

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-37713



EBAY INC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**2025 Hamilton Avenue
San Jose , California**

(Address of principal executive offices)

77-0430924

(I.R.S. Employer
Identification No.)

95125

(Zip Code)

Registrant's telephone number, including area code:
(408) 376-7008

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of exchange on which registered</u>
Common stock	EBAY	The Nasdaq Global Select Market
6.00% Notes due 2056	EBAYL	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 27, 2020, there were 699,881,116 shares of the registrant's common stock, \$0.001 par value, outstanding, which is the only class of common or voting stock of the registrant issued.

PART I: FINANCIAL INFORMATION

Item 1: Financial Statements

**eBay Inc.
CONDENSED CONSOLIDATED BALANCE SHEET**

	June 30, 2020	December 31, 2019
	(In millions, except par value)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,006	\$ 923
Short-term investments	4,297	1,850
Accounts receivable, net of allowance for doubtful accounts of \$140 and \$100	845	691
Other current assets	1,246	1,101
Current assets of discontinued operations	—	141
Total current assets	7,394	4,706
Long-term investments	832	1,305
Property and equipment, net	1,364	1,484
Goodwill	4,910	4,929
Intangible assets, net	56	62
Operating lease right-of-use assets	536	599
Deferred tax assets	4,203	4,369
Other assets	719	414
Long-term assets of discontinued operations	—	306
Total assets	\$ 20,014	\$ 18,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 516	\$ 1,022
Accounts payable	305	251
Accrued expenses and other current liabilities	2,440	2,189
Deferred revenue	103	135
Income taxes payable	1,328	210
Current liabilities of discontinued operations	—	259
Total current liabilities	4,692	4,066
Operating lease liabilities	411	472
Deferred tax liabilities	2,584	2,646
Long-term debt	8,161	6,738
Other liabilities	1,264	1,356
Long-term liabilities of discontinued operations	—	26
Total liabilities	17,112	15,304
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 705 and 796 shares outstanding	2	2
Additional paid-in capital	15,844	16,126
Treasury stock at cost, 995 and 897 shares	(34,946)	(31,396)
Retained earnings	21,681	17,754
Accumulated other comprehensive income	321	384
Total stockholders' equity	2,902	2,870
Total liabilities and stockholders' equity	\$ 20,014	\$ 18,174

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions, except per share amounts) (Unaudited)			
Net revenues	\$ 2,865	\$ 2,423	\$ 5,239	\$ 4,836
Cost of net revenues	598	553	1,124	1,092
Gross profit	2,267	1,870	4,115	3,744
Operating expenses:				
Sales and marketing	716	688	1,323	1,335
Product development	308	295	575	567
General and administrative	320	256	554	540
Provision for transaction losses	93	63	195	130
Amortization of acquired intangible assets	9	10	18	21
Total operating expenses	1,446	1,312	2,665	2,593
Income from operations	821	558	1,450	1,151
Interest and other, net	182	(51)	184	13
Income from continuing operations before income taxes	1,003	507	1,634	1,164
Income tax provision	(263)	(107)	(409)	(248)
Income from continuing operations	740	400	1,225	916
Income from discontinued operations, net of income taxes	6	2	2,933	4
Net income	\$ 746	\$ 402	\$ 4,158	\$ 920
Income per share - basic:				
Continuing operations	\$ 1.05	\$ 0.47	\$ 1.68	\$ 1.04
Discontinued operations	0.01	—	4.03	0.01
Net income per share - basic	\$ 1.06	\$ 0.47	\$ 5.71	\$ 1.05
Income per share - diluted:				
Continuing operations	\$ 1.04	\$ 0.46	\$ 1.67	\$ 1.03
Discontinued operations	0.01	—	4.00	0.01
Net income per share - diluted	\$ 1.05	\$ 0.46	\$ 5.67	\$ 1.04
Weighted-average shares:				
Basic	703	860	728	880
Diluted	711	867	734	887

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions) (Unaudited)			
Net income	\$ 746	\$ 402	\$ 4,158	\$ 920
Other comprehensive income (loss), net of reclassification adjustments:				
Foreign currency translation gains (losses)	49	(20)	(64)	(52)
Unrealized gains (losses) on investments, net	32	16	1	56
Tax benefit (expense) on unrealized gains (losses) on investments, net	(8)	(5)	—	(15)
Unrealized gains (losses) on hedging activities, net	(47)	11	—	(30)
Tax benefit (expense) on unrealized gains (losses) on hedging activities, net	10	(2)	—	7
Other comprehensive income (loss), net of tax	36	—	(63)	(34)
Comprehensive income (loss)	\$ 782	\$ 402	\$ 4,095	\$ 886

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions) (Unaudited)			
Common stock:				
Balance, beginning of period	\$ 2	\$ 2	\$ 2	\$ 2
Common stock issued	—	—	—	—
Common stock repurchased/forfeited	—	—	—	—
Balance, end of period	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Additional paid-in-capital:				
Balance, beginning of period	15,723	15,785	16,126	15,716
Common stock and stock-based awards issued	45	52	49	55
Tax withholdings related to net share settlements of restricted stock units and awards	(43)	(65)	(83)	(119)
Stock-based compensation	116	139	210	260
Forward contract for share repurchase	—	—	(450)	—
Other	3	—	(8)	(1)
Balance, end of period	<u>15,844</u>	<u>15,911</u>	<u>15,844</u>	<u>15,911</u>
Treasury stock at cost:				
Balance, beginning of period	(34,946)	(27,895)	(31,396)	(26,394)
Common stock repurchased	—	(1,501)	(3,550)	(3,002)
Balance, end of period	<u>(34,946)</u>	<u>(29,396)</u>	<u>(34,946)</u>	<u>(29,396)</u>
Retained earnings:				
Balance, beginning of period	21,051	16,847	17,754	16,459
Net income	746	402	4,158	920
Dividends and dividend equivalents declared	(116)	(124)	(231)	(254)
Balance, end of period	<u>21,681</u>	<u>17,125</u>	<u>21,681</u>	<u>17,125</u>
Accumulated other comprehensive income:				
Balance, beginning of period	285	464	384	498
Foreign currency translation adjustment	49	(20)	(64)	(52)
Change in unrealized gains (losses) on investments	32	16	1	56
Change in unrealized gains (losses) on derivative instruments	(47)	11	—	(30)
Tax benefit (provision) on above items	2	(7)	—	(8)
Balance, end of period	<u>321</u>	<u>464</u>	<u>321</u>	<u>464</u>
Total stockholders' equity	<u>\$ 2,902</u>	<u>\$ 4,106</u>	<u>\$ 2,902</u>	<u>\$ 4,106</u>
Dividends and dividend equivalents declared per share or restricted stock unit	\$ 0.16	\$ 0.14	\$ 0.32	\$ 0.28

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended June 30,	
	2020	2019
	(In millions) (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 4,158	\$ 920
(Income) loss from discontinued operations, net of income taxes	(2,933)	(4)
Adjustments:		
Provision for transaction losses	195	130
Depreciation and amortization	319	330
Stock-based compensation	216	241
(Gain) loss on investments, net	2	1
Deferred income taxes	104	56
Change in fair value of warrant	(305)	(105)
Changes in assets and liabilities, net of acquisition effects	(90)	(302)
Net cash provided by continuing operating activities	1,666	1,267
Net cash provided by (used in) discontinued operating activities	(110)	27
Net cash provided by operating activities	1,556	1,294
Cash flows from investing activities:		
Purchases of property and equipment	(196)	(313)
Purchases of investments	(21,673)	(24,167)
Maturities and sales of investments	19,666	25,827
Acquisitions, net of cash acquired	(42)	(93)
Other	39	49
Net cash provided by (used in) continuing investing activities	(2,206)	1,303
Net cash provided by (used in) discontinued investing activities	4,075	(17)
Net cash provided by investing activities	1,869	1,286
Cash flows from financing activities:		
Proceeds from issuance of common stock	50	55
Repurchases of common stock	(4,030)	(2,949)
Payments for taxes related to net share settlements of restricted stock units and awards	(83)	(119)
Payments for dividends	(226)	(245)
Proceeds from issuance of long-term debt, net	1,765	—
Repayment of debt	(839)	—
Other	(7)	—
Net cash used in continuing financing activities	(3,370)	(3,258)
Net cash provided by (used in) discontinued financing activities	—	—
Net cash used in financing activities	(3,370)	(3,258)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(26)	(20)
Net increase (decrease) in cash, cash equivalents and restricted cash	29	(698)
Cash, cash equivalents and restricted cash at beginning of period	996	2,219
Cash, cash equivalents and restricted cash at end of period	\$ 1,025	\$ 1,521
Less: Cash, cash equivalents and restricted cash of discontinued operations	—	20
Cash, cash equivalents and restricted cash of continuing operations at end of period	\$ 1,025	\$ 1,501
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ 138	\$ 154
Interest on finance lease obligations	\$ 1	\$ —
Income taxes	\$ 113	\$ 220

The accompanying notes are an integral part of these condensed consolidated financial statements.

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — The Company and Summary of Significant Accounting Policies

The Company

eBay Inc. is a global commerce leader, which includes our Marketplace and Classifieds platforms. Founded in 1995 in San Jose, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

When we refer to “we,” “our,” “us,” the “Company” or “eBay” in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

On February 13, 2020, we completed the previously announced sale of our StubHub business to an affiliate of viagogo. Beginning in the first quarter of 2020, StubHub's financial results for periods prior to the sale have been reflected in our condensed consolidated statement of income as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the prior year are classified as discontinued operations in our condensed consolidated balance sheet. See “Note 4 – Discontinued Operations” for additional information.

We have two reportable segments to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. During the first quarter of 2020, we classified the results of our previously reported StubHub segment as discontinued operations in our condensed consolidated statement of income for all prior periods presented. Our two reportable segments are Marketplace and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. Classifieds includes a collection of brands such as mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. For further information on our segments, refer to “Note 6 – Segments”. Prior period segment information has been reclassified to conform to the current period segment presentation.

On July 20, 2020, we entered into a definitive agreement with Adevinta ASA (“Adevinta”) to transfer our Classifieds business to Adevinta for \$2.5 billion in cash, subject to certain adjustments, and 540 million shares in Adevinta. Together, the total consideration payable under the definitive agreement is valued at approximately \$9.2 billion, based on the closing trading price of Adevinta's outstanding shares on the Oslo Stock Exchange on July 17, 2020. The transaction is expected to close by the first quarter of 2021. Completion of the sale is subject to certain conditions, including regulatory approvals and the approval of the transaction by the requisite number of Adevinta's shareholders as set forth in the definitive agreement, and other risks and uncertainties, including general industry and economic conditions outside our control. If the conditions to the closing of the sale of Classifieds are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the sale of Classifieds or such completion may be delayed beyond our expected timeline.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to provisions for transaction losses, legal contingencies, income taxes, revenue recognition, stock-based compensation, investments, goodwill and the recoverability of intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

Principles of Consolidation and Basis of Presentation

The accompanying condensed financial statements are consolidated and include the financial statements of eBay Inc., our wholly and majority-owned subsidiaries and variable interest entities (“VIE”) where we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest. A qualitative approach is applied to assess the consolidation requirement for VIEs. Investments in entities where we hold at least a 20% ownership interest and have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. For such investments, our share of the investees’ results of operations is included in interest and other, net and our investment balance is included in long-term investments. Investments in entities where we hold less than a 20% ownership interest are generally accounted for as equity investments to be measured at fair value or, under an election, at cost if it does not have readily determinable fair value, in which case the carrying value would be adjusted upon the occurrence of an observable price change in an orderly transaction for identical or similar instruments or impairment.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019. We have evaluated all subsequent events through the date these condensed consolidated financial statements were issued. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the condensed consolidated financial position, results of operations and cash flows for these interim periods.

Significant Accounting Policies

Notwithstanding the addition of policies below for allowance for credit losses, there were no significant changes to our significant accounting policies disclosed in “Note 1 – The Company and Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2019.

Credit losses – Financial assets measured at amortized cost

We are exposed to credit losses primarily through our receivables from sellers or advertisers on our Marketplace and Classifieds platforms, respectively. We develop estimates to reflect the risk of credit loss which are based on historical loss trends adjusted for asset specific attributes, current conditions and reasonable and supportable forecasts of the economic conditions that will exist through the contractual life of the financial asset. Our receivables are recovered over a period of 0-180 days, therefore, forecasted changes to economic conditions are not expected to have a significant effect on the estimate of the allowance for doubtful accounts, except in extraordinary circumstances. We write off the asset when it is no longer deemed collectible or when it goes past due 180 days whichever is earlier, with certain limited exceptions. We monitor our ongoing credit exposure through an active review of collection trends. Our activities include monitoring the timeliness of payment collection, managing dispute resolution and performing timely account reconciliations. We may employ collection agencies to pursue recovery of defaulted receivables. At June 30, 2020, we reported allowances for doubtful accounts of \$140 million reflecting an increase of \$40 million, net of write-offs of \$61 million for the six months ended June 30, 2020.

We are also exposed to credit losses from customer accounts and funds receivable balances held by third party financial institutions. These balances are either held by financial institutions associated with payment intermediation activity and awaiting settlement, or are installment collections from financial institutions. We assess these balances for credit loss based on a review of the average period for which the funds are held, credit ratings of the financial institutions and by assessing the probability of default and loss given default models. At June 30, 2020, we did not record any credit-related loss.

Credit losses – Available-for-sale debt securities

We periodically assess our portfolio of debt investments for impairment. For debt securities in an unrealized loss position, this assessment first takes into account our intent to sell, or whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the debt security’s amortized cost basis is written down to fair value through interest and other, net.

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For debt securities in an unrealized loss position that do not meet the aforementioned criteria, we assess whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss may exist, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through interest and other, net, limited by the amount that the fair value is less than the amortized cost basis. Any additional impairment not recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Recently Adopted Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance that requires credit losses on financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. This standard impacts the Company’s accounting for allowances for doubtful accounts, available-for-sale securities and other assets subject to credit risk. In preparation for the adoption of this standard, we have updated our credit loss models as needed. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We adopted this guidance in the first quarter of 2020 with no material impact on our condensed consolidated financial statements.

In 2017, the FASB issued new guidance to simplify the subsequent measurement of goodwill by removing the requirement to perform a hypothetical purchase price allocation to compute the implied fair value of goodwill to measure impairment. Instead, any goodwill impairment will equal the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Further, the guidance eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This standard is effective for annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. We adopted this guidance in the first quarter of 2020 with no material impact on our condensed consolidated financial statements.

In 2018, the FASB issued new guidance on a customer’s accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement that is hosted by the vendor (i.e., a service contract). Under the new guidance, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. This standard is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those fiscal years. We adopted this guidance prospectively in the first quarter of 2020 with no material impact on our condensed consolidated financial statements.

In 2018, the FASB issued new guidance to clarify the interaction between Collaborative Arrangements and Revenue from Contracts with Customers standards. The guidance (1) clarifies that certain transactions between collaborative arrangement participants should be accounted for under revenue guidance; (2) adds unit of account guidance to the collaborative arrangement guidance to align with the revenue standard; and (3) clarifies presentation guidance for transactions with a collaborative arrangement participant that is not accounted for under the revenue standard. The guidance is effective for annual reporting periods beginning after December 15, 2019, including interim reporting periods within those annual reporting periods. We adopted this guidance in the first quarter of 2020 with no material impact on our condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles and also simplification of areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws or rate changes. The

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

standard will be effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those fiscal years. We are evaluating the impact of adopting this new accounting guidance on our condensed consolidated financial statements.

In 2020, the FASB issued new guidance to decrease diversity in practice and increase comparability for the accounting of certain equity securities and investments under the equity method of accounting. The standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2020. We are evaluating the impact of adopting this new guidance on our condensed consolidated financial statements.

Note 2 — Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and equity incentive awards is reflected in diluted net income per share by application of the treasury stock method. The calculation of diluted net income per share excludes all anti-dilutive common shares. The following table sets forth the computation of basic and diluted net income per share for the three and six months ended June 30, 2020 and 2019 (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator:				
Income from continuing operations	\$ 740	\$ 400	\$ 1,225	\$ 916
Income from discontinued operations, net of income taxes	6	2	2,933	4
Net income	<u>\$ 746</u>	<u>\$ 402</u>	<u>\$ 4,158</u>	<u>\$ 920</u>
Denominator:				
Weighted average shares of common stock - basic	703	860	728	880
Dilutive effect of equity incentive awards	8	7	6	7
Weighted average shares of common stock - diluted	<u>711</u>	<u>867</u>	<u>734</u>	<u>887</u>
Income per share - basic:				
Continuing operations	\$ 1.05	\$ 0.47	\$ 1.68	\$ 1.04
Discontinued operations	0.01	—	4.03	0.01
Net income per share - basic	<u>\$ 1.06</u>	<u>\$ 0.47</u>	<u>\$ 5.71</u>	<u>\$ 1.05</u>
Income per share - diluted:				
Continuing operations	\$ 1.04	\$ 0.46	\$ 1.67	\$ 1.03
Discontinued operations	0.01	—	4.00	0.01
Net income per share - diluted	<u>\$ 1.05</u>	<u>\$ 0.46</u>	<u>\$ 5.67</u>	<u>\$ 1.04</u>
Common stock equivalents excluded from income per diluted share because their effect would have been anti-dilutive	<u>1</u>	<u>20</u>	<u>6</u>	<u>23</u>

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 3 — Business Combinations

Acquisition activity during the three and six months ended June 30, 2020 was immaterial.

In February 2019, we completed our acquisition of the U.K.-based classifieds site, Motors.co.uk, for \$93 million in cash. We made the acquisition to increase our international presence and give buyers access to more listings.

The aggregate purchase consideration was allocated as follows (in millions):

	Motors.co.uk
Goodwill	\$ 65
Purchased intangible assets	30
Net liabilities	(2)
Total	<u>\$ 93</u>

We assigned the goodwill to our Classifieds segment. The goodwill recognized is primarily attributable to expected synergies and the assembled workforce of Motors.co.uk. We generally do not expect goodwill to be deductible for income tax purposes.

Our condensed consolidated financial statements include the operating results of Motors.co.uk from the date of acquisition. Separate post acquisition operating results and pro forma results of operations for this acquisition have not been presented as the effect of the acquisition is not material to our financial results.

Note 4 — Discontinued Operations

StubHub

On February 13, 2020, we completed the previously announced sale of our StubHub business to an affiliate of viagogo for a purchase price of \$4.05 billion in cash, subject to certain adjustments specified in the purchase agreement, including adjustments for indebtedness, cash, working capital and transaction expenses of StubHub at the closing of the transaction. The sale was completed for \$4.1 billion in proceeds (\$3.2 billion, net of income taxes of approximately \$900 million) and a pre-tax gain of \$3.9 billion upon closing within income from discontinued operations, both subject to working capital adjustments.

At December 31, 2019, our StubHub segment did not meet the criteria for assets held for sale due to uncertainty that closing conditions of the sale, such as the buyer obtaining debt and equity financing, would be met on a timely basis. Upon the completion of the sale in the first quarter of 2020, we classified the results of our previous StubHub segment as discontinued operations in our condensed consolidated statement of income, condensed consolidated balance sheet and condensed consolidated statement of cash flows for all prior periods presented.

In connection with the sale of StubHub, we entered into a transition service agreement (“TSA”) with viagogo pursuant to which we will provide services, including, but not limited to, business support services for StubHub after the divestiture for fees of \$40 million. These agreements commenced with the close of the transaction and have minimum initial terms ranging from 12 to 18 months and can be extended by viagogo for a maximum of 12 months.

The financial results of StubHub are presented as income from discontinued operations, net of income taxes in our condensed consolidated statement of income. The following table presents financial results from discontinued operations (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020 ⁽¹⁾	2019
StubHub income from discontinued operations, net of income taxes	\$ 7	\$ 3	\$ 2,935	\$ 8
PayPal and Enterprise (loss) from discontinued operations, net of income taxes	(1)	(1)	(2)	(4)
Income from discontinued operations, net of income taxes	\$ 6	\$ 2	\$ 2,933	\$ 4

(1) Includes StubHub financial results from January 1, 2020 to February 13, 2020, in addition to the gain on sale recorded during the three months ended March 31, 2020.

The following table presents cash flows for StubHub (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020 ⁽¹⁾	2019
Net cash provided by (used in) discontinued operating activities	\$ —	\$ 49	\$ (110)	\$ 27
Net cash provided by (used in) discontinued investing activities	\$ —	\$ (4)	\$ 4,075	\$ (17)

(1) Includes StubHub financial results from January 1, 2020 to February 13, 2020, in addition to the gain on sale recorded during the three months ended March 31, 2020.

The financial results of StubHub are presented as income from discontinued operations, net of income taxes on our condensed consolidated statement of income. The following table presents the financial results of StubHub (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020 ⁽¹⁾	2019
Net revenues	\$ —	\$ 264	\$ 100	\$ 494
Cost of net revenues	—	77	31	139
Gross profit	—	187	69	355
Operating expenses:				
Sales and marketing	—	129	51	224
Product development	—	27	29	52
General and administrative	—	18	33	43
Provision for transaction losses	—	8	3	13
Amortization of acquired intangible assets	—	2	1	4
Total operating expenses	—	184	117	336
Income (loss) from operations of discontinued operations	—	3	(48)	19
Pre-tax gain on sale	—	—	3,876	—
Income from discontinued operations before income taxes	—	3	3,828	19
Income tax benefit (provision)	7	—	(893)	(11)
Income from discontinued operations, net of income taxes	\$ 7	\$ 3	\$ 2,935	\$ 8

(1) Includes StubHub financial results from January 1, 2020 to February 13, 2020, in addition to the gain on sale recorded during the three months ended March 31, 2020.

For the three and six months ended June 30, 2020 and 2019, the loss from discontinued operations related to our former PayPal and Enterprise businesses was immaterial.

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations in the condensed consolidated balance sheet (in millions):

	December 31, 2019
Carrying amounts of assets included as part of discontinued operations:	
Cash and cash equivalents	\$ 52
Accounts receivable, net	9
Other current assets	80
Total current assets of discontinued operations	<u>\$ 141</u>
Long-term investments	11
Property and equipment, net	26
Goodwill	224
Intangible assets, net	5
Operating lease right-of-use assets	29
Deferred tax assets	8
Other assets	3
Total long-term assets of discontinued operations	<u>\$ 306</u>
Carrying amounts of liabilities included as part of discontinued operations:	
Accounts payable	\$ 19
Accrued expenses and other current liabilities	215
Deferred revenue	23
Income taxes payable	2
Total current liabilities of discontinued operations	<u>\$ 259</u>
Operating lease liabilities	20
Other liabilities	6
Total long-term liabilities of discontinued operations	<u>\$ 26</u>

Note 5 — Goodwill and Intangible Assets

Goodwill

The following table presents goodwill activity by reportable segment during the six months ended June 30, 2020 (in millions):

	December 31, 2019	Goodwill Acquired	Adjustments	June 30, 2020
Marketplace	\$ 4,533	\$ —	\$ (49)	\$ 4,484
Classifieds	396	30	—	426
Total	<u>\$ 4,929</u>	<u>\$ 30</u>	<u>\$ (49)</u>	<u>\$ 4,910</u>

The adjustments to goodwill during the six months ended June 30, 2020 were primarily due to foreign currency translation.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Intangible Assets

The components of identifiable intangible assets are as follows (in millions, except years):

	June 30, 2020				December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Intangible assets:								
Customer lists and user base	\$ 436	\$ (395)	\$ 41	5	\$ 432	\$ (383)	\$ 49	5
Marketing related	483	(476)	7	5	491	(486)	5	5
Developed technologies	234	(230)	4	3	235	(230)	5	3
All other	165	(161)	4	4	161	(158)	3	4
Total	<u>\$ 1,318</u>	<u>\$ (1,262)</u>	<u>\$ 56</u>		<u>\$ 1,319</u>	<u>\$ (1,257)</u>	<u>\$ 62</u>	

Amortization expense for intangible assets was \$10 million and \$12 million for the three months ended June 30, 2020 and 2019, respectively and \$20 million and \$25 million for the six months ended June 30, 2020 and 2019.

Expected future intangible asset amortization as of June 30, 2020 is as follows (in millions):

Remaining 2020	\$ 22
2021	26
2022	6
2023	2
Total	<u>\$ 56</u>

Note 6 — Segments

We have two reportable segments to reflect the way management and our CODM review and assess performance of the business. During the first quarter of 2020, we classified the results of our previous StubHub segment as discontinued operations in our condensed consolidated statement of income for all prior periods presented. Our two reportable segments are Marketplace and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. Classifieds includes a collection of brands such as mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. The accounting policies of our segments are the same as those described in "Note 1 – The Company and Summary of Significant Accounting Policies". Prior period segment information has been reclassified to conform to the current period segment presentation.

Our reportable segments reflect the way management and our CODM review and assess performance of the business. Our CODM reviews revenue and operating income (loss) for each reportable segment. Our CODM does not evaluate reportable segments using asset information. Corporate and other costs include: (i) corporate management costs, such as human resources, finance and legal, that are not allocated to our segments; (ii) amortization of intangible assets; (iii) restructuring charges; (iv) stock-based compensation; and (v) results of operations of various initiatives that support all of our reportable segments.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Segment net revenue and operating income were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Revenues				
Marketplace				
Net transaction revenues	\$ 2,447	\$ 1,887	\$ 4,347	\$ 3,772
Marketing services and other revenues	221	270	451	547
Total Marketplace	2,668	2,157	4,798	4,319
Classifieds ⁽¹⁾	201	271	449	527
Elimination of inter-segment net revenue ⁽²⁾	(4)	(5)	(8)	(10)
Total consolidated net revenue	\$ 2,865	\$ 2,423	\$ 5,239	\$ 4,836
Operating income (loss)				
Marketplace	\$ 1,067	\$ 689	\$ 1,828	\$ 1,458
Classifieds	61	102	144	193
Corporate and other costs	(307)	(233)	(522)	(500)
Total operating income	821	558	1,450	1,151
Interest and other, net	182	(51)	184	13
Income before income taxes	\$ 1,003	\$ 507	\$ 1,634	\$ 1,164

(1) Classifieds net revenues consists entirely of marketing services and other revenue.

(2) Represents revenue generated between our reportable segments.

The following table summarizes the allocation of net revenues based on geography (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
U.S.	\$ 1,086	\$ 820	\$ 1,908	\$ 1,662
Germany	397	392	754	776
United Kingdom	453	363	801	716
South Korea	334	300	646	597
Rest of world	595	548	1,130	1,085
Total net revenues	\$ 2,865	\$ 2,423	\$ 5,239	\$ 4,836

Net revenues, inclusive of the effects of foreign exchange during each period, are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located.

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7 — Investments

The following tables summarize the unrealized gains and losses and estimated fair value of our investments classified as available-for-sale (in millions):

	June 30, 2020			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Restricted cash	\$ 19	\$ —	\$ —	\$ 19
Corporate debt securities	3,866	3	—	3,869
Government and agency securities	409	—	—	409
	<u>\$ 4,294</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 4,297</u>
Long-term investments:				
Corporate debt securities	530	5	(1)	534
	<u>\$ 530</u>	<u>\$ 5</u>	<u>\$ (1)</u>	<u>\$ 534</u>
	December 31, 2019			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Restricted cash	\$ 21	\$ —	\$ —	\$ 21
Corporate debt securities	1,653	1	—	1,654
Government and agency securities	175	—	—	175
	<u>\$ 1,849</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1,850</u>
Long-term investments:				
Corporate debt securities	957	4	—	961
	<u>\$ 957</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 961</u>

Investments classified as available-for-sale are carried at fair value with changes reflected in other comprehensive income. Where there is an intention or a requirement to sell an impaired available-for-sale debt security, the entire impairment is recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. We presently do not intend to sell any of the securities in an unrealized loss position and expect to realize the full value of all these investments upon maturity or sale.

We regularly review investment securities for credit impairment using both qualitative and quantitative criteria. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses will be recorded through interest and other, net for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. We did not recognize any credit-related impairment through an allowance for credit losses as of June 30, 2020.

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Investment securities in a continuous loss position for less than 12 months had an estimated fair value of \$946 million and an immaterial amount of unrealized losses as of June 30, 2020, and an estimated fair value of \$774 million and an immaterial amount of unrealized losses as of December 31, 2019. As of June 30, 2020 there were no investment securities in a continuous loss position for greater than 12 months. Investment securities in a continuous loss position for greater than 12 months had an estimated fair value of \$92 million and an immaterial amount of unrealized losses as of December 31, 2019. Refer to “Note 16 – Accumulated Other Comprehensive Income” for amounts reclassified to earnings from unrealized gains and losses.

The estimated fair values of our short-term and long-term investments classified as available-for-sale by date of contractual maturity as of June 30, 2020 are as follows (in millions):

	June 30, 2020
One year or less (including restricted cash of \$19)	\$ 4,297
One year through two years	335
Two years through three years	199
	<u>\$ 4,831</u>

Equity Investments

Our equity investments are reported in long-term investments on our condensed consolidated balance sheet. The following table provides a summary of our equity investments (in millions):

	June 30, 2020	December 31, 2019
Equity investments without readily determinable fair values	\$ 291	\$ 337
Equity investments under the equity method of accounting	7	7
Total equity investments	<u>\$ 298</u>	<u>\$ 344</u>

The following table summarizes the change in total carrying value during the three and six months ended June 30, 2020 and 2019 related to equity investments without readily determinable fair values still held (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Carrying value, beginning of period	\$ 326	\$ 137	\$ 337	\$ 137
Downward adjustments for observable price changes and impairment	(40)	—	(40)	—
Foreign currency translation and other	5	(1)	(6)	(1)
Carrying value, end of period	<u>\$ 291</u>	<u>\$ 136</u>	<u>\$ 291</u>	<u>\$ 136</u>

For such equity investments without readily determinable fair values still held at June 30, 2020, cumulative downward adjustments for price changes and impairment was \$121 million. There have been no upward adjustments for price changes to our equity investments without readily determinable fair values still held at June 30, 2020.

Note 8 — Derivative Instruments

Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign exchange rate and interest rate movements. We do not use any of our derivative instruments for trading purposes.

We use foreign currency exchange contracts to reduce the volatility of cash flows related to forecasted revenues, expenses, assets and liabilities, including intercompany balances denominated in foreign currencies. These contracts are generally one month to one year in duration but with maturities up to 24 months. The objective of the foreign exchange contracts is to better ensure that ultimately the U.S. dollar-equivalent cash flows are not adversely affected by changes in the applicable U.S. dollar/foreign currency exchange rate. We evaluate the effectiveness of our foreign exchange contracts designated as cash flow or net investment hedges on a quarterly basis.

During 2020, we began to hedge the variability of forecasted interest payments on anticipated debt issuance using forward-starting interest rate swaps. The total notional amount of these forward-starting interest rate swaps was \$700 million as of June 30, 2020 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate and have the economic effect of hedging the variability of forecasted interest payments for up to 10 years on an anticipated debt issuance in 2022, and they will be terminated upon issuance of the debt. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) until the anticipated debt issuance. Upon debt issuance and termination of the derivative instruments, their fair value will be amortized over the term of the new debt to interest expense. We evaluate the effectiveness of interest rate swaps designated as cash flow hedges on a quarterly basis.

During the second quarter of 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our floating-rate debt that is based on London Interbank Offered Rate ("LIBOR") to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was \$400 million as of June 30, 2020 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. Similar to other cash flow hedges, we record changes in the fair value of these interest rate swaps in accumulated other comprehensive income (loss) and their fair value will be amortized over the term of the debt to interest expense.

We used interest rate swaps to manage interest rate risk on our fixed rate notes issued in July 2014 and maturing in 2019, 2021 and 2024. These interest rate swaps had the economic effect of modifying the fixed interest obligations associated with \$2.4 billion of these notes so that the interest payable on these senior notes effectively became variable based on LIBOR plus a spread. These interest rate swaps were terminated in 2019.

Cash Flow Hedges

For derivative instruments that are designated as cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income ("AOCI") and subsequently reclassified into earnings in the same period the forecasted hedged transaction affects earnings. Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Unrealized gains and losses in AOCI associated with such derivative instruments are immediately reclassified into earnings. As of June 30, 2020, we have estimated that approximately \$4 million of net derivative gains related to our foreign exchange cash flow hedges and \$1 million net derivative losses related to our interest rate contracts included in accumulated other comprehensive income will be reclassified into earnings within the next 12 months. We classify cash flows related to our cash flow hedges as operating activities in our condensed consolidated statement of cash flows.

Net Investment Hedges

For derivative instruments that are designated as net investment hedges, the derivative's gain or loss is initially reported in the translation adjustments component of AOCI and is reclassified to net earnings in the period in which the hedged subsidiary is either sold or substantially liquidated.

Fair Value Hedges

We designated the interest rate swaps used to manage interest rate risk on our fixed rate notes issued in July 2014 and maturing in 2019, 2021 and 2024 as qualifying hedging instruments and accounted for them as fair value hedges. These transactions were designated as fair value hedges for financial accounting purposes because they protected us against changes in the fair value of certain of our fixed rate borrowings due to benchmark interest rate movements. In 2019, \$1.15 billion related to our 2.200% senior notes due 2019 of the \$2.4 billion aggregate notional amount matured. In addition, during 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the three and six months ended June 30, 2020 was immaterial.

Non-Designated Hedges

Our derivatives not designated as hedging instruments consist of foreign currency forward contracts that we primarily use to hedge monetary assets or liabilities, including intercompany balances denominated in non-functional currencies. The gains and losses on our derivatives not designated as hedging instruments are recorded in interest and other, net, which are offset by the foreign currency gains and losses on the related assets and liabilities that are also recorded in interest and other, net. We classify cash flows related to our non-designated hedging instruments as operating activities in our condensed consolidated statement of cash flows.

Warrant

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant has a term of seven years and will vest in a series of four tranches, at a specified price per share (fixed for the first two tranches) upon meeting processing volume milestone targets on a calendar year basis. If and when a relevant milestone is reached, the warrant becomes exercisable with respect to the corresponding tranche of warrant shares up until the warrant expiration date of January 31, 2025. The maximum number of tranches that can vest in one calendar year is two.

The warrant is accounted for as a derivative under ASC Topic 815, *Derivatives and Hedging*. We report the warrant at fair value within other assets in our condensed consolidated balance sheets and changes in the fair value of the warrant are recognized in interest and other, net in our condensed consolidated statement of income. The day-one value attributable to the other side of the warrant, which was recorded as a deferred credit, is reported within other liabilities in our condensed consolidated balance sheets and will be amortized over the life of the commercial arrangement.

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair Value of Derivative Contracts

The fair values of our outstanding derivative instruments were as follows (in millions):

	Balance Sheet Location	June 30, 2020	December 31, 2019
Derivative Assets:			
Foreign exchange contracts designated as cash flow hedges	Other Current Assets	\$ 51	\$ 36
Foreign exchange contracts designated as net investment hedges	Other Current Assets	4	—
Foreign exchange contracts not designated as hedging instruments	Other Current Assets	21	15
Warrant	Other Assets	586	281
Foreign exchange contracts designated as cash flow hedges	Other Assets	19	15
Total derivative assets		\$ 681	\$ 347
Derivative Liabilities:			
Foreign exchange contracts designated as cash flow hedges	Other Current Liabilities	\$ 7	\$ 2
Foreign exchange contracts designated as net investment hedges	Other Current Liabilities	1	2
Foreign exchange contracts not designated as hedging instruments	Other Current Liabilities	20	19
Interest rate contracts designated as cash flow hedges	Other Current Liabilities	1	—
Interest rate contracts designated as cash flow hedges	Other Liabilities	2	—
Total derivative liabilities		\$ 31	\$ 23
Total fair value of derivative instruments		\$ 650	\$ 324

Under the master netting agreements with the respective counterparties to our derivative contracts, subject to applicable requirements, we are allowed to net settle transactions of the same type with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis on our condensed consolidated balance sheet. As of June 30, 2020, the potential effect of rights of set-off associated with the foreign exchange contracts would be an offset to both assets and liabilities by \$24 million, resulting in net derivative assets of \$71 million and net derivative liabilities of \$5 million. As of June 30, 2019, the potential effect of rights of set-off associated with the interest rate contracts would be an offset to liabilities by \$1 million, resulting in net derivative assets of zero and net derivative liabilities of \$3 million.

Effect of Derivative Contracts on Accumulated Other Comprehensive Income

The following tables present the activity of derivative instruments designated as cash flow hedges as of June 30, 2020 and December 31, 2019, and the impact of these derivative contracts on AOCI for the six months ended June 30, 2020 and 2019 (in millions):

	December 31, 2019	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	June 30, 2020
Foreign exchange contracts designated as cash flow hedges	\$ (9)	\$ 21	\$ 17	\$ (5)
Interest rate contracts designated as cash flow hedges	—	(3)	—	(3)
Total	\$ (9)	\$ 18	\$ 17	\$ (8)

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2018	Amount of Gain (Loss) Recognized in Other Comprehensive Income	Less: Amount of Gain (Loss) Reclassified From AOCI to Earnings	June 30, 2019
Foreign exchange contracts designated as cash flow hedges	\$ 68	\$ 4	\$ 34	\$ 38

Effect of Derivative Contracts on Condensed Consolidated Statement of Income

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our foreign exchange derivative contracts by location (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Foreign exchange contracts designated as cash flow hedges recognized in net revenues	\$ 17	\$ 13	\$ 17	\$ 33
Foreign exchange contracts designated as cash flow hedges recognized in cost of net revenues	—	1	—	1
Foreign exchange contracts not designated as hedging instruments recognized in interest and other, net	8	(14)	18	(19)
Total gain (loss) recognized from foreign exchange derivative contracts in the condensed consolidated statement of income	\$ 25	\$ —	\$ 35	\$ 15

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income from our interest rate derivative contracts by location (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gain (loss) from interest rate contracts designated as fair value hedges recognized in interest and other, net	\$ —	\$ 24	\$ —	\$ 39
Gain (loss) from hedged items attributable to hedged risk recognized in interest and other, net	—	(24)	—	(39)
Total gain (loss) recognized from interest rate derivative contracts in the condensed consolidated statement of income	\$ —	\$ —	\$ —	\$ —

The following table provides a summary of the total gain (loss) recognized in the condensed consolidated statement of income due to changes in the fair value of the warrant (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Gain (loss) attributable to changes in the fair value of warrant recognized in interest and other, net	\$ 293	\$ (8)	\$ 305	\$ 105

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Notional Amounts of Derivative Contracts

Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which the value of foreign exchange payments under these contracts are determined. The following table provides the notional amounts of our outstanding derivatives (in millions):

	June 30, 2020	December 31, 2019
Foreign exchange contracts designated as cash flow hedges	\$ 2,022	\$ 1,983
Foreign exchange contracts designated as net investment hedges	165	200
Foreign exchange contracts not designated as hedging instruments	2,630	2,439
Interest rate contracts designated as cash flow hedges	1,100	—
Total	<u>\$ 5,917</u>	<u>\$ 4,622</u>

Credit Risk

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. We seek to mitigate such risk by limiting our counterparties to, and by spreading the risk across, major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. To further limit credit risk, we also enter into collateral security arrangements related to certain interest rate derivative instruments whereby collateral is posted between counterparties if the fair value of the derivative instrument exceeds certain thresholds. Additional collateral would be required in the event of a significant credit downgrade by either party. We are not required to pledge, nor are we entitled to receive, collateral related to our foreign exchange derivative transactions.

Note 9 — Fair Value Measurement of Assets and Liabilities

The following tables present our financial assets and liabilities measured at fair value on a recurring basis (in millions):

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 1,006	\$ 906	\$ 100	\$ —
Short-term investments:				
Restricted cash	19	19	—	—
Corporate debt securities	3,869	—	3,869	—
Government and agency securities	409	—	409	—
Total short-term investments	4,297	19	4,278	—
Derivatives	681	—	95	586
Long-term investments:				
Corporate debt securities	534	—	534	—
Total long-term investments	534	—	534	—
Total financial assets	<u>\$ 6,518</u>	<u>\$ 925</u>	<u>\$ 5,007</u>	<u>\$ 586</u>
Liabilities:				
Derivatives	<u>\$ 31</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ —</u>

eBay Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 923	\$ 923	\$ —	\$ —
Short-term investments:				
Restricted cash	21	21	—	—
Corporate debt securities	1,654	—	1,654	—
Government and agency securities	175	—	175	—
Total short-term investments	1,850	21	1,829	—
Derivatives	347	—	66	281
Long-term investments:				
Corporate debt securities	961	—	961	—
Total long-term investments	961	—	961	—
Total financial assets	<u>\$ 4,081</u>	<u>\$ 944</u>	<u>\$ 2,856</u>	<u>\$ 281</u>
Liabilities:				
Derivatives	<u>\$ 23</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ —</u>

Our financial assets and liabilities are valued using market prices on both active markets (Level 1), less active markets (Level 2) and little or no market activity (Level 3). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments, identical instruments in less active markets, or models using market observable inputs. Level 3 instrument valuations typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. We did not have any transfers of financial instruments between valuation levels during the six months ended June 30, 2020.

The majority of our derivative instruments are valued using pricing models that take into account the contract terms as well as multiple inputs where applicable, such as equity prices, interest rate yield curves, option volatility and currency rates. Our warrant, which is accounted for as a derivative instrument, is valued using a Black-Scholes model. Key assumptions used in the valuation include risk-free interest rates; Adyen's common stock price, equity volatility and common stock outstanding; exercise price; and details specific to the warrant. The value is also probability adjusted for management's assumptions with respect to vesting of the four tranches which are each subject to meeting processing volume milestone targets. These assumptions and the probability of meeting processing volume milestone targets may have a significant impact on the value of the warrant. Refer to "Note 8 – Derivative Instruments" for further details on our derivative instruments.

Other financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value because of the short-term nature of these instruments.

The following tables present a reconciliation of the opening to closing balance of assets measured using significant unobservable inputs (Level 3) (in millions):

	June 30, 2020
Opening balance as of January 1, 2020	\$ 281
Change in fair value	305
Closing balance as of June 30, 2020	<u>\$ 586</u>

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	December 31, 2019
Opening balance as of January 1, 2019	\$ 148
Change in fair value	133
Closing balance as of December 31, 2019	\$ 281

The following table presents quantitative information about Level 3 significant unobservable inputs used in the fair value measurement of the warrant as of June 30, 2020 (in millions):

	Fair value	Valuation technique	Unobservable Input	Range (weighted average) ⁽¹⁾
Warrant	\$ 586	Black-Scholes and Monte Carlo	Probability of vesting	0.0% - 90.0% (69%)
			Equity volatility	21.0% - 57.5% (40%)

⁽¹⁾ Probability of vesting were weighted by the unadjusted value of the tranches. For volatility, the average represents the arithmetic average of the inputs and is not weighted by the relative fair value or notional amount.

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Note 10 — Debt

The following table summarizes the carrying value of our outstanding debt (in millions, except percentages):

	Coupon Rate	As of June 30, 2020	Effective Interest Rate	As of December 31, 2019	Effective Interest Rate
Long-Term Debt					
Floating Rate Notes:					
Senior notes due 2023	LIBOR plus 0.87%	\$ 400	1.734 %	\$ 400	2.913 %
Fixed Rate Notes:					
Senior notes due 2020	2.150%	—	— %	500	2.344 %
Senior notes due 2020	3.250%	500	3.389 %	500	3.389 %
Senior notes due 2021	2.875%	421	2.993 %	750	2.993 %
Senior notes due 2022	3.800%	750	3.989 %	750	3.989 %
Senior notes due 2022	2.600%	1,000	2.678 %	1,000	2.678 %
Senior notes due 2023	2.750%	750	2.866 %	750	2.866 %
Senior notes due 2024	3.450%	750	3.531 %	750	3.531 %
Senior notes due 2025	1.900%	800	1.803 %	—	— %
Senior notes due 2027	3.600%	850	3.689 %	850	3.689 %
Senior notes due 2030	2.700%	950	2.623 %	—	— %
Senior notes due 2042	4.000%	750	4.114 %	750	4.114 %
Senior notes due 2056	6.000%	750	6.547 %	750	6.547 %
Total senior notes		<u>8,671</u>		<u>7,750</u>	
Hedge accounting fair value adjustments ⁽¹⁾		12		15	
Unamortized premium/(discount) and debt issuance costs		(33)		(44)	
Other long-term borrowings		11		17	
Less: Current portion of long-term debt		(500)		(1,000)	
Total long-term debt		<u>8,161</u>		<u>6,738</u>	
Short-Term Debt					
Current portion of long-term debt		500		1,000	
Unamortized premium/(discount) and debt issuance costs		—		(1)	
Other short-term borrowings		16		23	
Total short-term debt		<u>516</u>		<u>1,022</u>	
Total Debt		<u>\$ 8,677</u>		<u>\$ 7,760</u>	

(1) Includes the fair value adjustments to debt associated with terminated interest rate swaps which are being recorded as a reduction to interest expense over the remaining term of the related notes.

Senior Notes

In June 2020, \$500 million of our 2.150% senior fixed rate notes matured and were repaid.

In June 2020, we issued additional senior unsecured notes in a reopening of our outstanding 1.900% fixed rate notes due 2025 and 2.700% fixed rate notes due 2030 that were issued in March 2020 in an aggregate principal amount of \$750 million. The June 2020 issuance consisted of \$300 million of additional 1.900% fixed rate notes due 2025 and \$450 million of additional 2.700% fixed rate notes due 2030. We used a portion of these proceeds to complete a tender offer to purchase any and all of the \$750 million aggregate principal amount of our 2.875% senior fixed rate notes due in 2021. We settled tender offers with holders of approximately 44% of the total outstanding principal amount of the 2.875% senior fixed rate notes due in 2021. Total cash consideration paid for these purchases was \$339 million and the total carrying amount of the notes was \$329 million, resulting in a loss on extinguishment of \$10 million (including an immaterial amount of fees and other costs associated with the tender), which was recorded in interest and other, net in our condensed consolidated statement of income. In addition, we

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paid any accrued interest on the tendered notes up to, but not including, the date of settlement.

Subsequent to June 30, 2020, we paid an additional \$2 million to purchase additional 2.875% senior notes due 2021 upon final settlement of the tender offer. In July 2020, we exercised our option to redeem the remaining 2.875% senior notes due 2021 for an aggregate redemption price of approximately \$419 million, plus accrued interest to the redemption date and a make-whole premium. The redemption is scheduled to settle in the third quarter.

In March 2020, we issued senior unsecured notes, or senior notes, in an aggregate principal amount of \$1 billion. The issuance consisted of \$500 million of 1.900% fixed rate notes due 2025 and \$500 million of 2.700% fixed rate notes due 2030.

None of the floating rate notes are redeemable prior to maturity. On and after March 1, 2021, we may redeem some or all of the 6.000% fixed rate notes due 2056 at any time and from time to time prior to their maturity at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. We may redeem some or all of the other fixed rate notes of each series at any time and from time to time prior to their maturity, generally at a make-whole redemption price, plus accrued and unpaid interest.

If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 3.600% fixed rate notes due 2027, the 2.700% fixed rate notes due 2030 or the 6.000% fixed rate notes due 2056, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the senior notes were issued includes customary covenants that, among other things and subject to exceptions, limit our ability to incur, assume or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties, and also includes customary events of default with customary grace periods in certain circumstances, including payment defaults and bankruptcy-related defaults.

To help achieve our interest rate risk management objectives, in connection with the previous issuance of certain senior notes, we entered into interest rate swap agreements that effectively converted \$2.4 billion of our fixed rate notes to floating rate debt based on LIBOR plus a spread. These swaps were designated as fair value hedges against changes in the fair value of certain fixed rate senior notes resulting from changes in interest rates. The gains and losses related to changes in the fair value of interest rate swaps substantially offset changes in the fair value of the hedged portion of the underlying debt that are attributable to changes in market interest rates. In 2019, \$1.15 billion related to our 2.200% senior notes of the \$2.4 billion aggregate notional amount matured. In addition, during 2019, we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the three and six months ended June 30, 2020 was immaterial.

To help achieve our interest rate risk management objectives, during the second quarter of 2020, we entered into interest rate swap agreements that effectively converted \$400 million of our LIBOR-based floating-rate debt to a fixed-rate basis. These swaps were designated as cash flow hedges and have maturity dates in 2023.

The effective interest rates for our senior notes include the interest payable, the amortization of debt issuance costs and the amortization of any original issue discount and premium on these senior notes. Interest on these senior notes is payable either quarterly or semiannually. Interest expense associated with these senior notes, including amortization of debt issuance costs, was approximately \$74 million and \$79 million during the three months ended June 30, 2020 and 2019, respectively, and \$144 million and \$159 million during the six months ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and December 31, 2019, the estimated fair value of these senior notes, using Level 2 inputs, was approximately \$9.2 billion and \$7.9 billion, respectively.

Commercial Paper

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to \$1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of June 30, 2020, there were no commercial paper notes outstanding.

Credit Agreement

In March 2020, we entered into a credit agreement that provides for an unsecured \$2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior \$2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of June 30, 2020, no borrowings were outstanding under our \$2 billion credit agreement. However, as described above, we have an up to \$1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of \$1.5 billion. However as of June 30, 2020, no borrowings were outstanding under our commercial paper program; therefore, \$2 billion of borrowing capacity was available for other purposes permitted by the credit agreement, subject to customary conditions to borrowing. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all covenants in our outstanding debt instruments during the six months ended June 30, 2020.

Note 11 — Balance Sheet Components

Contract Balances

Accounts receivable represents amounts invoiced and revenue recognized prior to invoicing when we have satisfied our performance obligation and have the unconditional right to payment. The allowance for doubtful accounts and authorized credits is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions reasonable and supportable forecasts, and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts and authorized credits was \$194 million and \$128 million as of June 30, 2020 and December 31, 2019, respectively.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized for the six month period ended June 30, 2020 that was included in the deferred revenue balance at the beginning of the period was \$81 million. The amount of revenue recognized for the six month period ended June 30, 2019 that was included in the deferred revenue balance at the beginning of the period was \$69 million.

Note 12 — Commitments and Contingencies

Off-Balance Sheet Arrangements

As of June 30, 2020, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

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We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution (“Aggregate Cash Deposits”). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of June 30, 2020, we had a total of \$5.2 billion in aggregate cash deposits, partially offset by \$5.2 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

Litigation and Other Legal Matters

Overview

We are involved in legal and regulatory proceedings on an ongoing basis. Many of these proceedings are in early stages and may seek an indeterminate amount of damages. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated liability in our financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, we have disclosed an estimate of the reasonably possible loss or range of losses or we have concluded that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) is not material. If we cannot estimate the probable or reasonably possible loss or range of losses arising from a proceeding, we have disclosed that fact. In assessing the materiality of a proceeding, we evaluate, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require us to change our business practices in a manner that could have a material adverse impact on our business. With respect to the matters disclosed in this Note 12, we are unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

Amounts accrued for legal and regulatory proceedings for which we believe a loss is probable were not material for the six months ended June 30, 2020. Except as otherwise noted for the proceedings described in this Note 12, we have concluded, based on currently available information, that reasonably possible losses arising directly from the proceedings (i.e., monetary damages or amounts paid in judgment or settlement) in excess of our recorded accruals are also not material. However, legal and regulatory proceedings are inherently unpredictable and subject to significant uncertainties. If one or more matters were resolved against us in a reporting period for amounts in excess of management’s expectations, the impact on our operating results or financial condition for that reporting period could be material. Legal fees are expensed as incurred.

General Matters

Third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to patent disputes, and expect that we could be subject to additional patent infringement claims involving various aspects of our business as our products and services continue to expand in scope and complexity. Such claims may be brought directly or indirectly against us and/or against our customers (who may be entitled to contractual indemnification under their contracts with us), and we are subject to increased exposure to such claims as a result of our acquisitions and divestitures and in cases where we are entering new lines of business. We have in the past been forced to litigate such claims. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act, the Lanham Act and the Communications Decency Act are interpreted by the courts, and as we expand the scope of our business (both in terms of the range of products and services that we offer and our geographical operations) and become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries like ourselves are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws will be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and costly to defend and resolve, could require expensive changes in our methods of doing business or could require us to enter into costly royalty or licensing agreements on unfavorable terms.

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From time to time, we are involved in other disputes or regulatory inquiries that arise in the ordinary course of business, including suits by our users (individually or as class actions) alleging, among other things, improper disclosure of our prices, rules or policies, that our practices, prices, rules, policies or customer/user agreements violate applicable law or that we have acted unfairly and/or not acted in conformity with such practices, prices, rules, policies or agreements. Further, the number and significance of these disputes and inquiries are increasing as the political and regulatory landscape changes and, as we have grown larger, our businesses have expanded in scope (both in terms of the range of products and services that we offer and our geographical operations) and our products and services have increased in complexity. Any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards (including statutory damages for certain causes of action in certain jurisdictions), injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm our business.

Indemnification Provisions

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the separation and relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal, which may be significant. In addition, the indemnity rights we have against PayPal under the agreements may not be sufficient to protect us and our indemnity obligations to PayPal may be significant.

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

In the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations, including our standard marketing, promotions and application programming interface license agreements. Under these contracts, we generally indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by a third party with respect to our domain names, trademarks, logos and other branding elements to the extent that such marks are applicable to our performance under the subject agreement. In certain cases, we have agreed to provide indemnification for intellectual property infringement. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

Note 13 — Stockholders' Equity

Stock Repurchase Program

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives. Our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, price and other market conditions and management's determination as to the appropriate use of our cash.

In January 2019, our Board authorized a \$4.0 billion stock repurchase program and in January 2020, our Board authorized an additional \$5.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

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On February 13, 2020, we entered into accelerated share repurchase agreements (the “ASR Agreements”) with each of three financial institutions (each an “ASR Counterparty”), as part of our share repurchase program. Under the ASR Agreements, we paid an aggregate amount of \$3.0 billion to the ASR Counterparties and received an initial delivery of approximately 69 million shares of our common stock, which shares were recorded as a \$2.55 billion increase to treasury stock. The final number of shares to be repurchased will be based on the volume-weighted average stock price of our common stock during the terms of the agreements, less a discount. This is evaluated as an unsettled forward contract indexed to our own stock, with \$450 million classified within stockholders’ equity. At final settlement, each ASR Counterparty may be required to deliver additional shares of our common stock to us or, under certain circumstances, we may be required to make a cash payment or deliver shares of our common stock to the applicable ASR Counterparty, with the method of settlement at our election.

The stock repurchase activity under our stock repurchase programs during the six months ended June 30, 2020 is summarized as follows (in millions, except per share amounts):

	<u>Shares Repurchased ⁽¹⁾</u>	<u>Average Price per Share ⁽²⁾</u>	<u>Value of Shares Repurchased ⁽²⁾</u>	<u>Remaining Amount Authorized</u>
Balance as of January 1, 2020				\$ 2,151
Authorization of additional plan in January 2020				5,000
Repurchase of shares of common stock	29	\$ 34.30	\$ 998	(998)
Accelerated share repurchases ⁽³⁾	69		\$ 2,550	(2,550)
Unsettled forward contract for share repurchase	—		\$ 450	(450)
Balance as of June 30, 2020				<u>\$ 3,153</u>

(1) These repurchased shares of common stock were recorded as treasury stock and were accounted for under the cost method. None of the repurchased shares of common stock have been retired.

(2) Excludes broker commissions.

(3) As indicated above, under the ASR Agreements, we paid an aggregate amount of \$3.0 billion to the ASR Counterparties and received an initial delivery of 69 million shares of our common stock. Pursuant to the terms of the ASR Agreements, the final number of shares and the average purchase price will be determined at the end of the applicable purchase periods.

In July 2020, the ASR Agreements settled and resulted in approximately 74 million shares repurchased at an average price per share of \$40.77.

Dividends

The Company paid a total of \$112 million and \$226 million in cash dividends during the three and six months ended June 30, 2020, respectively, and \$120 million and \$245 million in cash dividends during the three and six months ended June 30, 2019, respectively. In July 2020, our Board of Directors declared a cash dividend of \$0.16 per share of common stock to be paid on September 18, 2020 to stockholders of record as of September 1, 2020.

Note 14 — Employee Benefit Plans

Restricted Stock Unit Activity

During the second quarter of 2020, our Chief Executive Officer was granted total shareholder return performance stock units (“TSR PSUs”) with performance and time-based vesting requirements. The number of stock units ultimately received will depend on our total shareholder return relative to that of the S&P 500 index over two and three year measurement periods. The target number of shares will be divided into two tranches, with each tranche corresponding to 50% of the target shares. The first tranche will vest in full on the second anniversary of the grant date and second tranche will vest on the third anniversary of the grant date.

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The following table presents restricted stock unit (“RSU”) activity under our equity incentive plans as of and for the six months ended June 30, 2020 (in millions):

	Units
Outstanding as of January 1, 2020	28
Awarded	14
Vested	(6)
Forfeited	(6)
Outstanding as of June 30, 2020	30

The weighted average grant date fair value for RSUs awarded during the six months ended June 30, 2020 was \$30.56 per share.

Stock-Based Compensation Expense

The impact on our results of operations of recording stock-based compensation expense was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Cost of net revenues	\$ 12	\$ 13	\$ 22	\$ 25
Sales and marketing	24	23	44	44
Product development	46	50	85	92
General and administrative	34	43	65	80
Total stock-based compensation expense	\$ 116	\$ 129	\$ 216	\$ 241
Capitalized in product development	\$ 4	\$ 3	\$ 8	\$ 6

Note 15 — Income Taxes

We are subject to both direct and indirect taxation in the U.S. and various states and foreign jurisdictions. We are under examination by certain tax authorities for the 2008 to 2018 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these or other examinations. The material jurisdictions where we are subject to potential examination by tax authorities for tax years after 2007 include, among others, the U.S. (Federal and California), Germany, Korea, Israel, Switzerland and the United Kingdom.

Although the timing of the resolution and/or closure of audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. Given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. We expect the gross amount of unrecognized tax benefits to be reduced within the next twelve months by at least \$16 million.

We have recognized the tax consequences of all foreign unremitted earnings and management has no specific plans to indefinitely reinvest the unremitted earnings of our foreign subsidiaries as of the balance sheet date. We have not provided for deferred taxes on outside basis differences in our investments in our foreign subsidiaries that are unrelated to unremitted earnings. With the exception of our Classifieds entities, these basis differences will be indefinitely reinvested. A determination of the unrecognized deferred taxes related to these other components of our outside basis difference is not practicable. In connection with the intent to sell the Classifieds business as discussed in “Note 1 – The Company and Summary of Significant Accounting Policies”, we assessed the outside basis differences relating to Classifieds and determined that they were not material as of June 30, 2020.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion invalidating the regulations relating to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision was issued by the Tax Court in December 2015. The Internal Revenue Service (“IRS”) appealed the decision in June 2016. On July 24, 2018, the Ninth Circuit Federal Court issued a decision that was subsequently withdrawn and a reconstituted panel has conferred on the appeal. On June 7, 2019, the Ninth Circuit Federal Court upheld the cost-sharing regulations and on November 11, 2019 the U.S. Tax Court of Appeals for the

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Ninth Circuit released a court order denying an *en banc* rehearing of the case *Altera Corp. v Commissioner* following Altera's petition filed on July 22, 2019. On February 10, 2020, a petition for writ of certiorari was filed with the U.S. Supreme Court. On June 22, 2020, the U.S. Supreme Court declined to issue a writ of certiorari, thus leaving the Ninth Circuit's ruling intact. There is no impact to our consolidated financial statements.

Note 16 — Accumulated Other Comprehensive Income

The following tables summarize the changes in AOCI for the three and six months ended June 30, 2020 and 2019 (in millions):

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of March 31, 2020	\$ 38	\$ (26)	\$ 250	\$ 23	\$ 285
Other comprehensive income (loss) before reclassifications	(30)	32	49	(2)	49
Less: Amount of gain (loss) reclassified from AOCI	17	—	—	(4)	13
Net current period other comprehensive income (loss)	(47)	32	49	2	36
Balance as of June 30, 2020	\$ (9)	\$ 6	\$ 299	\$ 25	\$ 321

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of March 31, 2019	\$ 27	\$ (16)	\$ 430	\$ 23	\$ 464
Other comprehensive income (loss) before reclassifications	25	16	(20)	(10)	11
Less: Amount of gain (loss) reclassified from AOCI	14	—	—	(3)	11
Net current period other comprehensive income (loss)	11	16	(20)	(7)	—
Balance as of June 30, 2019	\$ 38	\$ —	\$ 410	\$ 16	\$ 464

	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of December 31, 2019	\$ (9)	\$ 5	\$ 363	\$ 25	\$ 384
Other comprehensive income (loss) before reclassifications	17	1	(64)	(4)	(50)
Less: Amount of gain (loss) reclassified from AOCI	17	—	—	(4)	13
Net current period other comprehensive income (loss)	—	1	(64)	—	(63)
Balance as of June 30, 2020	\$ (9)	\$ 6	\$ 299	\$ 25	\$ 321

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	Unrealized Gains (Losses) on Derivative Instruments	Unrealized Gains (Losses) on Investments	Foreign Currency Translation	Estimated Tax (Expense) Benefit	Total
Balance as of December 31, 2018	\$ 68	\$ (56)	\$ 462	\$ 24	\$ 498
Other comprehensive income (loss) before reclassifications	4	56	(52)	(15)	(7)
Less: Amount of gain (loss) reclassified from AOCI	34	—	—	(7)	27
Net current period other comprehensive income (loss)	(30)	56	(52)	(8)	(34)
Balance as of June 30, 2019	\$ 38	\$ —	\$ 410	\$ 16	\$ 464

The following table provides a summary of reclassifications out of AOCI (in millions):

Details about AOCI Components	Affected Line Item in the Statement of Income	Amount of Gain (Loss) Reclassified From AOCI			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Gains (losses) on cash flow hedges - foreign exchange contracts	Net Revenues	\$ 17	\$ 13	\$ 17	\$ 33
	Cost of net revenues	—	1	—	1
	Total, from continuing operations before income taxes	17	14	17	34
	Provision for income taxes	(4)	(3)	(4)	(7)
	Total, net of income taxes	13	11	13	27
Total reclassifications for the period	Total, net of income taxes	\$ 13	\$ 11	\$ 13	\$ 27

Note 17 — Restructuring

The following table summarizes restructuring reserve activity during the six months ended June 30, 2020 (in millions):

	Employee Severance and Benefits
Accrued liability as of January 1, 2020	\$ 28
Charges	8
Payments	(33)
Accrued liability as of June 30, 2020	\$ 3

During the first quarter of 2020 we substantially completed the reduction in workforce that was approved by management during the fourth quarter of 2019, primarily in our Marketplace segment. We incurred pre-tax restructuring charges of approximately \$8 million during the first quarter of 2020 in connection with the action taken in the fourth quarter of 2019.

During the first quarter of 2019, management approved a plan to drive operational improvement that included the reduction of workforce, primarily in our Marketplace segment. We incurred pre-tax restructuring charges of approximately \$41 million during the six months ended June 30, 2019, which were primarily related to employee severance and benefits. The reduction was substantially completed in the first quarter of 2019.

Restructuring charges are included in general and administrative expenses in the condensed consolidated statement of income.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, including with respect to the anticipated effects of COVID-19, new or planned features or services, or management strategies, including our strategic review). You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Part II - Item 1A: Risk Factors" of this Quarterly Report on Form 10-Q as well as in our unaudited condensed consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission ("SEC"). We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the unaudited condensed consolidated financial statements and the related notes included in this report.

When we refer to "we," "our," "us" or "eBay" in this Quarterly Report on Form 10-Q, we mean the current Delaware corporation (eBay Inc.) and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires.

OVERVIEW

Business

eBay Inc. is a global commerce leader, which includes our Marketplace and Classifieds platforms. Founded in 1995 in San Jose, California, eBay is one of the world's largest and most vibrant marketplaces for discovering great value and unique selection. Collectively, we connect millions of buyers and sellers around the world, empowering people and creating opportunity. Our technologies and services are designed to give buyers choice and a breadth of relevant inventory and to enable sellers worldwide to organize and offer their inventory for sale, virtually anytime and anywhere.

On February 13, 2020, we closed the previously announced sale of our StubHub business to an affiliate of viagogo. Beginning in the first quarter of 2020, StubHub's financial results for periods prior to the sale have been reflected in our condensed consolidated statement of income as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the prior year are classified as discontinued operations in our condensed consolidated balance sheet. See "Note 4 – Discontinued Operations" in our condensed consolidated financial statements included elsewhere in this report for additional information.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is currently expected to be temporary, there is uncertainty around its duration. As a result of COVID-19 restrictions globally, there have been changes in consumer behavior that have resulted in more online retail experiences. We expect these changes in behavior to continue to evolve as the pandemic progresses. Our Marketplace platforms experienced improved traffic, buyer acquisition and conversion due to the ongoing impact of measures taken globally to contain the spread of COVID-19. The Marketplace platforms also experienced improved acquisition of small business sellers. Conversely, our Classifieds platforms were adversely impacted. The Classifieds platforms experienced lower advertising revenues as we offered incentives to sellers such as fee waivers and discounts driven by the COVID-19 environment. The impacts seen in both platforms may continue to create volatility in our results and a wider range of outcomes as consumer behaviors continue to evolve. See "Results of Operations" below for impacts of COVID-19 on our results for the three and six months ended June 30, 2020. For additional information, see "– Liquidity and

Capital Resource Requirements” below and “Item 1A: Risk Factors” under the caption “The global COVID-19 pandemic could harm our business and results of operations” in Part II of this report.

On April 13, 2020, we announced that the Board of Directors of eBay appointed Jamie Iannone as President and Chief Executive Officer of eBay, effective April 27, 2020. Mr. Iannone was also appointed as a member of the Board, effective as of April 27, 2020.

On July 20, 2020, we entered into a definitive agreement to transfer our Classifieds business to Adevinta ASA (“Adevinta”) for \$2.5 billion in cash, subject to certain adjustments, and 540 million shares in Adevinta. These shares will represent, approximately 44% of Adevinta’s total outstanding shares and approximately 33% of Adevinta’s outstanding voting shares, as of June 30, 2020. Together, the total consideration payable under the definitive agreement is valued at approximately \$9.2 billion, based on the closing trading price of Adevinta shares on the Oslo Stock Exchange on July 17, 2020. The transaction is expected to close by the first quarter of 2021. Completion of the sale is subject to certain conditions, including regulatory approvals and the approval of the transaction by Adevinta’s shareholders as set forth in the definitive agreement and other risks and uncertainties.

Presentation

In addition to the corresponding measures under generally accepted accounting principles (“GAAP”), management uses non-GAAP measures in reviewing our financial results. The foreign exchange neutral (“FX-Neutral”), or constant currency, net revenue amounts discussed below are non-GAAP financial measures and are not in accordance with, or an alternative to, measures prepared in accordance with GAAP. Accordingly, the FX-Neutral information appearing in the following discussion of our results of operations should be read in conjunction with the information provided below in “*Non-GAAP Measures of Financial Performance*,” which includes reconciliations of FX-Neutral financial measures to the most directly comparable GAAP measures. We calculate the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts.

Quarter Highlights

Net revenues increased 18% to \$2.9 billion during the three months ended June 30, 2020 compared to the same period in 2019. FX-Neutral net revenue increased 21% during the three months ended June 30, 2020 compared to the same period in 2019. Operating margin increased to 28.7% for the three months ended June 30, 2020 compared to 23.0% for the same period in 2019. Diluted earnings per share from continuing operations increased to \$1.04 during the three months ended June 30, 2020 compared to \$0.46 in the same period in 2019.

We generated cash flow from continuing operating activities of \$964 million during the three months ended June 30, 2020 compared to \$695 million in the same period in 2019. During the three months ended June 30, 2020, we issued debt of \$750 million, repaid debt of \$500 million upon maturity, paid \$329 million for some of our outstanding senior notes maturing in 2021 pursuant to a tender offer and paid \$112 million in cash dividends.

RESULTS OF OPERATIONS

We have two reportable segments to reflect the way management and our chief operating decision maker (“CODM”) review and assess performance of the business. During the first quarter of 2020, we classified the results of our previous StubHub segment as discontinued operations in our condensed consolidated statement of income for all prior periods presented. Our two reportable segments are Marketplace and Classifieds. Marketplace includes our online marketplace located at www.ebay.com, its localized counterparts and the eBay suite of mobile apps. Classifieds includes a collection of brands such as mobile.de, Kijiji, Gumtree, Marktplaats, eBay Kleinanzeigen and others. The accounting policies of our segments are the same as those described in “Note 1 – The Company and Summary of Significant Accounting Policies” in our condensed consolidated financial statements included elsewhere in this report. Prior period segment information has been reclassified to conform to the current period segment presentation.

Net Revenues

Seasonality

We expect transaction activity patterns on our platforms to mirror general consumer buying patterns and expect that these trends will continue. All of our segments have seasonal cadences that impact their revenues and margins. In addition, macroeconomic conditions, such as the ongoing COVID-19 pandemic, may also contribute to fluctuations in revenues and margins. The following table sets forth sequential quarterly movements of our total net revenues for the periods presented (in millions, except percentages):

	Quarter Ended			
	March 31	June 30	September 30	December 31
2018				
Net revenues	\$ 2,348	\$ 2,394	\$ 2,358	\$ 2,563
% change from prior quarter	(2)%	2%	(1)%	9%
2019				
Net revenues	\$ 2,413	\$ 2,423	\$ 2,343	\$ 2,500
% change from prior quarter	(6)%	—%	(3)%	7%
2020				
Net revenues	\$ 2,374	\$ 2,865	\$ —	\$ —
% change from prior quarter	(5)%	21%		

Net Revenues by Geography

Revenues are attributed to U.S. and international geographies primarily based upon the country in which the seller, platform that displays advertising, other service provider or customer, as the case may be, is located. The following table presents net revenues by geography for the periods presented (in millions, except percentages):

	Three Months Ended June 30,		% Change As Reported	Six Months Ended June 30,		% Change As Reported
	2020	2019		2020	2019	
U.S.	\$ 1,086	\$ 820	32%	\$ 1,908	\$ 1,662	15%
Percentage of net revenues	38%	34%		36%	34%	
International	1,779	1,603	11%	3,331	3,174	5%
Percentage of net revenues	62%	66%		64%	66%	
Total net revenues	\$ 2,865	\$ 2,423	18%	\$ 5,239	\$ 4,836	8%

Our commerce platforms operate globally, resulting in certain revenues that are denominated in foreign currencies, including the British pound, euro and Korean won. In addition, as shown in the table above, we generate a majority of our net revenues internationally. Because of these factors, we are subject to the risks related to doing business in foreign countries as discussed in “Part II - Item 1A: Risk Factors.”

Net revenues included \$17 million of hedging gains during the three and six months ended June 30, 2020, as compared to \$13 million and \$33 million of hedging gains during the same periods in 2019. The hedging activity in net revenues specifically relates to hedges of net transaction revenues generated by our Marketplace segment. Foreign currency movements relative to the U.S. dollar had an unfavorable impact of \$46 million on net revenues during the three months ended June 30, 2020 compared to an unfavorable impact of \$85 million during the same period in 2019, and an unfavorable impact of \$87 million on net revenues during the six months ended June 30, 2020 compared to an unfavorable impact of \$152 million during the same period in 2019. The effect of foreign currency exchange rate movements during the three months ended June 30, 2020 compared to the same period in 2019 was primarily attributable to the strengthening of the U.S. dollar against the British pound, Korean won and euro. The effect of foreign currency exchange rate movements during the six months ended June 30, 2020 compared to the same period in 2019 was primarily attributable to the strengthening of the U.S. dollar against the Korean won, euro and British pound.

Net Revenues by Type and Segment

We generate two types of net revenues:

Net transaction revenues primarily include final value fees, feature fees, including fees to promote listings, and listing fees from sellers on our Marketplace platforms. Our net transaction revenues also include store subscription and other fees, often from large enterprise sellers. Our net transaction revenues are reduced by incentives, including discounts, coupons and rewards, provided to our customers.

Marketing services and other (“MS&O”) revenues consist of Marketplace and Classifieds revenues principally from the sale of advertisements, classifieds fees, revenue sharing arrangements and first-party inventory programs.

The following table presents net revenues by type and segment (in millions, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net transaction revenues:						
Marketplace	\$ 2,447	\$ 1,887	30 %	\$ 4,347	\$ 3,772	15 %
Marketing services and other revenues:						
Marketplace	221	270	(18) %	451	547	(17) %
Classifieds	201	271	(26) %	449	527	(15) %
Elimination of inter-segment net revenues	(4)	(5)	(20) %	(8)	(10)	(20) %
Total	418	536	(22) %	892	1,064	(16) %
Total net revenues	\$ 2,865	\$ 2,423	18 %	\$ 5,239	\$ 4,836	8 %

** Not meaningful

Net Transaction Revenues

Key Operating Metrics

Gross Merchandise Volume (“GMV”) and take rate are significant factors that we believe affect our net transaction revenues.

GMV consists of the total value of all successfully closed transactions between users on our Marketplace platform during the applicable period, regardless of whether the buyer and seller actually consummated the transaction. Despite GMV’s divergence from revenue, we still believe that GMV provides a useful measure of the overall volume of closed transactions that flow through our Marketplace platform in a given period, notwithstanding the inclusion in GMV of closed transactions that are not ultimately consummated.

Take rate is defined as net transaction revenues divided by GMV.

Marketplace Net Transaction Revenues

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2020	2019	As Reported	FX-Neutral	2020	2019	As Reported	FX-Neutral
(In millions, except percentages)								
Marketplace net transaction revenues ⁽¹⁾	\$ 2,447	\$ 1,887	30 %	33 %	\$ 4,347	\$ 3,772	15 %	18 %
Supplemental data:								
Marketplace GMV	\$ 27,135	\$ 21,484	26 %	29 %	\$ 48,394	\$ 43,055	12 %	15 %
Marketplace take rate	9.02 %	8.78 %	0.24 %		8.98 %	8.76 %	0.22 %	

(1) Marketplace net transaction revenues were net of \$17 million hedging activity during the three and six months ended June 30, 2020 and \$13 million and \$33 million of hedging activity during the three and six months ended June 30, 2019, respectively.

Marketplace net transaction revenues increased during the three and six months ended June 30, 2020 compared to the same periods in 2019 primarily due to an increase in GMV due to improved traffic, buyer acquisition, and conversion due to global restrictions implemented to contain the spread of COVID-19 which resulted in consumers engaging in more online retail experiences during the second quarter of 2020 and higher take rate due to growth in promoted listing fees.

Marketplace transaction take rate was higher during the three and six months ended June 30, 2020 compared to the same periods in 2019, primarily due to growth in GMV due to the factors noted above and promoted listing fees, which along with final value fees are calculated as a percentage of an item's sale price and category mix.

Marketing Services and Other Revenues

	Three Months Ended June 30,		% Change		Six Months Ended June 30,		% Change	
	2020	2019	As Reported	FX-Neutral	2020	2019	As Reported	FX-Neutral
(In millions, except percentages)								
Marketplace	\$ 221	\$ 270	(18) %	(16) %	\$ 451	\$ 547	(17) %	(16) %
Classifieds	201	271	(26) %	(24) %	449	527	(15) %	(13) %
Elimination of inter-segment net revenues	(4)	(5)	(20) %	(20) %	(8)	(10)	(20) %	(20) %
Total MS&O revenues	<u>\$ 418</u>	<u>\$ 536</u>	(22) %	(20) %	<u>\$ 892</u>	<u>\$ 1,064</u>	(16) %	(14) %

Marketplace MS&O Revenues

The decrease in Marketplace MS&O revenues during the three and six months ended June 30, 2020 compared to the same periods in 2019 was primarily due to the sale of brands4friends in the third quarter of 2019, and lower advertising revenues that were driven by our ongoing shift to promoted listing fees, which are recognized in net transaction revenues, partially offset by increases attributable to our first-party inventory program in Korea.

Classifieds MS&O Revenues

The decrease in Classifieds MS&O revenues during the three and six months ended June 30, 2020 compared to the same periods in 2019 was primarily driven by incentives offered to sellers, such as fee waivers and discounts, and lower advertising revenue in light of the of the current economic environment driven by COVID-19.

Cost of Net Revenues

Cost of net revenues primarily consists of costs associated with customer support, site operations, costs of goods sold and payment processing. Significant components of these costs include employee compensation, contractor costs, facilities costs, depreciation of equipment and amortization expense, first-party inventory program costs, bank transaction fees, and credit card interchange and assessment fees. The following table presents cost of net revenues (in millions, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Cost of net revenues	\$ 598	\$ 553	8 %	\$ 1,124	\$ 1,092	3 %
<i>Percentage of net revenues</i>	20.9 %	22.8 %		21.5 %	22.6 %	

Cost of net revenues, net of immaterial hedging activities, was favorably impacted by \$11 million attributable to foreign currency movements relative to the U.S. dollar during the three months ended June 30, 2020 compared to the same period in 2019. Cost of net revenues, net of immaterial hedging activities, was favorably impacted by \$22 million attributable to foreign currency movements relative to the U.S. dollar during the six months ended June 30, 2020 compared to the same period in 2019.

The increase in cost of net revenues during the three months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in payment processing costs as we continue to transition customers to our payments platform and an increase in cost of goods sold related to our first-party inventory program in Korea. The increase in cost of net revenues was partially offset by a favorable impact from foreign currency movements relative to the U.S. dollar and lower cost of goods sold due to the sale of brands4friends in the third quarter of 2019.

The increase in cost of net revenues during the six months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in payment processing costs as we continue to transition customers to our payments platform and an increase in cost of goods sold related to our first-party inventory program in Korea. The increase in cost of net revenues was partially offset by a favorable impact from foreign currency movements relative to the U.S. dollar, lower cost of goods sold due to the sale of brands4friends in the third quarter of 2019, and lower customer support and site operations costs.

Operating Expenses

The following table presents operating expenses (in millions, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Sales and marketing	\$ 716	\$ 688	4 %	\$ 1,323	\$ 1,335	(1) %
<i>Percentage of net revenues</i>	25 %	28 %		25 %	28 %	
Product development	308	295	4 %	575	567	1 %
<i>Percentage of net revenues</i>	11 %	12 %		11 %	12 %	
General and administrative	320	256	25 %	554	540	3 %
<i>Percentage of net revenues</i>	11 %	11 %		11 %	11 %	
Provision for transaction losses	93	63	48 %	195	130	50 %
<i>Percentage of net revenues</i>	3 %	3 %		4 %	3 %	
Amortization of acquired intangible assets	9	10	(10) %	18	21	(14) %
Total operating expenses	\$ 1,446	\$ 1,312	10 %	\$ 2,665	\$ 2,593	3 %

Foreign currency movements relative to the U.S. dollar had a favorable impact of \$23 million on operating expenses during the three months ended June 30, 2020 compared to the same period in 2019 and a favorable impact of \$43 million on operating expenses during the six months ended June 30, 2020 compared to the same period in 2019. There was no hedging activity within operating expenses during the three and six months ended June 30, 2020.

Sales and Marketing

Sales and marketing expenses primarily consist of advertising and marketing program costs (both online and offline), employee compensation, certain user coupons and rewards, contractor costs, facilities costs and depreciation on equipment. Online marketing expenses represent traffic acquisition costs in various channels such as paid search, affiliates marketing and display advertising. Offline advertising primarily includes brand campaigns and buyer/seller communications.

The increase in sales and marketing expense during the three months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in online advertising expenses and user coupons in Korea, partially offset by a favorable impact from foreign currency movements relative to the U.S. dollar.

The decrease in sales and marketing expense during the six months ended June 30, 2020 compared to the same period in 2019 was primarily due to a favorable impact from foreign currency movements relative to the U.S. dollar and lower employee-related costs, partially offset by an increase in online advertising expenses.

Product Development

Product development expenses primarily consist of employee compensation, contractor costs, facilities costs and depreciation on equipment. Product development expenses are net of required capitalization of major platform and other product development efforts, including the development and maintenance of our technology platform. Our top technology priorities include payment intermediation capabilities and improved seller tools and buyer experiences built on a foundation of structured data.

The increase in product development expenses during the three months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in employee-related costs, partially offset by a favorable impact from foreign currency movements relative to the U.S. dollar.

The increase in product development expenses during the six months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in employee-related costs, partially offset by a favorable impact from foreign currency movements relative to the U.S. dollar and lower depreciation expense.

Capitalized internal use and platform development costs were \$33 million and \$64 million in the three and six months ended June 30, 2020 compared to \$31 million and \$69 million for the same periods in 2019. These costs are primarily reflected as a cost of net revenues when amortized in future periods.

General and Administrative

General and administrative expenses primarily consist of employee compensation, contractor costs, facilities costs, depreciation of equipment, employer payroll taxes on stock-based compensation, legal expenses, restructuring, insurance premiums and professional fees. Our legal expenses, including those related to various ongoing legal proceedings, may fluctuate substantially from period to period.

The increase in general and administrative expenses during the three months ended June 30, 2020 compared to the same period in 2019 was primarily due to costs related to our CEO transition, professional fees and charitable donations.

The increase in general and administrative expenses during the six months ended June 30, 2020 compared to the same period in 2019 was primarily due to costs related to our CEO transition and professional fees, partially offset by restructuring costs incurred in 2019 related to our global workforce reduction.

Provision for Transaction Losses

Provision for transaction losses primarily consists of transaction loss expense associated with our buyer protection programs, fraud and bad debt expense associated with our accounts receivable balance. We expect our provision for transaction losses to fluctuate depending on many factors, including changes to our protection programs and the impact of regulatory changes.

The increase in provision for transaction losses during the three months ended June 30, 2020 compared to the same period in 2019 was primarily due to an increase in bad debt expense and higher customer protection program costs as a result of increased volume.

The increase in provision for transaction losses during the six months ended June 30, 2020 compared to the same periods in 2019 was primarily due to an increase in bad debt expense as a result of additional provisions recognized in light of the current economic environment driven by COVID-19 and higher customer protection program costs as a result of increased volume.

Income from Continuing Operations

The following table presents income from continuing operations (in millions, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Income from continuing operations	\$ 821	\$ 558	47 %	\$ 1,450	\$ 1,151	26 %
<i>Operating margin</i>	28.7 %	23.0 %		27.7 %	23.8 %	

The increase in income from continuing operations during the three months ended June 30, 2020 compared to the same period in 2019 was primarily driven by income from our Marketplace segment due to increased volume experienced on the Marketplace platform. This increase was partially offset by the impact of COVID-19 on the Classifieds segment in 2020 as described above and higher corporate and other costs primarily related to costs related to our CEO transition and professional fees.

The increase in income from continuing operations during the six months ended June 30, 2020 compared to the same period in 2019 was primarily driven by income from our Marketplace segment due to increased volume experienced on the Marketplace platform, partially offset by the impact of COVID-19 on the Classifieds segment in 2020 as described above.

Interest and Other, Net

Interest and other, net primarily consists of interest earned on cash, cash equivalents and investments, as well as foreign exchange transaction gains and losses, gains and losses due to changes in fair value of the warrant received from Adyen, our portion of operating results from investments accounted for under the equity method of accounting, investment gain/loss on acquisitions or disposals and interest expense, consisting of interest charges on any amounts borrowed and commitment fees on unborrowed amounts under our credit agreement and interest expense on our outstanding debt securities and commercial paper, if any. The following table presents interest and other, net (in millions, except percentages):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Total interest and other, net	\$ 182	\$ (51)	**	\$ 184	\$ 13	**
<i>Percentage of net revenues</i>	6 %	(2) %		4 %	— %	

The increase in interest and other, net during the three months ended June 30, 2020 compared to the same periods in 2019 was primarily attributable to the change in the fair value of the Adyen warrant partially offset by an impairment recorded on an investment and lower interest income.

The increase in interest and other, net during the six months ended June 30, 2020 compared to the same periods in 2019 was primarily attributable to the change in the fair value of the Adyen warrant and a gain recorded for the receipt of proceeds that were held in escrow related to a long-term investment that was sold in 2018, partially offset by an impairment recorded on an investment and lower interest income.

Income Tax Provision

The following table presents provision for income taxes (in millions, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income tax provision	\$ 263	\$ 107	\$ 409	\$ 248
Effective tax rate	26.2 %	21.0 %	25.0 %	21.2 %

The increase in our effective tax rate for the three and six months ended June 30, 2020 compared to the same periods in 2019 was primarily due to the effects of a retroactive California law change including incremental taxes on the gain on the sale of StubHub, and changes in the jurisdictional mix and character of earnings in foreign jurisdictions and related U.S. tax implications.

The realignment of our legal structure, substantially completed in 2018, allows us to achieve certain foreign cash tax benefits due to the step-up in tax basis achieved in certain foreign jurisdictions. We expect these cash tax benefits to remain consistent, subject to the performance of our foreign platforms, for a period in excess of 10 years. The realignment primarily impacted our international entities. However, U.S. tax reform and the new U.S. minimum tax on foreign earnings will reduce our expected consolidated cash tax benefits.

We are regularly under examination by tax authorities both domestically and internationally. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations, although we cannot assure you that this will be the case given the inherent uncertainties in these examinations. Due to the ongoing tax examinations, we believe it is impractical to determine the amount and timing of these adjustments.

Discontinued Operations

On February 13, 2020, we closed the previously announced sale of our StubHub business to an affiliate of viagogo. Beginning in the first quarter of 2020, StubHub's financial results for periods prior to the sale have been reflected in our condensed consolidated statement of income as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the prior year are classified as discontinued operations in our condensed consolidated balance sheet. See "Note 4 – Discontinued Operations" in our condensed consolidated financial statements included elsewhere in this report for additional information.

Non-GAAP Measures of Financial Performance

To supplement our condensed consolidated financial statements presented in accordance with generally accepted accounting principles, we use FX-Neutral net revenues, which are non-GAAP financial measures. Management uses the foregoing non-GAAP measures in reviewing our financial results. We define FX-Neutral net revenues as net revenues minus the exchange rate effect. We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts, excluding hedging activity.

These non-GAAP measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. These measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

These non-GAAP measures are provided to enhance investors' overall understanding of our current financial performance and its prospects for the future. Specifically, we believe these non-GAAP measures provide useful information to both management and investors by excluding the foreign currency exchange rate impact that may not be indicative of our core operating results and business outlook. In addition, because we have historically reported certain non-GAAP results to investors, we believe that the inclusion of these non-GAAP measures provide consistency in our financial reporting.

The following tables set forth a reconciliation of FX-Neutral GMV and FX-Neutral net revenues (each as defined below) to our reported GMV and net revenues for the periods presented (in millions, except percentages):

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		FX-Neutral % Change
	As Reported	Exchange Rate Effect ⁽¹⁾⁽³⁾	FX-Neutral ⁽²⁾	As Reported	As Reported % Change	
GMV:						
Marketplace	\$ 27,135	\$ (644)	\$ 27,779	\$ 21,484	26 %	29 %
Net Revenues						
Net transaction revenues:						
Marketplace	\$ 2,447	\$ (36)	\$ 2,483	\$ 1,887	30 %	33 %
Marketing services and other revenues:						
Marketplace	221	(5)	226	270	(18) %	(16) %
Classifieds	201	(5)	206	271	(26) %	(24) %
Elimination of inter-segment net revenue	(4)	—	(4)	(5)	(20) %	(20) %
Total	418	(10)	428	536	(22) %	(20) %
Total net revenues	\$ 2,865	\$ (46)	\$ 2,911	\$ 2,423	18 %	21 %

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		FX-Neutral % Change
	As Reported	Exchange Rate Effect ⁽¹⁾⁽³⁾	FX-Neutral ⁽²⁾	As Reported	As Reported % Change	
GMV:						
Marketplace	\$ 48,394	\$ (1,061)	\$ 49,455	\$ 43,055	12 %	15 %
Net Revenues						
Net transaction revenues:						
Marketplace	\$ 4,347	\$ (66)	\$ 4,413	\$ 3,772	15 %	18 %
Marketing services and other revenues:						
Marketplace	451	(10)	461	547	(17) %	(16) %
Classifieds	449	(11)	460	527	(15) %	(13) %
Elimination of inter-segment net revenue	(8)	—	(8)	(10)	(20) %	(20) %
Total	892	(21)	913	1,064	(16) %	(14) %
Total net revenues	\$ 5,239	\$ (87)	\$ 5,326	\$ 4,836	8 %	11 %

- (1) We define exchange rate effect as the year-over-year impact of foreign currency movements using prior period foreign currency rates applied to current year transactional currency amounts excluding hedging activity.
- (2) We define FX-Neutral GMV as GMV minus the exchange rate effect. We define the non-GAAP financial measures of FX-Neutral net revenues as net revenues minus the exchange rate effect.
- (3) Marketplace net transaction revenues were net of \$17 million hedging activity during the three and six months ended June 30, 2020 and \$13 million and \$33 million of hedging activity during the three and six months ended June 30, 2019, respectively.

Liquidity and Capital Resources

Cash Flows

	Six Months Ended June 30,	
	2020	2019
	(In millions)	
Net cash provided by (used in):		
Continuing operating activities	\$ 1,666	\$ 1,267
Continuing investing activities	(2,206)	1,303
Continuing financing activities	(3,370)	(3,258)
Effect of exchange rates on cash, cash equivalents and restricted cash	(26)	(20)
Net increase in cash and cash equivalents - discontinued operations	3,965	10
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 29</u>	<u>\$ (698)</u>

Continuing Operating Activities

Cash provided by continuing operating activities of \$1.7 billion in the six months ended June 30, 2020 was primarily attributable to net income of \$4.2 billion with adjustments for income from discontinued operations of \$2.9 billion, \$319 million in depreciation and amortization, \$216 million in stock-based compensation, \$195 million in provision for transaction losses, \$104 million for deferred income taxes, partially offset by \$90 million in changes in assets and liabilities, net of acquisition effects and adjustments of \$305 million for changes in the fair value of the Adyen warrant.

Continuing Investing Activities

Cash used in continuing investing activities of \$2.2 billion in the six months ended June 30, 2020 was primarily attributable to cash paid for investments of \$21.7 billion, property and equipment of \$196 million and acquisitions of \$42 million, partially offset by proceeds of \$19.7 billion from the maturities and sales of investments.

Continuing Financing Activities

Cash used in continuing financing activities of \$3.4 billion in the six months ended June 30, 2020 was primarily attributable to cash paid to repurchase \$4.0 billion of common stock, of which \$3.0 billion related to repurchases of common stock under an accelerated share repurchase program, repaid debt of \$839 million, which comprised of \$500 million of our 2.150% senior fixed rate notes that matured and \$339 million paid to repurchase a portion of our outstanding 2.875% senior fixed rate notes maturing in 2021 pursuant to a tender offer and paid \$226 million of cash dividends, which was partially offset by \$1.8 billion of proceeds from debt issuances.

The negative effect of exchange rate movements on cash, cash equivalents and restricted cash was due to the strengthening of the U.S. dollar against other currencies, primarily the euro, Korean won and Australian dollar during the six months ended June 30, 2020 compared to the 2019 year-end rate.

Stock Repurchases

In January 2019, our Board authorized a \$4.0 billion stock repurchase program and in January 2020, our Board authorized an additional \$5.0 billion stock repurchase program. These stock repurchase programs have no expiration from the date of authorization.

On February 13, 2020, we entered into accelerated share repurchase agreements (the “ASR Agreements”) with each three financial institutions (each, an “ASR Counterparty”), as part of our share repurchase program. Under the ASR Agreements, we paid an aggregate amount of \$3.0 billion to the ASR Counterparties and received an initial delivery of approximately 69 million shares of our common stock, which shares were recorded as a \$2.55 billion increase to treasury stock. The final number of shares to be repurchased will be based on the volume-weighted average stock price of our common stock during the terms of the agreements, less a discount. This is evaluated as an unsettled forward contract indexed to our own stock, with \$450 million classified within stockholders’ equity. At final settlement, each ASR Counterparty may be required to deliver additional shares of our common stock to us or, under certain circumstances, we may be required to make a cash payment or deliver shares of our common stock to the applicable ASR Counterparty, with the method of settlement at our election. In July 2020, the ASR Agreements settled and resulted in approximately 74 million shares repurchased at an average price per share of \$40.77.

Our stock repurchase programs are intended to programmatically offset the impact of dilution from our equity compensation programs and, subject to market conditions and other factors, to make opportunistic and programmatic repurchases of our common stock to reduce our outstanding share count. Any share repurchases under our stock repurchase programs may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means at times and in such amounts as management deems appropriate and will be funded from our working capital or other financing alternatives.

During the six months ended June 30, 2020, we repurchased approximately \$4 billion of our common stock under our stock repurchase programs. As of June 30, 2020, a total of approximately \$3.2 billion remained available for future repurchases of our common stock under our stock repurchase programs.

We expect, subject to market conditions and other uncertainties, to continue making opportunistic and programmatic repurchases of our common stock. However, our stock repurchase programs may be limited or terminated at any time without prior notice. The timing and actual number of shares repurchased will depend on a variety of factors, including corporate and regulatory requirements, the impacts of the COVID-19 pandemic, price and other market conditions and management’s determination as to the appropriate use of our cash.

Dividends

The Company paid a total of \$112 million and \$226 million in cash dividends during the three and six months ended June 30, 2020, respectively, and \$120 million and \$245 million in cash dividends during the three and six months ended June 30, 2019, respectively. In July 2020, our Board of Directors declared a cash dividend of \$0.16 per share of common stock to be paid on September 18, 2020 to stockholders of record as of September 1, 2020.

Shelf Registration Statement and Debt

Shelf Registration

As of June 30, 2020, we had an effective shelf registration statement on file with the Securities and Exchange Commission that allows us to issue various types of debt securities, as well as common stock, preferred stock, warrants, depositary shares representing fractional interest in shares of preferred stock, purchase contracts and units from time to time in one or more offerings. Each issuance under the shelf registration statement will require the filing of a prospectus supplement identifying the amount and terms of the securities to be issued. The registration statement does not limit the amount of securities that may be issued thereunder. Our ability to issue securities is subject to market conditions and other factors including, in the case of our debt securities, our credit ratings and compliance with the covenants in our credit agreement.

Senior Notes

As of June 30, 2020, we had floating- and fixed-rate senior notes outstanding for an aggregate principal amount of \$8.7 billion. The net proceeds from the issuances of these senior notes are used for general corporate purposes, including, among other things, capital expenditures, share repurchases, repayment of indebtedness and possible acquisitions. The floating rate notes are not redeemable prior to maturity. On and after March 1, 2021, we may redeem some or all of the 6.000% fixed rate notes due 2056 at any time and from time to time prior to their maturity, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. We may redeem some or all of the other fixed rate notes of each series at any time and from time to time prior to their maturity, generally at a make-whole redemption price plus accrued and unpaid interest. If a change of control triggering event (as defined in the applicable senior notes) occurs with respect to the 3.800% fixed rate notes due 2022, the floating rate notes due 2023, the 2.750% fixed rate notes due 2023, the 1.900% fixed rate notes due 2025, the 3.600% fixed rate notes due 2027, the 2.700% fixed rate notes due 2030 or the 6.000% fixed rate notes due 2056, we must, subject to certain exceptions, offer to repurchase all of the notes of the applicable series at a price equal to 101% of the principal amount plus accrued and unpaid interest. For additional details related to our senior notes, please see "Note 10 – Debt" to the condensed consolidated financial statements included in this report.

In July 2020, we exercised our option to redeem all of our outstanding 2.875% senior notes due 2021 for an aggregate redemption price of approximately \$419 million, plus accrued interest to the redemption date and a make-whole premium. The redemption is scheduled to settle in the third quarter.

To help achieve our interest rate risk management objectives, in connection with the previous issuance of certain senior notes, we entered into interest rate swap agreements that effectively converted \$2.4 billion of the fixed rate notes to floating rate debt based on the London Interbank Offered Rate ("LIBOR") plus a spread. These swaps were designated as fair value hedges against changes in the fair value of certain fixed rate senior notes resulting from changes in interest rates. As of June 30, 2020, we had no interest rate swaps designated as fair value hedges outstanding as \$1.15 billion related to our 2.200% senior notes of the \$2.4 billion aggregate notional amount matured in 2019 and in 2019 we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024. As a result of the early termination, hedge accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the three and six months ended June 30, 2020 was immaterial. For additional details related to the interest rate swap termination, please see, "Note 10 – Debt" to the condensed consolidated financial statements included in this report.

During the second quarter of 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was \$400 million as of June 30, 2020 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023.

The indenture pursuant to which the senior notes were issued includes customary covenants that, among other things and subject to exceptions, limit our ability to incur, assume or guarantee debt secured by liens on specified assets or enter into sale and lease-back transactions with respect to specified properties, and also includes customary events of default with customary grace periods in certain circumstances, including payment defaults and bankruptcy-related defaults.

Commercial Paper

We have a commercial paper program pursuant to which we may issue commercial paper notes in an aggregate principal amount at maturity of up to \$1.5 billion outstanding at any time with maturities of up to 397 days from the date of issue. As of June 30, 2020, there were no commercial paper notes outstanding.

Credit Agreement

In March 2020, we entered into a credit agreement that provides for an unsecured \$2 billion five-year credit facility. We may also, subject to the agreement of the applicable lenders, increase commitments under the revolving credit facility by up to \$1 billion. Funds borrowed under the credit agreement may be used for working capital, capital expenditures, acquisitions and other general corporate purposes. The credit agreement replaced our prior \$2 billion unsecured revolving credit agreement dated November 2015, which was terminated effective March 2020.

As of June 30, 2020, no borrowings were outstanding under our \$2 billion credit agreement. However, as described above, we have an up to \$1.5 billion commercial paper program and are required to maintain available borrowing capacity under our credit agreement in order to repay commercial paper borrowings in the event we are unable to repay those borrowings from other sources when they become due, in an aggregate amount of \$1.5 billion. However as of June 30, 2020, no borrowings were outstanding under our commercial paper program; therefore, \$2 billion of borrowing capacity was available for other purposes permitted by the credit agreement. The credit agreement includes a covenant limiting our consolidated leverage ratio to no more than 4.0:1.0, subject to, upon the occurrence of a qualified material acquisition, if so elected by us, a step-up to 4.5:1.0 for the four fiscal quarters completed following such qualified material acquisition. The credit agreement includes customary events of default, with corresponding grace periods in certain circumstances, including payment defaults, cross-defaults and bankruptcy-related defaults. In addition, the credit agreement contains customary affirmative and negative covenants, including restrictions regarding the incurrence of liens and subsidiary indebtedness, in each case, subject to customary exceptions. The credit agreement also contains customary representations and warranties.

We were in compliance with all covenants in our outstanding debt instruments for the six months ended June 30, 2020.

Credit Ratings

As of June 30, 2020, we were rated investment grade by Standard and Poor's Financial Services, LLC (long-term rated BBB+, short-term rated A-2, with a stable outlook), Moody's Investor Service (long-term rated Baa1, short-term rated P-2, with a stable outlook), and Fitch Ratings, Inc. (long-term rated BBB, short-term rated F-2, with a stable outlook). We disclose these ratings to enhance the understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Our borrowing costs depend, in part, on our credit ratings and any actions taken by these credit rating agencies to lower our credit ratings, as described above, will likely increase our borrowing costs.

Liquidity and Capital Resource Requirements

As of June 30, 2020 and December 31, 2019, we had assets classified as cash and cash equivalents, as well as short-term and long-term non-equity investments, in an aggregate amount of \$5.8 billion and \$3.8 billion, respectively. As of June 30, 2020, this amount included assets held in certain of our foreign operations totaling approximately \$3.5 billion. As we repatriate these funds to the U.S., we will be required to pay income taxes in certain U.S. states and applicable foreign withholding taxes on those amounts during the period when such repatriation occurs. We have accrued deferred taxes for the tax effect of repatriating the funds to the U.S.

We actively monitor all counterparties that hold our cash and cash equivalents and non-equity investments, focusing primarily on the safety of principal and secondarily on improving yield on these assets. We diversify our cash and cash equivalents and investments among various counterparties in order to reduce our exposure should any one of these counterparties fail or encounter difficulties. To date, we have not experienced any material loss or lack of access to our invested cash, cash equivalents or short-term investments; however, we can provide no assurances that access to our invested cash, cash equivalents or short-term investments will not be impacted by adverse conditions in the financial markets, including, without limitation, as a result of the impact of the COVID-19 pandemic. At any point in time we have funds in our operating accounts and customer accounts that are deposited and invested with third party financial institutions.

We believe that our existing cash, cash equivalents and short-term and long-term investments, together with cash expected to be generated from operations, borrowings available under our credit agreement and commercial paper program, and our access to capital markets, will be sufficient to fund our operating activities, anticipated capital expenditures, repayment of debt and stock repurchases for the foreseeable future. However, COVID-19 and related measures to contain its impact have caused material disruptions in both national and global financial markets and economies. The future impact of COVID-19 and these containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

Off-Balance Sheet Arrangements

As of June 30, 2020, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

We have a cash pooling arrangement with a financial institution for cash management purposes. This arrangement allows for cash withdrawals from the financial institution based upon our aggregate operating cash balances held within the same financial institution ("Aggregate Cash Deposits"). This arrangement also allows us to withdraw amounts exceeding the Aggregate Cash Deposits up to an agreed-upon limit. The net balance of the withdrawals and the Aggregate Cash Deposits are used by the financial institution as a basis for calculating our net interest expense or income under the arrangement. As of June 30, 2020, we had a total of \$5.2 billion in aggregate cash deposits, partially offset by \$5.2 billion in cash withdrawals, held within the financial institution under the cash pooling arrangement.

Indemnification Provisions

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the separation and relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal, which may be significant. In addition, the indemnity rights we have against PayPal under the agreements may not be sufficient to protect us and our indemnity obligations to PayPal may be significant.

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

In the ordinary course of business, we have included limited indemnification provisions in certain of our agreements with parties with which we have commercial relations, including our standard marketing, promotions and application programming interface license agreements. Under these contracts, we generally indemnify, hold harmless and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with claims by a third party with respect to our domain names, trademarks, logos and other branding elements to the extent that such marks are applicable to our performance under the subject agreement. In certain cases, we have agreed to provide indemnification for intellectual property infringement. It is not possible to determine the maximum potential loss under these indemnification provisions due to our limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in our condensed consolidated statement of income in connection with our indemnification provisions have not been significant, either individually or collectively.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to interest rate risk relating to our investments and outstanding debt. In addition, adverse economic conditions and events (including volatility or distress in the equity and/or debt or credit markets) may impact regional and global financial markets. We seek to reduce earnings volatility that may result from adverse economic conditions and events or changes in interest rates.

The primary objective of our investment activities is to preserve principal while at the same time improving yields without significantly increasing risk. To achieve this objective, we maintain our cash equivalents and short-term and long-term investments in a variety of asset types, including bank deposits, government bonds and corporate debt securities. As of June 30, 2020, approximately 16% of our total cash and investments was held in cash and cash equivalents. As such, changes in interest rates will impact interest income. As discussed below, the fair market values of our fixed rate securities may be adversely affected due to a rise in interest rates, and we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates.

As of June 30, 2020, the balance of our corporate debt and government bond securities was \$4.8 billion, which represented approximately 78% of our total cash and investments. Investments in both fixed-rate and floating-rate interest-earning instruments carry varying degrees of interest rate risk. The fair market value of our fixed-rate investment securities may be adversely impacted due to a rise in interest rates. In general, fixed-rate securities with longer maturities are subject to greater interest rate risk than those with shorter maturities. While floating rate securities generally are subject to less interest rate risk than fixed-rate securities, floating-rate securities may produce less income than expected if interest rates decrease and may also suffer a decline in market value if interest rates increase. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if we sell securities that have declined in market value due to changes in interest rates. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease in the fair value of our investments of \$7 million and \$8 million as of June 30, 2020 and December 31, 2019, respectively.

As of June 30, 2020, we had an aggregate principal amount of \$8.7 billion of outstanding senior notes, of which 95% bore interest at fixed rates. In 2014, we entered into \$2.4 billion of interest rate swap agreements that had an economic effect of modifying the fixed interest obligations associated with \$1.15 billion of our 2.200% senior notes due July 2019, \$750 million of our 2.875% senior notes due July 2021, and \$500 million of our 3.450% senior notes due July 2024 so that the interest payable on those notes effectively became variable based on LIBOR plus a spread. In July 2019, \$1.15 billion of the \$2.4 billion aggregate notional amount matured and we terminated the interest rate swaps related to \$750 million of our 2.875% senior notes due July 2021 and \$500 million of our 3.450% senior notes due July 2024, which were designated as fair value hedges. As a result of the early termination hedge, accounting was discontinued prospectively and the gain on termination was recorded as an increase to the long-term debt balance and is being recognized over the remaining life of the underlying debt as a reduction to interest expense. The gain recognized during the three and six months ended June 30, 2020 was immaterial.

During the second quarter of 2020, we began to hedge the variability of the cash flows in interest payments associated with our floating-rate debt using interest rate swaps. These interest rate swap agreements effectively convert our LIBOR-based floating-rate debt to a fixed-rate basis, reducing the impact of interest-rate changes on future interest expense. The total notional amount of these interest swaps was \$400 million as of June 30, 2020 with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. Our interest rate swap contracts have maturity dates in 2023. At June 30, 2020, we did not have an unhedged balance on our floating-rate debt.

During the first quarter of 2020, we began to hedge the variability of forecasted interest payments using forward-starting interest rate swaps. The notional amount of these swaps was \$700 million as of June 30, 2020, with terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate. These interest rate swaps effectively fix the benchmark interest rate on anticipated debt issuance in 2022, and they will be terminated upon issuance of the debt. When entering into forward-starting interest rate swaps, we are subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the forward-starting interest rate swaps. We manage market risk by matching the terms of the swaps with the terms of the expected debt issuance. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1% (100 basis points) decrease in interest rates would have resulted in a decrease in the fair values of our forward-starting and floating to fixed rate interest swaps of approximately \$65 million at June 30, 2020.

Further changes in interest rates will impact interest expense on any borrowings under our revolving credit facility, which bear interest at floating rates, and the interest rate on any commercial paper borrowings we make and any debt securities we may issue in the future and, accordingly, will impact interest expense. For additional details related to our debt, see "Note 10 – Debt" to the condensed consolidated financial statements included in this report.

Equity Price Risk

Equity Investments

Our equity investments are primarily investments in privately-held companies. Our consolidated results of operations include, as a component of interest and other, net, our share of the net income or loss of the equity investments accounted for under the equity method of accounting. Equity investments without readily determinable fair values are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Such changes in the basis of the equity investment are recognized in interest and other, net. As of June 30, 2020, our equity investments totaled \$298 million, which represented approximately 5% of our total cash and investments, and were primarily related to equity investments without readily determinable fair values.

Warrant

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that, subject to meeting certain conditions, entitles us to acquire a fixed number of shares up to 5% of Adyen's fully diluted issued and outstanding share capital at a specific date. The warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in Adyen's common stock price and equity volatility may have a significant impact on the value of the warrant. As of June 30, 2020, a one dollar change in Adyen's common stock, holding other factors constant, would increase or decrease the fair value of the warrant by approximately \$1 million. For additional details related to the warrant, please see "Note 8 – Derivative Instruments" to our condensed consolidated financial statements included in this report.

Foreign Currency Risk

Our commerce platforms operate globally, resulting in certain revenues and costs that are denominated in foreign currencies, primarily the Korean won, euro, British pound and Australian dollar, subjecting us to foreign currency risk, which may adversely impact our financial results. We transact business in various foreign currencies and have significant international revenues as well as costs. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services we provide. Our cash flow, results of operations and certain of our intercompany balances that are exposed to foreign exchange rate fluctuations may differ materially from expectations and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities.

We have a foreign exchange exposure management program designed to identify material foreign currency exposures, manage these exposures and reduce the potential effects of currency fluctuations on our reported condensed consolidated cash flows and results of operations through the purchase of foreign currency exchange contracts. The effectiveness of the program and resulting usage of foreign exchange derivative contracts is at times limited by our ability to achieve cash flow hedge accounting. For additional details related to our derivative instruments, please see "Note 8 – Derivative Instruments" to our condensed consolidated financial statements included in this report.

We use foreign exchange derivative contracts to help protect our forecasted U.S. dollar-equivalent earnings from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse currency exchange rate movements. Most of these contracts are designated as cash flow hedges for accounting purposes. For qualifying cash flow hedges, the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings in the same period the forecasted transaction affects earnings. For contracts not designated as cash flow hedges for accounting purposes, the derivative's gain or loss is recognized immediately in earnings in our condensed consolidated statement of income. However, only certain revenue and costs are eligible for cash flow hedge accounting.

The following table illustrates the fair values of outstanding foreign exchange contracts designated as cash flow hedges and net investment hedges, and the before-tax effect on fair values of a hypothetical adverse change in the foreign exchange rates that existed as of June 30, 2020. The sensitivity for foreign currency contracts is based on a 20% adverse change in foreign exchange rates, against relevant functional currencies.

	Fair Value Asset/(Liability)	Fair Value Sensitivity
	(In millions)	
Foreign exchange contracts - Cash flow hedges	\$ 63	\$ (97)
Foreign exchange contracts - Net investment hedges	\$ 3	\$ (32)

Since our risk management programs are highly effective, the potential loss in value described above would be largely offset by changes in the value of the underlying exposure.

We also use foreign exchange contracts to offset the foreign exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. These contracts reduce, but do not entirely eliminate, the impact of currency exchange rate movements on our assets and liabilities. The foreign currency gains and losses on the assets and liabilities are recorded in interest and other, net, which are offset by the gains and losses on the foreign exchange contracts.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for all currencies could be experienced in the near term. These changes would have resulted in an adverse impact on income before income taxes of approximately \$44 million as of June 30, 2020 taking into consideration the offsetting effect of foreign exchange forwards in place as of June 30, 2020.

Item 4: Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2020.

(b) *Changes in internal controls.* There were no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

The information set forth under “Note 12 – Commitments and Contingencies – Litigation and Other Legal Matters” to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A: Risk Factors

You should carefully review the following discussion of the risks that may affect our business, results of operations and financial condition, as well as our condensed consolidated financial statements and notes thereto and the other information appearing in this report, for important information regarding risks that affect us. Current global economic events and conditions may amplify many of these risks. These risks are not the only risks that may affect us. Additional risks that we are not aware of or do not believe are material at the time of this filing may also become important factors that adversely affect our business.

Risk Factors That May Affect our Business, Results of Operations and Financial Condition

Our operating and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations and cash flows, as well as the trading price of our common stock and debt securities.

Our operating and financial results have varied on a quarterly basis during our operating history and may continue to fluctuate significantly as a result of a variety of factors, including as a result of the risks set forth in this “Risk Factors” section. It is difficult for us to forecast the level or source of our revenues or earnings (loss) accurately. In view of the rapidly evolving nature of our business, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. We do not have backlog, and substantially all of our net revenues each quarter come from transactions involving sales during that quarter. Due to the inherent difficulty in forecasting revenues, it is also difficult to forecast expenses as a percentage of net revenues. Quarterly and annual expenses as a percentage of net revenues reflected in our condensed consolidated financial statements may be significantly different from historical or projected percentages. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. The trading price of our common stock and debt securities could decline, perhaps substantially, as a result of the factors described in this paragraph and the other risks set forth in this “Risk Factors” section.

Substantial and increasingly intense competition worldwide in ecommerce may harm our business.

The businesses and markets in which we operate are intensely competitive. We currently and potentially compete with a wide variety of online and offline companies providing goods and services to consumers and merchants. The Internet and mobile networks provide new, rapidly evolving and intensely competitive channels for the sale of all types of goods and services. We compete in two-sided markets, and must attract both buyers and sellers to use our platforms. Consumers who purchase or sell goods and services through us have more and more alternatives, and merchants have more channels to reach consumers. We expect competition to continue to intensify. Online and offline businesses increasingly are competing with each other and our competitors include a number of online and offline retailers with significant resources, large user communities and well-established brands. Moreover, the barriers to entry into these channels can be low, and businesses easily can launch online sites or mobile platforms and applications at nominal cost by using commercially available software or partnering with any of a number of successful ecommerce companies. As we respond to changes in the competitive environment, we may, from time to time, make pricing, service or marketing decisions or acquisitions that may be controversial with and lead to dissatisfaction among sellers, which could reduce activity on our platform and harm our profitability.

We face increased competitive pressure online and offline. In particular, the competitive norm for, and the expected level of service from, ecommerce and mobile commerce has significantly increased due to, among other factors, improved user experience, greater ease of buying goods, lower (or no) shipping costs, faster shipping times and more favorable return policies. In addition, certain platform businesses, such as Alibaba, Amazon, Apple, Facebook and Google, many of whom are larger than us or have greater capitalization, have a dominant and secure position in other industries or certain significant markets, and offer other goods and services to consumers and merchants that we do not offer. If we are unable to change our products, offerings and services in ways that reflect the changing demands of ecommerce and mobile commerce marketplaces, particularly the higher growth of sales of fixed-price items and higher expected service levels (some of which depend on services provided by sellers on our platforms), or compete effectively with and adapt to changes in larger platform businesses, our business will suffer.

Competitors with other revenue sources may also be able to devote more resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote more resources to website, mobile platforms and applications and systems development than we can. Other competitors may offer or continue to offer faster and/or free shipping, delivery on Sunday, same-day delivery, favorable return policies or other transaction-related services which improve the user experience on their sites and which could be impractical or inefficient for our sellers to match. Competitors may be able to innovate faster and more efficiently, and new technologies may increase the competitive pressures by enabling competitors to offer more efficient or lower-cost services.

Some of our competitors control other products and services that are important to our success, including credit card interchange, Internet search, and mobile operating systems. Such competitors could manipulate pricing, availability, terms or operation of service related to their products and services in a manner that impacts our competitive offerings. For example, Google, which operates a shopping platform service, has from time to time made changes to its search algorithms that reduced the amount of search traffic directed to us from searches on Google. If we are unable to use or adapt to operational changes in such services, we may face higher costs for such services, face integration or technological barriers or lose customers, which could cause our business to suffer.

Consumers who might use our sites to buy goods have a wide variety of alternatives, including traditional department, warehouse, boutique, discount and general merchandise stores (as well as the online and mobile operations of these traditional retailers), online retailers and their related mobile offerings, online and offline classified services and other shopping channels, such as offline and online home shopping networks. In the United States, these include, but are not limited to, Amazon, Facebook, Google, Walmart, Target, Macy's, Etsy, Shopify, Wayfair, Costco, Rakuten, QVC and HSN, among others. In addition, consumers have a large number of online and offline channels focused on one or more of the categories of products offered on our site.

Consumers also can turn to many companies that offer a variety of services that provide other channels for buyers to find and buy items from sellers of all sizes, including social media, online aggregation and classifieds platforms, such as websites operated by Schibsted ASA or Naspers Limited and others such as craigslist, Oodle.com and Facebook. Consumers also can turn to shopping-comparison sites, such as Google Shopping. In certain markets, our fixed-price listing and traditional auction-style listing formats increasingly are being challenged by other formats, such as classifieds.

Our Classifieds platforms offer classifieds listings in a variety of international markets. In many markets in which they operate, our Classifieds platforms compete for customers and for advertisers against more established online and offline classifieds platforms or other competing websites.

We use product search engines and paid search advertising to help users find our sites, but these services also have the potential to divert users to other online shopping destinations. Consumers may choose to search for products and services with a horizontal search engine or shopping comparison website, and such sites may also send users to other shopping destinations. In addition, sellers are increasingly utilizing multiple sales channels, including the acquisition of new customers by paying for search-related advertisements on horizontal search engine sites, such as Google, Naver and Baidu.

Consumers and merchants who might use our sites to sell goods also have many alternatives, including general ecommerce sites, such as Amazon, Alibaba, Zalando and Coupang, and more specialized sites, such as Etsy. Our international sites also compete for sellers with general and specialized ecommerce sites. Sellers may also choose to sell their goods through other channels, such as classifieds platforms. Consumers and merchants also can create and sell through their own sites, and may choose to purchase online advertising instead of using our services. In some countries, there are online sites that have larger customer bases and greater brand recognition, as well as competitors that may have a better understanding of local culture and commerce. We may increasingly compete with local competitors in developing countries that have unique advantages, such as a greater ability to operate under local regulatory authorities.

In addition, certain manufacturers may limit or cease distribution of their products through online channels, such as our sites. Manufacturers may attempt to use contractual obligations or existing or future government regulation to prohibit or limit ecommerce in certain categories of goods or services. Manufacturers may also attempt to enforce minimum resale price maintenance or minimum advertised price arrangements to prevent distributors from selling on our platforms or on the Internet generally, or drive distributors to sell at prices that would make us less attractive relative to other alternatives. The adoption by manufacturers of policies, or their use of laws or regulations, in each case discouraging or restricting the sales of goods or services over the Internet, could force our users to stop selling certain products on our platforms, which could adversely affect our results of operations and result in loss of market share and diminished value of our brands.

The principal competitive factors for us include the following:

- ability to attract, retain and engage buyers and sellers;
- volume of transactions and price and selection of goods;
- trust in the seller and the transaction;
- customer service;
- brand recognition;
- community cohesion, interaction and size;
- website, mobile platform and application ease-of-use and accessibility;
- system reliability and security;
- reliability of delivery and payment, including customer preference for fast delivery and free shipping and returns;
- level of service fees; and
- quality of search tools.

We may be unable to compete successfully against current and future competitors. Some current and potential competitors have longer operating histories, larger customer bases and greater brand recognition in other business and Internet sectors than we do.

Global and regional economic conditions could harm our business.

Our operations and performance depend significantly on global and regional economic conditions. Economic conditions, including inflation, recession, or other adverse economic events or changes, could have a negative and adverse impact on companies and customers with which we do business and could have a material adverse effect on our business, including a reduction in the volume and prices of transactions on our commerce platforms. These events and conditions, including uncertainties and instability in economic and market conditions caused by the ongoing global COVID-19 pandemic, as well as the United Kingdom's departure from the European Union on January 31, 2020 (known as "Brexit"), which is subject to a transitional period during which the United Kingdom remains bound to the EU's rules, set to end on December 31, 2020, and any outcomes resulting from Brexit, could have a negative and adverse impact on companies and customers with which we do business or cause us to write down our assets or investments. Because we have global operations, including in the United Kingdom and the European Union, we face risks due to the uncertainty and the potential disruptions surrounding Brexit, including potential financial, legal, tax and trade implications.

The global COVID-19 pandemic could harm our business and results of operations.

The global spread of COVID-19 and related measures to contain its spread (such as government mandated business closures and shelter in-place guidelines) have created significant volatility, uncertainty and economic disruption. Although the COVID-19 pandemic and the related measures to contain its spread have not adversely affected our consolidated results of operations to date, they have adversely affected certain components of our business, including revenues from our Classifieds platform and certain of our expenses. The extent to which the COVID-19 pandemic impacts our business, results of operations, financial condition and liquidity in the future will depend on numerous evolving factors that we cannot predict, including the duration and scope of the pandemic; any resurgence or “second waves” of the pandemic; governmental, business and individuals’ actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on national and global economic activity, unemployment levels and financial markets, including the possibility of a national or global recession; the potential for shipping difficulties, including slowed deliveries from sellers to their customers; and the ability of consumers to pay for products. The COVID-19 pandemic has generally resulted in a decrease in consumer spending, which could have an adverse impact on our sellers through reduced consumer demand for their products and availability of inventory, which could in turn negatively impact the demand for use of our platforms. Additionally, the COVID-19 pandemic has caused us to require employees to work remotely for an indefinite period of time, which could negatively impact our business and harm productivity and collaboration. If there is a prolonged impact of COVID-19, it could adversely affect our business, results of operations, financial condition and liquidity, perhaps materially. The future impact of COVID-19 and these containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity, and we cannot assure that we will have access to external financing at times and on terms we consider acceptable, or at all, or that we will not experience other liquidity issues going forward.

Additionally, to date, our Marketplace platforms experienced improved traffic, buyer acquisition and conversion due to the ongoing impact of measures taken globally to contain the spread of COVID-19 and changes in consumer behaviors that have resulted in more online retail experiences. The impacts seen may continue to create volatility in our results and a wider range of outcomes as consumer behaviors continue to evolve.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our substantial indebtedness, our need to generate sufficient cash flows to service our indebtedness, our ability to comply with the covenants contained in the agreements that govern our indebtedness and our international operations.

We are exposed to fluctuations in foreign currency exchange rates, which could negatively impact our financial results.

Because we generate the majority of our revenues outside the United States but report our financial results in U.S. dollars, our financial results are impacted by fluctuations in foreign currency exchange rates, or foreign exchange rates. The results of operations of many of our internationally focused platforms are exposed to foreign exchange rate fluctuations as the financial results of the applicable subsidiaries are translated from the local currency into U.S. dollars for financial reporting purposes. If the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated revenues or expenses will result in increased U.S. dollar denominated revenues and expenses. Similarly, if the U.S. dollar strengthens against foreign currencies, particularly the euro, British pound, Korean won or Australian dollar, our translation of foreign currency denominated revenues or expenses will result in lower U.S. dollar denominated net revenues and expenses. In addition to this translation effect, a strengthening U.S. dollar will typically adversely affect the volume of goods being sold by U.S. sellers to Europe and Australia more than it positively affects the volume of goods being sold by sellers in those geographies to buyers in the United States, thereby further negatively impacting our financial results.

While from time to time we enter into transactions to hedge portions of our foreign currency translation exposure, it is impossible to predict or eliminate the effects of this exposure. Fluctuations in foreign exchange rates could significantly impact our financial results, which may have a significant impact on the trading price of our common stock and debt securities.

Our international operations are subject to increased risks, which could harm our business.

Our international businesses, especially in the United Kingdom, Germany, Australia and Korea, and cross-border business from greater China, have generated a majority of our net revenues in recent years. In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- uncertainties and instability in economic and market conditions caused by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote;
- uncertainty regarding how the United Kingdom's access to the European Union Single Market and the wider trading, legal, regulatory and labor environments, especially in the United Kingdom and European Union, will be impacted by the United Kingdom's vote to exit the European Union and any outcomes resulting from that vote, including the resulting impact on our business and that of our clients;
- expenses associated with localizing our products and services and customer data, including offering customers the ability to transact business in the local currency and adapting our products and services to local preferences (e.g., payment methods) with which we may have limited or no experience;
- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, foreign currency exchange restrictions or extreme fluctuations in foreign currency exchange rates for a particular currency;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, public health issues (such as the coronavirus), acts of war, and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and foreign laws prohibiting corrupt payments to government officials, as well as U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- antitrust and competition regulations;
- potentially adverse tax developments and consequences;
- economic uncertainties relating to sovereign and other debt;
- different, uncertain, or more stringent user protection, data protection, privacy, and other laws;
- risks related to other government regulation or required compliance with local laws;
- national or regional differences in macroeconomic growth rates;
- payment intermediation regulations;
- local licensing and reporting obligations; and
- increased difficulties in collecting accounts receivable.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions, or sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and could harm our business.

Any factors that reduce cross-border trade or make such trade more difficult could harm our business.

Cross-border trade is an important source of both revenue and profits for us. Cross-border trade also represents our primary (or in some cases, only) presence in certain important markets, such as Brazil/Latin America, China, and various other countries. In addition, our cross-border trade is also subject to, and may be impacted by, foreign exchange rate fluctuations.

The interpretation and application of specific national or regional laws, such as those related to intellectual property rights of authentic products, selective distribution networks, and sellers in other countries listing items on the Internet, and the potential interpretation and application of laws of multiple jurisdictions (e.g., the jurisdiction of the buyer, the seller, and/or the location of the item being sold) are often extremely complicated in the context of cross-border trade. The interpretation and/or application of such laws could impose restrictions on, or increase the costs of, purchasing, selling, shipping, or returning goods across national borders.

The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty-free thresholds in various key markets, the interaction of national postal systems, and security related governmental processes at international borders, may increase costs, discourage cross-border purchases, delay transit and create shipping uncertainties. Any factors that increase the costs of cross-border trade or restrict, delay, or make cross-border trade more difficult or impractical would lower our revenues and profits and could harm our business.

Our business may be adversely affected by geopolitical events, natural disasters, seasonal factors and other factors that cause our users to spend less time on our websites or mobile platforms and applications, including increased usage of other websites.

Our users may spend less time on our websites and our applications for mobile devices as a result of a variety of diversions, including: geopolitical events, such as war, the threat of war, or terrorist activity; natural disasters or the effects of climate change (such as drought, flooding, wildfires, increased storm severity, and sea level rise); power shortages or outages, major public health issues, including pandemics (such as COVID-19); social networking or other entertainment websites or mobile applications; significant local, national or global events capturing the attention of a large part of the population; and seasonal fluctuations due to a variety of factors. If any of these, or any other factors, divert our users from using our websites or mobile applications, our business could be materially adversely affected.

Our success depends to a large degree on our ability to successfully address the rapidly evolving market for transactions on mobile devices.

Mobile devices are increasingly used for ecommerce transactions. A significant and growing portion of our users access our platforms through mobile devices. We may lose users if we are not able to continue to meet our users' mobile and multi-screen experience expectations. The variety of technical and other configurations across different mobile devices and platforms increases the challenges associated with this environment. In addition, a number of other companies with significant resources and a number of innovative startups have introduced products and services focusing on mobile markets.

Our ability to successfully address the challenges posed by the rapidly evolving market for mobile transactions is crucial to our continued success, and any failure to continuously increase the volume of mobile transactions effected through our platforms could harm our business.

If we cannot keep pace with rapid technological developments or continue to innovate and create new initiatives to provide new programs, products and services, the use of our products and our revenues could decline.

Rapid, significant technological changes continue to confront the industries in which we operate and we cannot predict the effect of technological changes on our business. We also continuously strive to create new initiatives and innovations that offer growth opportunities, such as our new payments and advertising offerings. In addition to our own initiatives and innovations, we rely in part on third parties, including some of our competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the industries in which we operate will continue to emerge. These new services and technologies may be superior to, or render obsolete, the technologies we currently use in our products and services. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and ultimately may not be successful. In addition, our ability to adopt new services and develop new technologies may be inhibited by industry-wide standards, new laws and regulations, resistance to change from our users, clients or merchants, or third parties' intellectual property rights. Our success will depend on our ability to develop new technologies and adapt to technological changes and evolving industry standards.

Our business is subject to extensive government regulation and oversight.

We are subject to laws and regulations affecting our domestic and international operations in a number of areas, including consumer protection, data privacy requirements, intellectual property ownership and infringement, prohibited items and stolen goods, tax, antitrust and anti-competition, export requirements, anti-corruption, labor, advertising, digital content, real estate, billing, ecommerce, promotions, quality of services, telecommunications, mobile communications and media, environmental, and health and safety regulations, as well as laws and regulations intended to combat money laundering and the financing of terrorist activities. In addition, we are, or may become, subject to further regulation in some of the above-mentioned areas or new areas as a result of the continued development and expansion of our payments capabilities.

Compliance with these laws, regulations, and similar requirements may be onerous and expensive, and variances and inconsistencies from jurisdiction to jurisdiction may further increase the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products or services in one or more regions, or cause us to change or limit our business practices. We have implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that our employees, contractors, or agents will not violate such laws and regulations or our policies and procedures.

Regulation in the areas of privacy and protection of user data could harm our business.

We are subject to laws relating to the collection, use, retention, security, and transfer of personally identifiable information about our users around the world. Much of the personal information that we collect, especially financial information, is regulated by multiple laws. User data protection laws may be interpreted and applied inconsistently from country to country. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between or among ourselves, our subsidiaries, and other parties with which we have commercial relations. These laws continue to develop in ways we cannot predict and that may harm our business.

Regulatory scrutiny of privacy, user data protection, use of data and data collection is increasing on a global basis. We are subject to a number of privacy and similar laws and regulations in the countries in which we operate and these laws and regulations will likely continue to evolve over time, both through regulatory and legislative action and judicial decisions. In addition, compliance with these laws may restrict our ability to provide services to our customers that they may find to be valuable. For example, the General Data Protection Regulation (“GDPR”) became effective in May 2018. The GDPR, which applies to all of our activities conducted from an establishment in the European Union or related to products and services offered in the European Union, imposes a range of new compliance obligations regarding the handling of personal data. The GDPR imposes significant new obligations and compliance with these obligations depends in part on how particular regulators interpret and apply them. If we fail to comply with the GDPR, or if regulators assert we have failed to comply with the GDPR, it may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, private lawsuits, or reputational damage. In the U.S., California has adopted the California Consumer Privacy Act of 2018 (“CCPA”), which became effective January 1, 2020 and which provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties. In addition to the CCPA, several other U.S. states have adopted or are considering adopting laws and regulations imposing obligations regarding the handling of personal data. Compliance with the GDPR, the CCPA, and other current and future applicable international and U.S. privacy, cybersecurity and related laws can be costly and time-consuming. Complying with these varying national and international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and violations of privacy-related laws can result in significant penalties.

A determination that there have been violations of laws relating to our practices under communications-based laws could also expose us to significant damage awards, fines and other penalties that could, individually or in the aggregate, materially harm our business. In particular, because of the enormous number of texts, emails and other communications we send to our users, communications laws that provide a specified monetary damage award or fine for each violation (such as those described below) could result in particularly large awards or fines.

For example, the Federal Communications Commission amended certain of its regulations under the Telephone Consumer Protection Act, or TCPA, in 2012 and 2013 in a manner that could increase our exposure to liability for certain types of telephonic communication with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble the damage award for willful or knowing violations. We are regularly subject to class-action lawsuits, as well as individual lawsuits, containing allegations that our businesses violated the TCPA. These lawsuits, and other private lawsuits not currently alleged as class actions, seek damages (including statutory damages) and injunctive relief, among other remedies. Given the enormous number of communications we send to our users, a determination that there have been violations of the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business.

We post on our websites our privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any regulatory requirements or orders or other federal, state or international privacy or consumer protection-related laws and regulations, including the GDPR and the CCPA, could result in proceedings or actions against us by governmental entities or others (e.g., class action privacy litigation), subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and adversely affect our business. Data collection, privacy and security have become the subject of increasing public concern. If Internet and mobile users were to reduce their use of our websites, mobile platforms, products, and services as a result of these concerns, our business could be harmed. As noted above, we are also subject to the possibility of security breaches, which themselves may result in a violation of these laws.

Other laws and regulations could harm our business.

It is not always clear how laws and regulations governing matters relevant to our business, such as property ownership, copyrights, trademarks, and other intellectual property issues, parallel imports and distribution controls, taxation, libel and defamation, and obscenity apply to our businesses. Many of these laws were adopted prior to the advent of the Internet, mobile, and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. Many of these laws, including some of those that do reference the Internet are subject to interpretation by the courts on an ongoing basis and the resulting uncertainty in the scope and application of these laws and regulations increases the risk that we will be subject to private claims and governmental actions alleging violations of those laws and regulations.

As our activities, the products and services we offer, and our geographical scope continue to expand, regulatory agencies or courts may claim or hold that we or our users are subject to additional requirements (including licensure) or prohibited from conducting our business in their jurisdiction, either generally or with respect to certain actions. Financial and political events have increased the level of regulatory scrutiny on large companies, and regulatory agencies may view matters or interpret laws and regulations differently than they have in the past and in a manner adverse to our businesses. Our success and increased visibility have driven some existing businesses that perceive us to be a threat to their businesses to raise concerns about our business models to policymakers and regulators. These businesses and their trade association groups employ significant resources in their efforts to shape the legal and regulatory regimes in countries where we have significant operations. They may employ these resources in an effort to change the legal and regulatory regimes in ways intended to reduce the effectiveness of our businesses and the ability of users to use our products and services. These established businesses have raised concerns relating to pricing, parallel imports, professional seller obligations, selective distribution networks, stolen goods, copyrights, trademarks and other intellectual property rights and the liability of the provider of an Internet marketplace for the conduct of its users related to those and other issues. Any changes to the legal or regulatory regimes in a manner that would increase our liability for third-party listings could negatively impact our business.

Numerous U.S. states and foreign jurisdictions, including the State of California, have regulations regarding “auctions” and the handling of property by “secondhand dealers” or “pawnbrokers.” Several states and some foreign jurisdictions have attempted to impose such regulations upon us or our users, and others may attempt to do so in the future. Attempted enforcement of these laws against some of our users appears to be increasing and we could be required to change the way we or our users do business in ways that increase costs or reduce revenues, such

as forcing us to prohibit listings of certain items or restrict certain listing formats in some locations. We could also be subject to fines or other penalties, and any of these outcomes could harm our business.

A number of the lawsuits against us relating to trademark issues seek to have our platforms subject to unfavorable local laws. For example, “trademark exhaustion” principles provide trademark owners with certain rights to control the sale of a branded authentic product until it has been placed on the market by the trademark holder or with the holder’s consent. The application of “trademark exhaustion” principles is largely unsettled in the context of the Internet, and if trademark owners are able to force us to prohibit listings of certain items in one or more locations, our business could be harmed.

As we expand and localize our international activities, we are increasingly becoming obligated to comply with the laws of the countries or markets in which we operate. In addition, because our services are accessible worldwide and we facilitate sales of goods and provide services to users worldwide, one or more jurisdictions may claim that we or our users are required to comply with their laws based on the location of our servers or one or more of our users, or the location of the product or service being sold or provided in an ecommerce transaction. For example, we were found liable in France, under French law, for transactions on some of our websites worldwide that did not involve French buyers or sellers. Laws regulating Internet, mobile and ecommerce technologies outside of the United States are generally less favorable to us than those in the United States. Compliance may be more costly or may require us to change our business practices or restrict our service offerings, and the imposition of any regulations on us or our users may harm our business. In addition, we may be subject to multiple overlapping legal or regulatory regimes that impose conflicting requirements on us (e.g., in cross-border trade). Our alleged failure to comply with foreign laws could subject us to penalties ranging from criminal prosecution to significant fines to bans on our services, in addition to the significant costs we may incur in defending against such actions.

We are regularly subject to general litigation, regulatory disputes, and government inquiries.

We are regularly subject to claims, lawsuits (including class actions and individual lawsuits), government investigations, and other proceedings involving competition and antitrust, intellectual property, privacy, consumer protection, accessibility claims, securities, tax, labor and employment, commercial disputes, content generated by our users, services and other matters. The number and significance of these disputes and inquiries have increased as our Company has grown larger, our businesses have expanded in scope and geographic reach, and our products and services have increased in complexity.

The outcome and impact of such claims, lawsuits, government investigations, and other proceedings cannot be predicted with certainty. Regardless of the outcome, such investigations and proceedings can have an adverse impact on us because of legal costs, diversion of management resources, and other factors. Determining reserves for our pending litigation and other proceedings is a complex, fact-intensive process that is subject to judgment calls. It is possible that a resolution of one or more such proceedings could require us to make substantial payments to satisfy judgments, fines or penalties or to settle claims or proceedings, any of which could harm our business. These proceedings could also result in reputational harm, criminal sanctions, consent decrees, or orders preventing us from offering certain products, or services, or requiring a change in our business practices in costly ways, or requiring development of non-infringing or otherwise altered products or technologies. Any of these consequences could harm our business.

We are subject to regulatory activity and antitrust litigation under competition laws that could adversely impact our business.

We are subject to scrutiny by various government agencies under U.S. and foreign laws and regulations, including antitrust and competition laws. Some jurisdictions also provide private rights of action for competitors or consumers to assert claims of anti-competitive conduct. Other companies and government agencies have in the past and may in the future allege that our actions violate the antitrust or competition laws of the United States, individual states, the European Union or other countries, or otherwise constitute unfair competition. An increasing number of governments are regulating competition law activities, including increased scrutiny in large markets such as China. Our business partnerships or agreements or arrangements with customers or other companies could give rise to regulatory action or antitrust litigation. Some regulators, particularly those outside of the United States, may perceive our business to be used so broadly that otherwise uncontroversial business practices could be deemed anticompetitive. Certain competition authorities have conducted market studies of our industries. Such claims and

investigations, even if without foundation, may be very expensive to defend, involve negative publicity and substantial diversion of management time and effort and could result in significant judgments against us or require us to change our business practices.

Fluctuations in interest rates, and changes in regulatory guidance related to such interest rates, could adversely impact our financial results.

Some of our borrowings bear interest at floating rates and we have entered into agreements intended to convert the interest rate on some of our fixed rate debt instruments to floating rates. To the extent that prevailing rates increase, our interest expense under these debt instruments will increase.

Investments in both fixed-rate and floating-rate interest-earning instruments carry varying degrees of interest rate risk. The fair market value of our fixed-rate investment securities may be adversely impacted due to a rise in interest rates. In general, fixed-rate securities with longer maturities are subject to greater interest-rate risk than those with shorter maturities. While floating rate securities generally are subject to less interest-rate risk than fixed-rate securities, floating-rate securities may produce less income than expected if interest rates decrease and may also suffer a decline in market value if interest rates increase. Due in part to these factors, our investment income may decline or we may suffer losses in principal if securities are sold that have declined in market value due to changes in interest rates. In addition, relatively low interest rates limit our investment income. Fluctuations in interest rates that increase the cost of our current or future indebtedness, cause the market value of our assets to decline or reduce our investment income could adversely affect our financial results.

The listing or sale by our users of items that allegedly infringe the intellectual property rights of rights owners, including pirated or counterfeit items, may harm our business.

The listing or sale by our users of unlawful, counterfeit or stolen goods or unlawful services, or sale of goods or services in an unlawful manner, has resulted and may continue to result in allegations of civil or criminal liability for unlawful activities against us (including the employees and directors of our various entities) involving activities carried out by users through our services. In a number of circumstances, third parties, including government regulators and law enforcement officials, have alleged that our services aid and abet violations of certain laws, including laws regarding the sale of counterfeit items, laws restricting or prohibiting the transferability (and by extension, the resale) of digital goods (e.g., books, music and software), the fencing of stolen goods, selective distribution channel laws, customs laws, distance selling laws, and the sale of items outside of the United States that are regulated by U.S. export controls.

In addition, allegations of infringement of intellectual property rights, including but not limited to counterfeit items, have resulted in threatened and actual litigation from time to time by rights owners, including the following luxury brand owners: Tiffany & Co. in the United States; Rolex S.A. and Coty Prestige Lancaster Group GmbH in Germany; Louis Vuitton Malletier and Christian Dior Couture in France; and L'Oréal SA, Lancôme Parfums et Beauté & Cie, and Laboratoire Garnier & Cie in several European countries. Plaintiffs in these and similar suits seek, among other remedies, injunctive relief and damages. Statutory damages for copyright or trademark violations could range up to \$150,000 per copyright violation and \$2,000,000 per trademark violation in the United States, and may be even higher in other jurisdictions. In the past, we have paid substantial amounts in connection with resolving certain trademark and copyright suits. These and similar suits may also force us to modify our business practices in a manner that increases costs, lowers revenue, makes our websites and mobile platforms less convenient to customers, and requires us to spend substantial resources to take additional protective measures or discontinue certain service offerings in order to combat these practices. In addition, we have received significant media attention relating to the listing or sale of illegal or counterfeit goods, which could damage our reputation, diminish the value of our brand names, and make users reluctant to use our products and services.

We are subject to risks associated with information disseminated through our services.

Online services companies may be subject to claims relating to information disseminated through their services, including claims alleging defamation, libel, breach of contract, invasion of privacy, negligence, copyright or trademark infringement, among other things. The laws relating to the liability of online services companies for information disseminated through their services are subject to frequent challenges both in the United States and

foreign jurisdictions. Any liabilities incurred as a result of these matters could require us to incur additional costs and harm our reputation and our business.

Our potential liability to third parties for the user-provided content on our sites, particularly in jurisdictions outside the United States where laws governing Internet transactions are unsettled, may increase. If we become liable for information provided by our users and carried on our service in any jurisdiction in which we operate, we could be directly harmed and we may be forced to implement new measures to reduce our exposure to this liability, including expending substantial resources or discontinuing certain service offerings, which could harm our business.

Changes to our programs to protect buyers and sellers could increase our costs and loss rate.

Our eBay Money Back Guarantee program represents the means by which we compensate users who believe that they have been defrauded, have not received the item that they purchased or have received an item different from what was described. In addition, as we expand our payments capabilities, we may be exposed to losses associated with compensating our sellers for fraudulent payments. We expect to continue to receive communications from users requesting reimbursement or threatening or commencing legal action against us if no reimbursement is made. Our liability for these sorts of claims is slowly beginning to be clarified in some jurisdictions and may be higher in some non-U.S. jurisdictions than it is in the United States. Litigation involving liability for any such third-party actions could be costly and time consuming for us, divert management attention, result in increased costs of doing business, lead to adverse judgments or settlements or otherwise harm our business. In addition, affected users will likely complain to regulatory agencies that could take action against us, including imposing fines or seeking injunctions.

Development of our payments system requires ongoing investment, is subject to evolving laws, regulations, rules, and standards, and involves risk, including risks related to our dependence on third-party providers.

We have invested and plan to continue to invest internal resources into our payments tools in order to maintain existing availability, expand into additional markets and offer new payment methods and tools to our buyers and sellers. If we fail to invest adequate resources into payments on our platform, or if our investment efforts are unsuccessful or unreliable, our payments services may not function properly or keep pace with competitive offerings, which could negatively impact their usage and our marketplaces. Further, our ability to expand our payments services into additional countries is dependent upon the third-party providers we use to support this service. As we expand the availability of our payments services to additional markets or offer new payment methods to our sellers and buyers in the future, we may become subject to additional regulations and compliance requirements, and exposed to heightened fraud risk, which could lead to an increase in our operating expenses.

We rely on third-party service providers to perform services related to compliance, credit card processing, payment disbursements, currency exchange, identity verification, sanctions screening, and fraud analysis and detection. As a result, we are subject to a number of risks related to our dependence on third-party service providers. If any or some of these service providers fail to perform adequately or if any such service provider were to terminate or modify its relationship with us unexpectedly, our sellers' ability to use our platform to receive orders or payments could be adversely affected, which would increase costs, drive sellers away from our marketplaces, result in potential legal liability, and harm our business. In addition, we and our third-party service providers may experience service outages from time to time that could adversely impact payments made on our platform. Additionally, any unexpected termination or modification of those third-party services could lead to a lapse in the effectiveness of certain fraud prevention and detection tools.

Our third-party service providers may increase the fees they charge us in the future, which would increase our operating expenses. This could, in turn, require us to increase the fees we charge to sellers and cause some sellers to reduce listings on our marketplaces or to leave our platform altogether by closing their accounts.

Payments are governed by complex and continuously evolving laws and regulations that are subject to change and vary across different jurisdictions in the United States and globally. As a result, we are required to spend significant time and effort to determine whether various licensing and registration laws relating to payments apply to us and to comply with applicable laws and licensing and registration regulations. In addition, there can be no assurance that we will be able to obtain or retain any necessary licenses or registrations. Any failure or claim of failure on the part of the Company or its third-party service providers to comply with applicable laws and regulations

relating to payments could require us to expend significant resources, result in liabilities, limit or preclude our ability to enter certain markets and harm our reputation. In addition, changes in payment regulations, including changes to the credit or debit card interchange rates in the United States or other markets, could adversely affect payments on our platform and make our payments systems less profitable.

Further, we are indirectly subject to payment card association operating rules and certification requirements pursuant to agreements with our third-party payment processors. These rules and requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, are subject to change or reinterpretation, making it difficult for us to comply. Any failure to comply with these rules and certification requirements could impact our ability to meet our contractual obligations to our third-party payment processors and could result in potential fines. In addition, changes in these rules and requirements, including any change in our designation by major payment card providers, could require a change in our business operations and could result in limitations on or loss of our ability to accept payment cards, any of which could negatively impact our business. Such changes could also increase our costs of compliance, which could lead to increased fees for us or our sellers and adversely affect payments on our platform or usage of our payments services and marketplaces.

We may be unable to adequately protect or enforce our intellectual property rights and face ongoing risks from patent litigation and allegations by third parties that we are infringing their intellectual property rights.

We believe the protection of our intellectual property, including our trademarks, patents, copyrights, domain names, trade dress, and trade secrets, is critical to our success. We seek to protect our intellectual property rights by relying on applicable laws and regulations in the United States and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights when offering or procuring products and services, including confidentiality and invention assignment agreements entered into with our employees and contractors and confidentiality agreements with parties with whom we conduct business.

However, effective intellectual property protection may not be available in every country in which our products and services are made available, and contractual arrangements and other steps we have taken to protect our intellectual property may not prevent third parties from infringing or misappropriating our intellectual property or deter independent development of equivalent or superior intellectual property rights by others. Trademark, copyright, patent, domain name, trade dress and trade secret protection is very expensive to maintain and may require litigation. We must protect our intellectual property rights and other proprietary rights in an increasing number of jurisdictions, a process that is expensive and time consuming and may not be successful in every jurisdiction. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to others. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation. Any failure to adequately protect or enforce our intellectual property rights, or significant costs incurred in doing so, could materially harm our business.

Additionally, we have repeatedly been sued for allegedly infringing other parties' patents. We are a defendant in a number of patent suits and have been notified of several other potential patent disputes. We expect that we will increasingly be subject to patent infringement claims because, among other reasons:

- our products and services continue to expand in scope and complexity;
- we continue to expand into new businesses, including through acquisitions and licenses; and
- the universe of patent owners who may claim that we, any of the companies that we have acquired, or our customers infringe their patents, and the aggregate number of patents controlled by such patent owners, continues to increase.

As the number of patent owners and products in the software industry increases and the functionality of these products further overlap, and as we acquire technology through acquisitions or licenses, litigation may be necessary to determine the validity and scope of the intellectual property rights of others and we may become increasingly subject to patent suits and other infringement claims, including copyright, and trademark infringement claims. Such claims may be brought directly against us and/or against our customers whom we may indemnify either because we are contractually obligated to do so or we choose to do so as a business matter. We believe that an increasing number of these claims against us and other technology companies have been, and continue to be, initiated by third parties whose sole or primary business is to assert such claims. In addition, we have seen significant patent disputes between operating companies in some technology industries. Patent claims, whether meritorious or not,

are time-consuming and costly to defend and resolve, and could require us to make expensive changes in our methods of doing business, enter into costly royalty or licensing agreements, make substantial payments to satisfy adverse judgments or settle claims or proceedings, or cease conducting certain operations, which would harm our business.

The ultimate outcome of any allegation or litigation is uncertain and, regardless of the outcome, any of the claims described above, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay roll-out, or redesign our products, or require us to pay substantial amounts to satisfy judgments or settle claims or lawsuits or to pay substantial royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation or claims arising out of intellectual property matters, may harm our business.

Failure to deal effectively with fraudulent activities on our platforms would increase our loss rate and harm our business, and could severely diminish merchant and consumer confidence in and use of our services.

We face risks with respect to fraudulent activities on our platforms and periodically receive complaints from buyers and sellers who may not have received the goods that they had contracted to purchase or payment for the goods that a buyer had contracted to purchase. In some European and Asian jurisdictions, buyers may also have the right to withdraw from a sale made by a professional seller within a specified time period. While we can, in some cases, suspend the accounts of users who fail to fulfill their payment or delivery obligations to other users, we do not have the ability to require users to make payment or deliver goods, or otherwise make users whole other than through our buyer protection program, which in the United States we refer to as the eBay Money Back Guarantee, or as we roll out our new payments capabilities, by compensating our sellers for fraudulent payments. Although we have implemented measures to detect and reduce the occurrence of fraudulent activities, combat bad buyer experiences and increase buyer satisfaction, including evaluating sellers on the basis of their transaction history and restricting or suspending their activity, there can be no assurance that these measures will be effective in combating fraudulent transactions or improving overall satisfaction among sellers, buyers, and other participants. Additional measures to address fraud could negatively affect the attractiveness of our services to buyers or sellers, resulting in a reduction in the ability to attract new users or retain current users, damage to our reputation, or a diminution in the value of our brand names.

We have substantial indebtedness, and we may incur substantial additional indebtedness in the future, and we may not generate sufficient cash flow from our business to service our indebtedness. Failure to comply with the terms of our indebtedness could result in the acceleration of our indebtedness, which could have an adverse effect on our cash flow and liquidity.

We have a substantial amount of outstanding indebtedness and we may incur substantial additional indebtedness in the future, including under our commercial paper program and revolving credit facility or through public or private offerings of debt securities. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, including, without limitation, any of the following:

- requiring us to use a significant portion of our cash flow from operations and other available cash to service our indebtedness, thereby reducing the amount of cash available for other purposes, including capital expenditures, dividends, share repurchases, and acquisitions;
- our indebtedness and leverage may increase our vulnerability to downturns in our business, to competitive pressures, and to adverse changes in general economic and industry conditions;
- adverse changes in the ratings assigned to our debt securities by credit rating agencies will likely increase our borrowing costs;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, share repurchases, dividends or other general corporate and other purposes may be limited; and
- our flexibility in planning for, or reacting to, changes in our business and our industry may be limited.

These risks increase as the level of our debt increases. Our ability to make payments of principal and of interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our results of operations and financial condition, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things:

- incur the tax cost of repatriating funds to the United States;
- seek additional financing in the debt or equity markets;
- refinance or restructure all or a portion of our indebtedness;
- sell selected assets; or
- reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to service our debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms or at all.

Our revolving credit facility and the indenture pursuant to which certain of our outstanding debt securities were issued contain, and any debt instruments we enter into in the future may contain, financial and other covenants that restrict or could restrict, among other things, our business and operations. If we fail to pay amounts due under, or breach any of the covenants in, a debt instrument, then the lenders would typically have the right to demand immediate repayment of all borrowings thereunder (subject in certain cases to grace or cure period). Moreover, any such acceleration and required repayment of or default in respect of any of our indebtedness could, in turn, constitute an event of default under other debt instruments, thereby resulting in the acceleration and required repayment of that other indebtedness. Any of these events could materially adversely affect our liquidity and financial condition.

A downgrade in our credit ratings could materially adversely affect our business.

The credit ratings assigned to our debt securities could change based upon, among other things, our results of operations, financial condition or dispositions and acquisitions. These ratings are subject to ongoing evaluation by credit rating agencies, and there can be no assurance that such ratings will not be lowered, suspended or withdrawn entirely by a rating agency or placed on a so-called “watch list” for a possible downgrade or assigned a negative ratings outlook if, in any rating agency’s judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade or have been assigned a negative outlook, would likely increase our borrowing costs, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows and could harm our business.

Our business may be subject to sales and other taxes.

The application of indirect taxes such as sales and use tax, value-added tax (“VAT”), goods and services tax (including the “digital services tax”), business tax and gross receipt tax to ecommerce businesses is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and ecommerce. In many cases, it is not clear how existing statutes apply to ecommerce services. In addition, many state and foreign governments are looking for ways to increase revenues, which has resulted in legislative action, including new taxes on services and gross revenues and through other indirect taxes. There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain.

From time to time, some taxing authorities in the United States have notified us that they believe we owe them certain taxes imposed on our services. These notifications have not resulted in any significant tax liabilities to date, but there is a risk that some jurisdiction may be successful in the future, which would harm our business.

Similar issues exist outside of the United States, where the application of VAT or other indirect taxes on ecommerce providers is complex and evolving. While we attempt to comply in those jurisdictions where it is clear that a tax is due, some of our subsidiaries have, from time to time, received claims relating to the applicability of indirect taxes to our fees. Additionally, we pay input VAT on applicable taxable purchases within the various countries in which we operate. In most cases, we are entitled to reclaim this input VAT from the various countries. However, because of our unique business model, the application of the laws and rules that allow such reclamation is sometimes uncertain. A successful assertion by one or more countries that we are not entitled to reclaim VAT could harm our business.

In certain jurisdictions, we collect and remit indirect taxes on our fees and pay taxes on our purchases of goods and services. However, tax authorities may raise questions about our calculation, reporting and collection of these taxes and may ask us to remit additional taxes. Should any new taxes become applicable to our services or if the taxes we pay are found to be deficient, our business could be harmed.

We may have exposure to greater than anticipated tax liabilities.

The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple U.S. and foreign jurisdictions and have structured our operations to reduce our effective tax rate. Our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities, and we are currently undergoing a number of investigations, audits and reviews by taxing authorities throughout the world, including with respect to our business structure. Any adverse outcome of any such audit or review could harm our business, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove to be insufficient.

In addition, our future income taxes could be adversely affected by a shift in our jurisdictional earning mix, by changes in the valuation of our deferred tax assets and liabilities, as a result of gains on our foreign exchange risk management program, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

In light of continuing fiscal challenges in certain U.S. states and in many countries in Europe, various levels of government are increasingly focused on tax reform and other legislative action to increase tax revenue, including corporate income taxes. A number of U.S. states have attempted to increase corporate tax revenues by taking an expansive view of corporate presence to attempt to impose corporate income taxes and other direct business taxes on companies that have no physical presence in their state, and taxing authorities in foreign jurisdictions may take similar actions. Many U.S. states are also altering their apportionment formulas to increase the amount of taxable income or loss attributable to their state from certain out-of-state businesses. Similarly, in Europe, and elsewhere in the world, there are various tax reform efforts underway designed to ensure that corporate entities are taxed on a larger percentage of their earnings. Companies that operate over the Internet, such as eBay, are a target of some of these efforts. If more taxing authorities are successful in applying direct taxes to Internet companies that do not have a physical presence in their respective jurisdictions, this could increase our effective tax rate.

Our business and its users are subject to Internet sales tax and sales reporting and record-keeping obligations.

The application of sales tax and other indirect taxes on cross border sales by remote sellers is continuing to change and evolve. On June 21, 2018, the U.S. Supreme Court decided *South Dakota v. Wayfair, Inc. et al*, a case challenging the current law under which online retailers are not required to collect sales and use tax unless they have a physical presence in the buyer's state. This decision allows states to adopt new or enforce existing laws requiring sellers to collect and remit sales and use tax, even in states in which the seller has no presence. The adoption or enforcement of any such legislation could result in a sales and use tax collection responsibility for certain of our sellers. This collection responsibility and the additional costs associated with complex sales and use tax collection, remittance and audit requirements could create additional burdens for buyers and sellers on our websites and mobile platforms and could harm our business. Moreover, the application of such taxes on our commerce platforms could cause a marketplace to be less attractive to current and prospective buyers, which could adversely impact our business, financial performance, and growth. The majority of U.S. states have enacted laws or have pending legislation that require marketplace facilitators to collect and remit sales tax for some or all sellers using these marketplaces.

Similar laws imposing tax collection responsibility on foreign sellers are being considered in other countries as well. We are now jointly liable for U.K. VAT and German VAT for certain sellers who fail to fulfill their VAT obligations unless we suspend their eBay activity until the seller resolves the matter with the corresponding VAT authority. Other jurisdictions are considering similar legislation.

Multiple jurisdictions have enacted laws which require marketplaces to report user activity or collect and remit taxes on certain items sold on the marketplace. For example, we are collecting Australian GST on certain imports into Australia and remitting the GST to the Australian Tax Office. The European Union has also adopted a VAT reform package which starting in 2021 requires marketplaces such as eBay to collect and remit VAT on most imports from outside the European Union.

One or more states, the U.S. federal government or foreign countries may seek to impose reporting or record-keeping obligations on companies that engage in or facilitate ecommerce. Such an obligation could be imposed by legislation intended to improve tax compliance or if one of our companies was ever deemed to be the legal agent of the users of our services by a jurisdiction in which it operates. Certain of our companies are required to report to the Internal Revenue Service (the "IRS") and most states on customers subject to U.S. income tax if they reach certain payment thresholds. As a result, we are required to request tax identification numbers from certain payees, track payments by tax identification number and, under certain conditions, withhold a portion of payments and forward such withholding to the IRS. These obligations can increase operational costs and change our user experience. Any failure by us to meet these requirements could result in substantial monetary penalties and other sanctions and could harm our business. Imposition of an information reporting requirement could decrease seller or buyer activity on our sites and would harm our business.

We have periodically received requests from tax authorities for information regarding the transactions of large classes of sellers on our sites, and in some cases we have been legally obligated to provide this data. The imposition of any requirements on us to disclose transaction records for all or a class of sellers to tax or other regulatory authorities or to file tax forms on behalf of any sellers, especially requirements that are imposed on us but not on alternative means of ecommerce, and any use of those records to investigate, collect taxes from or prosecute sellers or buyers, could decrease activity on our sites and harm our business.

Our business is subject to online security risks, including security breaches and cyberattacks.

Our businesses involve the storage and transmission of users' personal financial information. In addition, a significant number of our users authorize us to bill their payment card accounts directly for all transaction and other fees charged by us or, in certain cases, third-party service providers utilized in our payment services. An increasing number of websites, including those owned by several other large Internet and offline companies, have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their websites or infrastructure. The techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems, change frequently, may be difficult to detect for a long time, and often are not recognized until launched against a target. Certain efforts may be state sponsored and supported by significant financial and technological resources and therefore may be even more difficult to detect. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. Unauthorized parties may also attempt to gain access to our systems or facilities through various means, including hacking into our systems or facilities, fraud, trickery or other means of deceiving our employees, contractors and temporary staff. A party that is able to circumvent our security measures, or those of our third-party service providers, could misappropriate our or our users' personal information, cause interruption or degradations in our operations, damage our computers or those of our users, or otherwise damage our reputation. In addition, our users have been and likely will continue to be targeted by parties using fraudulent "spoof" and "phishing" emails to misappropriate user names, passwords, payment card numbers, or other personal information or to introduce viruses or other malware through "trojan horse" programs to our users' computers. Our information technology and infrastructure may be vulnerable to cyberattacks or security incidents and third parties may be able to access our users' proprietary information and payment card data that are stored on or accessible through our systems. Any security breach at a company providing services to us or our users could have similar effects.

In May 2014, we publicly announced that criminals were able to penetrate and steal certain data, including usernames, encrypted user passwords and other non-financial user data. Upon making this announcement, we required all buyers and sellers on our platform to reset their passwords in order to log into their account. The breach and subsequent password reset have negatively impacted the business. In July 2014, a putative class action lawsuit was filed against us for alleged violations and harm resulting from the breach. The lawsuit was dismissed with leave to amend. In addition, we have received requests for information and became subject to investigations regarding this incident from numerous regulatory and other government agencies across the world.

We may also need to expend significant additional resources to protect against security breaches or to redress problems caused by breaches. These issues are likely to become more difficult and costly as we expand the number of markets where we operate. Additionally, our insurance policies carry low coverage limits, which may not be adequate to reimburse us for losses caused by security breaches and we may not be able to fully collect, if at all, under these insurance policies.

Systems failures or cyberattacks and resulting interruptions in the availability of or degradation in the performance of our websites, applications, products or services could harm our business.

Our systems may experience service interruptions or degradation due to hardware and software defects or malfunctions, computer denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, or other events. Our systems are also subject to break-ins, sabotage and intentional acts of vandalism. Some of our systems are not fully redundant and our disaster recovery planning is not sufficient for all eventualities.

We have experienced and will likely continue to experience system failures, denial-of-service attacks and other events or conditions from time to time that interrupt the availability or reduce the speed or functionality of our websites and mobile applications, including our payments services. These events have resulted and likely will result in loss of revenue. A prolonged interruption in the availability or reduction in the speed or other functionality of our websites and mobile applications or payments services could materially harm our business. Frequent or persistent interruptions in our services could cause current or potential users to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our sites, and could permanently harm our reputation and brands. Moreover, to the extent that any system failure or similar event results in damages to our customers or their businesses, these customers could seek significant compensation from us for their losses and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address. We also rely on facilities, components and services supplied by third parties and our business may be materially adversely affected to the extent these components or services do not meet our expectations or these third parties cease to provide the services or facilities. In particular, a decision by any of our third party hosting providers to close a facility that we use could cause system interruptions and delays, result in loss of critical data and cause lengthy interruptions in our services. We do not carry business interruption insurance sufficient to compensate us for losses that may result from interruptions in our service as a result of systems failures and similar events.

The closing of the proposed transfer of our Classifieds business is subject to various risks and uncertainties, may not be completed in accordance with expected plans or on the currently contemplated terms or timeline, or at all, and may not generate the anticipated returns to eBay, and the pending sale may be disruptive to our Classifieds business.

On July 20, 2020, we entered into a transaction agreement to transfer our Classifieds business to Adevinta ASA, a public company with limited liability organized under the laws of Norway ("Adevinta"), for total consideration valued at approximately \$9.2 billion, based on the closing trading price of Adevinta shares on the Oslo Stock Exchange on July 17, 2020. The consideration will consist of \$2.5 billion in cash, subject to certain adjustments specified in the transaction agreement for indebtedness and cash, and approximately 540 million Adevinta shares.

The sale is expected to close by the first quarter of 2021. However, the completion of the transaction is subject to regulatory approvals, customary closing conditions, including approval of the transaction by the holders of at least two-thirds of (x) the votes cast and (y) the share capital of Adevinta ordinary shares represented in person or by proxy at an extraordinary general meeting of Adevinta's shareholders, and the consultation procedures with competent works council, other employee representation bodies or employees where and to the extent required by applicable law. We cannot assure you that the conditions to the closing of the sale will be satisfied and, if those conditions are neither satisfied nor, where permissible, waived on a timely basis or at all, we may be unable to complete the sale of the Classifieds business, or such completion may be delayed or completed on terms that are less favorable, perhaps materially, to us than the terms currently contemplated.

The transaction agreement provides that we will receive approximately 540 million Adevinta shares at the closing of the transaction, and this amount will not be adjusted if the stock price or value of Adevinta shares fluctuates prior to closing. This means that the aggregate consideration we ultimately receive from the sale will

depend on the future trading price of Adevinta shares, which will in turn depend on Adevinta's future results of operations, financial condition and prospects, economic conditions and a broad range of other factors. We are unable to predict the future trading price of Adevinta shares and it is possible that the aggregate value of the consideration we receive for the sale may be less, perhaps substantially, than the amount set forth in the first paragraph of this risk factor. After closing of the transaction, we will continue to be subject to this risk of future fluctuations in the stock price of Adevinta shares so long as we continue to hold any Adevinta shares we receive in this transaction.

The transaction agreement currently provides for us to receive both voting and non-voting Adevinta shares. Based on the number of Adevinta shares outstanding as of June 30, 2020, the voting shares we will receive pursuant to the transaction agreement would represent approximately 44% of Adevinta's total outstanding shares and approximately 33.3% of Adevinta's outstanding voting shares. However, Schibsted ASA ("Schibsted") is currently the majority owner of Adevinta and will remain a significant holder of Adevinta shares following the transaction, which means that Schibsted currently has the power to decide, and is expected to continue after closing to have a substantial influence in determining, the outcome of matters subject to the approval of Adevinta's shareholders, other than pursuant to the voting agreement Schibsted has entered into with eBay, under which it agreed, among other things, to vote its shares in favor of the transaction. This may result in shareholder approval of matters or transactions with which we do not agree or that we believe may adversely affect the value or trading price of Adevinta's shares.

Whether or not the proposed sale of our Classifieds business is completed, the announcement and pendency of the sale may be disruptive to our businesses (including the Classifieds business) and may adversely affect our existing relationships with current and prospective employees and business partners, as well as with buyers and sellers on its platform. Uncertainties related to the pending sale may also impair our ability to attract, retain and motivate key personnel and could divert the attention of our management and other employees from its day-to-day business and operations in preparation for and during the sale. If we are unable to effectively manage these risks, the business, results of operations, financial condition and prospects of our businesses would be adversely affected. This may in turn adversely affect the value and trading price of the Adevinta shares we receive if the sale is completed, or could adversely affect our results of operations and financial condition and the trading price of our common stock if the sale is not completed.

If the proposed sale of the Classifieds business is delayed or not completed for any reason, including due to our or Adevinta's inability to satisfy the closing conditions set forth in the transaction agreement or industry or economic conditions outside of our control, including those related to the ongoing COVID-19 pandemic, investor confidence could decline and we could face negative publicity and possible litigation. In addition, in the event of a failed transaction, we will have expended significant management resources in an effort to complete the sale and, although in some circumstances Adevinta may be obligated to pay us a termination fee of \$92 million, we will have incurred significant transaction costs. Accordingly, if the proposed sale of the Classifieds business is not completed on the timeline or terms currently contemplated, or at all, our business, results of operations, financial condition, cash flows and stock price may be adversely affected.

Acquisitions, dispositions, joint ventures, strategic partnerships and strategic investments could result in operating difficulties and could harm our business or impact our financial results.

We have acquired a significant number of businesses of varying size and scope, technologies, services, and products. We have also disposed of significant businesses (including PayPal and our Enterprise business in 2015), and in February 2020 we sold our StubHub business to viagogo. In July 2020 we announced a transaction to transfer our Classifieds business to Adevinta. We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions, and dispositions of businesses, technologies, services, products, and other assets, as well as strategic investments and joint ventures.

These transactions may involve significant challenges and risks, including:

- the potential loss of key customers, merchants, vendors and other key business partners of the companies we acquire, or dispose of, following and continuing after announcement of our transaction plans;

- declining employee morale and retention issues affecting employees of companies that we acquire or dispose of, which may result from changes in compensation, or changes in management, reporting relationships, future prospects or the direction of the acquired or disposed business;
- difficulty making new and strategic hires of new employees;
- diversion of management time and a shift of focus from operating the businesses to the transaction, and in the case of an acquisition, integration and administration;
- the need to provide transition services to a disposed of company, which may result in the diversion of resources and focus;
- the need to integrate the operations, systems (including accounting, management, information, human resource and other administrative systems), technologies, products and personnel of each acquired company, which is an inherently risky and potentially lengthy and costly process;
- the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise as a result;
- the need to implement or improve controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may have lacked such controls, procedures and policies or whose controls, procedures and policies did not meet applicable legal and other standards;
- risks associated with our expansion into new international markets;
- derivative lawsuits resulting from the acquisition or disposition;
- liability for activities of the acquired or disposed of company before the transaction, including intellectual property and other litigation claims or disputes, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities and, in the case of dispositions, liabilities to the acquirors of those businesses under contractual provisions such as representations, warranties and indemnities;
- the potential loss of key employees following the transaction;
- the acquisition of new customer and employee personal information by us or a third party acquiring assets or businesses from us, which in and of itself may require regulatory approval and or additional controls, policies and procedures and subject us to additional exposure; and
- our dependence on the acquired business' accounting, financial reporting, operating metrics and similar systems, controls and processes and the risk that errors or irregularities in those systems, controls and processes will lead to errors in our condensed consolidated financial statements or make it more difficult to manage the acquired business.

At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions and any of these transactions could be material to our financial condition and results of operations. In addition, it may take us longer than expected to fully realize the anticipated benefits of these transactions, and those benefits may ultimately be smaller than anticipated or may not be realized at all, which could adversely affect our business and operating results. Any acquisitions or dispositions may also require us to issue additional equity securities, spend our cash, or incur debt (and increased interest expense), liabilities, and amortization expenses related to intangible assets or write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders.

We have made certain investments, including through joint ventures, in which we have a minority equity interest and/or lack management and operational control. The controlling joint venture partner in a joint venture may have business interests, strategies, or goals that are inconsistent with ours, and business decisions or other actions or omissions of the controlling joint venture partner or the joint venture company may result in harm to our reputation or adversely affect the value of our investment in the joint venture. Our strategic investments may also expose us to additional risks. Any circumstances, which may be out of our control, that adversely affect the value of our investments, or cost resulting from regulatory action or lawsuits in connection with our investments, could harm our business or negatively impact our financial results.

We entered into a warrant agreement in conjunction with a commercial agreement with Adyen that entitles us to acquire a fixed number of shares of Adyen's common stock subject to certain milestones being met. This warrant is accounted for as a derivative instrument under ASC Topic 815, *Derivatives and Hedging*. Changes in Adyen's common stock price and equity volatility may have a significant impact on the value of this warrant. We report this warrant on a quarterly basis at fair value in our condensed consolidated balance sheets, and changes in the fair value of this warrant are recognized in our condensed consolidated statement of income. Fluctuations in Adyen's common stock or other changes in assumptions could result in material changes in the fair value that we report in

our condensed consolidated balance sheets and our condensed consolidated statement of income, which could have a material impact on our financial results.

We are subject to risks and uncertainties related to the strategic review of our asset portfolio, as well as the execution of our plan for operating efficiency.

In March 2019, we announced that we initiated, with the assistance of external financial advisors, a strategic review of our asset portfolio, including but not limited to StubHub and eBay Classifieds Group. In November 2019, as an outcome of our strategic review, we entered into an agreement to sell our StubHub business to viagogo, which closed in February 2020, and in July 2020 we entered into an agreement to transfer our Classifieds business to Adevinta, which is expected to close by the first quarter of 2021. There can be no assurance that the strategic review will result in any further sale, spin-off or other business combination involving our assets. We will incur expenses in connection with the review and our future results may be affected by the pursuit or consummation of any specific transaction or other strategic alternative resulting from the strategic review. While these processes are ongoing, we are exposed to certain risks and uncertainties, including retaining and attracting employees during the review process; the diversion of management's time to the review; and exposure to potential litigation in connection with the review process or any specific transaction or other strategic alternative resulting therefrom, all of which could disrupt and negatively affect our business. Speculation regarding any developments related to the review of strategic alternatives and perceived uncertainties related to the future of the Company could cause our stock price to fluctuate significantly. We can provide no assurance that any transaction or other strategic alternative we pursue will have a positive impact on our results of operations or financial condition.

In addition, in October 2019 we announced that our operating review has resulted in a three-year plan for operating efficiency, which is expected to enhance our operating margins and create capacity for reinvestment initiatives. The execution of this plan is subject to various risks and uncertainties, and there can be no assurance that we will be able to achieve the anticipated results of this plan.

Our success largely depends on key personnel. Because competition for our key employees is intense, we may not be able to attract, retain, and develop the highly skilled employees we need to support our business. The loss of senior management or other key personnel could harm our business.

Our future performance depends substantially on the continued services of our senior management and other key personnel, including key engineering and product development personnel, and our ability to attract, retain, and motivate key personnel. Competition for key personnel is intense, especially in the Silicon Valley where our corporate headquarters are located, and we may be unable to successfully attract, integrate, or retain sufficiently qualified key personnel. In making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the equity awards they would receive in connection with their employment and fluctuations in our stock price may make it more difficult to attract, retain, and motivate employees. In addition, we do not have long-term employment agreements with any of our key personnel and do not maintain any "key person" life insurance policies. The loss of the services of any of our senior management or other key personnel, or our inability to attract highly qualified senior management and other key personnel, could harm our business.

Problems with or price increases by third parties who provide services to us or to our sellers could harm our business.

A number of third parties provide services to us or to our sellers. Such services include seller tools that automate and manage listings, merchant tools that manage listings and interface with inventory management software, storefronts that help our sellers list items and shipping providers that deliver goods sold on our platform, among others. Financial or regulatory issues, labor issues (e.g., strikes, lockouts, or work stoppages), or other problems that prevent these companies from providing services to us or our sellers could harm our business.

Price increases by, or service terminations, disruptions or interruptions at, companies that provide services to us and our sellers and clients could also reduce the number of listings on our platforms or make it more difficult for our sellers to complete transactions, thereby harming our business. Some third parties who provide services to us or our sellers may have or gain market power and be able to increase their prices to us without competitive constraint. While we continue to work with global carriers to offer our sellers a variety of shipping options and to enhance their shipping experience, postal rate increases may reduce the competitiveness of certain sellers' offerings, and postal service changes could require certain sellers to utilize alternatives which could be more

expensive or inconvenient, which could in turn decrease the number of transactions on our sites, thereby harming our business.

We have outsourced certain functions to third-party providers, including some customer support and product development functions, which are critical to our operations. If our service providers do not perform satisfactorily, our operations could be disrupted, which could result in user dissatisfaction and could harm our business.

There can be no assurance that third parties who provide services directly to us or our sellers will continue to do so on acceptable terms, or at all. If any third parties were to stop providing services to us or our sellers on acceptable terms, including as a result of bankruptcy, we may be unable to procure alternatives from other third parties in a timely and efficient manner and on acceptable terms, or at all.

Our developer platforms, which are open to merchants and third-party developers, subject us to additional risks.

We provide third-party developers with access to application programming interfaces, software development kits and other tools designed to allow them to produce applications for use, with a particular focus on mobile applications. There can be no assurance that merchants or third-party developers will develop and maintain applications and services on our open platforms on a timely basis or at all, and a number of factors could cause such third-party developers to curtail or stop development for our platforms. In addition, our business is subject to many regulatory restrictions. It is possible that merchants and third-party developers who utilize our development platforms or tools could violate these regulatory restrictions and we may be held responsible for such violations, which could harm our business.

We cannot provide assurance that we will continue to pay dividends on our common stock.

In January 2019, we initiated a quarterly cash dividend on our common stock. The timing, declaration, amount and payment of any future dividends fall within the discretion of our Board of Directors and will depend on many factors, including our available cash, working capital, financial condition, results of operations, capital requirements, covenants in our debt instruments, applicable law and other considerations that our Board of Directors considers relevant. A reduction in the amount of cash dividends on our common stock, the suspension of those dividends or a failure to meet market expectations regarding potential dividend increases could have a material adverse effect on the market price of our common stock. If we do not pay cash dividends on our common stock in the future, realization of a gain on an investment in our common stock will depend entirely on the appreciation of the price of our common stock, which may not occur.

We could incur significant liability if the Distribution is determined to be a taxable transaction.

We have received an opinion from outside tax counsel to the effect that our distribution of 100% of the outstanding common stock of PayPal to our stockholders on July 17, 2015 (the "Distribution") qualifies as a transaction that is described in Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The opinion relies on certain facts, assumptions, representations and undertakings from PayPal and us regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel we have received, the IRS could determine on audit that the Distribution is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion. If the Distribution is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

We may be exposed to claims and liabilities as a result of the Distribution.

We entered into a separation and distribution agreement and various other agreements with PayPal to govern the Distribution and the relationship of the two companies. These agreements provide for specific indemnity and liability obligations and could lead to disputes between us and PayPal. The indemnity rights we have against PayPal under the agreements may not be sufficient to protect us. In addition, our indemnity obligations to PayPal may be significant and these risks could negatively affect our results of operations and financial condition.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

There was no stock repurchase activity during the three months ended June 30, 2020.

Item 3: Defaults Upon Senior Securities

Not applicable.

Item 4: Mine Safety Disclosures

Not applicable.

Item 5: Other Information

Not applicable.

Item 6: Exhibits

The information required by this Item is set forth in the Index to Exhibits of this Quarterly Report.

INDEX TO EXHIBITS

Exhibit Number	Filed or furnished with this 10-Q	Description
4.01		Form of 1.900% Note due 2025 ⁽¹⁾ .
4.02		Form of 2.700% Note due 2030 ⁽¹⁾ .
4.03		Officers' Certificate dated June 15, 2020 establishing the terms of the 1.900% Notes due 2025 and the 2.700% Notes due 2030 ⁽¹⁾ .
10.01+	X	Letter Agreement between Jamie Iannone and eBay Inc., dated April 12, 2020.
10.02+	X	Letter Agreement between Scott Schenkel and eBay Inc., dated April 13, 2020.
10.03+	X	Amended and Restated eBay Inc. SVP and Above Standard Severance Plan, effective April 11, 2020.
10.04+	X	Amended and Restated eBay Inc. Change in Control Severance Plan, effective April 11, 2020.
31.01	X	Certification of Registrant's Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	X	Certification of Registrant's Chief Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	X	Certification of Registrant's Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	X	Certification of Registrant's Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	X	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	X	Inline XBRL Taxonomy Extension Schema Document
101.CAL	X	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	X	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	X	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	X	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	X	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Indicates a management contract or compensatory plan or arrangement.

⁽¹⁾ Filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

eBay Inc.
Principal Executive Officer:

By: /s/ Jamie Iannone
Jamie Iannone
Chief Executive Officer

Date: July 29, 2020

Principal Financial Officer:

By: /s/ Andy Cring
Andy Cring
Interim Chief Financial Officer

Date: July 29, 2020

Principal Accounting Officer:

By: /s/ Brian J. Doerger
Brian J. Doerger
Vice President, Chief Accounting Officer

Date: July 29, 2020



April 12, 2020

Jamie Iannone
c/o eBay
2065 Hamilton Avenue
San Jose, CA 95125

Dear Jamie:

eBay Inc. (the "Company" or "eBay") is pleased to offer you, on the terms and conditions set forth in this offer letter (the "Offer Letter"), the position of President and Chief Executive Officer. You will be appointed as a member of the Board of Directors of the Company (the "Board") concurrently with your appointment as President and Chief Executive Officer. The terms and conditions of this Offer Letter have been approved by the Compensation Committee of the Board.

Cash Compensation

Your salary shall be set at a bi-weekly rate of \$38,461.54, which is equivalent to an annual base salary of \$1,000,000.04.

You will be eligible to participate in the eBay Incentive Plan ("eIP") with an annual bonus based on individual achievement as well as Company performance. The annual bonus period is from January 1 through December 31. Your target bonus for the eIP is 200% of your annual base salary, pro-rated based on the eligible earnings paid while you are employed in an eIP eligible position during the annual bonus period (provided that no proration will apply for the 2020 annual bonus period). There is no guarantee that any eIP bonus will be paid and any actual bonus will be determined after the end of the annual bonus period based on your eligible earnings as defined in the eIP (provided that, and notwithstanding anything to the contrary, for the 2020 annual bonus period, your minimum eIP bonus will be \$1,500,000). To be eligible to receive any eIP bonus, you must be employed on or before the first business day of the fourth quarter and you must be employed on the date the bonus is paid. The eIP bonus is customarily paid on or before the March 15 immediately following the end of the applicable annual bonus period. Except as otherwise expressly provided above with respect to the minimum 2020 eIP bonus, the payment of any bonus is at the Board's discretion and subject to the terms and conditions of the eIP and the Board reserves the right, in its discretion, to amend, change or cancel the eIP at any time.

New Hire Equity Compensation

You will be granted two awards of restricted stock units ("RSUs"), an award of performance-based restricted stock units ("PBRsUs") and an award of performance stock units with performance conditions linked to relative TSR ("TSR PSUs"), as described in the following paragraphs (collectively, "New Hire Equity Awards"). The grants of the RSUs, the PBRsUs, and the TSR PSUs will be made on the date that is 10 calendar days following your start date ("New Hire Grant Date"). Each grant is described as a U.S. dollar value. For each RSU award, the number of shares to be granted will be determined by dividing the U.S. dollar value of the RSU award by the Average eBay Closing Price (as described in this paragraph) and rounding up to the nearest whole number of shares of eBay common stock. For the PBRsU award and TSR PSU award, the number of shares subject to the target award will be determined by dividing the U.S. dollar value of the award by the Average eBay Closing Price (as described in this paragraph) and rounding up to the nearest whole number of shares of eBay common stock. The "Average eBay Closing Price" shall be calculated based on the average of the closing prices of eBay common stock in U.S. dollars for the period consisting of ten (10) full, consecutive trading days of eBay stock in which the trading of eBay stock is not otherwise interrupted for any reason (and if so,

such trading day shall be excluded from the ten (10) consecutive days, as if that trading day did not occur) ending on (and including) the last of such trading days prior to the date of grant.

In accordance with the methodology above, you will be granted on the New Hire Grant Date an award of RSUs valued at USD \$4,800,000 (“RSU Award No. 1”) to be granted under the terms and conditions of eBay’s current stock plans (the “Plans”) as well as the terms and conditions of the RSU agreement (which will be provided to you as soon as practicable after the grant date). RSU Award No. 1 will vest and become non-forfeitable (assuming your continued employment with an eBay company on each vesting date) over four years as follows: 25% on the first anniversary of the date of grant and an additional 1/16th of the shares subject to the award each three month period thereafter, subject to applicable taxes and withholdings.

You will also be granted on the New Hire Grant Date an award of PBRsUs valued at USD \$7,200,000 (“New Hire PBRsUs”) to be granted under the terms and conditions of the Plans as well as the terms and conditions of the PBRsU agreement (which will be provided to you as soon as practicable after the grant date). The PBRsUs will be subject to performance over the period January 1, 2020 through December 31, 2021 under the 2020-2021 PBRsU cycle approved by the Compensation Committee. The actual amount of the award will be determined based on Company performance and will be subject to the terms and conditions of the performance plan approved by the Compensation Committee of the Board. Any PBRsUs earned for this cycle will vest as to 100% of the earned shares (subject to applicable taxes and withholdings) in March 2023, subject to your continued employment with an eBay company.

You will also be granted on the New Hire Grant Date an equity award of RSUs valued at USD \$6,500,000 (“RSU Award No. 2”) to be granted under the terms and conditions of the Plans as well as the terms and conditions of the RSU agreement (which will be provided to you as soon as practicable after the grant date). RSU Award No. 2 will vest and become non-forfeitable (assuming your continued employment with an eBay company on each vesting date) over two years as follows: 50% on the first anniversary of the date of grant and 50% on the second anniversary of the date of grant, subject to applicable taxes and withholdings.

You will also be granted on the New Hire Grant Date an award of TSR PSUs valued at USD \$4,500,000 (assuming achievement of the applicable performance goals at the target level) to be granted under the terms and conditions of a Performance Stock Unit Award Grant Notice and Performance Stock Unit Award Agreement (which will be provided to you as soon as practicable after the grant date) as well as the terms and conditions of the Plans. 50% of the TSR PSUs will be subject to a two-year performance period from the grant date to the second anniversary of the grant date and 50% of the TSR PSUs will be subject to a three-year performance period from the grant date to the third anniversary of the grant date and the target number of TSR PSUs subject to the award will be adjusted based on a calculation of the eBay Total Shareholder Return in relation to the S&P 500 Index for the applicable performance period.

Annual Equity Awards

Subject to the terms of the Plans (or any successor Company equity plan), you will be eligible to receive annual equity compensation grants under eBay’s annual compensation review process beginning in 2021 (“Annual Equity Awards”), subject to your continued employment through the applicable grant date. The target value of the 2021 grant, which is expected to be made no later than April 30, 2021, is \$12,000,000, to be comprised of 40% RSUs and 60% PBRsUs. For 2022 and later years, the Compensation Committee will determine the target grant value of your annual grant taking into account all relevant factors, including market compensation. The aggregate target grant value and form of all subsequent awards will be determined by eBay and approved by the Compensation Committee of the Board. Your Annual Equity Awards for each year will be granted at the same time as annual equity

awards are granted to senior executives of the Company generally in such year, which is expected to be made no later than April 30 of each year.

Dividends on Awards

For all equity awarded to you, either in the form of RSUs, PBRs, TSR PSUs or any other form performance-based stock awards (“Unit(s)”), you will receive upon vesting of any such Units a dividend payment, less taxes and withholdings as may be applicable, equal to the accumulated dividends which you would have otherwise received from the date of the award through the date of vesting as if you owned outright shares of the Company equal to the number of vested Units.

Trading Agreement

All employees are subject to eBay’s Insider Trading Agreement, which outlines the procedures and guidelines governing securities trades by company personnel. You will be provided with a copy of eBay’s Insider Trading Agreement. Please review the Agreement carefully. You will be asked to execute the certification as part of your new hire onboarding process.

Equity Transition/Buyout Payments

You will receive a 2020 Equity Transition/Buyout Payment of \$3,500,000 (less deductions and applicable taxes). The 2020 Equity Transition/Buyout Payment will be made within three pay periods of your start date. This payment is taxable to you at the time of payment and is subject to a contingent repayment obligation as follows: In the event that your employment ceases for reasons of Cause (as defined in the eBay, Inc. SVP & Above Standard Severance Plan (the “Severance Plan”) as in effect on the date hereof) or resignation other than for Good Reason (as defined in the eBay, Inc. Change in Control Severance Plan for Key Employees (the “CIC Severance Plan”) as in effect on the date hereof) prior to completion of one year of service from your start date, the after-tax 2020 Equity Transition/Buyout Payment is fully refundable to the Company. No repayment of the 2020 Equity Transition/Buyout Payment would be required for termination after one year of employment with the Company.

You will also receive a 2021 Equity Transition/Buyout Payment of \$1,500,000 (less deductions and applicable taxes). The 2021 Equity Transition/Buyout Payment will be made on or about the first anniversary of your start date, subject to your continued employment on the date of payment. This payment is taxable to you at the time of payment and is subject to a contingent repayment obligation as follows: In the event that your employment ceases for reasons of Cause (as defined in the Severance Plan as in effect on the date hereof) or resignation other than for Good Reason (as defined in the CIC Severance Plan as in effect on the date hereof) after the date the payment of the 2021 Equity Transition/Buyout Payment on or about the first anniversary of your start date and prior to the second anniversary of your start date, your repayment obligation will be the after-tax amount of the 2021 Equity Transition/Buyout Payment less 1/24th for every full month of active employment following your start date. No repayment of the 2021 Equity Transition/Buyout Payment would be required for termination after two years of employment with the Company following your start date.

The 2020 and 2021 Equity Transition/Buyout Payments will be considered a Make-good Payment under the terms of the Severance Plan and the CIC Severance Plan.

Employee Benefits

You will be also entitled to the benefits that eBay customarily makes available to its senior executives. Please refer to the benefit plan documents for more details, including eligibility. eBay reserves the right, in its discretion, to amend, change or cancel the benefits at any time.

You will be eligible to accrue 20 days of Paid Time Off (“PTO”) per year.

Severance and Change in Control Protections

Although your employment with the Company shall be “at-will” as set forth below, you will be entitled to severance protection in certain circumstances, as described below, subject in all instances to you executing and not revoking the Company’s standard form of release (the “Release”) within 60 days of your termination of employment, with such amounts or benefits to be paid and/or provided as set forth in the Severance Plan and CIC Severance Plan. For the avoidance of any doubt, the Release shall contain customary exceptions for continued indemnification and insurance coverage under director and officer insurance policies, exclusions for vested and accelerated equity, compensation, benefits and remuneration otherwise due pursuant to this Offer Letter and the Severance Plan and CIC Severance Plan.

Termination Outside of a Change in Control Period. You will be eligible to participate in the then effective Severance Plan. Under the Severance Plan, you will be entitled to certain benefits if your employment is terminated by the Company for reasons other than for Cause (as defined in the Severance Plan as in effect on the date hereof) or due to your resignation for Good Reason (as defined in the CIC Severance Plan as in effect on the date hereof), in each case, other than during a “Change in Control Period” (as defined in the CIC Severance Plan) (a “Qualifying Termination”). The Severance Plan is being amended and restated in connection with your appointment to add the Chief Executive Officer as an eligible participant. We have provided a copy of the Severance Plan for your reference. If you experience a Qualifying Termination on or before the second anniversary of your start date, then (i) for purposes of calculating the accelerated vesting of your Company Equity Awards (as defined in the Severance Plan) in the form of performance-based restricted stock units as described in clause (C) under the heading “Other Severance Benefits–Company Equity Awards” in Section 4 of the Severance Plan, the applicable Company performance targets for any relevant period that ends on or before the first anniversary of your Separation Date (as defined in the Severance Plan) shall be deemed achieved at the target level and (ii) your Company Equity Awards in the form of performance-based restricted stock units that become vested at the target level as described in clause (i) shall be settled within sixty (60) days following your Separation Date. The TSR PSUs shall be treated as “performance-based restricted stock units” for purposes of the Severance Plan and the preceding sentence. Notwithstanding the terms of the Severance Plan, if a Qualifying Termination occurs prior to the second anniversary of your start date, the New Hire PBRsUs shall accelerate and vest immediately at the target level and RSU Award No. 1 shall accelerate and vest immediately.

Termination During a Change in Control Period. You will be eligible to participate in the then effective CIC Severance Plan at Tier 1. Under the CIC Severance Plan, you will be entitled to certain benefits if your employment is terminated by the Company for reasons other than for Cause (as defined in the CIC Severance Plan as in effect on the date hereof) or due to your resignation without Good Reason (as defined in the CIC Severance Plan as in effect on the date hereof), in each case, during the “Change in Control Period” (as defined in the CIC Severance Plan). The CIC Severance Plan is being amended and restated in connection with your appointment to add the Chief Executive Officer as an eligible participant. We have provided a copy of the CIC Severance Plan for your reference.

Indemnification and Insurance

You will be covered by (i) the director and officer indemnification provisions maintained by the Company from time to time, whether in its certificate of incorporation or otherwise and (ii) as an insured officer under the Company’s director and officer liability insurance policy as in effect from time to time, in each case, to the same extent, and on the same terms, as other executive officers of the Company.

Stock Ownership Guidelines

As Chief Executive Officer, you shall be subject to the eBay Stock Ownership Guidelines as in effect from time to time. In connection with your appointment, the eBay Stock Ownership Guidelines will be modified to reduce the required level of ownership for the Chief Executive Officer to six (6) times base salary.

Attorney Fees

The Company shall pay on your behalf all reasonable attorney fees and costs incurred by you in the preparation for your employment with the Company through your date of hire, but not to exceed \$45,000.

Superseding Terms

If there is any conflict between the terms of this Offer Letter and any other compensation or benefit or plan of the Company applicable to you and any term of this Offer Letter is more favorable to you with respect to the subject matter of such conflict, then such term contained within this Offer Letter shall supersede, control and take precedence to the extent of such conflict.

Required Employee Documents and Agreements

Under federal immigration laws, the Company is required to verify each new employee's identity and legal authority to work in the United States. Accordingly, please be prepared to furnish appropriate documents satisfying those requirements; this offer of employment is conditioned on submission of satisfactory documentation. You will be provided with a list of the required documents.

All of us at eBay are very excited about you joining our team and look forward to a beneficial and fruitful relationship. However, should any dispute arise with respect to your employment or the termination of that employment, we both agree that such dispute shall be conclusively resolved by final, binding and confidential arbitration rather than by a jury court or administrative agency. The Company will bear those expenses unique to arbitration. Please review the enclosed Mutual Arbitration Agreement carefully.

As a condition of your employment, you must complete both the Mutual Arbitration Agreement and the enclosed Employee Proprietary Information and Inventions Agreement prior to commencing employment. These agreements address important obligations to the Company, both during and after your employment; therefore, please read both agreements carefully. You will be asked to execute the agreements as part of your new hire onboarding process. If you should have any questions about either agreement, please contact me.

This Offer Letter, the Mutual Arbitration Agreement, the Employee Proprietary Information and Inventions Agreement as well as all other enclosed required documents, contain the entire agreement with respect to your employment. Should you have any questions with regard to any of the items indicated above, please call me. Kindly indicate your consent to this Offer Letter by signing a copy of this Offer Letter and returning it to me. All other documents requiring your signature must be submitted either in hard copy or electronically prior to your start date, including but not limited to the Mutual Arbitration Agreement, the Employee Proprietary Information and Inventions Agreement, and the Insider Trading Agreement certification.

Upon your signature below, this will become our binding agreement with respect to your employment and its terms merging and superseding in their entirety all other or prior offers, agreements and communications, whether written or oral, by you and the Company as to the specific

subjects of this Offer Letter. The commencement of your employment is contingent upon your resignation from your current employer.

Notice

If any notice is required by this Offer Letter, then such notice shall be delivered by overnight trackable delivery and by email as follows:

If to the Company:	eBay, Inc. Attention: General Counsel 2025 Hamilton Avenue San Jose, California, 95125 Email: mhuber@ebay.com
If to You:	Jamie Iannone at the last address on file for you with the Company and using your personal email address on file with the Company
With a copy to:	Clifford A. Wolff, Esq. Wolff Law 1401 East Broward Boulevard Victoria Park Centre, Suite 204 Fort Lauderdale, Florida 33301 Email: CWolff@WolffLawFirm.com

[Signature page follows.]

We are excited at the prospect of you joining our team. We look forward to having you on board!

Very truly yours,

/s/ Thomas Tierney

Thomas Tierney
Chairman of the Board of Directors
eBay Inc.

ACCEPTED:

/s/ Jamie Iannone

Jamie Iannone

Anticipated Start Date: April 27, 2020

April 12, 2020

Date



April 13, 2020

Scott Schenkel

RE: TRANSITION ROLE

Dear Scott:

Thank you for your contribution as Interim Chief Executive Officer. This letter agreement memorializes our discussions regarding your continued employment with eBay Inc. ("eBay") for a transition period in order to assist in the orderly transfer of duties and responsibilities to your successor in the role of Chief Executive Officer. For the period from April 27, 2020 through June 19, 2020 (the "Transition Period") you will serve in the role of Senior Advisor (which will not constitute a Section 16 officer role) reporting to the Chief Executive Officer. The duration of the Transition Period may be extended, by mutual agreement of you and eBay, through no later than September 30, 2020. As Senior Advisor, your duties will generally consist of providing advice and counsel to the Chief Executive Officer, including support relating to corporate strategy and transactions.

During the Transition Period, you will continue to receive a monthly performance bonus in the amount of \$125,000 for each month in which you serve as Senior Advisor (including a prorated amount for any partial month of service), less applicable tax and payroll withholdings. In addition, you will be entitled to utilize first class commercial flights for your required business air travel during the Transition Period.

Except as otherwise provided in this letter agreement, there will be no changes to your annual rate of base salary or other compensation opportunities from those applicable to you in your position as Senior Vice President, Chief Financial Officer at eBay, including without limitation your annual bonus opportunity under the eBay Incentive Plan, and your continued eligibility to participate in welfare and fringe benefit plans of eBay.

If you remain employed through the end of the Transition Period, your employment with eBay will be terminated effective as of the last day of the Transition Period and, provided that no circumstances constituting "Cause" (as defined in the letter agreement between you and eBay dated September 30, 2014 (the "2014 Letter Agreement")) then exist, the severance benefits described in the 2014 Letter Agreement will be provided to you in connection with such employment termination. Such severance benefits would also be provided to you upon your termination of employment prior to the end of the Transition Period only if such termination is by mutual agreement of you and eBay or by eBay without Cause (as defined in the 2014 Letter Agreement). As a condition to your receipt of the severance benefits pursuant to the 2014 Letter Agreement, you must execute and not revoke a separation agreement in a form as mutually agreed to by the parties.

Finally, The Mutual Arbitration Agreement and the Employee Proprietary Information and Inventions Agreement that you executed in conjunction with your commencement of employment remain in force.

Scott, on behalf of the Board of Directors and the eBay team, thank you for serving during this transitional time. Your leadership now and throughout your tenure has been exemplary. We greatly appreciate your passion, thoughtfulness and business acumen.

Very truly yours,

/s/ Thomas Tierney

Thomas Tierney

Chairman of the Board of Directors

Acknowledged and Agreed:

/s/ Scott Schenkel

Scott Schenkel

4/13/2020

Date

**EBAY INC. SVP AND ABOVE STANDARD SEVERANCE PLAN
AND
SUMMARY PLAN DESCRIPTION
AMENDED AND RESTATED EFFECTIVE AS OF APRIL 11, 2020**

1. PURPOSE OF THE PLAN

The purpose of the eBay Inc. SVP and Above Standard Severance Plan (the “**Plan**”) is to encourage the full attention and dedication of certain officers at and above the level of Senior Vice President by providing severance benefits designed to give financial assistance to any Eligible Participants upon their separation from eBay Inc. or any of its participating subsidiaries or affiliates under the conditions described herein, upon certain terminations of employment occurring outside the occurrence of any Change in Control Period (as such term is defined below).

2. DEFINITIONS/GENERAL RULES

Definitions

Accrued Benefits – means (a) prompt payment by the Company to an Eligible Participant of any accrued but unpaid base salary through the last day of employment, (b) prompt payment by the Company to an Eligible Participant of any unreimbursed expenses incurred through the last day of employment subject to the Eligible Participant’s prompt delivery to the Company of all required documentation of such expenses pursuant to applicable employer policies, (c) all other vested payments, benefits or fringe benefits to which the Eligible Participant is entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant (excluding any other severance plan, policy or program) of the Company or any of its affiliates in accordance with the terms of such plan, program or grant, including any unpaid annual bonus under the Company Employee Incentive Plan or applicable successor plan (the “**eIP**”) for any prior fiscal year when it otherwise would have been paid (see Section 4, **eIP**, below).

Board – means the Board of Directors of the Company.

Cause – means (a) an Eligible Participant’s failure to attempt in good faith to substantially perform his or her assigned duties, other than failure resulting from his or her death or incapacity due to physical or mental illness or impairment, which is not remedied within thirty (30) days after receipt of written notice from the Company specifying such failure; (b) an Eligible Participant’s indictment for, conviction of or plea of *nolo contendere* to any felony (or any other crime involving fraud, dishonesty or moral turpitude); or (c) an Eligible Participant’s commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company, except good faith expense account disputes.

Change in Control – means “change in control” as defined in the Company Equity Incentive Award Plan under which the Company is then granting equity awards, as the same shall be in effect from time to time.

Change in Control Period – means the period that begins ninety (90) days prior to the closing date of, and ends twenty-four (24) months following, a Change in Control.

Company – means eBay Inc. and, after a Change in Control, any Successor Entity.

Company Equity Awards – means incentive awards granted (or deemed granted for accounting purposes) to an Eligible Participant on shares of common stock of the Company (“**Stock**”),

including without limitation any stock options, performance-based restricted stock units, and restricted stock units.

Disability – means “disability” within the meaning of the long-term disability plan by which the Eligible Participant is covered as of his or her Separation Date.

Effective Date – means April 11, 2020 with respect to this amended and restated Plan. This Plan was originally effective immediately following the distribution of the shares of stock of PayPal Holdings, Inc. by the Company to the shareholders of the Company. Except as otherwise provided by the Company, in writing, this Plan replaces all prior plans, programs, and arrangements providing severance type benefits to eligible employees upon a Qualifying Termination occurring outside of a Change in Control Period, except to the extent such benefits are provided in an Individual Agreement, as defined below.

Eligible Employee – means an individual who meets all of the eligibility requirements set forth in Section 3 (**Eligibility**), and is not otherwise excluded from such eligibility requirements.

Eligible Participant – means any Eligible Employee holding a position that is at or above the level of Senior Vice President who is designated as eligible to participate in this Plan as set forth on Appendix C attached to this Plan, as the Plan Administrator may, in its sole discretion, from time to time, designate.

Employer – means the Company and any subsidiary or affiliate of the Company whose voting equity is, directly or indirectly, at least 50.1% owned by the Company.

Make-Good Payment – means the sum total of an Eligible Participant’s unpaid cash “make-good” awards, if any, that the Eligible Participant has received in connection with his or her employment with the Company.

Plan Administrator – means the Compensation Committee of the Board or such other person or committee appointed from time to time by the Compensation Committee of the Board to administer the Plan.

Premium Payment – means the product of (a) an Eligible Participant’s monthly premium payment for health insurance continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”) for himself or herself (and his or her eligible dependents) under the Company health plan in which he or she participates immediately prior to the Separation Date, or similar monthly payment for employees outside the U.S., if applicable, (b) the multiple of Premium Payment (as identified in Appendix A) applicable to such Eligible Participant; and (c) two (2). The Company shall withhold such amounts from payments under this Plan as it determines necessary to fulfill any applicable federal, state, or local wage or compensation withholding requirements. A more detailed description of the amount of the Premium Payment that will be paid to an Eligible Participant follows in Section 4 (**Severance Benefits**).

Salary Amount – means the product of (a) an Eligible Participant’s annual base salary in effect upon the occurrence of the Separation Date, without considering bonuses, back-pay or other awards, or Company contributions to any employee plans; and (b) the multiple of Salary Amount (as identified in Appendix A) applicable to such Eligible Participant.

Separation Date – means the effective date of the Eligible Participant’s Separation from Service.

Separation from Service – means, except as provided in subsections (A) and (B) below, an employee’s termination from employment (whether by retirement or resignation from or discharge by the Company).

(A) A Separation from Service shall be deemed to have occurred if an employee and the Company reasonably anticipate, based on the facts and circumstances, that the employee will not provide any additional services for an Employer after a certain date; provided, however, that if any payments or benefits that may be provided under this Plan constitute deferred compensation within the meaning of Section 409A of the Code, a Separation from Service also shall be deemed to have occurred in the event that the level of bona fide services performed by the employee after a certain date will permanently decrease to no more than 20% of the average level of bona fide services performed by the employee over the immediate preceding 36-month period.

(B) Notwithstanding the foregoing, for purposes of this Plan, an employee's employment relationship is treated as continuing intact while the employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with an Employer under an applicable statute or by contract. For purposes of this Plan, a leave of absence constitutes a *bona fide* leave of absence only if there is a reasonable expectation that the employee will return to perform services for an Employer. If the period of leave exceeds six months and the employee does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period due to such employee's Disability, in which case such employee shall not be an Eligible Participant except as otherwise provided in Section 3 of this Plan.

The definition of "Separation from Service" shall at all times be interpreted in accordance with the terms of Treasury Regulations Section 1.409A-1(h) and any guidance issued thereunder.

Severability – means the provisions of the Plan are severable. If any provision of the Plan is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provisions of the Plan, except to such extent or in such application, shall not be affected, and each and every provision of the Plan shall be valid and enforceable to the fullest extent and in the broadest application permitted by law.

Severance Bonus Amount – means the product of (a) an Eligible Participant's target annual bonus opportunity as provided under the eIP calculated assuming target Company performance had been achieved for the bonus year in which the Separation Date occurs; and (b) the multiple of Severance Bonus Amount (as identified in Appendix A) applicable to such Eligible Participant.

Successor Entity – means "successor entity" as such term is defined in the Company Equity Incentive Award Plan, as the same shall be in effect from time to time.

General Rules

Amendment and Termination – The Company shall be under no obligation to continue this Plan for any period of time. The Plan Administrator, in its sole discretion, reserves the right to modify, amend, or terminate this Plan (including any of the Standard Severance Pay Guidelines, form of Separation Agreement and/or Schedule of Designated Participants attached to this Plan), in whole or in part, at any time and for any or no reason with respect to any employee or all employees at any time prior to his, her or their receipt of Severance Benefits provided under Section 4 of this Plan; provided, however, that in no event shall this Plan be terminated, or modified or amended in any manner that is adverse to any Eligible Participant who is receiving payments or benefits under this Plan as a result of a Qualifying Termination. Such foregoing prohibition shall not require that all Eligible Participants receive the same Salary Amount, Severance Bonus Amount, Premium Payment, treatment of Company Equity Awards or other additional payments and benefits that the Plan Administrator may in its sole discretion choose to provide to any given Eligible Employee.

Benefits Non-Assignable – benefits under the Plan may not be anticipated, assigned or alienated. The exception being if an employee becomes eligible and dies before payment is made, the heirs will be entitled to the payment.

Governing Laws – the provision of the Plan shall be construed, administered and enforced according to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) and, to the extent applicable, according to applicable Federal law or the laws of the State of California.

No Right to Continued Employment – neither the Plan nor any action taken with respect to it shall confer upon any person the right to continue in the employ of the Company or any of its subsidiaries or affiliates. Company employees shall continue to be employed “at-will,” as defined under applicable law.

Funding – the Company will make all payments under the Plan, and pay all expenses of the Plan, from its general assets. Nothing contained in this Plan shall give any eligible employee any right, title, or interest in any property of the Company or any of its affiliates.

3. ELIGIBILITY

General Eligibility

The benefits under this Plan are limited to employees of the Employer who satisfy each of the following conditions, as determined by the Plan Administrator in its sole discretion:

- Are classified as Eligible Participants, whether or not based in the United States of America (“**USA**”) or paid through the payroll system based in the USA.
- Are terminated involuntarily without Cause by an Employer other than during any Change in Control Period (such event, a “**Qualifying Termination**”).
- Are actively at work through the last day of work designated by Employer, unless the employee is absent due to an approved absence from work (including leave under the Family and Medical Leave Act) or unless otherwise designated by his or her agreement with the Employer.
- Execute and do not revoke a Separation Agreement and Release in a form attached to this Plan as Appendix B (with only those changes as may be required to maintain such a form to be compliant with applicable law) within the period specified by Plan Administrator or its delegates (the “**Separation Agreement**”); and,
- Return all property of any Employer and settle satisfactorily all expenses owed to Employer and any of its subsidiaries or affiliates.

Exclusions from Eligibility

Unless the Plan Administrator provides otherwise in writing, the following employees are NOT eligible to receive benefits under this Plan:

- Any employee who is eligible to receive severance payments and/or benefits under an individual employment letter agreement or other agreement between such employee and the Company under circumstances that would otherwise give rise to a right to receive payments and benefits under this Plan (any such agreement, an “**Individual Agreement**”); except, if the total present value, as of the Separation Date, of the aggregate amount of all payments and benefits payable under any Individual Agreement that covers an employee who is not subject to income taxation in the USA is less than the total present value of the aggregate amount of all payments and benefits

that would be payable to him or her under Section 4 of this Plan, then the employee shall not be excluded from eligibility to participate in this Plan with respect to any additional amount payable under this Plan;

- Any Eligible Participant who terminates employment prior to the stated Separation Date as set forth in his or her Separation Agreement;
- Any Eligible Participant whose employment is terminated for any of the following reasons:
 - Resignation or other voluntary termination of employment;
 - Death or Disability; except as expressly otherwise provided in Section 4 of this Plan; or
 - Termination for Cause.

4. SEVERANCE BENEFITS

- Salary Amount

The Salary Amount payable to an Eligible Participant will be determined in accordance with Appendix A, subject to the reductions set forth below; provided, however, that the Plan Administrator, in its sole discretion, and on a case-by-case basis, may increase (but not decrease, except as provided below) the Salary Amount payable to an Eligible Participant.

- Severance Bonus Amount

The Severance Bonus Amount payable to an Eligible Participant will be determined in accordance with Appendix A, subject to the reductions set forth below; provided, however, that the Plan Administrator, in its sole discretion, and on a case-by-case basis, may increase (but not decrease, except as provided below) the Severance Bonus Amount payable to an Eligible Participant.

- Reduction of Salary Amount and Severance Bonus Amount

Unless Employer, in its sole discretion, provides otherwise in writing, the Salary Amount and Severance Bonus Amount payable to an Eligible Participant shall be reduced as follows:

The Salary Amount and Severance Bonus Amount will be reduced by any outstanding debt owed by the employee to Employer or any of its affiliates, where permitted by law, including but not limited to loans granted by Employer, advanced commissions, bonuses, vacation pay, salary and/or expenses.

In addition, Salary Amount and Severance Bonus Amount will be inclusive of, and not be in addition to, any severance or termination payments that may be required to be paid by statute or other governmental mandate of the laws of a country outside of the USA.

- Payment of Salary Amount and Severance Bonus Amount

The Company will pay the Salary Amount and Severance Bonus Amount in a lump sum. Payment will be made as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date.

Other Severance Benefits

- **Premium Payment**

Eligible Participants employed by the Company in the USA (and their eligible dependents) who participate in a Company health insurance plan and who are eligible to continue to participate in such plan under COBRA will receive a Premium Payment in the form of a lump sum cash payment.

Payment will be made as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date.

Eligible Participants employed by the Company outside of the USA (and their eligible dependents) shall be eligible for medical and dental insurance coverage that is comparable to such coverage provided to such individuals immediately prior to the Separation Date, with such coverage to be provided for the period beginning with the Separation Date and running through a number of full calendar months equal to the multiple of Premium Payment (as identified in Appendix A) applicable to such Eligible Participant, to the extent permissible under applicable local law. If, and to the extent, the Eligible Participant is obligated to pay all or a portion of the premiums for such continuation coverage, the Eligible Employee will receive a Premium Payment calculated in the manner described above.

- **eIP**

The Eligible Participant will be eligible to receive a prorated portion of the eIP bonus, if any, that he or she otherwise would have earned and been paid (using his or her accrued eligible compensation under the eIP through the last day of employment) in respect of the fiscal year of the Company in which his or her Separation Date occurs, based on the actual performance of the Company for the full year, with such prorated portion calculated based on the period of time during such fiscal year that the Eligible Participant was employed, relative to the full fiscal year, and based on the achievement by the Company of the applicable performance target(s) for such year.

Additionally, Eligible Participants who remain employed through the end of a given fiscal year but who experience a Qualifying Termination prior to the payment date of eIP bonuses for such year will remain eligible to receive a full eIP bonus, also based on the achievement by the Company of the applicable performance target(s) for such year. In all cases, Eligible Participants who are eligible to receive payments of his or her eIP bonus will be paid based on target individual performance, to the extent applicable.

Any payment under the eIP will be made, in a lump sum, at the time when the Company pays bonuses under the applicable bonus plan to employees (and in no event later than March 15 of the year following the year in which the Qualifying Termination occurs).

- **Company Equity Awards**

All Company Equity Awards that are outstanding and unvested as of the date immediately prior to the Eligible Participant's Separation Date shall vest as follows:

(A) Any restricted stock units that vest solely based on the continued service of the Eligible Participant (excluding any performance-based restricted stock units granted in respect of any completed performance period) shall become immediately vested on the Eligible Participant's

Separation Date as to the portion of such Company Equity Awards that would have otherwise become vested pursuant to their ordinary vesting schedule within the twelve (12) calendar months (including any partial month in which the Qualifying Termination occurs) following the Separation Date.

(B) Any performance-based restricted stock units for which the applicable performance period has been completed as of the Eligible Participant's Separation Date and are scheduled to vest solely based on the continued service of the Eligible Participant, shall become fully vested as of the Separation Date, based on the achievement of the applicable Company performance targets for the completed performance period.

(C) Any performance-based restricted stock units for which the applicable performance period has not been completed as of the Eligible Participant's Separation Date shall remain outstanding and eligible to vest, based solely on the achievement of the applicable Company performance targets for any relevant performance period that ends on or before the first anniversary of the Eligible Participant's Separation Date; and to the extent such performance targets are determined to have been achieved following the completion of any such performance period, the Eligible Participant shall be treated as though vested in that percentage of such Company Equity Award that would have otherwise become vested as of the first scheduled vesting date to occur following the end of the applicable performance period (the "PBR SU Vesting Date").

All such Company Equity Awards shall be settled in a lump sum, through the vesting of shares of Stock, through the payment of cash in lieu of vesting shares of Stock, or a combination thereof as determined in the discretion of the Plan Administrator (x) for any Company Equity Awards that become vested pursuant to subsection (A) or (B) above, as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date; and (y) for any Company Equity Awards that are treated as though vested pursuant to subsection (C) above, promptly following the PBR SU Vesting Date. In the event the Company elects to settle any such awards through the payment of cash in lieu of vesting shares of Stock, the Company will pay the Eligible Participant a lump sum cash amount equal to the value of all of the Company Equity Awards that are treated as though vested in accordance with the foregoing subsections (with such value calculated based on the Valuation Assumptions). The settlement of such Company Equity Awards shall include payment in cash of dividend equivalents credited with respect to such Company Equity awards as of the date prior to the Eligible Participant's Separation Date.

For purposes of the foregoing, the term "**Valuation Assumptions**" means, collectively, the following assumptions: (x) each share of common equity underlying an award has a value equal to the average of the closing prices of Company common stock as reported on the NASDAQ Global Select Market for the period of 10 consecutive trading days ending on (and including) the last trading day prior to (i) for any Company Equity Awards that are treated as though vested pursuant to subsection (A) above, or pursuant to the provisions under "**Death and Disability**", below, the Separation Date and (ii) for any Company Equity Awards that are treated as though vested pursuant to subsection (B) or (C) above, the PBR SU Vesting Date, and (y) any Company stock options that the Eligible Participant holds that are outstanding immediately prior to the Separation Date will be valued based on their spread (i.e., the positive difference, if any, of the value of each share of Company.

- **Make-Good Payments**

The Make-Good Payment shall be paid in a lump sum and subject to the same terms as Salary Amount as set forth above, except to the extent payment is required to be delayed in accordance with Section 409A of the Code.

- **Death and Disability**

Notwithstanding anything else in this Plan or Company Equity Award agreement to the contrary, upon the occurrence of an Eligible Employee's death or Disability (other than during the Change in Control Period), all unvested Company Equity Awards that are unvested as of the date prior to the Eligible Participant's death or Disability shall vest solely based on the continued service of the Eligible Participant (including any restricted stock units that have been or are scheduled to be granted in respect of any completed performance period), will become immediately vested on the Eligible Participant's date of death or Disability as to the portion of such Company Equity Awards that would have otherwise become vested pursuant to their ordinary vesting schedule within the twenty-four (24) calendar months (including any partial month in which such event occurs) following the date of such event.

For purposes of the foregoing, if the Eligible Participant's date of death or Disability occurs prior to the end of the performance period applicable to a Company Equity Award, then such award shall be deemed to have been earned at the target level of performance applicable to such Company Equity Award.

All such awards shall be settled in a lump sum, through the vesting of shares of Stock, through the payment of cash in lieu of vesting shares of Stock, or a combination thereof as determined in the discretion of the Plan Administrator, as soon as practicable after the date of the Eligible Participant's death or Disability, but not later than sixty (60) days following such date. In the event the Company elects to settle any such awards in cash, the Company will pay the Eligible Participant a lump sum cash amount equal to the value of all of the Company Equity Awards that are treated as vested in accordance with the foregoing subsections (with such value calculated based on the Valuation Assumptions).

- **Accrued Benefits**

The Company shall make payment or otherwise provide all Accrued Benefits when due. Such obligation shall not be subject to the Eligible Participant's execution of a Separation Agreement.

5. RIGHT TO TERMINATE BENEFITS

Notwithstanding anything in this Plan to the contrary, in the event that:

- Employer determines that an Eligible Participant or Eligible Employee has breached any of the terms and conditions set forth in any agreement executed by the employee as a condition to receiving benefits under this Plan (i.e., the Separation Agreement), THEN
- Employer shall have the right to terminate the benefits payable under this Plan at any time. Further, the Eligible Participant shall be obligated to return to the Employer any benefits paid to such employee: (i) due to the employee's breach of the terms and conditions set forth in any agreement executed by such employee or (ii) due to any overpayments of benefits paid under this Plan to such employee.

6. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have sole authority and discretion to administer and construe the terms of this Plan. Without limiting the generality of the foregoing, the Plan Administrator shall have the following powers and duties:

- To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

- To amend and terminate the Plan as defined in, and in accordance with, Section 2;
- To interpret the Plan, its interpretation thereof to be final and conclusive on all persons claiming benefits under the Plan;
- To decide all questions concerning the Plan, including the eligibility of any person to participate in, and receive benefits under, the Plan; and
- To appoint and/or retain such employees, agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan.

7. CLAIMS PROCEDURE

The Plan Administrator reviews and authorizes payment of severance benefits for those employees who qualify under the provisions of the Plan. No claim forms need be submitted. Questions regarding payment of severance benefits under the Plan should be directed to the Plan Administrator.

If an employee believes he or she is not receiving severance payments and benefits hereunder which are due, the employee should file a written claim for the benefits with the Plan Administrator. A decision on whether to grant or deny the claim will be made within ninety (90) days following receipt of the claim. If more than ninety (90) days is required to render a decision, the employee will be notified in writing of the reasons for delay. In any event, however, a decision to grant or deny a claim will be made by not later than one hundred eighty (180) days following the initial receipt of the claim.

If the claim is denied, in whole or in part, the employee will receive a written explanation containing the following information:

- The specific reason(s) for the denial, including a reference to the Plan provisions on which the denial is based;
- A description of any additional material or information necessary for the employee to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the employee's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

If the employee wishes to appeal this denial, the employee may write within sixty (60) days after receipt of the notification of denial. The claim will then be reviewed by the Plan Administrator, and the employee will receive written notice of the final decision within sixty (60) days after the request for review. If more than sixty (60) days are required to render a decision, the employee will be notified in writing of the reasons for delay. In any event, however, the employee will receive a written notice of the final decision within one hundred twenty (120) days after the request for review.

As part of the Plan's appeal process, the employee shall be afforded:

- The opportunity to submit written comments, documents, records, and other information relating to the claim for benefits;
- Upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the employee's claim for benefits; and

- A review that takes into account all comments, documents, records and other information submitted by the employee relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the decision on appeal is upheld, in whole or in part, the employee will receive a written explanation containing the following information:

- The specific reason(s) for the decision, including a reference to the Plan provisions on which the decision is based;
- A statement that the employee is entitled to receive, upon request and free of charge, reasonable access to, and copies of all documents, records and other information relevant to the employee's claim for benefits; and
- A statement of the employee's right to bring an action under Section 502(a) of ERISA.

No legal action for benefits under this Plan may be brought unless the action is commenced within one (1) year from the date of the final decision on appeal has been made. No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made. If the employee or other interested person challenges a decision, a review by the court of law will be limited to the facts, evidence and issues presented during the claims procedure set forth above. Facts and evidence that become known to the employee or other interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims determination. Issues not raised with the Plan Administrator will be deemed waived.

8. Section 409A

Amounts payable under this Plan shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals) and exempt from Section 409A of the Code as a result of such reliance. To the extent that the Plan Administrator determines that the Company will pay severance benefits in a form other than a lump sum, any installment or monthly payment to which an employee is entitled under this Plan shall be considered a separate and distinct payment. In addition, (i) no amount payable hereunder shall be payable unless the employee's termination of employment constitutes a Separation from Service and (ii) if the employee is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which Eligible Participant is entitled under this Plan is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the employee's termination benefits shall not be provided to the employee prior to the earlier of (A) the expiration of the six-month period measured from the Eligible Participant's Separation Date or (B) the date of the employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 8 shall be paid in a lump sum to the employee without interest, and any remaining payments due under this Plan shall be paid as otherwise provided herein. The determination of whether the employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his or her Separation from Service shall be made by the Company in accordance with the terms of Section 409A of the Code (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). To the extent applicable, if payment of an amount under the Plan could be paid in one of two calendar years subject to the delivery of the Separation Agreement and it is determined that payment of such amount in the earlier of such two years could constitute noncompliance with Section 409A of the Code, then such amount shall be paid in the later of such two years.

9. STATEMENT OF ERISA RIGHTS

Eligible Participants in this Plan are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). ERISA provides that all plan Eligible Participants shall be entitled to:

- Examine, without charge, at the Plan Administrator’s office and at other specified locations, such as worksites, all documents governing the plan and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the plan and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Obtain a complete list of the Employers sponsoring the Plan upon written request to the Plan Administrator.
- Receive a summary of the Plan’s annual financial report, if any. The Plan Administrator is required by law to furnish each Eligible Participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan Eligible Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of all Plan Eligible Participants and beneficiaries. No one, including any Employer, any union, or any other person, may fire an employee or otherwise discriminate against him or her in any way to prevent them from obtaining a benefit under this Plan or exercising their rights under ERISA.

Enforce Your Rights

If an employee’s claim for a severance benefit is denied or ignored, in whole or in part, he or she has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps an employee can take to enforce the above rights. For instance, if he or she requests a copy of plan documents or the latest annual report from the plan and does not receive them within thirty (30) days, he or she may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay him or her up to \$110 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If an employee has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a state or Federal court. In addition, if he or she disagrees with the Plan’s decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, he or she may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan’s money, or if an employee is discriminated against for asserting his or her rights, he or she may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If an employee is successful the court may order the person he or she has sued to pay these costs and fees. If the employee loses, the court may order him or her to pay these costs and fees, for example, if it finds the claim is frivolous.

10. ASSISTANCE WITH QUESTIONS

If an employee has any questions about the Plan, he or she should contact the Plan Administrator. If he or she has any questions about this statement or about his or her rights under ERISA, or if he or she needs assistance in obtaining documents from the Plan Administrator, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. An employee may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADMINISTRATIVE INFORMATION REQUIRED BY ERISA

Plan Sponsor and Plan Administrator,
including address and telephone

eBay Inc.
Compensation Committee of the
Company Board of Directors
2145 Hamilton Ave
San Jose, CA 95125-5905
(408) 375-7400

Name and address of person designated as
agent for service of process:

Marie Oh Huber
Senior Vice President, Legal Affairs, General
Counsel and Secretary
eBay Inc.
2145 Hamilton Ave
San Jose, CA 95125-5905
(408) 375-7400

Basis on which Plan records are kept:

Calendar Year - January 1 to December 31

Type of Plan:

Unfunded welfare benefit severance plan

Plan Number:

889

EIN:

770430924

Appendix A

Standard Severance Pay Guidelines

Under the Plan, Eligible Participants are entitled to: (i) the Salary Amount, (ii) the Severance Bonus Amount and (iii) the Premium Payment, to be calculated based on the multiples identified below.

Salary Amount, Severance Bonus Amount and Premium Payment Calculations	SVPs	CEO
Multiple of Salary Amount	1.0x	2.0x
Multiple of Severance Bonus Amount	1.0x	2.0x
Multiple of Premium Payment	12x	24x

The Company will pay the Salary Amount, the Severance Bonus Amount and the Premium Payment in accordance with the terms of the Plan to which this Appendix A is attached.

Appendix B

Form of Separation Agreement

[On file with the Company]

Appendix C¹

Schedule of Designated Eligible Participants, as of the Effective Date

Chief Executive Officer

All Senior Vice Presidents

¹ **This Schedule is subject to change, from time to time, in the discretion of the Plan Administrator**

**EBAY INC. CHANGE IN CONTROL SEVERANCE PLAN
FOR KEY EMPLOYEES
AND
SUMMARY PLAN DESCRIPTION
AMENDED AND RESTATED EFFECTIVE AS OF APRIL 11, 2020**

1. PURPOSE OF THE PLAN

The purpose of the eBay Inc. Change in Control Severance Plan for Key Employees (the “**Plan**”) is to encourage the full attention and dedication of those employees at and above the level of Vice President, and certain eBay Inc. Fellows as may be selected by the Plan Administrator, in light of the distractions a change in control may cause, and otherwise to provide severance benefits designed to give financial assistance to any Eligible Participants upon their separation from eBay Inc. or any of its participating subsidiaries or affiliates under the conditions described herein during any Change in Control Period (as such term is defined below).

2. DEFINITIONS/GENERAL RULES

Definitions

Accrued Benefits – means prompt payment by the Company to an Eligible Participant of (a) any accrued but unpaid base salary through the last day of employment, (b) any unreimbursed expenses incurred through the last day of employment subject to the Eligible Participant’s prompt delivery to the Company of all required documentation of such expenses pursuant to applicable employer policies, (c) all other vested payments, benefits or fringe benefits to which the Eligible Participant is entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant (excluding any other severance plan, policy or program) of the Company or any of its affiliates in accordance with the terms of such plan, program or grant, including any unpaid annual bonus under the Company Employee Incentive Plan or applicable successor plan (the “**eIP**”) for any prior fiscal year when it otherwise would have been paid (see Section 4, **eIP**, below).

Board – means the Board of Directors of the Company.

Cause – means (a) an Eligible Participant’s failure to attempt in good faith to substantially perform his or her assigned duties, other than failure resulting from his or her death or incapacity due to physical or mental illness or impairment, which is not remedied within thirty (30) days after receipt of written notice from the Company specifying such failure; (b) an Eligible Participant’s indictment for, conviction of or plea of *nolo contendere* to any felony (or any other crime involving fraud, dishonesty or moral turpitude); or (c) an Eligible Participant’s commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company, except good faith expense account disputes.

Change in Control – means “change in control” as defined in the Company Equity Incentive Award Plan under which the Company is then granting equity awards, as the same shall be in effect from time to time. The Compensation Committee of the Board shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

Change in Control Period – means the period that begins ninety (90) days prior to the closing date of, and ends twenty-four (24) months following, a Change in Control.

Company – means eBay Inc. and after a Change in Control, any Successor Entity.

Company Equity Awards – means incentive awards granted (or deemed granted for accounting purposes) to an Eligible Participant on shares of common stock of the Company (“**Stock**”) and, after a Change in Control, any common equity of any Successor Entity, pursuant to the Company Equity Incentive Plan or otherwise, including without limitation any stock options, performance-based restricted stock units, and restricted stock units.

Disability – means “disability” within the meaning of the long-term disability plan by which the Eligible Participant is covered as of his or her Separation Date.

Effective Date – means April 11, 2020 with respect to this amended and restated plan. This Plan was originally effective immediately following the distribution of shares of stock of PayPal Holdings, Inc. by the Company to the shareholders of the Company. Except as otherwise provided by the Company, in writing, this Plan replaces all prior plans, programs, and arrangements providing change in control severance benefits to eligible employees, except to the extent such benefits are provided in an Individual Agreement, as defined below.

Eligible Employee – means an individual who meets all of the eligibility requirements set forth in Section 3 (**Eligibility**), and is not otherwise excluded from such eligibility requirements.

Eligible Participant – means any Eligible Employee holding a position that is at or above the level of Vice President, and certain Company Fellows, in each case as may be selected by the Plan Administrator in its sole discretion to participate in this Plan at any one of the levels specified in the CIC Severance Pay Guidelines attached to this Plan as the Plan Administrator shall, in its sole discretion, designate.

Employer – means the Company and any subsidiary or affiliate of the Company whose voting equity is, directly or indirectly, at least 50.1% owned by the Company.

Good Reason – means:

(A) for any Eligible Participant who is designated by the Plan Administrator as a Tier 1 (CEO and SVP Direct Reports) or a Tier 2 (SVP/Certain VP), as identified in Appendix C: (i) a material reduction in the Eligible Participant’s annual total target cash compensation (which is comprised of his or her annual base salary rate and annual target bonus opportunity under the eIP); (ii) a material reduction in the Eligible Participant’s reporting relationship (including, in the case of the Chief Executive Officer, the failure to continue to report to the Board or, if the Company is not the ultimate parent entity of the affiliated group that includes the Company, to the board of directors of such ultimate parent entity) and/or diminution in his or her scope of responsibilities; or (iii) a relocation of the Eligible Participant’s principal workplace location by more than thirty-five (35) miles, in any case of the foregoing without such Eligible Participant’s written consent.

(B) for any Eligible Participant who is designated by the Plan Administrator as a Tier 3 (VP/Fellow), as identified in Appendix C: (i) a material reduction in the Eligible Participant’s annual total target cash compensation (which is comprised of his or her annual base salary rate and annual target bonus opportunity under the eIP); or (ii) a relocation of the Eligible Participant’s principal workplace location by more than thirty-five (35) miles, in any case of the foregoing without such Eligible Participant’s written consent.

In addition, in any case of an occurrence described in subsection (A) or subsection (B) of this definition with respect to a given Eligible Participant, the Eligible Participant will be deemed to have given such consent to any of the condition(s) described in any of the applicable subsections of this definition if the Eligible Participant does not provide written notice to the Company of such Good Reason event(s) within 60 days from the first occurrence of such Good Reason event(s),

following which the Company shall have 30 days to cure such event, and to the extent the Company has not cured such Good Reason event(s) during the 30-day cure period, the Eligible Participant must terminate his/her employment for Good Reason no later than one hundred twenty (120) days following the occurrence of such Good Reason event(s) by providing the Company at least thirty (30) days' prior written notice of termination, which may run concurrently with the Company's cure period.

Make-Good Payment – means the sum total of an Eligible Participant's unpaid cash "make-good" awards, if any, that the Eligible Participant has received in connection with his or her employment with the Company.

Plan Administrator – means the Compensation Committee of the Board or such other person or committee appointed from time to time by the Compensation Committee of the Board to administer the Plan.

Premium Payment – means the product of (a) an Eligible Participant's monthly premium payment for health insurance continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") for himself or herself (and his or her eligible dependents) under the Company health plan in which he or she participates immediately prior to the Separation Date, or similar monthly payment for employees outside the U.S., if applicable; (b) the multiple of Premium Payment (as identified in Appendix A) applicable to such Eligible Participant; and (c) two (2). The Company shall withhold such amounts from payments under this Plan as it determines necessary to fulfill any applicable federal, state, or local wage or compensation withholding requirements. A more detailed description of the Premium Payment follows in Section 4 (**Severance Benefits**).

Salary Amount – means the product of: (a) an Eligible Participant's annual base salary in effect upon the occurrence of the Separation Date (as in effect immediately prior to the Change in Control without considering bonuses, back-pay or other awards, or Company contributions to any employee plans); and (b) the multiple of Salary Amount (as identified in Appendix A) applicable to such Eligible Participant.

Separation Date – means the effective date of the Eligible Participant's Separation from Service.

Separation from Service – means, except as provided in subsections (A) and (B) below, an employee's termination from employment (whether by retirement or resignation from or discharge by the Company).

(A) A Separation from Service shall be deemed to have occurred if an employee and the Company reasonably anticipate, based on the facts and circumstances, that the employee will not provide any additional services for an Employer after a certain date; provided, however, that if any payments or benefits that may be provided under this Plan constitute deferred compensation within the meaning of Section 409A of the Code, a Separation from Service also shall be deemed to have occurred in the event that the level of bona fide services performed by the employee after a certain date will permanently decrease to no more than 20% of the average level of bona fide services performed by the employee over the immediate preceding 36-month period.

(B) Notwithstanding the foregoing, for purposes of this Plan, an employee's employment relationship is treated as continuing intact while the employee is on military leave, sick leave, or other *bona fide* leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with an Employer under an applicable statute or by contract. For purposes of this Plan, a leave of absence constitutes a *bona fide* leave of absence only if there is a reasonable expectation that the employee will return to perform services for an Employer. If the period of leave exceeds six months and the employee does not retain a right to reemployment under an applicable statute or by contract, the

employment relationship is deemed to terminate on the first date immediately following such six-month period due to such employee's Disability, in which case such employee shall not be an Eligible Participant except as otherwise provided in Section 3 of this Plan.

The definition of "Separation from Service" shall at all times be interpreted in accordance with the terms of Treasury Regulations Section 1.409A-1(h) and any guidance issued thereunder.

Severability – means the provisions of the Plan are severable. If any provision of the Plan is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provisions of the Plan, except to such extent or in such application, shall not be affected, and each and every provision of the Plan shall be valid and enforceable to the fullest extent and in the broadest application permitted by law.

Severance Bonus Amount – means the product of: (a) an Eligible Participant's target annual bonus opportunity as provided under the eIP, calculated assuming target Company and individual performance had been achieved for the bonus year in which the Separation Date occurs; and (b) the multiple of Severance Bonus Amount (as identified in Appendix A) applicable to such Eligible Participant.

Successor Entity – means "successor entity" as defined in the Company Equity Incentive Award Plan, as the same shall be in effect from time to time.

General Rules

Amendment and Termination – The Company shall be under no obligation to continue this Plan for any period of time. The Plan Administrator, in its sole discretion, reserves the right to modify, amend, or terminate this Plan (including any of the CIC Severance Pay Guidelines, form of Separation Agreement and/or Schedule of Designated Eligible Participants attached to this Plan), in whole or in part, at any time and for any or no reason with respect to any employee or all employees at any time prior to his, her or their receipt of any Severance Benefits under Section 4 of this Plan; provided, however, that in no event shall this Plan be terminated, or modified or amended in any manner that is adverse to any Eligible Participants at any time during the Change in Control Period nor to any Eligible Participant who is receiving payments or benefits under this Plan as a result of a Qualifying Termination occurring during a Change in Control Period. Such foregoing prohibition shall not require that all Eligible Participants receive the same Salary Amount, Severance Bonus Amount, Premium Payment, treatment of Company Equity Awards or other additional payments and benefits that the Plan Administrator may in its sole discretion choose to provide to any given Eligible Employee.

Benefits Non-Assignable – Benefits under the Plan may not be anticipated, assigned or alienated. The exception being if an employee becomes eligible and dies before payment is made, the heirs will be entitled to the payment.

Governing Laws – The provision of the Plan shall be construed, administered and enforced according to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and, to the extent applicable, according to applicable Federal law or the laws of the State of California.

No Right to Continued Employment – Neither the Plan nor any action taken with respect to it shall confer upon any person the right to continue in the employ of the Company or any of its subsidiaries or affiliates. Company employees shall continue to be employed "at-will," as defined under applicable law.

Funding – The Company will make all payments under the Plan, and pay all expenses of the Plan, from its general assets. Nothing contained in this Plan shall give any eligible employee any right, title, or interest in any property of the Company or any of its affiliates.

3. ELIGIBILITY

General Eligibility

The benefits under this Plan are limited to employees of the Employer who satisfy each of the following conditions, as determined by the Plan Administrator in its sole discretion:

- Are classified as Eligible Participants, whether or not based in the United States of America (“**USA**”) or paid through the payroll system based in the USA;
- Are terminated involuntarily without Cause by an Employer; or terminate voluntarily for Good Reason, in either such case during a Change in Control Period (either such event, a “**Qualifying Termination**”);
- Are actively at work through the last day of work designated by Employer, unless the employee is absent due to an approved absence from work (including leave under the Family and Medical Leave Act) or unless otherwise designated by his or her agreement with the Employer;
- Execute and do not revoke a Separation Agreement and Release in a form attached to this Plan as Appendix B (with only those changes as may be required to maintain such a form to be compliant with applicable law) within the period specified by Plan Administrator or its delegates (the “**Separation Agreement**”); and
- Return all property of any Employer and settle satisfactorily all expenses owed to Employer and any of its subsidiaries or affiliates.

Exclusions from Eligibility

Unless the Plan Administrator provides otherwise in writing, the following employees are NOT eligible to receive benefits under this Plan:

- Any employee who is eligible to receive severance payments and/or benefits under an individual employment letter agreement or other agreement between such employee and the Company under circumstances that would otherwise give rise to a right to receive payments and benefits under this Plan (any such agreement, an “**Individual Agreement**”); except, if the total present value, as of the Separation Date, of the aggregate amount of all payments and benefits payable under any Individual Agreement that covers an employee who is not subject to income taxation in the USA is less than the total present value of the aggregate amount of all payments and benefits that would be payable to him or her under Section 4 of this Plan, then the employee shall not be excluded from eligibility to participate in this Plan with respect to any additional amount payable under this Plan.
- In the case of an involuntary termination of employment, any Eligible Participant who terminates employment prior to the stated Separation Date as set forth in his or her Separation Agreement;
- Any Eligible Participant whose employment is terminated for any of the following reasons:
 - Resignation or other voluntary termination of employment, other than for Good Reason as provided in this Plan;

- Death or Disability; except as expressly otherwise provided in Section 4 of this Plan; or
- Termination for Cause.

4. SEVERANCE BENEFITS

- Salary Amount

The Salary Amount payable to an Eligible Participant will be determined in accordance with Appendix A, subject to the reductions set forth below; provided, however, that the Plan Administrator, in its sole discretion, and on a case-by-case basis, may increase (but not decrease, except as provided below) the Salary Amount payable to an Eligible Participant.

- Severance Bonus Amount

The Severance Bonus Amount payable to an Eligible Participant will be determined in accordance with Appendix A, subject to the reductions set forth below; provided, however, that the Plan Administrator, in its sole discretion, and on a case-by-case basis, may increase (but not decrease, except as provided below) the Severance Bonus Amount payable to an Eligible Participant.

- Reduction of Salary Amount and Severance Bonus Amount

Unless Employer, in its sole discretion, provides otherwise in writing, the Salary Amount and Severance Bonus Amount payable to an Eligible Participant shall be reduced as follows:

The Salary Amount and Severance Bonus Amount will be reduced by any outstanding debt owed by the employee to Employer or any of its affiliates, where permitted by law, including but not limited to loans granted by Employer, advanced commissions, bonuses, vacation pay, salary and/or expenses.

In addition, Salary Amount and Severance Bonus Amount will be inclusive of, and not be in addition to, any severance or termination payments that may be required to be paid by statute or other governmental mandate of the laws of a country outside of the USA.

In the event of a Change in Control, where an accounting firm designated by the Company determines that (x) the aggregate amount of the payments and benefits that (but for the application of this paragraph) would be payable to an Eligible Participant under this Plan and/or any other plan, policy or arrangement of the Company or of its affiliates, exceeds (y) the greatest amount of payments and benefits that could be paid or provided to the Eligible Participant without giving rise to any liability for any excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then the Eligible Participant shall either (1) pay the Excise Tax and receive all such payments and benefits as may be payable to him or her, or (2) only receive the aggregate amount of such payments and benefits payable or to be provided to the Eligible Participant that would not exceed the greatest amount of payments and benefits that could be paid or provided to the Eligible Participant without giving rise to any liability for any Excise Tax (such reduced amount of payments and benefits, the “**Reduced Benefit Amount**”), whichever of the two courses of action in clause (1) or clause (2) hereof produces the greatest after-tax benefit to the Eligible Participant. In the event the Reduced Benefit Amount is paid, the reduction in such payments or benefits pursuant to the immediately preceding sentence shall be made in the following order: (1) by reducing the Salary Amount, and then (2) by reducing the Severance Bonus Amount, and then (3) by reducing the Premium Payment, and then (4) by reducing the accelerated vesting of any then outstanding performance-vested Company Equity Awards, in reverse order of their scheduled

vesting dates, and then (5) by reducing the accelerated vesting of any then outstanding time-vested Company Equity Awards, in reverse order of their scheduled vesting dates.

- **Payment of Salary Amount and Severance Bonus Amount**

The Company will pay the Salary Amount and Severance Bonus Amount in a lump sum. Payment will be made as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date; provided that if the Separation Date occurs within the 90-day period prior to the date of the Change in Control, then the Salary Amount and Severance Bonus Amount shall be paid within sixty (60) days after the date of the Change in Control and shall be reduced by any similar severance payments made prior to such payment date under any other severance plan or agreement, including the Company's SVP and Above Standard Severance Plan.

Other Severance Benefits

- **Premium Payment**

Eligible Participants employed by the Company in the USA (and their eligible dependents) who participate in a Company health insurance plan and who are eligible to continue to participate in such plan under COBRA, will receive a Premium Payment in the form of a lump sum cash payment. Payment will be made as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date; provided that if the Separation Date occurs within the 90-day period prior to the date of the Change in Control, then the Premium Payment shall be paid within sixty (60) days after the date of the Change in Control and shall be reduced by any similar severance payments made prior to such payment date under any other severance plan or agreement, including the Company's SVP and Above Standard Severance Plan.

Eligible Participants employed by the Company outside of the USA (and their eligible dependents) shall be eligible for medical and dental insurance coverage that is comparable to such coverage provided to such individuals immediately prior to the Separation Date, with such coverage to be provided for the period beginning with the Separation Date and running through a number of full calendar months equal to the multiple of Premium Payment (as identified in Appendix A) applicable to such Eligible Participant, to the extent permissible under applicable local law. If, and to the extent, the Eligible Participant is obligated to pay all or a portion of the premiums for such continuation coverage, the Eligible Employee will receive a Premium Payment calculated in the manner described above.

- **eIP**

The Eligible Participant will be eligible to receive the amount of the eIP bonus that he or she otherwise would have earned and been paid (using his or her accrued eligible compensation under the eIP through the last day of employment) in respect of the fiscal year of the Company in which his or her Separation Date occurs, calculated assuming target Company and individual performance had been achieved in such year.

The Company will pay the eIP bonus amount determined above in a lump sum. Payment will be made as soon as practicable after the later of the Eligible Participant's Separation Date or the date on which such employee's Separation Agreement becomes effective (i.e., cannot be revoked by the employee), but not later than sixty (60) days following the Eligible Participant's Separation Date; provided that if the Separation Date occurs within the 90-day period prior to the date of the

Change in Control, then the eIP bonus amount shall be paid within sixty (60) days after the date of the Change in Control and shall be reduced by any similar severance payments made prior to such payment date under any other severance plan or agreement, including the Company's SVP and Above Standard Severance Plan.

- **Company Equity Awards.**

Effective immediately prior to the Separation Date or, if the Separation Date occurs within the 90-day period prior to the date of the Change in Control, immediately prior to the date of the Change in Control, the following provisions shall apply to the Eligible Participant's Company Equity Awards that are outstanding and unvested as of the date prior to the Eligible Participant's Separation Date:

(A) All unvested Company Equity Awards that vest solely based on the continued service of the Eligible Participant (including any restricted stock units that have been or are scheduled to be granted in respect of any completed performance period), will be treated as though immediately vested on the Eligible Participant's Separation Date; and

(B) If the Eligible Participant's Separation Date occurs prior to the end of the performance period applicable to a Company Equity Award, then such award shall be deemed to have been earned at the target level of performance applicable to such Company Equity Award.

All such Company Equity Awards shall be settled in a lump sum, through the vesting of shares of Stock, through the payment of cash in lieu of vesting shares of Stock, or a combination thereof as determined in the discretion of the Plan Administrator, as soon as practicable, but not more than sixty (60) days, after such Company Equity Awards become vested pursuant to subsection (A) or subsection (B) above. In the event the Company elects to settle any such awards through the payment of cash in lieu of vesting shares of Stock, the Company will pay the Eligible Participant a lump sum cash amount equal to the value of all of the Company Equity Awards that are treated as though vested in accordance with the foregoing subsections (with such value calculated based on the Valuation Assumptions). The settlement of such Company Equity Awards shall include payment in cash of dividend equivalents credited with respect to such Company Equity awards as of the date prior to the Eligible Participant's Separation Date.

For purposes of the foregoing, the term "**Valuation Assumptions**" means, collectively, the following assumptions: (x) each share of common equity underlying an award has a value equal to the average of the closing prices of Company (or, after the Change in Control, the applicable Successor Entity) common stock as reported on the NASDAQ Global Select Market (or any other exchange on which the common equity is traded) for the period of 10 consecutive trading days ending on (and including) the last trading day prior to the Separation Date and (y) any Company stock options that the Eligible Participant holds that are outstanding and unvested immediately prior to the Separation Date will be valued based on their spread (i.e., the positive difference, if any, of the value of each share of Company (or, after the Change in Control, the applicable Successor Entity) common equity underlying the stock option, as determined pursuant to clause (x) above, less the per share exercise price of such stock option).

- **Make-Good Payment**

The Make-Good Payment shall be paid in a lump sum and subject to the same terms as Salary Amount, as set forth above, except to the extent payment is required to be delayed in accordance with Section 409A of the Code.

- **Death and Disability**

Notwithstanding anything else in this Plan or Company Equity Award agreement to the contrary, upon the occurrence of an Eligible Participant's death or Disability in the Change in Control Period, all unvested Company Equity Awards that are unvested as of the date prior to the Eligible Participant's death or Disability shall be treated in the same manner as if the Eligible Participant had experienced a Qualifying Termination pursuant to subsections (A) and (B) under "**Company Equity Awards**", above, except all references to the term "Separation Date" shall refer to the date of the Eligible Participant's death or Disability, such that all such awards shall be settled in a lump sum, through the vesting of shares of Stock, through the payment of cash in lieu of vesting shares of Stock, or a combination thereof as determined in the discretion of the Plan Administrator, as soon as practicable after the date of the Eligible Participant's death or Disability (or, if later, the date of the Change in Control), but not later than sixty (60) days following such date. In the event the Company elects to settle any such awards through the payment of cash in lieu of vesting shares of Stock, the Company will pay the Eligible Participant a lump sum cash amount equal to the value of all of the Company Equity Awards that are treated as though vested in accordance with the foregoing subsections (with such value calculated based on the Valuation Assumptions).

- **Accrued Benefits**

The Company shall make payment or otherwise provide all Accrued Benefits when due. Such obligation shall not be subject to the Eligible Participant's execution of a Separation Agreement.

5. RIGHT TO TERMINATE BENEFITS

Notwithstanding anything in this Plan to the contrary, in the event that:

- Employer determines that an Eligible Participant or Eligible Employee has breached any of the terms and conditions set forth in any agreement executed by the employee as a condition to receiving benefits under this Plan (i.e., the Separation Agreement), THEN
- Employer shall have the right to terminate the benefits payable under this Plan at any time. Further, the Eligible Participant shall be obligated to return to the Employer any benefits paid to such employee: (i) due to the employee's breach of the terms and conditions set forth in any agreement executed by such employee or (ii) due to any overpayments of benefits paid under this Plan to such employee.

6. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have sole authority and discretion to administer and construe the terms of this Plan. Without limiting the generality of the foregoing, the Plan Administrator shall have the following powers and duties:

- To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;
- To Amend and Terminate the Plan as defined in, and in accordance with, Section 2;
- To interpret the Plan, its interpretation thereof to be final and conclusive on all persons claiming benefits under the Plan;
- To decide all questions concerning the Plan, including the eligibility of any person to participate in, and receive benefits under, the Plan; and

- To appoint and/or retain such employees, agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan.

7. CLAIMS PROCEDURE

The Plan Administrator reviews and authorizes payment of severance benefits for those employees who qualify under the provisions of the Plan. No claim forms need be submitted. Questions regarding payment of severance benefits under the Plan should be directed to the Plan Administrator.

If an employee believes he or she is not receiving severance payments and benefits hereunder which are due, the employee should file a written claim for the benefits with the Plan Administrator. A decision on whether to grant or deny the claim will be made within ninety (90) days following receipt of the claim. If more than ninety (90) days is required to render a decision, the employee will be notified in writing of the reasons for delay. In any event, however, a decision to grant or deny a claim will be made by not later than one hundred eighty (180) days following the initial receipt of the claim.

If the claim is denied, in whole or in part, the employee will receive a written explanation containing the following information:

- The specific reason(s) for the denial, including a reference to the Plan provisions on which the denial is based;
- A description of any additional material or information necessary for the employee to perfect the claim and an explanation of why such material or information is necessary; and
- A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the employee's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

If the employee wishes to appeal this denial, the employee may write within sixty (60) days after receipt of the notification of denial. The claim will then be reviewed by the Plan Administrator, and the employee will receive written notice of the final decision within sixty (60) days after the request for review. If more than sixty (60) days are required to render a decision, the employee will be notified in writing of the reasons for delay. In any event, however, the employee will receive a written notice of the final decision within one hundred twenty (120) days after the request for review.

As part of the Plan's appeal process, the employee shall be afforded:

- The opportunity to submit written comments, documents, records, and other information relating to the claim for benefits;
- Upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the employee's claim for benefits; and
- A review that takes into account all comments, documents, records and other information submitted by the employee relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the decision on appeal is upheld, in whole or in part, the employee will receive a written explanation containing the following information:

- The specific reason(s) for the decision, including a reference to the Plan provisions on which the decision is based;

- A statement that the employee is entitled to receive, upon request and free of charge, reasonable access to, and copies of all documents, records and other information relevant to the employee's claim for benefits; and
- A statement of the employee's right to bring an action under Section 502(a) of ERISA.

No legal action for benefits under this Plan may be brought unless the action is commenced within one (1) year from the date of the final decision on appeal has been made. No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures set forth above are exhausted and a final determination is made. If the employee or other interested person challenges a decision, a review by the court of law will be limited to the facts, evidence and issues presented during the claims procedure set forth above. Facts and evidence that become known to the employee or other interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims determination. Issues not raised with the Plan Administrator will be deemed waived.

8. Section 409A

Amounts payable under this Plan shall be made in reliance upon Treasury Regulation Section 1.409A-1(b)(9) (Separation Pay Plans) or Treasury Regulation Section 1.409A-1(b)(4) (Short-Term Deferrals) and exempt from Section 409A of the Code as a result of such reliance. To the extent that the Plan Administrator determines that the Company will pay severance benefits in a form other than a lump sum, any installment or monthly payment to which an employee is entitled under this Plan shall be considered a separate and distinct payment. In addition, (i) no amount payable hereunder shall be payable unless the employee's termination of employment constitutes a Separation from Service and (ii) if the employee is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the termination benefits to which Eligible Participant is entitled under this Plan is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the employee's termination benefits shall not be provided to the employee prior to the earlier of (A) the expiration of the six-month period measured from the Eligible Participant's Separation Date or (B) the date of the employee's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 8 shall be paid in a lump sum to the employee without interest, and any remaining payments due under this Plan shall be paid as otherwise provided herein. The determination of whether the employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his or her Separation from Service shall be made by the Company in accordance with the terms of Section 409A of the Code (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). To the extent applicable, if payment of an amount under the Plan could be paid in one of two calendar years subject to the delivery of the Separation Agreement and it is determined that payment of such amount in the earlier of such two years could constitute noncompliance with Section 409A of the Code, then such amount shall be paid in the later of such two (2) years.

9. STATEMENT OF ERISA RIGHTS

Eligible Participants in this Plan are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). ERISA provides that all plan Eligible Participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the plan and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the plan and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Obtain a complete list of the Employers sponsoring the Plan upon written request to the Plan Administrator.
- Receive a summary of the Plan's annual financial report, if any. The Plan Administrator is required by law to furnish each Eligible Participant with a copy of this summary annual report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan Eligible Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of all Plan Eligible Participants and beneficiaries. No one, including any Employer, any union, or any other person, may fire an employee or otherwise discriminate against him or her in any way to prevent them from obtaining a benefit under this Plan or exercising their rights under ERISA.

Enforce Your Rights

If an employee's claim for a severance benefit is denied or ignored, in whole or in part, he or she has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps an employee can take to enforce the above rights. For instance, if he or she requests a copy of plan documents or the latest annual report from the plan and does not receive them within thirty (30) days, he or she may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay him or her up to \$110 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If an employee has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a state or Federal court. In addition, if he or she disagrees with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, he or she may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if an employee is discriminated against for asserting his or her rights, he or she may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If an employee is successful the court may order the person he or she has sued to pay these costs and fees. If the employee loses, the court may order him or her to pay these costs and fees, for example, if it finds the claim is frivolous.

10. ASSISTANCE WITH QUESTIONS

If an employee has any questions about the Plan, he or she should contact the Plan Administrator. If he or she has any questions about this statement or about his or her rights under ERISA, or if he or she needs assistance in obtaining documents from the Plan Administrator, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. An employee may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ADMINISTRATIVE INFORMATION REQUIRED BY ERISA

Plan Sponsor and Plan Administrator, including address and telephone	eBay Inc. Compensation Committee of the Board of Directors of the Company 2145 Hamilton Ave San Jose, CA 95125-5905 (408) 375-7400
Name and address of person designated as agent for service of process:	Marie Oh Huber Senior Vice President, Legal Affairs, General Counsel and Secretary eBay Inc. 2145 Hamilton Ave San Jose, CA 95125-5905 (408) 375-7400
Basis on which Plan records are kept:	Calendar Year - January 1 to December 31
Type of Plan:	Unfunded welfare benefit severance plan
Plan Number:	591
EIN:	770430924

Appendix A

CIC Severance Pay Guidelines

Under the Plan, Eligible Participants are entitled to: (i) the Salary Amount; (ii) Severance Bonus Amount and (iii) the Premium Payment, to be calculated based on the multiples identified below as applying to the Tier for which the Eligible Participant has been selected.

Salary Amount, Severance Bonus Amount, and Premium Payment Calculations	Tier 1: CEO and SVP Direct Reports	Tier 2: SVPs/ Certain VPs	Tier 3: VPS/Fellows
Multiple of Salary Amount	2.0x	1.0x	0.5x
Multiple of Severance Bonus Amount	2.0x	1.0x	0.5x
Multiple of Premium Payment	24	12	6

The Company will pay the Salary Amount, Severance Bonus Amount, and the Premium Payment in accordance with the terms of the Plan to which this Appendix A is attached.

Appendix B

Form of Separation Agreement

[On file with the Company]

Appendix C¹

Schedule of Designated Eligible Participants, as of the Effective Date

Tier 1: CEO and SVP Direct Reports:

Chief Executive Officer

Senior Vice Presidents who are direct reports to the Chief Executive Officer

Tier 2: SVPs/Certain VPs:

Senior Vice Presidents not designated as Tier 1 Employees

Vice Presidents who are specifically selected by the Compensation Committee to participate in this Plan as Tier 2 Employees

Tier 3: VPs/Fellows:

All Vice Presidents not designated as Tier 2 Employees

Fellows

¹ This Schedule is subject to change, from time to time, in the discretion of the Plan Administrator

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Jamie Iannone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eBay Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jamie Iannone

Jamie Iannone

Chief Executive Officer

(Principal Executive Officer)

Date: July 29, 2020

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Andy Cring, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of eBay Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Andy Cring

Andy Cring

Interim Chief Financial Officer

(Principal Financial Officer)

Date: July 29, 2020

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Jamie Iannone, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

/s/ Jamie Iannone

Jamie Iannone

Chief Executive Officer

(Principal Executive Officer)

Date: July 29, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**

I, Andy Cring, hereby certify pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(i) The accompanying Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of eBay Inc.

/s/ Andy Cring

Andy Cring

Interim Chief Financial Officer

(Principal Financial Officer)

Date: July 29, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this report.