

EBAY INC
Form S-4
August 06, 2002

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As filed with the Securities and Exchange Commission on August 6, 2002

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

eBay Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

7389
*(Primary Standard Industrial
Classification Code Number)*

77-0430924
*(I.R.S. Employer
Identification Number)*

2145 Hamilton Avenue
San Jose, California 95125
(408) 376-7400

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Michael R. Jacobson
Senior Vice President, Legal Affairs
General Counsel & Secretary
eBay Inc.
2145 Hamilton Avenue
San Jose, California 95125
(408) 376-7400

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, Of Agent for Service)

Copies to:

Alison S. Ressler
Sullivan & Cromwell
1870 Embarcadero Road
Palo Alto, California 94303
(650) 461-5600

John D. Muller
PayPal, Inc.
303 Bryant Street
Mountain View, California 94041
(650) 864-8000

Richard W. Porter, P.C.
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
(312) 861-2000

Approximate date of commencement of proposed sale to public: As soon as possible after this Registration Statement is declared effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same

offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Offering Per Share | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee(2) |
|--|----------------------------|-------------------------------------|--|-------------------------------|
| Common Stock, \$0.001 par value | 24,882,840 shares | Not applicable | \$1,304,116,007 | \$119,979 |

- (1) This Registration Statement relates to common stock, par value \$0.001 per share, of eBay issuable to holders of common stock, par value \$0.001 per share, of PayPal in the proposed merger of Vaquita Acquisition Corp., a wholly-owned subsidiary of eBay, with and into PayPal. The amount of eBay common stock to be registered has been determined by multiplying the exchange ratio (0.39 of a share of eBay common stock for each share of PayPal common stock) by 63,802,153, the maximum aggregate number of shares of PayPal common stock that would be outstanding prior to the merger, assuming the exercise of all outstanding options and warrants to acquire PayPal common stock that may be exercised prior to December 31, 2002.
- (2) Estimated solely for purposes of calculating the registration fee required by the Securities Act of 1933, as amended, and computed pursuant to Rule 457(f) and (c) based on \$20.44, the average high and low per share prices of PayPal common stock on the Nasdaq National Market on August 5, 2002.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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303 Bryant Street

Mountain View, California 94041

Merger Proposed Your Vote Is Very Important

To the Stockholders of PayPal, Inc.:

PayPal, Inc. has entered into a merger agreement with eBay Inc. As a result of the merger contemplated by the merger agreement, PayPal will become a wholly-owned subsidiary of eBay. The merger requires the approval of holders of a majority of the outstanding shares of PayPal common stock, and we have scheduled a special meeting of PayPal stockholders on _____, 2002 at _____ commencing at _____, local time, to vote on the merger agreement.

Upon completion of the merger, each share of PayPal common stock will be converted into the right to receive 0.39 of a share of eBay common stock. eBay expects to issue approximately _____ shares of eBay common stock in the merger, subject to adjustment to reflect the effect of any reclassification, stock split, stock dividend or distribution, recapitalization or the like on eBay or PayPal common stock.

eBay common stock is traded on the Nasdaq National Market under the symbol EBAY. On August 5, 2002, the closing price of eBay common stock on the Nasdaq National Market was \$53.35 per share.

Both PayPal and eBay are excited about this transaction because: (1) the combined company should be able to provide a significantly improved customer experience; (2) it combines the core competencies of both companies in a natural and complementary way; (3) it should strengthen both businesses; and (4) it should create value for the stockholders of both companies.

PayPal's board of directors recommends that you vote FOR the proposal to approve and adopt the merger agreement and approve the merger. In addition, Peter A. Thiel, Max R. Levchin, David O. Sacks, Roelof F. Botha, Elon R. Musk, James E. Templeton, Reid G. Hoffman, Nokia Ventures, LP and entities affiliated with Sequoia Capital and Madison Dearborn Partners have each agreed to vote certain of their shares of PayPal common stock, representing in the aggregate approximately 28.1% of the outstanding PayPal common stock, FOR the proposal to approve and adopt the merger agreement and approve the merger.

Your vote is very important. Regardless of the number of shares you own or whether or not you plan to attend the special meeting, it is important that your shares be represented and voted. Voting instructions are inside.

The accompanying proxy statement/prospectus provides you with detailed information about the proposed merger and the special meeting. I urge you to read the entire document carefully. In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page 26 of the accompanying proxy statement/prospectus.

I look forward to seeing you at the special meeting.

Sincerely,

Peter A. Thiel
Chairman and Chief Executive Officer

Mountain View, California
, 2002

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if the accompanying proxy statement/ prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated _____, 2002, and is first being mailed to PayPal stockholders on or about _____, 2002.

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Paypal, Inc.

303 Bryant Street
Mountain View, California 94041

Notice of Special Meeting of Stockholders

to be held _____, 2002

Time and Date _____, local time, on _____, 2002.

Place

Items of Business (1) To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger among eBay Inc., Vaquita Acquisition Corp. and PayPal, Inc., and approve the merger contemplated by the Agreement and Plan of Merger.

(2) To consider such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Adjournments and Postponements Any action on the items of business described above may be considered at the special meeting at the time and on the date specified above or at any time and date to which the special meeting may be properly adjourned or postponed.

Record Date You are entitled to vote only if you were a PayPal stockholder at the close of business on _____, 2002.

Meeting Admission You are entitled to attend the special meeting only if you were a PayPal stockholder or joint holder as of the close of business on _____, 2002 or hold a valid proxy for the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a record holder, your name is subject to verification against the list of record holders on the record date prior to being admitted to the meeting. If you are not a record holder but hold shares through a broker or nominee (*i.e.*, in _____ street name _____), you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement prior to _____, 2002, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the special meeting.

The special meeting will begin promptly at _____, local time. Check in will begin at _____, local time, and you should allow ample time for check-in procedures.

Voting **Your vote is very important.** Whether or not you plan to attend the special meeting, we encourage you to read the accompanying proxy statement/prospectus and submit your proxy or voting instructions for the special meeting as soon as possible. You may submit your proxy or voting instructions for the special meeting by completing, signing, dating and returning the proxy card or voting instruction card in the pre-addressed envelope provided, or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled "The PayPal Special Meeting" beginning on page 62 of the accompanying proxy statement/ prospectus and the instructions on the proxy card or voting instruction card.

By Order of the Board of Directors,

John D. Muller
General Counsel and Secretary

Mountain View, California
_____, 2002

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The information in this proxy statement/prospectus is not complete and may be changed. eBay may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 6, 2002.

**Proxy Statement
for Special Meeting
of Stockholders
of PayPal, Inc.**

**Prospectus
of eBay Inc. for
up to 24,882,840 Shares
of eBay Common Stock**

eBay Inc. and PayPal, Inc. have entered into a merger agreement. As a result of the merger contemplated by the merger agreement, PayPal will become a wholly-owned subsidiary of eBay. Upon completion of the merger, each share of PayPal common stock will be converted into the right to receive 0.39 of a share of eBay common stock. On August 5, 2002, the closing price of eBay common stock on the Nasdaq National Market was \$53.35 per share. eBay is traded on the Nasdaq National Market under the symbol EBAY .

The merger cannot be completed unless the holders of a majority of the outstanding shares of PayPal common stock approve and adopt the merger agreement and approve the merger that is described in this proxy statement/ prospectus.

PayPal's board of directors recommends that you vote FOR the proposal to approve and adopt the merger agreement and approve the merger. In addition, Peter A. Thiel, Max R. Levchin, David O. Sacks, Roelof F. Botha, Elon R. Musk, James E. Templeton, Reid G. Hoffman, Nokia Ventures, LP and entities affiliated with Sequoia Capital and Madison Dearborn Partners have each agreed to vote certain of their shares of PayPal common stock, representing in the aggregate approximately 28.1% of the outstanding PayPal common stock, FOR the proposal to approve and adopt the merger agreement and approve the merger.

This proxy statement/ prospectus provides you with detailed information about the merger agreement, the proposed merger and the special meeting. eBay provided the information concerning eBay. PayPal provided the information concerning PayPal. Please see Where You Can Find More Information on page 167 for additional information about eBay and PayPal and Information About PayPal on page 100 for additional information about PayPal.

We strongly urge you to read and consider carefully this proxy statement/prospectus in its entirety, including the matters referred to under Risk Factors beginning on page 26.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this proxy statement/ prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/ prospectus is dated _____, 2002 and is first being mailed to PayPal stockholders on or about _____, 2002.

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Sources of Additional Information

This proxy statement/prospectus incorporates important business and financial information about eBay from documents that are not included in or delivered with this proxy statement/ prospectus. Documents incorporated by reference are available from eBay without charge, excluding all exhibits unless eBay has specifically incorporated by reference an exhibit in this proxy statement/ prospectus. You may obtain documents incorporated by reference in this proxy statement/ prospectus by requesting them in writing or by telephone from eBay at the following address:

eBay Inc.

Attention: Investor Relations
2145 Hamilton Avenue
San Jose, California 95125
investorrelations@eBay.com
(408) 376-7400

If you would like to request documents from eBay, please do so by _____, 2002 in order to receive them before the special meeting.

If you have any questions about the special meeting or if you need additional copies of this proxy statement/ prospectus, you should contact:

PayPal, Inc.

Attention: Investor Relations
303 Bryant Street
Mountain View, California 94041
investorrelations@PayPal.com
(650) 864-8000

If you would like to request additional copies of this proxy statement/prospectus from PayPal, please do so by _____, 2002 in order to receive them before the special meeting.

For a more detailed description of the information incorporated by reference into this proxy statement/ prospectus and how you may obtain it, see *Where You Can Find More Information* on page 167.

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Questions and Answers About the Merger

Q: Why are eBay and PayPal proposing to merge?

A: We are proposing to merge because we believe that combining the strengths of our two companies is in the best interests of each company, its stockholders and customers. PayPal and eBay share the same overarching mission to enable online commerce. With PayPal integrated into eBay, the combined company should be able to:

provide a significantly improved customer experience to eBay's users by making their trading experience easier, safer and faster;

combine the core competencies of both companies in a natural and complementary way, particularly the overlapping user communities and unique skills in technology;

strengthen both businesses and realize benefits from cost structure efficiencies and improved fraud management; and

create value for the stockholders of both companies, as this merger represents the best strategic alternative for our respective companies and is the strategy most likely to deliver increased value to our respective stockholders.

Please see page 69 of this proxy statement/prospectus for the numerous factors considered by the board of directors of PayPal in recommending that PayPal stockholders vote FOR the proposal to approve and adopt the merger agreement and approve the merger. Please see page 77 of this proxy statement/prospectus for eBay's reasons for the merger.

Q: What will I receive in the merger?

A: If the merger agreement is approved and adopted by PayPal stockholders and the merger is completed, you will receive 0.39 of a share of eBay common stock in exchange for each share of PayPal common stock that you own.

You will not receive fractional shares of eBay common stock. Instead, you will receive the cash value, without interest, of any fractional share of eBay common stock that you might otherwise have been entitled to receive.

Q: When do you expect the merger to be completed?

A: eBay and PayPal are working toward completing the merger as quickly as possible. The merger is expected to close around year-end 2002. However, we cannot predict the exact timing because the merger is subject to governmental and regulatory approvals and other conditions. There can be no assurance that we will obtain these governmental and regulatory approvals and satisfy the other conditions.

Q: Am I entitled to appraisal rights?

A: No. Under Delaware law, no appraisal rights are available to PayPal stockholders in connection with the merger.

Q: What are the tax consequences of the merger to me?

A: We expect that the exchange of your shares of PayPal common stock for shares of eBay common stock generally will not cause you to recognize gain or loss for U.S. federal income tax purposes. However, you will recognize income or gain with respect to cash received instead of fractional shares of eBay common stock. It is a condition to the merger that eBay and PayPal receive legal opinions about the U.S. federal income tax treatment of the merger with respect to our companies and our stockholders. These opinions will not bind the Internal Revenue Service, which could take a different view. To

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review the tax consequences to stockholders in greater detail, see The Merger Material Federal Income Tax Consequences on page 78.

Q: Are there any risks related to the proposed transaction or any risks related to owning eBay common stock?

A: Yes. You should carefully review the risk factors beginning on page 26.

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Questions and Answers About the PayPal Special Meeting

Q: *When and where will the PayPal special meeting be held?*

A: The special meeting will take place on _____, 2002, at _____, commencing at _____, local time.

Q: *What do I need to do now?*

A: Please carefully review this proxy statement/prospectus and vote the proxy card or voting instruction card you receive as soon as possible. Your proxy card or voting instruction card must be received, or you must vote using the telephone or Internet, on or prior to _____, 2002 in order for your shares to be voted at the special meeting, unless you attend and vote at the special meeting.

Q: *What does PayPal's board of directors recommend?*

A: After careful consideration, PayPal's board of directors determined that the merger is advisable, and is fair and in the best interests of PayPal and its stockholders and approved the merger agreement and the merger. Accordingly, PayPal's board of directors recommends that you vote FOR the proposal to approve and adopt the merger agreement and approve the merger.

Q: *How can I vote?*

A: If you are a stockholder of record, you may submit a proxy for the special meeting by: (1) completing, signing, dating and returning the proxy card in the pre-addressed envelope provided; (2) using the telephone; or (3) using the Internet. For specific instructions on how to use the telephone or the Internet to submit a proxy for the special meeting, please refer to the instructions on your proxy card.

If you hold your shares of PayPal common stock in a stock brokerage account or if your shares are held by a bank or nominee (*i.e.*, in _____ street name _____), you must provide the record holder of your shares with instructions on how to vote your shares. Please check the voting instruction card used by your broker or nominee to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a stockholder of record, you may also vote at the special meeting. If you hold shares in a stock brokerage account or if your shares are held by a bank or nominee (*i.e.*, in _____ street name _____), you may not vote in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. You will also need to present photo identification and comply with the other procedures described in "The PayPal Special Meeting Admission to the Special Meeting" on page 62.

Q: *What happens if I don't indicate how to vote on my proxy card?*

A: If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote FOR the approval and adoption of the merger agreement and approval of the merger.

Q: *What happens if I do not vote?*

A: If you do not sign and send in your proxy card, vote using the telephone or Internet or vote at the special meeting or if you mark the _____ abstain box on the proxy card, it will have the effect of a vote *against* the approval and adoption of the merger agreement and approval of the merger.

Q: *If my shares are held in _____ street name by my broker, will my broker vote my shares for me?*

A: Your broker will vote your shares only if you provide instructions on how to vote. Therefore, you should be sure to provide your broker with instructions on how to vote your shares. Without instructions, your shares will not be voted, which will have the effect of a vote *against* the approval and adoption of the merger agreement and approval of the merger.

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Q: Why is it important for me to vote?

A: We cannot complete the merger without the approval of holders of a majority of the outstanding shares of PayPal common stock.

Q: Have any PayPal stockholders agreed to vote FOR the merger agreement and the merger?

A: Yes. Peter A. Thiel, Max R. Levchin, David O. Sacks, Roelof F. Botha, Elon R. Musk, James E. Templeton, Reid G. Hoffman, Nokia Ventures, LP and entities affiliated with Sequoia Capital and Madison Dearborn Partners have each agreed to vote certain of their shares of PayPal common stock, representing in the aggregate approximately 28.1% of the outstanding PayPal common stock, FOR the proposal to approve and adopt the merger agreement and approve the merger.

Q: Can I change my vote after I have voted?

A: Yes. PayPal stockholders of record may revoke their proxies at any time prior to the time their proxies are voted at the special meeting. Proxies may be revoked by written notice to the corporate secretary of PayPal, by a later-dated proxy signed and returned by mail, or by attending the special meeting and voting in person. PayPal stockholders of record may also revoke proxies by a later-dated proxy using the telephone or Internet voting procedures described on their proxy cards.

PayPal stockholders whose shares are held in the name of a broker or nominee may change their votes by submitting new voting instructions to their brokers or nominees. Those PayPal stockholders may not vote their shares in person at the special meeting unless they obtain a signed proxy from the record holder giving them the right to vote their shares.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, Mellon Investor Services LLC, the exchange agent for the merger, will send you written instructions for exchanging your PayPal stock certificates.

Q: What do I do if I have questions?

A: If you have any questions about the special meeting or if you need additional copies of this proxy statement/ prospectus, you should contact:

PayPal, Inc.
Attention: Investor Relations
303 Bryant Street
Mountain View, California 94041
investorrelations@PayPal.com
(650) 864-8000

This proxy statement/ prospectus incorporates important business and financial information about eBay that is not included in, or delivered with, this proxy statement/ prospectus. eBay will provide you with copies of the information relating to eBay, without charge, upon written or oral request to:

eBay Inc.
Attention: Investor Relations
2145 Hamilton Avenue
San Jose, California 95125
investorrelations@eBay.com
(408) 376-7400

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Summary

*This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully, you should read carefully this entire proxy statement/prospectus and the documents we refer to. See *Where You Can Find More Information* on page 167. The merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference. We encourage you to read it, as it is the most important legal document that governs the merger. We have included page references in parentheses to direct you to a more complete description contained elsewhere in this proxy statement/prospectus of the topics presented in this summary.*

The Companies

(Page 65)

eBay Inc.

2145 Hamilton Avenue
San Jose, California 95125
(408) 376-7400

eBay is in the business of providing a Web-based community platform in which buyers and sellers are brought together in an efficient and entertaining format to browse, buy and sell items such as collectibles, automobiles, high-end or premium art items, jewelry, consumer electronics and a host of practical and miscellaneous items. The eBay trading platform is a fully automated, topically arranged, intuitive and easy-to-use service that supports an auction format in which sellers list items for sale and buyers bid on items of interest and a fixed-price format in which sellers and buyers trade items at a fixed price established by sellers.

PayPal, Inc.

303 Bryant Street
Mountain View, California 94041
(650) 864-8000

PayPal enables any business or consumer with email to send and receive online payments securely, conveniently and cost-effectively. PayPal's network builds on the existing financial infrastructure of bank accounts and credit cards to create a global payment system. PayPal currently offers its account-based system to users in 38 countries including the U.S. PayPal's product was launched in October 1999. As of June 30, 2002, PayPal's network had grown to include 14.1 million personal accounts and 3.7 million business accounts. PayPal delivers a product well suited for small businesses, online merchants, individuals and others.

Vaquita Acquisition Corp.

2145 Hamilton Avenue
San Jose, California 95125
(408) 376-7400

Vaquita Acquisition Corp. is a newly-formed and wholly-owned subsidiary of eBay. If we complete the merger, Vaquita Acquisition Corp. will be merged with and into PayPal, with PayPal becoming a wholly-owned subsidiary of eBay. Vaquita Acquisition Corp. was organized solely for use in the merger. This is the only business of Vaquita Acquisition Corp.

Recommendation of the PayPal Board and PayPal's Reasons for the Merger

(Page 69)

After careful consideration of the numerous factors described in the section entitled *The Merger* *PayPal's Reasons for the Merger*; *Recommendation of the PayPal Board* beginning on page 69 of this proxy statement/prospectus, PayPal's board of directors determined that the

merger is advisable, and is

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fair and in the best interests of PayPal and its stockholders. Accordingly, PayPal's board of directors recommends that PayPal stockholders vote FOR the proposal to approve and adopt the merger agreement and approve the merger.

Date, Time and Place of the Special Meeting

(Page 62)

The special meeting will be held on _____, 2002, at _____, commencing at _____, local time.

Stockholders Entitled to Vote at the Special Meeting; Vote Required

(Page 62)

The close of business on _____, 2002 was the record date for the special meeting. Only PayPal stockholders on the record date are entitled to notice of and to vote at the special meeting. On the record date, there were _____ shares of PayPal common stock outstanding. Each share of PayPal common stock will be entitled to one vote on each matter to be acted upon at the special meeting.

Required Vote

(Page 63)

The vote of holders of a majority of the shares of PayPal common stock outstanding on the record date is required to approve and adopt the merger agreement and approve the merger.

Peter A. Thiel, Max R. Levchin, David O. Sacks, Roelof F. Botha, Elon R. Musk, James E. Templeton, Reid G. Hoffman, Nokia Ventures, LP and entities affiliated with Sequoia Capital and Madison Dearborn Partners have each agreed to vote certain of their shares of PayPal common stock, representing in the aggregate approximately 28.1% of the outstanding PayPal common stock, FOR the proposal to approve and adopt the merger agreement and approve the merger.

Interests of Certain Persons in the Merger

(Page 82)

When considering the recommendation by PayPal's board of directors to vote FOR the proposal to approve and adopt the merger agreement and approve the merger, you should be aware that some directors and executive officers of PayPal have interests in the merger that may be different from your interests. Some executive officers of PayPal have executed employment agreements with eBay, which will become effective upon completion of the merger. Some directors, officers and employees of PayPal who hold stock options and/or shares of restricted stock pursuant to existing plans will receive certain benefits upon completion of the merger, including accelerated vesting of those stock options and/or shares of restricted stock. Some directors and executive officers of PayPal who are parties to stockholders agreements with eBay are entitled to early release of certain transfer restrictions with respect to the PayPal common stock held by them upon adoption of the merger agreement by PayPal's stockholders. PayPal directors and officers will also receive indemnification and liability insurance benefits from eBay. PayPal's board of directors was aware of these interests and considered them in approving the merger agreement and the merger.

Stock Ownership by Directors and Executive Officers of PayPal

(Page 82)

As of the record date for the special meeting, the directors and executive officers of PayPal and their affiliates, as a group, beneficially owned approximately _____% of the outstanding PayPal common stock. The vote of holders of a majority of the shares of PayPal common stock outstanding on the record date is required to approve and adopt the merger agreement and approve the merger.

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Ownership of eBay Following the Merger

PayPal stockholders collectively will receive a total of 24,882,840 shares of eBay common stock in the merger based on the maximum number of shares of PayPal common stock that would be outstanding prior to the merger, assuming the exercise of all outstanding options and warrants to acquire PayPal common stock that may be exercised prior to December 31, 2002.

Based on the number of shares of eBay common stock outstanding as of _____, 2002, existing PayPal stockholders will own _____% of the eBay common stock outstanding immediately after the merger.

Nasdaq Listing

(Page 81)

If we complete the merger, stockholders will be able to trade the shares of eBay common stock they receive in the merger on the Nasdaq National Market. If we complete the merger, PayPal stock will no longer be quoted on the Nasdaq National Market or any other exchange.

Opinion of PayPal's Financial Advisor

(Page 72)

In deciding to approve the merger, the PayPal board considered, among other things, the opinion of its financial advisor, Morgan Stanley & Co. Incorporated, to the effect that, as of July 7, 2002 and based on and subject to the considerations in its opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to holders of PayPal common stock.

The full text of the written opinion of Morgan Stanley, which sets forth assumptions made, matters considered, procedures followed and the scope of the review undertaken, is attached to this proxy statement/prospectus as Annex D. The written opinion of Morgan Stanley is not a recommendation as to how you should vote in regard to the proposal to approve and adopt the merger agreement and approve the merger. **We encourage you to read the opinion of Morgan Stanley in its entirety.**

The Merger Agreement

(Page 85)

The merger agreement is attached as Annex A to this proxy statement/prospectus. **We encourage you to read the merger agreement in its entirety.** It is the most important legal document governing the merger.

The Merger

(Page 66)

In the merger, Vaquita Acquisition Corp. will be merged with and into PayPal. PayPal will be the surviving corporation and will become a wholly-owned subsidiary of eBay.

Exchange Ratio

(Page 66)

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If the merger agreement is approved and adopted and the merger is completed, you will receive 0.39 of a share of eBay common stock in exchange for each share of PayPal common stock that you own.

Fractional Shares

(Page 66)

You will not receive fractional shares of eBay common stock. Instead, you will receive the cash value, without interest, of any fractional share of eBay common stock that you might otherwise have been entitled to receive.

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**Conditions To The Merger
(Page 92)**

The merger will be completed only if several conditions are satisfied or waived. The conditions include:

approval and adoption of the merger agreement by the holders of a majority of the outstanding shares of PayPal common stock;

expiration or termination of the U.S. antitrust waiting period;

all filings, consents, registrations, approvals and authorizations required to be made to or obtained from any governmental entity prior to the completion of the merger by eBay and PayPal in connection with the execution and delivery of the merger agreement and the completion of the merger having been made or obtained, except that this condition will be deemed to have been satisfied unless the failure to make such filings or obtain such consents, registrations, approvals, permits and authorizations, individually or in the aggregate, has had, or is reasonably likely to have, a material adverse effect on eBay or PayPal;

no court or governmental entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, law, ordinance, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement, and no governmental entity shall have instituted any proceeding seeking any such order; and

the accuracy of representations and warranties of eBay and PayPal contained in the merger agreement without regard to any materiality qualification, except that this condition will be deemed to have been satisfied even if such representation and warranty is not accurate unless the failure of such representation and warranty, individually or in the aggregate, has, or is reasonably likely to have, a material adverse effect on such company.

**Termination
(Page 95)**

eBay and PayPal can agree to terminate the merger agreement without completing the merger, and either company can terminate the merger agreement if any of the following occurs:

they do not complete the merger by December 31, 2002, except that if either party determines that additional time is necessary in order to forestall any action to restrain, enjoin or prohibit the merger by any federal, state, local or foreign court or governmental entity with jurisdiction over enforcement of any applicable antitrust laws, the termination date may be extended by such party to a date not beyond March 31, 2003;

PayPal's stockholders do not approve the merger at the special meeting; or

a law, injunction or order is issued that permanently restrains, enjoins or otherwise prohibits the merger and that is final and non-appealable.

If a party elects to extend the termination date to March 31, 2003 as described above, then the other party may deliver a written update of its disclosure letter within three business days of such election to reflect new facts occurring after the date of the merger agreement. The update may be accompanied by a written request that the party electing to extend the termination date confirm that such new facts will not be deemed to render any of the non-extending party's representations and warranties untrue or incorrect as of such date or deemed to constitute a PayPal material adverse effect or an eBay material adverse effect, as the case may be, as of such date. If the party electing to extend the termination date does not provide such confirmation prior to the fifth business day after receiving such written update, then the termination date may not be extended.

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In addition, PayPal may terminate the merger agreement if there has been a breach of a representation or covenant by eBay that would cause it to fail to satisfy a closing condition and such breach is not curable or, if curable, is not cured within 30 days after eBay receives written notice of the breach from PayPal.

In addition, eBay may terminate the merger agreement if:

PayPal's board of directors has changed or withdrawn its recommendation; or

there has been a breach of a representation or covenant by PayPal that would cause it to fail to satisfy a closing condition and such breach is not curable or, if curable, is not cured within 30 days after PayPal receives written notice of the breach from eBay.

**Termination Fee and Expense Reimbursement
(Page 96)**

PayPal has to pay a termination fee of \$5 million and expenses to eBay if eBay terminates the merger agreement after PayPal's board of directors has withdrawn or adversely changed its approval or recommendation of the merger agreement in the absence of an acquisition proposal.

Under the merger agreement, an acquisition proposal is any proposal or offer with respect to a merger, reorganization, share exchange, consolidation or similar transaction involving, or any purchase of all or any material portion of the assets of, or 20% or more of the equity securities in, PayPal or any of its subsidiaries.

PayPal has to pay a termination fee of \$45 million and expenses to eBay if, after an acquisition proposal has been made to PayPal or any person has publicly announced an intention, whether or not conditional, to make an acquisition proposal with respect to PayPal or any of its subsidiaries, the merger agreement has been terminated by either eBay or PayPal because:

the merger has not been completed by December 31, 2002, or March 31, 2003, if applicable;

PayPal's stockholders do not approve the merger;

PayPal's board of directors has withdrawn or adversely modified its approval or recommendation; or

there has been a breach of any representation, warranty, covenant or agreement made by PayPal in the merger agreement, or any such representation and warranty becomes untrue after the date of the merger agreement, such that certain conditions to closing of eBay would not be satisfied and such breach or condition is not curable or, if curable, is not cured within 30 days after written notice thereof is given by eBay to PayPal; and

thereafter PayPal enters into an agreement that is announced within 12 months and completed within 18 months after termination of the merger agreement and that agreement would have constituted an acquisition proposal if it had been negotiated during the term of the merger agreement.

Regulatory Approvals

(Page 80)

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, prohibits eBay and PayPal from completing the merger until eBay and PayPal have furnished certain information and materials to the Antitrust Division of the Department of Justice, or the DOJ, and the Federal Trade Commission, or the FTC, and the required waiting period has ended. On July 18, 2002, eBay and PayPal each filed the required notification and report forms. eBay and PayPal have been advised that the DOJ will be the regulatory agency responsible for reviewing the merger. On July 12, 2002, eBay and PayPal received an informal request for additional information from the DOJ and commenced collecting responsive information for the DOJ on a voluntary basis. In addition, representatives of eBay and PayPal have met with representatives of the DOJ to discuss the rationale behind, and answer questions relating to, the merger. The required waiting period expires on August 19, 2002, unless extended. If the DOJ were

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formally to request additional information or documentary material from eBay and PayPal, which is commonly referred to as a second request, the waiting period would expire 30 days after the date of substantial compliance by eBay and PayPal with such request.

Prior to entering into the merger agreement, representatives of PayPal submitted information and documentary material to, and met with, the DOJ and the FTC alleging that some of eBay's business practices were anticompetitive and harmful to PayPal. PayPal's most recent submission was on June 19, 2002 to the DOJ.

In addition to the United States, eBay and PayPal are required to make antitrust filings in Brazil and Germany. The parties submitted a filing to the Brazilian antitrust authorities on July 26, 2002 and to the German authorities on August 1, 2002.

eBay is required to make filings under applicable money transmitter laws in the States of Arizona and Maryland and the District of Columbia and may be required to make filings in additional jurisdictions.

Litigation Related to the Merger

(Page 81)

As of the date of this proxy statement/prospectus, we are aware of five purported class action lawsuits that have been filed by alleged stockholders of PayPal. These lawsuits name as defendants PayPal and each member of its board of directors as well as eBay. The lawsuits allege, among other things, that eBay controls PayPal, the defendants have breached fiduciary duties they assertedly owed to PayPal's stockholders in connection with PayPal entering into the merger agreement and the exchange ratio is unfair and inadequate. The plaintiffs in each lawsuit seek, among other things, an injunction against the consummation of the merger and an award of unspecified compensatory damages. We believe that each of the lawsuits is without merit and intend to defend ourselves vigorously.

No Appraisal Rights

(Page 81)

Under Delaware law, no appraisal rights are available to PayPal stockholders.

Material Federal Income Tax Consequences

(Page 78)

We expect that the exchange of your shares of PayPal common stock for shares of eBay common stock generally will not cause you to recognize gain or loss for U.S. federal income tax purposes. However, you will recognize income or gain with respect to cash received instead of fractional shares of eBay common stock. It is a condition to the merger that eBay and PayPal receive legal opinions about the U.S. federal income tax treatment of the merger with respect to our companies and our stockholders. These opinions will not bind the Internal Revenue Service, which could take a different view.

Risk Factors and Cautionary Statement Concerning Forward-Looking Statements

(Pages 26 through 61)

By voting in favor of the proposal to approve and adopt the merger agreement and approve the merger, you will be choosing to invest in eBay common stock. An investment in eBay common stock involves a high degree of risk. In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, you should carefully consider the factors discussed under the caption entitled

Risk Factors beginning on page 26 in deciding whether to vote in favor of the proposal to approve and adopt the merger agreement and approve the merger.

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This proxy statement/prospectus and the documents incorporated by reference into this proxy statement/prospectus contain forward-looking statements that involve risks and uncertainties, such as statements of eBay's, PayPal's and the combined company's plans, objectives, expectations and intentions. When used in this proxy statement/prospectus and the documents incorporated by reference into this

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proxy statement/prospectus, the words may , might , should , expects , anticipates , believes , estimates , intends and plans and similar are intended to identify certain of these forward-looking statements. Because these forward-looking statements involve risks and uncertainties, including those discussed under the caption entitled Risk Factors , the actual results of eBay, PayPal and the combined company could differ materially from those expressed or implied by the forward-looking statements in this proxy statement/ prospectus and the documents incorporated by reference into this proxy statement/ prospectus.

**Comparison of Rights of PayPal Stockholders and eBay Stockholders
(Page 161)**

PayPal s charter and bylaws and Delaware corporate law govern the rights of PayPal stockholders. eBay s charter and bylaws and Delaware corporate law will govern your rights as a stockholder of eBay following the merger. Your rights under eBay s charter and bylaws will differ in some respects from your rights under PayPal s charter and bylaws.

Table of Contents**PayPal Selected Financial Data**

The following PayPal selected financial data is provided to aid your analysis of the financial aspects of the merger. When you read this historical financial data, it is important that you also read the historical consolidated financial statements and related notes included in this proxy statement/prospectus beginning on page F-1, as well as the section entitled "PayPal Management's Discussion and Analysis of Financial Condition and Results of Operations of PayPal" beginning on page 132 of this proxy statement/prospectus.

The table below presents selected historical consolidated financial data of PayPal. PayPal has prepared this information using its consolidated financial statements for (1) the period from March 8, 1999 (PayPal's inception) to December 31, 1999, (2) each of the two years in the period ended December 31, 2001, and (3) the six-month periods ended June 30, 2001 and June 30, 2002. The consolidated statements for the period from March 8, 1999 to December 31, 1999, and for each of the two years in the period ended December 31, 2001, have been audited. The consolidated financial statements for the six-month periods ended June 30, 2001 and June 30, 2002 have not been audited. In the opinion of PayPal's management, these unaudited statements have been prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments necessary for a fair statement of the consolidated information for the periods presented. Operating results of the six months ended June 30, 2001 and June 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2002.

| | Period from March 8, 1999 (Inception) to December 31, 1999 | Year Ended December 31, | | Six Months Ended June 30, | |
|---|---|-------------------------|--------------------|------------------------------|-----------------|
| | | 2000 | 2001 | 2001 | 2002 |
| (in thousands, except per share data) | | | | | |
| (unaudited) | | | | | |
| Consolidated Statements of Operations: | | | | | |
| Transaction and other fees(1) | \$ | \$ 6,547 | \$ 99,952 | \$ 31,629 | \$ 102,062 |
| Interest on funds held for others(2) | | 2,046 | 3,763 | 2,063 | 471 |
| Service agreement revenues | | 3,938 | | | |
| Total revenues | | 12,531 | 103,715 | 33,692 | 102,533 |
| Transaction processing expenses | | 25,093 | 47,589 | 19,413 | 35,322 |
| Provision for transaction losses | | 11,028 | 14,760 | 5,540 | 13,114 |
| Customer service and operations* | 230 | 15,754 | 30,636 | 14,280 | 20,410 |
| Product development* | 483 | 4,419 | 8,819 | 4,143 | 6,344 |
| Selling, general and administrative*(1) | 3,691 | 33,021 | 21,357 | 10,660 | 12,766 |
| Stock-based compensation | 354 | 5,825 | 26,277 | 6,183 | 8,034 |
| Amortization of goodwill and other intangibles(3) | 124 | 49,313 | 65,661 | 32,830 | 864 |
| Service agreement costs and termination expenses | | 41,142 | | | |
| Non-recurring charges | | | | | 5,534 |
| Total operating expenses | 4,882 | 185,595 | 215,099 | 93,049 | 102,388 |
| Income (loss) from operations | (4,882) | (173,064) | (111,384) | (59,357) | 145 |
| Interest and other income (expense), net | 263 | 3,558 | 3,582 | 2,449 | 1,871 |
| Income (loss) before income taxes | (4,619) | (169,506) | (107,802) | (56,908) | 2,016 |
| Provision for income taxes | | | | | 256 |
| Net income (loss)(3) | \$(4,619) | \$(169,506) | \$(107,802) | \$(56,908) | \$ 1,760 |
| Net income (loss) per share(3)(4)(5): | | | | | |
| Basic | \$(12.09) | \$(52.47) | \$(16.39) | \$(9.80) | \$0.04 |

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| | | | | | |
|--|-----------|------------|------------|-----------|---------|
| | _____ | _____ | _____ | _____ | _____ |
| Diluted | \$(12.09) | \$ (52.47) | \$ (16.39) | \$ (9.80) | \$ 0.03 |
| | _____ | _____ | _____ | _____ | _____ |
| Shares used in calculating net income (loss) per share:(3)(5) | | | | | |
| Basic | 382 | 3,230 | 6,660 | 5,807 | 45,078 |
| | _____ | _____ | _____ | _____ | _____ |
| Diluted | 382 | 3,230 | 6,660 | 5,807 | 61,840 |
| | _____ | _____ | _____ | _____ | _____ |

* Amounts exclude stock-based compensation as follows:

| | | | | | |
|-------------------------------------|--------|----------|-----------|----------|----------|
| Customer service and operations | \$ 66 | \$ 213 | \$ 1,781 | \$ 619 | \$ 1,124 |
| Product development | 138 | 915 | 7,788 | 775 | 2,191 |
| Selling, general and administrative | 150 | 4,697 | 16,708 | 4,789 | 4,719 |
| | _____ | _____ | _____ | _____ | _____ |
| Total | \$ 354 | \$ 5,825 | \$ 26,277 | \$ 6,183 | \$ 8,034 |
| | _____ | _____ | _____ | _____ | _____ |

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- (1) PayPal adopted provisions of EITF 01-09 *Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products* on January 1, 2002. Prior period amounts have been reclassified to conform to the new presentation.
- (2) Beginning in February 2002, PayPal began to deposit all U.S.-based customer funds not transferred to the PayPal Money Market Reserve Fund into FDIC-insured bank accounts and the revenues from interest on funds held for U.S.-based customers will cease in future periods.
- (3) On January 1, 2002, PayPal adopted the provisions of SFAS No. 142 and no longer amortizes goodwill. During the period from March 8, 1999 (PayPal's inception) to December 31, 1999, PayPal did not recognize any goodwill amortization. During the years ended December 31, 2000 and 2001, PayPal goodwill amortization totaled \$46.7 million and \$62.2 million, respectively. Had PayPal's goodwill amortization not been reflected in net loss during these years, the net loss amounts for the years ended December 31, 2000 and 2001 would have been \$122.9 million and \$45.6 million, respectively, with loss per share for these years of \$38.03 and \$7.05, respectively.
- (4) PayPal closed its initial public offering on February 21, 2002 and issued 6.2 million shares of PayPal common stock. All shares of PayPal preferred stock outstanding immediately prior to the offering converted into 43.4 million shares of PayPal common stock at such time. Basic net income (loss) per share and shares used in calculating basic net income (loss) per share give effect to the conversion as of the closing date of the offering.
- (5) All share and per share amounts reflect PayPal's historical stock splits in all periods presented.

Table of Contents**PayPal Selected Financial Data (Continued)**

| | December 31, | | | June 30, |
|--|-------------------|-------------------|-------------------|-------------------|
| | 1999 | 2000 | 2001 | 2002 |
| | (in thousands) | | | (unaudited) |
| Consolidated Balance Sheet Data: | | | | |
| Cash and cash equivalents corporate | \$ 8,442 | \$ 47,065 | \$ 5,760 | \$ 68,403 |
| Short-term investment securities corporate | | 5,031 | 8,498 | 800 |
| Long-term investment securities corporate | | | 17,095 | 41,988 |
| Restricted cash and investment securities | 150 | 3,976 | 31,172 | 30,604 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 8,592 | \$ 56,072 | \$ 62,525 | \$ 141,795 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash, cash equivalents and investment securities held on behalf of others(1) | \$ | \$ 68,046 | \$ 144,235 | \$ 33,911 |
| Funds receivable | 12,842 | 11,271 | 32,074 | 54,106 |
| Total assets | | 231,797 | 278,577 | 275,243 |
| Due to customers | | 82,786 | 174,763 | 70,087 |
| Funds payable | | 6,721 | 4,459 | 16,077 |
| Reserve for transaction losses | | 4,900 | 7,233 | 7,384 |
| Mandatorily redeemable convertible preferred stock(2) | 15,791 | 241,641 | 279,224 | |
| Total stockholders equity (deficit) | (4,039) | (113,453) | (199,312) | 160,217 |

- (1) Beginning in February 2002, PayPal began to deposit all U.S.-based customer funds not transferred to the PayPal Money Market Reserve Fund into FDIC-insured bank accounts.
- (2) PayPal closed its initial public offering on February 21, 2002 and issued 6.2 million shares of PayPal common stock. All shares of PayPal preferred stock outstanding immediately prior to the offering converted into 43.4 million shares of PayPal common stock at such time.

Table of Contents**eBay Selected Financial Data**

The following eBay selected financial data is provided to aid your analysis of the financial aspects of the merger. When you read this historical financial data, it is important that you also read eBay's historical consolidated financial statements and related notes incorporated by reference into this proxy statement/ prospectus, as well as the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in eBay's annual and quarterly reports incorporated by reference into this proxy statement/ prospectus. See "Where You Can Find More Information" on page 167.

The table below presents selected historical consolidated financial data of eBay. The consolidated financial data for the five years ended December 31, 2001 have been derived from audited consolidated financial statements of eBay incorporated by reference into this proxy statement/ prospectus. The consolidated financial data for the six-month periods ended June 30, 2001 and June 30, 2002 have been derived from unaudited interim consolidated financial statements of eBay incorporated by reference into this proxy statement/ prospectus. Operating results of the six months ended June 30, 2001 and June 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2002 or any other period.

| | Year Ended December 31, | | | | | Six Months Ended June 30, | |
|---|---------------------------------------|----------|-----------|-----------|-----------|------------------------------|-----------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2001 | 2002 |
| | (in thousands, except per share data) | | | | | (unaudited) | |
| Summary Consolidated Statements of Income: | | | | | | | |
| Net revenues | \$41,370 | \$86,129 | \$224,724 | \$431,424 | \$748,821 | \$334,995 | \$511,393 |
| Cost of net revenues | 8,404 | 16,094 | 57,588 | 95,453 | 134,816 | 59,874 | 85,838 |
| Gross profit | 32,966 | 70,035 | 167,136 | 335,971 | 614,005 | 275,121 | 425,555 |
| Operating expenses: | | | | | | | |
| Sales and marketing | 15,618 | 35,976 | 96,239 | 166,767 | 253,474 | 115,653 | 152,908 |
| Product development | 831 | 4,640 | 24,847 | 55,863 | 75,288 | 33,388 | 48,653 |
| General and administrative | 6,534 | 15,849 | 43,919 | 73,027 | 105,784 | 46,932 | 69,089 |
| Payroll expense on employee stock options | | | | 2,337 | 2,442 | 812 | 2,110 |
| Amortization of acquired intangible assets(1) | | 805 | 1,145 | 1,433 | 36,591 | 12,177 | 2,638 |
| Merger related costs | | | 4,359 | 1,550 | | | |
| Total operating expenses | 22,983 | 57,270 | 170,509 | 300,977 | 473,579 | 208,962 | 275,398 |
| Income (loss) from operations | 9,983 | 12,765 | (3,373) | 34,994 | 140,426 | 66,159 | 150,157 |
| Interest and other income (expense), net | (1,951) | (703) | 21,412 | 46,025 | 46,276 | 26,140 | 15,613 |
| Impairment of certain equity investments | | | & | | | | |