

Expedia, Inc.  
Form DEF 14A  
April 28, 2008

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

**SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**EXPEDIA, INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(1) Amount Previously Paid:

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April 28, 2008

Dear Stockholder:

You are invited to attend the Annual Meeting of Stockholders of Expedia, Inc., which will be held on Wednesday, June 11, 2008, at 8:00 a.m. local time at 8800 West Sunset Boulevard, West Hollywood, California 90069.

At the Annual Meeting, you will be asked (1) to elect ten directors, (2) to approve an amendment to the Expedia, Inc. 2005 Stock and Annual Incentive Plan to increase the number of shares of Expedia common stock authorized for issuance thereunder by 7,500,000 and (3) to ratify the appointment of Ernst & Young LLP as Expedia's independent registered public accounting firm for 2008. The Board of Directors unanimously recommends a vote FOR each of these proposals.

**Your vote is very important.** Whether or not you plan to attend the Annual Meeting, please take the time to vote by internet, telephone or by returning your marked, signed and dated proxy card, so that your shares will be represented at the Annual Meeting. If you attend the Annual Meeting, you may vote in person if you wish, even though you have previously submitted your vote.

Sincerely,

Dara Khosrowshahi  
*Chief Executive Officer*

3150 139th Avenue S.E.  
Bellevue, Washington 98005

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**EXPEDIA, INC.**  
**3150 139th Avenue S.E.**  
**Bellevue, Washington 98005**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The Annual Meeting of Stockholders of Expedia, Inc., a Delaware corporation, will be held on Wednesday, June 11, 2008, at 8:00 a.m. local time at 8800 West Sunset Boulevard, West Hollywood, California 90069.

Items of business at the Annual Meeting will be:

1. To elect ten members of the Board of Directors, each to hold office for a one-year term ending on the date of the next annual meeting of stockholders or until such director's successor shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from the Board of Directors);
2. To approve an amendment to the Expedia, Inc. 2005 Stock and Annual Incentive Plan to increase the number of shares of Expedia common stock authorized for issuance thereunder by 7,500,000;
3. To ratify the appointment of Ernst & Young LLP as Expedia's independent registered public accounting firm for 2008; and
4. To transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

Only holders of record of outstanding shares of Expedia stock at the close of business on April 15, 2008 are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

In accordance with new rules approved by the Securities and Exchange Commission (SEC), we sent a Notice of Internet Availability of Proxy Materials on or about April 28, 2008, and provided access to our proxy materials over the internet, beginning on April 28, 2008, to the holders of record and beneficial owners of our common stock as of the close of business on the record date.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares.

By order of the Board of Directors,

Burke F. Norton  
*Executive Vice President, General Counsel  
and Secretary*

April 28, 2008

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**Important Notice Regarding the Availability of Proxy Materials  
for the Annual Meeting of Stockholders to Be Held on June 11, 2008**

**This Proxy Statement and the 2007 Annual Report are available at:  
[www.proxydocs.com/expedia](http://www.proxydocs.com/expedia).**

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## PROCEDURAL MATTERS

This Proxy Statement is being furnished to holders of common stock, Class B common stock and Series A preferred stock of Expedia, Inc., a Delaware corporation ( "Expedia" or the "Company" ), in connection with the solicitation of proxies by Expedia's Board of Directors for use at its 2008 Annual Meeting of Stockholders or any adjournment or postponement thereof (the "Annual Meeting" ).

Expedia's principal offices are located at 3150 139th Avenue S.E., Bellevue, Washington 98005. This Proxy Statement is being made available to Expedia stockholders on or about April 28, 2008.

### **Date, Time and Place of Meeting**

The Annual Meeting will be held on Wednesday, June 11, 2008, at 8:00 a.m. local time at 8800 West Sunset Boulevard, West Hollywood, California 90069.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, otherwise known as holding in "street name," you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares. Cameras and recording devices will not be permitted at the Annual Meeting.

### **Record Date and Voting Rights**

*General.* The Board of Directors established the close of business on April 15, 2008 as the record date for determining the holders of Expedia stock entitled to notice of and to vote at the Annual Meeting. On the record date, 260,644,601 shares of common stock, 25,599,998 shares of Class B common stock and 751 shares of Series A preferred stock were outstanding and entitled to vote at the Annual Meeting. Expedia stockholders are entitled to one vote for each share of common stock, ten votes for each share of Class B common stock and two votes for each share of Series A preferred stock held as of the record date, voting together as a single voting group, in (i) the election of seven of the ten director nominees, (ii) the approval of the amendment to the Expedia, Inc. 2005 Stock and Annual Incentive Plan (the "Expedia 2005 Plan" ) to increase the authorized number of shares and (iii) the ratification of Expedia's independent registered public accounting firm. Expedia stockholders are entitled to one vote for each share of common stock held as of the record date in the election of the three director nominees that the holders of Expedia common stock are entitled to elect as a separate class pursuant to the Company's certificate of incorporation.

As of the record date, Barry Diller, the Chairman and Senior Executive of Expedia, held an irrevocable proxy over all Expedia securities owned by Liberty Media Corporation and its subsidiaries ( "Liberty Media" ). This irrevocable proxy includes authority to vote on each of the proposals presented for approval at the Annual Meeting. Mr. Diller, through shares that he owns as well as those subject to the Liberty Media proxy, generally controls the vote of approximately 27% of the outstanding shares of common stock (assuming conversion of all shares of Class B Common stock into shares of common stock) and 100% of the outstanding shares of Class B common stock and, consequently, approximately 60% of the combined voting power of the outstanding Expedia capital stock as of the record date. As a result, regardless of the vote of any other Expedia stockholder, Mr. Diller has control over the vote relating to the election of seven of the ten director nominees, approval of the amendment to the Expedia 2005 Plan and the ratification of Expedia's independent registered public accounting firm.

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*Voting of Stock Held in 401(k) Plan.* The trustee of Expedia's 401(k) plan for employees, Fidelity Management Trust Company, will vote Expedia stock credited to employee accounts in accordance with such employees' voting instructions. The trustee will vote the 401(k) plan stock for which voting instructions are not received in the same proportion as the shares for which voting instructions are received.

### **Quorum; Abstentions; Broker Non-Votes**

Transaction of business at the Annual Meeting may occur if a quorum is present. If a quorum is not present, it is expected that the Annual Meeting will be adjourned or postponed in order to permit additional time for soliciting and obtaining additional proxies or votes, and, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have been effectively revoked or withdrawn.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total votes entitled to be cast constitutes a quorum. In the election of seven of the ten director nominees, the approval of the amendment to the Expedia 2005 Plan and the ratification of the appointment of Expedia's independent registered public accounting firm, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total votes entitled to be cast constitutes a quorum. In the election of the three directors whom the holders of Expedia common stock are entitled to elect as a separate class, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of votes of the common stock constitutes a quorum. If a share is represented for any purpose at the meeting, it is deemed to be present for quorum purposes and for all other matters as well. Shares of Expedia stock represented by a properly executed proxy will be treated as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote the shares on a proposal because the nominee does not have discretionary voting power for a particular item and has not received instructions from the beneficial owner regarding voting.

### **Solicitation of Proxies**

Expedia will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, the directors, officers and employees of Expedia may solicit proxies from stockholders by telephone, by letter, by facsimile, in person or otherwise. Following the original mailing of the proxies and other soliciting materials, Expedia will request brokers, trusts, banks or other nominees to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of Expedia capital stock and to request authority for the exercise of proxies. In such cases, Expedia, upon the request of the brokers, trusts, banks or other stockholder nominees, will reimburse such holders for their reasonable expenses.

Expedia has retained MacKenzie Partners, Inc. to distribute proxy solicitation materials to brokers, trusts, banks and other stockholder nominees and to assist in the solicitation of proxies from Expedia stockholders. The fee for such firm's services is estimated not to exceed \$15,000 plus reimbursement for reasonable out-of-pocket costs and expenses.

### **Voting Proxies**

The manner in which your shares may be voted depends on whether you are a:

*Registered stockholder:* your shares are represented by certificates or book entries in your name on the records of the Company's stock transfer agent,

*401(k) plan participant:* your shares are held in Expedia's 401(k) plan for employees, or

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*Beneficial stockholder:* you hold your shares in street name through a broker, trust, bank or other nominee.

Whether you hold shares directly as registered stockholder or beneficially as a beneficial stockholder, you may direct how your shares are voted without attending the Annual Meeting. For directions on how to vote, please refer to the instructions below and those on the Notice of Internet Availability, proxy card or voting instruction form provided. To vote using the internet or by telephone, you will be required to enter the control number that is included on your Notice of Internet Availability of Proxy Materials.

*Using the Internet.* Registered Stockholders and 401(k) plan participants may vote using the internet by going to [www.eproxy.com/expe](http://www.eproxy.com/expe) and following the instructions. Beneficial stockholders may vote by accessing the website specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

*By Telephone.* Registered stockholders and 401(k) plan participants may vote using any touch-tone telephone from within the United States by calling 1-866-580-9477 and following the recorded instructions. Beneficial owners may vote using any touch-tone telephone from within the United States by calling the number specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

*By Mail.* Registered Stockholders and 401(k) plan participants may submit proxies by mail by requesting printed proxy cards and marking, signing and dating the printed proxy cards and mailing them in the accompanying pre-addressed envelopes. Beneficial owners may vote by marking, signing and dating the voting instruction forms provided and mailing them in the accompanying pre-addressed envelopes.

All proxies properly submitted and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated thereon. If no instructions are provided, such proxies will be voted FOR each of the proposals described in this Proxy Statement. If you have any questions or need assistance in voting your stock, please contact MacKenzie Partners, Inc. at their toll-free number, 1-800-322-2885.

### **Voting in Person at the Annual Meeting**

You may also vote in person at the Annual Meeting. Votes in person will replace any previous votes you have made by mail, telephone or the internet. We will provide a ballot to registered stockholders who request one at the meeting. Shares held in your name as the stockholder of record may be voted on that ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trust, bank or other nominee that holds your shares giving you the right to vote the shares. Attendance at the Annual Meeting without voting or revoking a previous proxy in accordance with the voting procedures will not in and of itself revoke a proxy.

**Your vote is very important. Whether or not you plan to attend the Annual Meeting, please take the time to vote by internet, telephone or by returning your marked, signed and dated proxy card, so that your shares will be represented at the Annual Meeting.**

### **Revocation of Proxies**

If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker, trust, bank or other nominee.

If you are a registered stockholder, you may revoke your proxy at any time before it is exercised at the Annual Meeting by (i) delivering written notice, bearing a date later than the proxy, stating that the proxy is revoked, (ii) submitting a later-dated proxy relating to the same stock by mail, telephone or the internet prior to the vote at the Annual Meeting or (iii) attending the Annual Meeting and giving notice of revocation to the inspector of elections or voting in person. Registered holders may send any written notice or request for a new proxy card to Expedia, Inc., c/o BNY Mellon Shareowner Services, P.O. Box 11258, New York, New York 10286, or follow the instructions provided on the Notice of Internet Availability and proxy card to submit a new proxy by telephone or the internet. Registered holders may also request a new proxy card by calling 1-866-580-9477.

### **Other Business**

The Board of Directors does not presently intend to bring any business before the Annual Meeting other than the proposals discussed in this Proxy Statement and specified in the Notice of Annual Meeting of Stockholders. The Board has no knowledge of any other matters to be presented at the Annual Meeting other than those described in this Proxy Statement. If any other matters should properly come before the Annual Meeting, the persons designated in the proxy will vote on them according to their best judgment.

**PROPOSAL 1:  
ELECTION OF DIRECTORS**

**Nominees**

At the Annual Meeting, a board of ten directors will be elected to hold office until the next annual meeting of stockholders or until their successors shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from the Board of Directors). The Company's certificate of incorporation provides that the holders of the Company's common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number of directors, which is currently three directors. The Board has designated Messrs. Battle, Jacobson and Kern as nominees for the positions on the Board to be elected by the holders of Expedia common stock voting as a separate class. Pursuant to a Governance Agreement among Expedia, Liberty Media and Mr. Diller dated August 9, 2005, as amended (the "Governance Agreement"), Liberty Media has the right to nominate up to a number of directors equal to 20% of the total number of the directors on the Board (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the Board and has certain other rights regarding committee participation, so long as certain stock ownership requirements applicable to Liberty Media are satisfied. Liberty Media has designated Dr. Malone and Mr. Fitzgerald as its nominees to the Board. Although management does not anticipate that any of the nominees named below will be unable or unwilling to stand for election, in the event of such an occurrence, proxies may be voted for a substitute nominee designated by the Board. Background information about each of the Board's nominees for election is set forth below.

The name and certain information regarding each nominee, as of March 31, 2008, are set forth below. There are no family relationships among directors or executive officers of Expedia.

<b>Name</b>	<b>Age</b>	<b>Position With Expedia, Inc.</b>
Barry Diller	66	Chairman and Senior Executive
Dara Khosrowshahi	38	Director and Chief Executive Officer
Victor A. Kaufman	64	Director and Vice Chairman
A. George Skip Battle	64	Director
Simon J. Breakwell	43	Director
Jonathan L. Dolgen	62	Director
William R. Fitzgerald	50	Director
Craig A. Jacobson	55	Director
Peter M. Kern	40	Director
John C. Malone	67	Director

*Barry Diller* has been the Chairman of the Board and Senior Executive of Expedia since completion of the Company's spin-off from IAC/InterActiveCorp ( "IAC" ) on August 9, 2005 (the "Spin-Off" ). Mr. Diller has been the Chairman of the Board and Chief Executive Officer of IAC (and its predecessors) since August 1995. He was Chairman of the Board and Chief Executive Officer of QVC, Inc. from December 1992 through December 1994. Mr. Diller served as the Chairman of the Board and Chief Executive Officer of Fox, Inc. from 1984 to 1992. Prior to joining Fox, Inc., Mr. Diller served for ten years as Chairman of the Board and Chief Executive Officer of Paramount Pictures Corporation. Mr. Diller is currently a member of the Boards of Directors of The Washington Post Company and of The Coca-Cola Company. He also serves on the Board of Conservation International. In addition, Mr. Diller is a



member of the Board of Councilors for the University of Southern California's School of Cinema - Television, the New York University Board of Trustees and the Executive Board for the Medical Sciences of the University of California, Los Angeles.

*Dara Khosrowshahi* has been a director and the Chief Executive Officer of Expedia since completion of the Spin-Off. Mr. Khosrowshahi served as the Chief Executive Officer of IAC Travel, a division of IAC, from January 2005 to the Spin-Off date. Prior to his tenure as Chief Executive Officer of IAC Travel, Mr. Khosrowshahi served as Executive Vice President and Chief Financial Officer of IAC from January 2002

to January 2005. Mr. Khosrowshahi served as IAC's Executive Vice President, Operations and Strategic Planning, from July 2000 to January 2002 and as President, USA Networks Interactive, a division of IAC, from 1999 to 2000. Mr. Khosrowshahi joined IAC in 1998 as Vice President of Strategic Planning, and was promoted to Senior Vice President in 1999. Mr. Khosrowshahi worked at Allen & Company LLC from 1991 to 1998, where he served as Vice President from 1995 to 1998.

*Victor A. Kaufman* has been a director and the Vice Chairman of Expedia since completion of the Spin-Off. Mr. Kaufman has been a director of IAC (and its predecessors) since 1996, and has served as the Vice Chairman of IAC since October 1999. Mr. Kaufman served in the Office of the Chairman in 1997 and as Chief Financial Officer of IAC from 1997 to 1999. Prior to his tenure with IAC, Mr. Kaufman served as the Chairman and Chief Executive Officer of Savoy Pictures Entertainment, Inc. beginning in 1992. Mr. Kaufman was the founding Chairman and Chief Executive Officer of Tri-Star Pictures, Inc. and served in those capacities from 1983 until 1987, at which time he became President and Chief Executive Officer of Tri-Star's successor company, Columbia Pictures Entertainment, Inc. He resigned from those positions in 1989 following the acquisition of Columbia by Sony USA, Inc. Mr. Kaufman joined Columbia in 1974 and served in a variety of senior positions at Columbia and its affiliates prior to the founding of Tri-Star.

*A. George Skip Battle* has been a director of Expedia since completion of the Spin-Off. Mr. Battle previously served as the Executive Chairman of Ask Jeeves, Inc. from January 2004 through July 2005, and he served as the Chief Executive Officer of Ask Jeeves from December 2000 until January 2004. Mr. Battle was a business consultant and investor and served as a member of the boards of directors of several technology companies from 1995 to 2000. Prior thereto, Mr. Battle served with Andersen Consulting in various roles, including Worldwide Managing Partner, Market Development, until his retirement from Andersen Consulting in 1995. Mr. Battle is currently Chairman of the Board of Fair Isaac Corporation, a position he has held since 2002. He is also a director of Masters Select Equity Fund, Masters Select International Fund, Masters Select Value Fund and Masters Select Smaller Company Fund (all registered investment companies), Advent Software, Inc., Netflix, Inc. and two non-profit organizations. Mr. Battle also served as a director of PeopleSoft, Inc. in 2004, until its acquisition by Oracle Corp., and of Barra, Inc. Mr. Battle holds a B.A. in economics from Dartmouth College and an M.B.A. from the Stanford Graduate School of Business.

*Simon J. Breakwell* has been a director of Expedia since May 2006. Mr. Breakwell served as President of the European Travel division of Expedia, Inc. from 2001 until his resignation in May 2006. Prior to that Mr. Breakwell served as Expedia's Vice President, International from 2000 to 2001 and Senior Vice President of Sales and Marketing from 1997 to 2000. From 1997 until 1999 Mr. Breakwell served as a group business manager at Microsoft Corporation. Prior to joining Microsoft, Mr. Breakwell worked at British Airways, holding a variety of sales positions from 1987 to 1993, as well as various senior sales management positions from 1993 to 1997. Mr. Breakwell was educated in the United Kingdom and holds a B.A. in politics from Portsmouth Polytechnic and an M.B.A. degree from Lancaster University.

*Jonathan L. Dolgen* has been a director of Expedia since completion of the Spin-Off. Since October 2006, Mr. Dolgen has served as senior consultant for ArtistDirect, Inc. Since July 2004, Mr. Dolgen has also been a Senior Advisor to Viacom, Inc. ( Old Viacom ), a worldwide entertainment and media company, where he provided advisory services to the Chief Executive Officer of Old Viacom, or others designated by him, on an as requested basis. Effective December 31, 2005, Old Viacom was separated into two publicly traded companies, Viacom Inc. ( New Viacom ) and CBS Corporation. Since the separation of Old Viacom, Mr. Dolgen has provided advisory services to the chief executive officer of New Viacom, or others designated by him, on an as-requested basis. Since July 2004, Mr. Dolgen has been a private investor and since September 2004, Mr. Dolgen has been a principal of Wood River Ventures, LLC ( Wood River ), a private start-up entity that seeks investment and other opportunities primarily in the media sector. Since April 2005, Mr. Dolgen, through Wood River, has had an arrangement with Madison Dearborn Partners, LLC to seek investment opportunities primarily in the media sector. From April 1994 to July 2004, Mr. Dolgen served as

Chairman and Chief Executive Officer of the Viacom Entertainment Group, a unit of Old Viacom, where he oversaw various operations of Old Viacom's businesses, which during 2003 and 2004 primarily included the operations engaged in motion picture production and distribution, television production and distribution, regional theme parks, theatrical exhibition and publishing. As a result of the separation of Old Viacom, Old

Viacom's motion picture production and distribution and theatrical exhibition business became part of New Viacom's businesses, and substantially all of the remaining businesses of Old Viacom overseen by Mr. Dolgen remained with CBS Corporation. Mr. Dolgen began his career in the entertainment industry in 1976, and until joining the Viacom Entertainment Group, served in executive positions at Columbia Pictures Industries, Inc., Twentieth Century Fox and Fox, Inc., and Sony Pictures Entertainment. Mr. Dolgen is also a Director of Charter Communications, Inc. Mr. Dolgen holds a B.S. from Cornell University and a J.D. from New York University.

*William R. Fitzgerald* has been a director of Expedia since March 2006. He has served as a Senior Vice President of Liberty Media since 2000. In addition, he has served as Chairman of Ascent Media Group, a wholly owned subsidiary of Liberty Media since 2000. Prior to joining Liberty Media, Mr. Fitzgerald served as Executive Vice President and Chief Operating Officer, Operations Administration for AT&T Broadband (formerly known as Tele-Communications, Inc.) ( TCI ) from 1999 to 2000 and was Executive Vice President and Chief Operating Officer of TCI Communications, Inc. from 1998 to 1999. Mr. Fitzgerald received his undergraduate degree from Indiana University Kelley School of Business and a master's degree from the Kellogg School of Business at Northwestern University. Mr. Fitzgerald was nominated as a director by Liberty Media, which currently has the right to nominate two individuals for election to Expedia's Board of Directors pursuant to the Governance Agreement.

*Craig A. Jacobson* was elected as a director of Expedia in December 2007. Mr. Jacobson is a founding partner at the law firm of Hansen, Jacobson, Teller, Hoberman, Newman, Warren & Richman, L.L.P., where he has practiced entertainment law for the past 20 years. Mr. Jacobson is a member of the Board of Trustees at the USC Fine Arts School and is a member of the Board of Directors of Aver Media, a privately held Canadian lending institution.

*Peter M. Kern* has been a director of Expedia since completion of the Spin-Off. Mr. Kern is a Managing Partner of InterMedia Partners, LP, a private equity firm. Prior to joining InterMedia, Mr. Kern was Senior Managing Director and Principal of Alpine Capital LLC. Prior to Alpine Capital, Mr. Kern founded Gemini Associates in 1996 and served as its President from its inception through its merger with Alpine Capital in 2001. Prior to founding Gemini Associates, Mr. Kern was at the Home Shopping Network and Whittle Communications. Mr. Kern serves the boards of Thomas Nelson, Inc., Luxury Retreats International Holdings, Inc. and Cine Latino, Inc., each of which is a private company. Mr. Kern holds a B.S. from the Wharton School at the University of Pennsylvania.

*John C. Malone* has been a director of Expedia since completion of the Spin-Off. Dr. Malone has served as the Chairman of the Board of Liberty Media since 1990, and he served as Liberty Media's Chief Executive Officer from August 2004 through February 2006. Dr. Malone also served as Chairman of the Board of TCI from 1996 to 1999 and as Chief Executive Officer of TCI from 1994 to 1997. Dr. Malone also serves as Chairman of the Board of Directors of Liberty Global, Inc. and as Chairman of the Board of Directors and Chief Executive Officer of Discovery Holding Company and as a director of IAC. Dr. Malone was nominated as a director by Liberty Media, which currently has the right to nominate two individuals for election to Expedia's Board of Directors pursuant to the Governance Agreement.

## **Board Meetings and Committees**

*Controlled Company Status.* Expedia is subject to The Nasdaq Stock Market Marketplace Rules (the Marketplace Rules ). The Marketplace Rules exempt controlled companies, or companies of which more than 50% of the voting power is held by an individual, a group or another company, from certain requirements.

Pursuant to a Stockholders Agreement, dated as of August 9, 2005 by and between Liberty Media and Mr. Diller (the Stockholders Agreement ), Mr. Diller, through shares owned by him as well as those beneficially owned by Liberty Media as of March 31, 2008, generally controls the vote of approximately 27% of the outstanding common stock (assuming conversion of all shares of Class B Common stock into shares of common stock) and 100% of the outstanding Class B common stock, and consequently, approximately 60% of the combined voting power of the

outstanding Expedia capital stock. Mr. Diller, Liberty Media and certain of

their affiliates have filed a Statement of Beneficial Ownership on Schedule 13D (and related amendments) with respect to their Expedia holdings and related voting arrangements with the SEC. On this basis, Expedia is relying on the exemption for controlled companies from certain Nasdaq requirements, including, among others, the requirement that a majority of the Board be comprised of independent directors, the requirement that the Compensation Committee be comprised solely of independent directors and certain requirements relating to the nomination of directors.

*Director Independence.* The Board of Directors has determined that each of Messrs. Battle, Dolgen, Jacobson and Kern is an independent director as defined by the Marketplace Rules. In making its independence determinations, the Board considered the applicable legal standards and any relevant transactions, relationships or arrangements.

*The Board.* The Board of Directors met six times and acted by written consent once in 2007. During such period, all the incumbent directors attended at least 75% of the meetings of the Board and the Board committees on which they served. Directors are not required to attend annual meetings of Expedia stockholders. Five members of the Board attended the 2007 Annual Meeting of Stockholders.

The Board of Directors has the following standing committees: the Audit Committee, the Compensation Committee, the Section 16 Committee and the Executive Committee. The Audit, Compensation and Section 16 Committees operate under written charters adopted by the Board of Directors. These charters are available in the Investor section of the Company's corporate website at [www.expediainc.com/ir](http://www.expediainc.com/ir).

*Audit Committee.* The Audit Committee of the Board of Directors currently consists of three directors: Messrs. Battle, Jacobson and Kern. Mr. Jacobson joined the Audit Committee on December 4, 2007, replacing Mr. David Goldhill, who had resigned as a member of the Audit Committee effective July 30, 2007. Following Mr. Goldhill's resignation, Nasdaq notified the Company that a cure period would be provided to allow the Company to regain compliance with Marketplace Rule 4350(d)(2)(A), which requires that every Nasdaq company have an audit committee comprised of at least three directors. On December 6, 2007, following Mr. Jacobson's appointment to the Audit Committee, Nasdaq notified the Company that it was again in compliance with Marketplace Rule 4350(d)(2)(A). The Board has determined that each of Messrs. Battle and Kern is an audit committee financial expert, as such term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Audit Committee is appointed by the Board to assist the Board with a variety of matters discussed in detail in the Charter, including monitoring (1) the integrity of the Company's financial reporting process, (2) the independent registered public accounting firm's qualifications and independence, (3) the performance of the Company's internal audit function and the independent registered public accounting firm and (4) the Company's compliance with legal and regulatory requirements.

Mr. Battle is the Chairman of the Audit Committee. The Audit Committee met nine times and acted by written consent once in 2007. The formal report of the Audit Committee with respect to the year ended December 31, 2007, is set forth under the heading "Audit Committee Report" below.

*Compensation Committee.* The Compensation Committee consists of Messrs. Dolgen, Fitzgerald and Kern. With the exception of Mr. Fitzgerald, each member is an independent director as defined by the Marketplace Rules. No member of the Compensation Committee is an employee of Expedia. The Compensation Committee is responsible for (i) administering and overseeing the Company's executive compensation program, including salary matters, bonus plans and stock compensation plans and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (see below). Mr. Dolgen is the Chairman of the Compensation Committee. In 2007, the Compensation Committee met seven times and acted by written consent once. A description of the Company's processes and procedures for the consideration and determination of executive compensation is included in the section below titled "Compensation Discussion and Analysis."

*Section 16 Committee.* The Section 16 Committee consists of Messrs. Dolgen and Kern. Each member is an independent director as defined by the Marketplace Rules and satisfies the definition of non-employee director for purposes of Section 16 of the Exchange Act. The Section 16 Committee is authorized to exercise

all powers of the Board of Directors with respect to matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to Expedia's executive officers. Mr. Dolgen is the Chairman of the Section 16 Committee. The Section 16 Committee met seven times and acted by written consent once in 2007.

*Executive Committee.* The Executive Committee consists of Messrs. Diller, Kaufman and Khosrowshahi. The Executive Committee has all the power and authority of the Board of Directors, except those powers specifically reserved to the Board by Delaware law. Mr. Diller is the Chairman of the Executive Committee. In 2007, the Executive Committee met once and acted by written consent six times.

*Other Committees.* In addition to the foregoing committees, the Board of Directors may from time to time establish other committees of the Board consisting of one or more of its directors.

### **Director Nominations**

Given the ownership structure of the Company and its status as a controlled company, the Board of Directors does not have a nominating committee or other committee performing similar functions or any formal policy on director nominations. Pursuant to the Governance Agreement, Liberty Media has the right to nominate a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the Board so long as certain stock ownership requirements are satisfied. The Board does not have specific requirements for eligibility to serve as a director of Expedia. However, in evaluating candidates, regardless of how recommended, the Board considers whether the professional and personal ethics and values of the candidate are consistent with those of Expedia, whether the candidate's experience and expertise would be beneficial to the Board in rendering service to Expedia, whether the candidate is willing and able to devote the necessary time and energy to the work of the Board and whether the candidate is prepared and qualified to represent the best interests of Expedia's stockholders. Given the controlled status of Expedia, the Board believes the process described above is appropriate. Liberty Media has nominated Dr. Malone and Mr. Fitzgerald as nominees for 2008. The other nominees to the Board were recommended by the Chairman and then were considered and recommended by the entire Board.

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders. However, the Board would consider such recommendations if made in the future. Stockholders who wish to make such a recommendation should send the recommendation to Expedia, Inc., 3150 139th Avenue S.E., Bellevue, Washington 98005, Attention: Corporate Secretary. The envelope must contain a clear notation that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder, provide a brief summary of the candidate's qualifications and history and be accompanied by evidence of the sender's stock ownership, as well as consent by the candidate to serve as a director if elected. Any director candidate recommendations will be reviewed by the Corporate Secretary and, if deemed appropriate, forwarded to the Chairman for further review. If the Chairman believes that the candidate fits the profile of a director nominee as described above, the recommendation will be shared with the entire Board.

### **Communications With the Board**

Stockholders who wish to communicate with the Board of Directors or a particular director may send such communication to Expedia, Inc., 3150 139th Avenue S.E., Bellevue, Washington 98005, Attention: Corporate Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Stockholder-Board Communication or Stockholder-Director Communication. All such letters must identify the author as a stockholder, provide evidence of the sender's stock ownership and clearly state whether the intended recipients are all members of the Board or just certain specified directors. The Corporate Secretary will then review such correspondence and forward it to the Board, or to the specified director(s), if deemed appropriate. Communications



that are primarily commercial in nature, that are not relevant to stockholders or other interested constituents or that relate to improper or irrelevant topics will generally not be forwarded to the Board or to the specified director(s).

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

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

Expedia employees do not receive compensation for services as directors, and Liberty Media nominees have historically agreed that they would not receive compensation for their Expedia Board service, including for 2007. During 2007, each non-employee director of Expedia was entitled to receive the following compensation:

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

a grant of restricted stock units ( RSUs ) with a value of \$250,000 (based on the closing price of Expedia's common stock on The Nasdaq Stock Market on the day prior to the grant), upon such director's initial election to office and on the date of each Expedia annual meeting of stockholders at which the director is reelected, such RSUs to vest in three equal installments commencing on the first anniversary of the grant date and, in the event of a change in control (as defined in the Expedia 2005 Plan and described in the section below titled Potential Payments Upon Termination or Change in Control ), to vest automatically in full;

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

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

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

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

## ***2007 Non-Employee Director Compensation***

As employees of the Company, Messrs. Diller, Kaufman and Khosrowshahi did not receive compensation for service as directors. Dr. Malone and Mr. Fitzgerald, who were each nominated by Liberty Media, also did not receive compensation for their Expedia Board service. The following table shows the 2007 compensation information for the remaining directors of the Company:

### **Fees Earned or**

<b>Name</b>	<b>Paid in Cash (\$)(1)</b>	<b>Stock Awards (\$)(2)(3)</b>	<b>Option Awards (\$)(4)</b>	<b>Total (\$)</b>
A. George Skip Battle(5)	\$ 75,000	\$ 137,927	\$ 0	\$ 212,927
Simon J. Breakwell(6)	45,000	74,352	0	119,352
Jonathan L. Dolgen(7)	70,000	137,927	0	207,927
David Goldhill(8)	42,568	234,690	0	277,258
Craig A. Jacobson(9)	4,946	6,381	0	11,327
Peter M. Kern(10)	80,000	137,927	0	217,927

- (1) This column reports the amount of cash compensation earned in 2007 for Board and committee service, including amounts deferred at the director's election. Members of the Section 16 Committee do not receive additional compensation for service on that committee.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the year ended December 31, 2007 for the fair value of RSUs granted, in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standard No. 123 (revised 2004), Share-Based Payment ( FAS 123R ) and thus includes amounts from awards granted in and prior to 2007. Pursuant to SEC rules, we disregard the estimate of forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in Note 2 to our audited financial statements for the year ended December 31, 2007 included in our Annual Report on Form 10-K filed with the SEC on February 22, 2008. These amounts reflect the Company's accounting expense for these awards and do not correspond to the actual value that may be recognized by the directors. The dollar amount recognized for Mr. Goldhill includes an accounting expense of \$164,434 related to the acceleration of certain RSUs held by Mr. Goldhill in connection with his resignation as a member of the Board of Directors, which is described further in footnote 8 below.
- (3) Each of Messrs. Battle, Dolgen and Kern had 17,754 RSUs outstanding at December 31, 2007. Mr. Breakwell had 111,267 RSUs outstanding at December 31, 2007, including 96,013 RSUs previously granted for services as an employee and 15,254 RSUs granted for services as a director.