similar awards. If the surviving corporation or acquiring corporation refuses to do so, then with respect to awards held by participants whose service has not terminated, the vesting of such awards (and, if applicable, the time during which such awards may be exercised) will be accelerated in full.

### **Compensation of Directors**

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 of eBay common stock.

New directors who are not employees of eBay, or any parent, subsidiary, or affiliate of eBay, receive deferred stock units, or DSUs, with an initial value of \$150,000 under our 2003 Deferred Stock Unit Plan. DSUs represent an unfunded, unsecured right to receive shares of eBay common stock (or the equivalent value thereof in cash or property), and the value of DSUs varies directly with the price of eBay's common stock. Each DSU award granted to a non-employee director upon election to the Board will vest as to 25% of the DSUs on the first anniversary of the date of grant and as to 1/48 of the DSUs each month thereafter, provided the director continues as a director or consultant of eBay. DSUs are payable in stock or cash (at eBay's election) following the termination of a non-employee director's tenure in such capacity.

Non-employee directors are also eligible to participate in the 1998 Directors Stock Option Plan, also referred to as the Directors Plan. Option grants under the Directors Plan are automatic and non-discretionary, and the exercise price of the options must be 100% of the fair market value of the common stock on the date of grant. Each eligible director is granted an option to purchase 15,000 shares of eBay common stock at the time of each annual meeting if he or she has served continuously as a member of the Board since the date elected. The Compensation Committee elected to maintain the annual option grant under the Directors Plan at 15,000 shares notwithstanding the two-for-one split of eBay common stock in February 2005. All options granted under the Directors Plan vest as to 25% of the shares on the first anniversary of the date of grant and as to 1/48 of the shares each month thereafter, provided the optionee continues as a director or consultant of eBay. In the event of a change of control of eBay, the Directors Plan provides that options granted under that plan will become fully vested and the individual award agreements for directors under the 2003 Deferred Stock Unit Plan provide that DSUs granted under that plan will become fully vested.

Except for Mr. Omidyar, eBay's founder and the Chairman of its Board of Directors, non-employee directors are paid a retainer of \$50,000 per year, the chairman of the Audit Committee receives an additional \$10,000 per year, and the Lead Independent Director and all other committee chairs receive an additional \$5,000 per year. Directors may elect to receive, in lieu of these fees and at the time these fees would otherwise be payable (i.e., on a quarterly basis in arrears for services provided), DSUs with an initial value equal to the amount of these fees. Except for Mr. Omidyar, each non-employee director also receives meeting fees of \$2,000 for each Board meeting and \$1,000 for each committee meeting.

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During the year ended December 31, 2005, non-employee directors received the following compensation:

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Option Awards</b>	<b>Deferred Stock Units</b>
Fred D. Anderson	\$ 89,000	15,000	
Edward W. Barnholt	18,000	15,000	5,346
Philippe Bourguignon	35,500	15,000	596
Scott D. Cook	32,750	15,000	656
William C. Ford, Jr.	4,000		3,895
Robert C. Kagle	32,750	15,000	656
Dawn G. Lepore	85,000	15,000	
Pierre M. Omidyar			
Richard T. Schlosberg, III	85,000	15,000	
Thomas J. Tierney	41,750	15,000	656

**Stock Ownership Guidelines for Directors**

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, 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 directors as of April 1, 2006 are set forth in the section entitled Security Ownership of Certain Beneficial Owners and Management above.

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**Report of the Compensation Committee of the Board of Directors  
on Executive Compensation<sup>1</sup>**

We constitute the Compensation Committee of the Board of Directors of eBay Inc. We are all independent, non-employee directors, and none of us has ever been an officer or employee of eBay. We are responsible to eBay's Board of Directors and stockholders for the design, administration, and oversight of the compensation and benefits programs for eBay's executive officers, including the CEO.

The goals of eBay's compensation program are to align compensation with business objectives and performance and to enable eBay to attract, retain, and reward executive officers and other key employees who contribute to eBay's long-term success and to motivate them to enhance long-term stockholder value. To meet these goals, we employ a mix of total direct compensation elements currently composed of base salary, cash bonus, and stock options.

To set total direct compensation guidelines, the Committee reviews a competitive market of companies with which eBay competes for executive talent, business, and capital. The competitive market includes two peer groups of approximately 15 companies each, which reflect consumer products and high-tech competitors. These peer companies provide a comprehensive perspective on pay programs and top five executive compensation for direct competitors for talent. The competitive market also includes various survey sources that represent additional market benchmarks that are relevant to eBay. These surveys provide broader perspectives for all executive positions. In evaluating the individual components of overall compensation, the Committee reviewed not only the individual elements of compensation, but also holistically at total compensation.

eBay's pay positioning strategy is to target total annual cash (i.e., base salary and target cash bonuses) of the executive group as a whole at median levels relative to the competitive market. eBay also evaluates benefits and perquisites in addition to salary and bonus in order to measure the company's positioning of total annual compensation relative to the competitive market.

eBay's pay positioning strategy for long-term incentive compensation is variable based on performance. The Committee considers total stockholder return, revenue growth, and net income growth in absolute terms and relative to eBay's peer groups of technology and consumer products companies in positioning long-term incentive awards. For example, if eBay's performance is average, the midpoints of long-term incentive award guidelines are targeted to be positioned at the 50th percentile of the competitive market. If eBay's performance is high, midpoints of long-term incentive award guidelines could be positioned as high as the 75th percentile of the competitive market. If eBay's performance is low, midpoints of long-term incentive guidelines could be positioned as low as the 25th percentile of the competitive market. Once the midpoints of the long-term incentive guidelines are set, ranges around the midpoints are established to allow for differentiation of awards by individual. Individual awards may therefore be higher or lower than the pay positioning guidelines. In addition, the Committee may make special compensation-related decisions for performance, recognition, retention, and/or recruitment purposes that cause individual compensation to differ from the regular stated compensation strategy and guidelines.

The Committee retains Mercer Human Resource Consulting LLC, or Mercer, an independent consulting firm, as an advisor and resource to help develop and execute the company's total compensation strategy. To provide the company with information for making external compensation comparisons, Mercer provides competitive data for each senior executive position by analyzing proprietary surveys and publicly disclosed documents of selected high-tech and consumer-product companies, taking into consideration eBay's current and anticipated size, scope of operations, and business focus. Some, but not all, of these companies are included in the indices shown in our performance graph under the heading Performance Measurement Comparison.

*Base Salary.* Base salary is the fixed portion of executive pay and compensates individuals for expected day-to-day performance. The Committee meets at least annually to review and approve each executive officer's salary for the ensuing year. When reviewing base salaries, we consider the following factors: competitive pay

<sup>1</sup> The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference in any of our filings under the 1933 Act or 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

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practices (which is the primary determinant of the range within which individual salaries are set); individual performance against goals; levels of responsibility; breadth of knowledge; and prior experience. For 2005, based in part on external comparisons and recommendations by the CEO (for non-CEO executive officer compensation), we increased the salary levels of some of our executive officers beginning March 1, 2005. We set the base salaries of our named executive officers (other than our CEO) in a range from \$414,000 to \$625,008, effective March 1, 2005. As reported last year in the company's proxy statement for eBay's 2005 Annual Meeting, Meg Whitman's salary was maintained at \$995,016 for the period from March 1, 2005 to March 1, 2006.

*Bonus.* In 2005, payments made through eBay's bonus plan were variable and designed to reward participants quarterly based on Company financial and individual performance. The eBay Incentive Plan, or eIP, for our employees (including our executive officers) provides for (i) quarterly bonuses based upon pro-forma net income targets set by our Committee for each quarter and on achievement of quarterly individual goals, so long as minimum revenue and net income thresholds have been met and (ii) an annual bonus based on attainment of annual pro forma net income targets, so long as a minimum revenue threshold has been met. The Committee believes these financial goals are the strongest drivers of long-term value for the company.

In 2005, quarterly bonus amounts could range from 0% to 160% of an executive's target opportunity, based on financial and individual performance in that quarter. The maximum that could be paid on the annual component was 200% of target. 50% of the total 2005 bonus target for executive officers was based on quarterly performance (12.5% per quarter) and 50% was based on annual performance. 2005 total annual target bonus amounts for the named executive officers (other than the CEO) were 60% to 75% of base salary. The target bonus amount for our CEO remained 100% of base salary.

eBay exceeded financial targets for every quarter of 2005, which contributed, along with individual performance, to quarterly bonus payments for eBay executives ran