

EBAY INC
Form DEF 14A
May 16, 2003

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SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material under Rule 14a-12

eBay Inc.

(Name of Registrant as Specified In Its Charter)

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

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- x No fee required.
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9. Date Filed:

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eBay Inc.

2145 Hamilton Avenue
San Jose, California 95125

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 26, 2003**

To the Stockholders of eBay Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of **eBAY INC.**, a Delaware corporation, will be held on Thursday, June 26, 2003, at 8:00 a.m. Eastern time at The Peabody Hotel, Plaza H, 9801 International Drive, Orlando, Florida 32819 for the following purposes:

1. To elect two directors to hold office until our 2006 Annual Meeting of Stockholders.
2. To approve an amendment to our 2001 Equity Incentive Plan to increase by 14,000,000 the number of shares of common stock that may be issued under our 2001 Plan.
3. To approve our 2003 Deferred Stock Unit Plan.
4. To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending December 31, 2003.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting thereof. These business items are described more fully in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on April 30, 2003 as the record date for identifying those stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement of this meeting.

By Order of the Board of Directors

Michael R. Jacobson
Secretary

San Jose, California
May 16, 2003

The proxy statement and the accompanying form of proxy are being mailed on or about May 16, 2003 in connection with the solicitation of proxies on behalf of the Board of Directors of eBay. All stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the Annual Meeting, you are urged to vote your shares as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions on the proxy card. For specific instructions on voting, please refer to the instructions on the proxy card.

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eBay Inc.

2145 Hamilton Avenue
San Jose, California 95125

PROXY STATEMENT

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND
OUR 2003 ANNUAL MEETING**

Q: Why am I receiving these materials?

A: eBay's Board of Directors, or the Board, is providing these proxy materials to you in connection with eBay's Annual Meeting of Stockholders, which will take place on June 26, 2003. Stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

Q: What information is contained in these materials?

A: The information included in this proxy statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of directors and our most highly paid executive officers, and certain other required information. eBay's 2002 Annual Report and audited financial statements, a proxy card and a return envelope are also enclosed.

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

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

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

the approval of an amendment to the 2001 Equity Incentive Plan to increase the authorized number of shares of common stock by 14,000,000 shares;

the approval of our 2003 Deferred Stock Unit Plan; and

the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors.

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

A: eBay's Board recommends that you vote your shares **FOR** each of the nominees to the Board, **FOR** the approval of the amendment to the 2001 Equity Incentive Plan, **FOR** the approval of the 2003 Deferred Stock Unit Plan and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors.

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

A: Each share of eBay's common stock outstanding as of the close of business on April 30, 2003, the record date, is entitled to one vote at the Annual Meeting. At the close of business on April 30, 2003, 317,497,841 shares of common stock were outstanding and entitled to vote.

Q: What shares owned by me can be voted?

A: All shares owned by you as of the close of business on the record date of April 30, 2003 may be voted by you. You may cast one vote per share of common stock that you held on the record date. These shares include shares that are (1) held of record directly in your name, including shares purchased through eBay's stock option plans and (2) held for you as the beneficial owner through a stockbroker, bank or other nominee.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most stockholders of eBay hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

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Stockholder of Record

If your shares are registered directly in your name with eBay's transfer agent, Mellon Investor Services, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by eBay. As the stockholder of record, you have the right to grant your voting proxy directly to eBay or to vote in person at the Annual Meeting. eBay has enclosed a proxy card for you to use. You may also vote by Internet or by telephone as described below under "How can I vote my shares without attending the Annual Meeting?"

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker on how to vote and you are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee regarding how to vote your shares. You may also vote by Internet or by telephone as described below under "How can I vote my shares without attending the Annual Meeting?" in this section.

Q: Can I attend the Annual Meeting?

A: You will be admitted to the Annual Meeting only if you are listed as a stockholder of record as of April 30, 2003, and bring proof of identification. If you hold your shares through a stock broker or other nominee, you will need to provide proof of ownership by bringing either a copy of the voting instruction card provided by your broker or a copy of a brokerage statement showing your share ownership as of April 30, 2003. If you do not attend the Annual Meeting, you can listen to a webcast of the proceedings at eBay's investor relations site at www.shareholder.com/ebay.

Q: How can I vote my shares in person at the Annual Meeting?

A: Shares held directly in your name as the stockholder of record may be voted in person at the Annual Meeting. If you choose to do so, please bring the enclosed proxy card and proof of identification. Even if you plan to attend the Annual Meeting, eBay recommends that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

Shares held in street name may be voted in person by you only if you obtain a signed proxy from the record holder giving you the right to vote the shares.

Q: How can I vote my shares without attending the Annual Meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the Annual Meeting by Internet, telephone or completing and mailing your proxy card or voting instruction card in the enclosed pre-paid envelope. Please refer to the enclosed materials for details.

Q: Can I change my vote?

A: You may change your proxy instructions at any time before it is voted at the Annual Meeting. Proxies may be revoked by any of the following actions: (1) filing a written notice of revocation with our Corporate Secretary at our principal executive office (2145 Hamilton Avenue, San Jose, California 95125); (2) filing a properly executed proxy showing a later date with our Corporate Secretary at our principal executive office; or (3) attending the Annual Meeting and voting in person (attendance at the meeting will not, by itself, revoke a proxy).

Q: How are votes counted?

A: In the election of directors, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. For the approval of the amendment to the 2001 Equity Incentive Plan, the approval of the 2003 Deferred Stock Unit Plan and the ratification of the selection of PricewaterhouseCoopers LLP, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN, it has the

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same effect as a vote AGAINST . If you sign and return your proxy card or

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broker voting instruction card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors, except that in the case of a broker voting instruction card, your broker may only vote on those matters over which the broker has discretionary voting power.

Q: Who will count the votes?

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

Q: What is the quorum requirement for the Annual Meeting?

A: The quorum requirement for holding the Annual Meeting and transacting business is a majority of the outstanding shares entitled to be voted. The shares may be present in person or represented by proxy at the Annual Meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Thus, broker non-votes will not affect the outcome of any of the matters being voted on at the Annual Meeting. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

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

A: In the election for directors, the two persons receiving the highest number of FOR votes will be elected. The proposal to amend the 2001 Equity Incentive Plan, the proposal to approve the 2003 Deferred Stock Unit Plan and the proposal to ratify the selection of the auditors each require the affirmative FOR vote of a majority of those shares present and entitled to vote. If you are a beneficial owner and do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes, as described above in "What is the quorum requirement for the Annual Meeting?" in this section. In tabulating the voting result for any particular proposal, shares which constitute broker non-votes are not counted.

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

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

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

A: eBay will announce preliminary voting results at the Annual Meeting and publish final results in eBay's Quarterly Report on Form 10-Q for the second quarter of fiscal 2003.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: eBay will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. We will provide copies of these proxy materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others so that they may forward these proxy materials to the beneficial owners. eBay has retained the services of Georgeson Shareholder Communications Inc., a professional proxy solicitation firm, to aid in the solicitation of proxies. Georgeson may solicit proxies by personal interview, mail, telephone and electronic communications. eBay estimates that it will pay Georgeson its customary fee, estimated to be approximately \$6,500, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. In addition, eBay may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Solicitations may also be made by personal interview, telephone and electronic communication by directors, officers and other employees of eBay, but we will not additionally compensate our directors, officers or other employees for these services.

Q: May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as directors?

A: You may submit proposals for consideration at future annual stockholder meetings. In order for a stockholder proposal to be considered for inclusion in the proxy materials for our 2004 Annual Meeting of

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Stockholders your proposal must be received by our Corporate Secretary no later than January 16, 2004. A stockholder proposal or a nomination for director that is received after this date will not be included in our proxy statement and proxy but will otherwise be considered at the 2004 Annual Meeting so long as it is submitted to our Corporate Secretary no earlier than March 28, 2004, and no later than April 27, 2004. We advise you to review our Bylaws, which contain this and other requirements with respect to advance notice of stockholder proposals and director nominations. Our Bylaws were filed with the Securities and Exchange Commission, or SEC, as an exhibit to our Quarterly Report on Form 10-Q filed on November 13, 1998, which can be viewed by visiting our investor relations website at www.shareholder.com/ebay/edgar.cfm and may also be obtained by writing to our Corporate Secretary at our principal executive office (2145 Hamilton Avenue, San Jose, California 95125).

Q: How can I get electronic access to the Proxy Statement and Annual Report?

A: This proxy statement and our 2002 Annual Report may be viewed online on our investor relations website at www.shareholder.com/ebay/annual.cfm. You can also elect to receive an email that will provide an electronic link to future annual reports and proxy statements rather than receiving paper copies of these documents. Choosing to receive your proxy materials electronically will save us the cost of printing and mailing documents to you.

You can choose to receive future proxy materials electronically by visiting www.icsdelivery.com/ebay. If you choose to receive future proxy materials electronically, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your choice to receive proxy materials electronically will remain in effect until you write or call eBay Investor Relations and tell us otherwise.

Q: How do I obtain a separate set of proxy materials if I share an address with other stockholders?

A: To reduce expenses, in some cases, we are delivering one set of proxy materials to certain stockholders who share an address, unless otherwise requested. A separate proxy card is included in the proxy materials for each of these stockholders. If you reside at such an address and wish to receive a separate copy of the proxy materials, you may visit our investor relations website at www.shareholder.com/ebay or contact eBay Investor Relations by mail to 2145 Hamilton Avenue, San Jose, California 95125 or by telephone at 408-376-7493. You may also contact eBay Investor Relations if you would like to receive separate proxy materials in the future, or if you are receiving multiple copies of our proxy materials and would like to receive only one copy in the future.

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CORPORATE GOVERNANCE

Our business is managed by our employees under the direction and oversight of the Board of Directors. Except for Ms. Whitman, none of our Board members is an employee of eBay. The Board limits membership on the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominating Committee to independent non-employee directors. We keep Board members informed of our business through discussions with management, materials we provide to them, visits to our offices and their participation in Board and Board committee meetings.

The Board of Directors has adopted corporate governance guidelines which, along with the charters of the Board committees and the company's Code of Ethics for Senior Financial Advisors, provide the framework for the governance of the company. A complete copy of our governance guidelines, the charters of Board committees and our code of ethics may be found on our investor relations website at www.shareholder.com/ebay/corp-gov.cfm. The Audit Committee charter is also attached as Appendix A to this proxy statement.

OUR CORPORATE GOVERNANCE PRACTICES

We believe open, effective and accountable corporate governance practices are key to our relationship with our stockholders. In order to help our stockholders understand our commitment to this relationship and its governance practices, several of our key governance initiatives are summarized below.

Adopting Governance Guidelines. The Board has adopted a set of governance guidelines to set a framework within which the Board will conduct its business. The governance guidelines can be found on our website at www.shareholder.com/ebay/corp-gov.cfm and are summarized below.

Monitoring Board Effectiveness. It is important to eBay that the Board and its committees are performing effectively and in the best interest of the company and its stockholders. The Board is responsible for assessing its effectiveness in fulfilling its obligations.

Enhancing Board Committee Responsibilities. Board committees help the Board run effectively and efficiently. They do not replace the oversight of the Board as a whole. There are currently three committees, each of which is made up solely of independent directors: the Audit Committee; the Compensation Committee; and the Corporate Governance and Nominating Committee.

Each committee meets regularly and has a written charter approved by the Board. In addition, at each regularly scheduled Board meeting, a member of each committee reports on any significant matters addressed by the committee. In 2002, after reviewing the Sarbanes-Oxley Act of 2002 and the proposed rules of the SEC and the Nasdaq Stock Market, the Board revised all of its committee charters to voluntarily implement the proposed standards and to expand the responsibilities of each committee as well as establishing independence and self-assessment requirements.

Establishing Formal Closed Sessions. At the conclusion of each regularly scheduled Board meeting, the independent directors have the opportunity to meet without our management or the other directors. At these meetings, the independent directors designate a director to lead the discussions.

Expanding Board Compensation. Board compensation is determined by the Compensation Committee. In 2002, Board compensation was 100% equity based. After a review, in December 2002, Board compensation was substantially revised by the Board, with equity compensation reduced and cash compensation added, as more thoroughly described under the heading "Compensation of Directors" below.

Hiring Outside Advisors. The Board and each of its committees may retain outside advisors and consultants of their choosing at the company's expense. The Board need not obtain management's consent to retain outside advisors.

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Avoiding Conflicts of Interest. eBay expects its directors, executives and employees to conduct themselves with the highest degree of integrity, ethics and honesty. eBay's credibility and reputation depend upon the good judgment, ethical standards and personal integrity of each director, executive and employee. In order to better protect eBay and its stockholders, eBay updated its code of business conduct and ethics to provide clearer conflict of interest guidelines to its employees, as well as reporting and investigatory procedures.

Providing Transparency. eBay believes it is important that stockholders understand the governance practices of eBay. In order to help ensure transparency of our practices we have posted information regarding our corporate governance procedures on our website at www.shareholder.com/ebay/corp-gov.cfm.

Ensuring Auditor Independence. eBay has taken a number of steps to ensure continued independence of our outside auditor. Our independent auditors report directly to the Audit Committee and we limit the use of our audit firm for non-audit services.

BOARD COMMITTEES AND MEETINGS

During 2002, our Board of Directors held nine meetings. The Board of Directors has an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. Our Board's governance principles, as well as the charters of each of the Board's committees, are set forth on the corporate governance section of the eBay website at www.shareholder.com/ebay/corp-gov.cfm. Any changes in these governance principles, or in other governance documents, will be reflected on the same location of the eBay website.

The Audit Committee consists of Messrs. Kagle and Cook and Ms. Lepore. The Audit Committee held seven meetings during fiscal year 2002. The primary responsibilities of the Audit Committee are to meet with our independent auditors to review the results of the annual audit and to discuss the financial statements, including the independent auditors' judgment about the quality of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. Additionally, the Audit Committee meets with our independent auditors to review the interim financial statements prior to the filing of our Quarterly Reports on Form 10-Q, recommends to the Board of Directors the independent auditors to be retained, oversees the independence of the independent auditors, evaluates the independent auditors' performance, receives and considers the independent auditors' comments as to controls, adequacy of staff and management performance and procedures in connection with audit and financial controls, including our system to monitor and manage business risks and legal and ethical compliance programs, prepares the Audit Committee Report for inclusion in our proxy statement, approves audit and non-audit services provided to us by our independent auditors and meets with our General Counsel to discuss legal matters that may have a material impact on our financial statements or our compliance policies. All members of our Audit Committee are independent within the meaning of the current and proposed listing standards of the Nasdaq National Market. Our Board of Directors has adopted an Audit Committee Charter, which is attached as Appendix A to this proxy statement.

In 2002, the Compensation Committee consisted of Messrs. Kagle, Bourguignon and Schultz. Mr. Tierney was elected to the Compensation Committee when he became a director in 2003. The committee met six times during 2002. The Compensation Committee reviews and approves all compensation programs applicable to directors and executive officers, the overall strategy for employee compensation, and goals and objectives relative to the compensation of the CEO. In addition, the Compensation Committee reviews the performance of the CEO on an annual basis and prepares the Compensation Committee Report for inclusion in our proxy statement. All members of our Compensation Committee are independent within the meaning of the current and proposed listing standards of the Nasdaq National Market. Our Board of Directors has adopted a Compensation Committee Charter, which is set forth on the corporate governance section of our investor relations website at www.shareholder.com/ebay/corp-gov.cfm.

In 2002, the Corporate Governance and Nominating Committee consisted of Messrs. Cook and Schultz and Ms. Lepore. Mr. Tierney was elected to the Corporate Governance and Nominating Committee when he became a director in March 2003. The Nominating Committee was established in December 2001 and met one time during 2002. In December of 2002, the Nominating Committee charter was modified to expand its responsibilities and the name of the committee was officially changed to the Corporate Governance and Nominating Committee. The

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Corporate Governance and Nominating Committee makes recommendations to the Board as to the appropriate size of the Board or any Board committee and reviews the qualifications of candidates for the Board of Directors (including those proposed by stockholders) and makes recommendations to the Board of Directors on potential Board members (whether created by vacancies or as part of the annual election cycle). In addition, the Corporate Governance and Nominating Committee establishes procedures for the oversight and evaluation of the Board and management, considers conflicts of interest involving executive officers or Board members, and reviews on an annual basis a set of corporate governance guidelines for the Board. Stockholders wishing to submit recommendations for our 2004 Annual Meeting should submit their proposals to the Corporate Governance and Nominating Committee care of our Corporate Secretary in accordance with the time limitations, procedures and requirements described under the heading "May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as directors?" in the section entitled "Questions and Answers about the Proxy Materials and the Annual Meeting" above. All members of our Corporate Governance and Nominating Committee are independent within the meaning of the current and proposed listing standards of the Nasdaq National Market. Our Board of Directors has adopted a Corporate Governance and Nominating Committee Charter, which is set forth on the corporate governance section of our investor relations website at www.shareholder.com/ebay/corp-gov.cfm.

During 2002, each Board member attended at least 75% of the aggregate of all of our Board meetings and committee meetings for committees on which such director served.

COMPENSATION OF DIRECTORS

In 2002 and prior years, our directors received no cash compensation for their services as directors, although they were reimbursed for their reasonable expenses for attending Board and Board committee meetings. Members of the Board who are not employees of eBay, or any parent, subsidiary or affiliate of eBay, are eligible to participate in the 1998 Directors Stock Option Plan, also referred to as the Directors Plan. Option grants under the Directors Plan are automatic and non-discretionary, and the exercise price of the options must be 100% of the fair market value of the common stock on the date of grant. From the time of our initial public offering through December 2002, each eligible director was initially granted an option to purchase 180,000 shares on the date elected to the Board of Directors, and was granted an option to purchase an additional 30,000 shares at the time of each subsequent annual meeting if he or she had served continuously as a member of the Board since the date elected. Accordingly, on June 5, 2002, the date of our 2002 Annual Meeting, each eligible director received a grant of options to purchase 30,000 shares with an exercise price equal to the closing price of our common stock on that date. All options granted under the Directors Plan vest as to 25% of the shares on the first anniversary of the date of grant and as to 1/48 of the shares each month thereafter, provided the optionee continues as a director or consultant of eBay.

In December 2002, the Compensation Committee and the Board reviewed and revised the director compensation structure to reduce the equity-based compensation for both new and existing directors and to add a cash compensation component. Beginning in 2003, non-employee directors will be paid a retainer of \$50,000 per year, the chairman of the Audit Committee will receive an additional \$10,000 per year, and all other committee chairs will receive an additional \$5,000 per year. Each non-employee director will also receive meeting fees of \$2,000 per Board meeting and \$1,000 per committee meeting. The Board also amended the Directors Plan to eliminate the initial 180,000 share option grant thereunder and reduce the number of options granted to non-employee directors at each Annual Meeting from 30,000 to 15,000 shares. Subject to the approval by the stockholders of the Deferred Stock Unit Plan (or DSU Plan) at our upcoming Annual Meeting, new non-employee directors elected on or after December 31, 2002 will receive deferred stock units, or DSUs, with an initial value of \$150,000. DSUs represent an unfunded, unsecured right to receive shares of eBay common stock (or the equivalent value thereof in cash or property), and the value of DSUs varies directly with the price of eBay's common stock. Each DSU award granted to a non-employee director upon election to the Board will vest as to 25% of the DSUs on the first anniversary of the date of grant and as to 1/48 of the DSUs each month thereafter, provided the director continues as a director or consultant of eBay. The DSU Plan is described more fully under "Proposal 3 Approval of 2003 Deferred Stock Unit Plan" below.

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The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of April 1, 2003 by (i) each stockholder known to us to be the beneficial owner of more than 5% of our common stock, (ii) each director and nominee for director, (iii) each of the executive officers named in the Summary Compensation Table set forth under Executive Compensation Compensation of Executive Officers below and (iv) all executive officers and directors as a group.

Name of Beneficial Owner	Shares Beneficially Owned(1)	
	Number	Percent
Pierre M. Omidyar(2)	62,857,942	20.0%
Jeffrey S. Skoll(3)	32,425,798	10.3
Janus Capital Management LLC(4)	15,750,221	5.0
Margaret C. Whitman(5)	7,233,426	2.3
Maynard G. Webb, Jr.(6)	563,268	*
Jeffrey D. Jordan(7)	426,851	*
Matthew J. Bannick(8)	239,166	*
William C. Cobb(9)	104,062	*
Philippe Bourguignon(10)	191,250	*
Scott D. Cook(11)	839,786	*
Robert C. Kagle(12)	2,043,543	*
Dawn G. Lepore(13)	161,250	*
Howard D. Schultz(14)	76,292	*
Thomas J. Tierney(15)	0	*
All directors and executive officers as a group (14 persons)(16)	75,568,819	23.7

* Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of April 1, 2003 are deemed to be outstanding for the purpose of computing the percentage ownership of the person holding those options, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of beneficial ownership is based on 315,779,028 shares of our common stock outstanding as of April 1, 2003.
- (2) Mr. Omidyar is our Founder and Chairman of the Board. Includes 383,800 shares held by his spouse as to which he disclaims beneficial ownership. The address for Mr. Omidyar is 2145 Hamilton Avenue, San Jose, California 95125.
- (3) The address for Mr. Skoll is c/o Capricorn Management, LLC, 2005 Hamilton Avenue, Suite 260, San Jose, California 95125.
- (4) Janus Capital Management LLC, or Janus Capital, has an indirect 100% ownership stake in Bay Isle Financial LLC, or Bay Isle, and an indirect 50.1% ownership stake in Enhanced Investment Technologies LLC, or INTECH. Due to the above ownership structure, holdings for Janus Capital, Bay Isle and INTECH are aggregated for beneficial ownership disclosure purposes. Janus Capital, Bay Isle and INTECH are registered investment advisers, each furnishing investment advice to various investment companies registered under Section 8 of the Investment Company Act of 1940 and to individual and institutional clients (collectively, the Managed Portfolios). Neither Janus Capital, Bay Isle nor INTECH has the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights. Janus Capital has sole voting and dispositive power over 15,320,121 shares of common stock and shared voting and dispositive power over 430,100 shares of common stock. The address for Janus Capital Management LLC is 100 Fillmore Street, Denver, Colorado 80206-4923.
- (5)

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Ms. Whitman is our President and Chief Executive Officer. Includes 6,425,262 shares held by the Griffith R. Harsh, IV & Margaret C. Whitman TTEES of Sweetwater Trust U/A/D 10/15/99. In addition, it includes (a) 1,198 shares held by Griffith Rutherford Harsh IV Custodian Griffith Rutherford Harsh V UTMA California as to which Ms. Whitman's spouse is custodian for the trust and as to which Ms. Whitman disclaims beneficial ownership and (b) 1,198 shares held by Griffith

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- Rutherford Harsh IV Custodian William Whitman Harsh UTMA California as to which Ms. Whitman's spouse is custodian for the trust and as to which Ms. Whitman disclaims beneficial ownership. Includes 328,125 shares Ms. Whitman has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Ms. Whitman is 2145 Hamilton Avenue, San Jose, California 95125.
- (6) Mr. Webb is our Chief Operating Officer. Represents the 563,268 shares Mr. Webb has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Webb is 2145 Hamilton Avenue, San Jose, California 95125.
- (7) Mr. Jordan is our Senior Vice President and General Manager, U.S. Business. Represents the 426,851 shares Mr. Jordan has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Jordan is 2145 Hamilton Avenue, San Jose, California 95125.
- (8) Mr. Bannick is our Senior Vice President, Global Online Payments. Represents the 239,166 shares Mr. Bannick has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Bannick is 2145 Hamilton Avenue, San Jose, California 95125.
- (9) Mr. Cobb is our Senior Vice President and General Manager, International. Represents the 104,062 shares Mr. Cobb has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Cobb is 2145 Hamilton Avenue, San Jose, California 95125.
- (10) Represents the 191,250 shares Mr. Bourguignon has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Bourguignon is 33 rue Censier, 75019 Paris, France.
- (11) Includes 717,500 shares Mr. Cook has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Cook is c/o Intuit, Inc., 2535 Garcia Avenue, Mountain View, California 94043.
- (12) The shares are held by Robert & Joanne Kagle Trust UAD 4/4/96, Robert Kagle and Joanne Kagle, TTEES. Includes 37,500 shares Mr. Kagle has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Kagle is c/o Benchmark Capital Management Co., L.L.C., 2480 Sand Hill Road, Suite 200, Menlo Park, California 94025.
- (13) Represents the 161,250 shares Ms. Lepore has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Ms. Lepore is c/o The Charles Schwab Corporation, 101 Montgomery Street, M.S., 120-30-305, San Francisco, California 94104.
- (14) Includes 37,500 shares Mr. Schultz has the right to acquire pursuant to outstanding options exercisable within 60 days. The address for Mr. Schultz is c/o Starbucks Corporation, 2401 Utah Ave. South, 8th Floor, Seattle, Washington 98134.
- (15) The address for Mr. Tierney is c/o The Bridgespan Group, 131 Clarendon Street, 7th Floor, Boston, MA 02116.
- (16) Includes 3,474,588 shares subject to options exercisable within 60 days.

PROPOSAL 1

ELECTION OF DIRECTORS

eBay's Certificate of Incorporation and Bylaws, as amended to date, provide for the Board of Directors to be divided into three classes, with each class having a three-year term. The first class currently consists of two directors, the second class currently consists of three directors and the third class currently consists of three directors. The term of office for the first class expires at our 2005 Annual Meeting, the term of office for the second class expires at our upcoming Annual Meeting and the term of office for the third class expires at our 2004 Annual Meeting. A director elected to fill a vacancy (including a vacancy created by an increase in the size of the Board of Directors) will serve for the remainder of the term of the class of directors in which the vacancy occurred and until his or her successor is elected and qualified.

Our Board of Directors is presently composed of eight members, six of whom are currently independent directors within the meaning of the current and proposed listing standards of the Nasdaq National Market. There are three directors in the class whose term of office expires in 2003, all of whom are currently members of the Board of Directors. One of these directors, Howard D. Schultz, an independent director, has announced that he will leave the Board when his term expires at the Annual Meeting. The two nominees for election at the Annual Meeting were previously elected by the stockholders. If elected at the Annual Meeting, each of the nominees would serve until our

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2006 Annual Meeting and until his or her successor is elected and has qualified, or until his or her earlier death, resignation or removal. The class would thereafter have two members.

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

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

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT OUR 2006 ANNUAL MEETING

Dawn G. Lepore

Dawn G. Lepore, age 49, has served as a director of eBay since December 1999. Ms. Lepore is Vice Chairman of Technology, Operations, and Administration and a member of the Executive Management Committee of the Charles Schwab Corporation where she has served for over 19 years in various capacities. From October 1993 to December 2001, Ms. Lepore served as Chief Information Officer at Schwab. Prior to that she served as Senior Vice President of Information Technology at Schwab from May 1993 to October 1993 where she was responsible for the development of a wide range of systems to support Schwab's growing product offerings and client base. She also led a strategic initiative for redesigning Schwab's entire technology platform. Ms. Lepore also serves on the board of directors of Wal-Mart Stores, Inc. and on the Board of Trustees of Smith College. Ms. Lepore holds a B.A. degree from Smith College in Music.

Pierre M. Omidyar

Pierre M. Omidyar, age 35, founded eBay as a sole proprietorship in September 1995. He has been a director and Chairman of the Board since eBay's incorporation in May 1996 and also served as its Chief Executive Officer, Chief Financial Officer and President from inception to February 1998, November 1997 and August 1996, respectively. Prior to founding eBay, Mr. Omidyar was a developer services engineer at General Magic, a mobile communication platform company, from December 1994 to July 1996. Mr. Omidyar co-founded Ink Development Corp. (later renamed eShop) in May 1991 and served as a software engineer there from May 1991 to September 1994. Prior to co-founding Ink, Mr. Omidyar was a developer for Claris, a subsidiary of Apple Computer, and for other Macintosh-oriented software development companies. Mr. Omidyar also serves on the Board of Trustees of Tufts University, The Santa Fe Institute and The Omidyar Foundation. Mr. Omidyar holds a B.S. degree in Computer Science from Tufts University.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF EACH NAMED NOMINEE.

DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2004 ANNUAL MEETING

Philippe Bourguignon

Philippe Bourguignon, age 55, has served as a director of eBay since December 1999. From April 1997 to January 2003, Mr. Bourguignon served as Chairman of the Board of Club Mediterranee S.A. Prior to his appointment at Club Mediterranee S.A., Mr. Bourguignon was Chief Executive Officer of Euro Disney S.A., the parent company of Disneyland Paris, since 1993, and Executive Vice President of The Walt Disney Company (Europe) S.A., since October 1996. Mr. Bourguignon was named President of Euro Disney in 1992, a post he held

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through April 1993. He joined The Walt Disney Company in 1988 as head of real estate development. Mr. Bourguignon holds a Masters Degree in Economics at the University of Aix-en-Provence and holds a post-graduate diploma from the Institut d Administration des Entreprises (IAE) in Paris.

Thomas J. Tierney

Thomas J. Tierney, age 49, has served as a director of eBay since March 2003. Mr. Tierney is the founder of The Bridgespan Group, a non-profit business consulting firm, and has been its Chairman of the Board since late 1999. Prior to founding Bridgespan, Mr. Tierney served as Chief Executive Officer of Bain & Company, a consulting firm, from June 1992 to January 2000. Mr. Tierney holds a B.A. degree in Economics from the University of California at Davis and an M.B.A. degree with distinction from the Harvard Business School. Mr. Tierney is the co-author of a book about organization and strategy called *Aligning the Stars*.

Margaret C. Whitman

Margaret C. Whitman, age 46, serves eBay as President and Chief Executive Officer. She has served in that capacity since February 1998 and as a director since March 1998. From January 1997 to February 1998, she was General Manager of the Preschool Division of Hasbro Inc. From February 1995 to December 1996, Ms. Whitman was employed by FTD, Inc., a floral products company, most recently as President, Chief Executive Officer and a director. From October 1992 to February 1995, Ms. Whitman was employed by The Stride Rite Corporation in various capacities, including President, Stride Rite Children's Group and Executive Vice President, Product Development, Marketing & Merchandising, Keds Division. From May 1989 to October 1992, Ms. Whitman was employed by The Walt Disney Company, most recently as Senior Vice President, Marketing, Disney Consumer Products. Before joining Disney, Ms. Whitman was at Bain & Co., a consulting firm, most recently as a Vice President. Ms. Whitman also serves on the board of directors of The Procter & Gamble Company and is a Member of the Board of Trustees of Princeton University. Ms. Whitman holds an A.B. degree in Economics from Princeton University and an M.B.A. degree from the Harvard Business School.

DIRECTORS CONTINUING IN OFFICE UNTIL OUR 2005 ANNUAL MEETING

Scott D. Cook

Scott D. Cook, age 50, has served as a director of eBay since June 1998. Mr. Cook is the founder of Intuit Inc., a financial software developer. Mr. Cook has been a director of Intuit since March 1984 and is currently Chairman of the Executive Committee of the Board of Intuit. From March 1993 to July 1998, Mr. Cook served as Chairman of the Board of Intuit. From March 1984 to April 1994, Mr. Cook served as President and Chief Executive Officer of Intuit. Mr. Cook also serves on the board of directors of The Procter & Gamble Company. Mr. Cook holds a B.A. degree in Economics and Mathematics from the University of Southern California and an M.B.A. degree from the Harvard Business School.

Robert C. Kagle

Robert C. Kagle, age 47, has served as a director of eBay since June 1997. Mr. Kagle has been a Member of Benchmark Capital Management Co., L.L.C., a venture capital firm, and the General Partner of Benchmark Capital Partners, L.P. and Benchmark Founders Fund, L.P., since its founding in May 1995. Mr. Kagle also has been a General Partner of Technology Venture Investors since January 1984. Mr. Kagle also serves on the board of directors of Ariba, Inc. and E-LOAN, Inc. Mr. Kagle holds a B.S. degree in Electrical and Mechanical Engineering from the General Motors Institute (renamed Kettering University in January 1998) and an M.B.A. degree from the Stanford Graduate School of Business.

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PROPOSAL 2

APPROVAL OF AMENDMENT TO 2001 EQUITY INCENTIVE PLAN

We are asking you to approve an amendment to our 2001 Equity Incentive Plan, which we refer to as the 2001 Plan. The purpose of the amendment is to increase the number of shares of the common stock we may issue under the 2001 Plan by 14,000,000 shares from 25,000,000 to 39,000,000 shares.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2.

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

GENERAL

The 2001 Plan provides for the grant of incentive stock options and nonstatutory stock options. Incentive stock options granted under the 2001 Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code. Nonstatutory stock options granted under the 2001 Plan are not intended to qualify as incentive stock options under the Code.

PURPOSE

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

ADMINISTRATION

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

The regulations under Section 162(m) of the Code require that the directors who serve as members of the Compensation Committee must be outside directors. The 2001 Plan provides that, in the Board's discretion, directors serving on the Compensation Committee may be outside directors within the meaning of Section 162(m). This limitation would exclude from such committee directors who are: (i) current employees of ours or of an affiliate of ours; (ii) former employees of ours or an affiliate of ours receiving compensation for past services (other than benefits under a tax-qualified pension plan); (iii) current and former officers of ours or an affiliate of ours; (iv) directors currently receiving direct or indirect remuneration from us or an affiliate of ours in any capacity (other than as a director); and (v) any other person who is otherwise considered an outside director for purposes of Section 162(m). The definition of an outside director under Section 162(m) is generally narrower than the definition of a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934, as amended.

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ELIGIBILITY

We intended the 2001 Plan to benefit all of our employees and consultants and the employees, directors and consultants of our affiliates. As such, all are eligible to participate in the 2001 Plan. However, nonemployee directors are eligible only for grants where the essential terms have been set forth in the 2001 Plan and been approved by our stockholders, and the 2001 Plan currently does not provide for such nondiscretionary grants. In addition, the Board may grant incentive stock options under the 2001 Plan only to our employees and employees of our affiliates. As of April 30, 2003, eBay Inc. and its consolidated subsidiaries employed approximately 4,400 persons, all of whom are eligible to receive grants under the 2001 Plan.

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

No employee may be granted options under the 2001 Plan covering more than 1,000,000 shares of our common stock during any calendar year. This limitation is referred to in this proxy statement as the Section 162(m) Limitation.

STOCK SUBJECT TO THE 2001 PLAN

We have reserved an aggregate of 39,000,000 shares of our common stock for issuance under the 2001 Plan. As of April 1, 2003, there were 19,390,370 shares to be issued upon the exercise of outstanding options under the 2001 Plan and only 4,126,411 shares were available for future grant under the 2001 Plan from the 25,000,000 shares previously approved by our stockholders. If options granted under the 2001 Plan expire or otherwise terminate without being exercised, the shares of our common stock not acquired pursuant to such options again become available for issuance under the 2001 Plan.

TERMS OF OPTIONS

Exercise Price; Payment. The exercise price of incentive stock options may not be less than 100% of the fair market value of the common stock subject to the option on the date of the grant and, in some cases (see *Eligibility* above), may not be less than 110% of such fair market value. The exercise price of nonstatutory options generally may not be less than 100% of the fair market value of the common stock on the date of grant. However, the Board may establish an exercise price for a nonstatutory stock option with up to a 15% discount if the discount is expressly granted in lieu of a reasonable amount of salary or a cash bonus. If options were granted with exercise prices below fair market value, deductions for compensation attributable to the exercise of such options could be limited by Section 162(m) of the Code. See *Federal Income Tax Information* below. As of April 30, 2003, the closing price of our common stock as reported on the Nasdaq National Market System was \$92.91 per share. Optionholders (other than those subject to the SEC reporting requirements of Section 16 of the Securities Act of 1934, as amended) may pay the exercise price either in cash or, if allowed by the Board, by delivery of other shares of our common stock or in any other form of legal consideration acceptable to the Board.

Option Exercise. Options granted under the 2001 Plan may become exercisable in cumulative increments, or vest, as determined by the Board, and the Board may accelerate the time during which an option may vest or be exercised. In addition, options may permit exercise prior to vesting, but in such event the optionholder will be required to enter into an early exercise stock purchase agreement that allows us to repurchase unvested shares, generally at the optionholder's exercise price, should the optionholder's service terminate before vesting. To the extent provided by the terms of an option, an optionholder may satisfy any tax withholding obligation relating to the exercise of the option by a cash payment upon exercise, by authorizing us to withhold a portion of the common stock otherwise issuable to the optionholder, by delivering already-owned shares of our common stock (or providing assurances of ownership and receiving shares on a net basis) or by a combination of these means.

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

RESTRICTIONS ON TRANSFER

The optionholder may not transfer an incentive stock option otherwise than by will or by the laws of descent and distribution. The Board may grant nonstatutory stock options that are transferable to the extent provided in the stock option agreement.

ADJUSTMENT PROVISIONS

Transactions not involving our receipt of consideration, such as a merger, consolidation, reorganization, stock dividend, or stock split, may change the class and number of shares of our common stock subject to the 2001 Plan and to outstanding options. In that event, the Board will appropriately adjust the 2001 Plan as to the class and the maximum number of shares of our common stock subject to the 2001 Plan and to the Section 162(m) Limitation, and will adjust outstanding options as to the class, number of shares and price per share of our common stock.

EFFECT OF CERTAIN CORPORATE EVENTS

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

DURATION, AMENDMENT, REPRICING AND TERMINATION

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

In 2002, the Board amended the plan to provide that, except for adjustments that result from events that affect our capitalization, prior stockholder approval is required before the Board may cancel, replace with a new option, or reduce the exercise price of, any option it has already granted under the 2001 Plan. The 2001 Plan terminates on March 21, 2011, unless sooner terminated.

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FEDERAL INCOME TAX INFORMATION

Options granted under the 2001 Plan to persons subject to United States taxation generally have the following federal income tax consequences:

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

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

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

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

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

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

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

Capital Gains. Long-term capital gains currently are generally subject to lower tax rates than ordinary income or short-term capital gains. The maximum long-term capital gains rate for federal income tax purposes is currently generally 20% while the maximum ordinary income rate and short-term capital gains rate is effectively 38.6%. Slightly different rules may apply to participants who acquire stock subject to our repurchase right.

Potential Limitation on Company Deductions. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1 million. It is possible that compensation attributable to options,

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when combined with all other types of compensation received by a covered employee from us, may cause this limitation to be exceeded in any particular year.

Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. In accordance with Treasury regulations issued under Section 162(m), compensation attributable to stock options will qualify as performance-based compensation if the option is granted by a compensation committee composed solely of outside directors and either (i) the plan contains a per-employee limitation on the number of shares for which such options may be granted during a specified period, the per-employee limitation is approved by the stockholders, and the exercise price of the option is no less than the fair market value of the stock on the date of grant, or (ii) the option is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the option is approved by stockholders.

PARTICIPATION IN THE 2001 PLAN

The grant of stock options under the 2001 Plan to executive officers, including the executive officers named in the Summary Compensation Table set forth under Executive Compensation Compensation of Executive Officers, is subject to the discretion of the Board. During 2002, all current executive officers as a group, including such named executive officers, and all other employees as a group were granted options to purchase 1,100,000 shares at a weighted average exercise price of \$58.05 and 10,816,779 shares at a weighted average exercise price of \$58.55, respectively.

During this period, options to purchase an aggregate of 1,437,285 shares were cancelled. Since the 2001 Plan's inception, none of our current directors, with the exception of Ms. Whitman, has been granted options to purchase shares under the 2001 Plan. As of December 31, 2002, the weighted average exercise price of outstanding options under the 2001 Plan was \$59.28. As of the date hereof, there has been no determination as to future awards under the 2001 Plan. Accordingly, future benefits or amounts received are not determinable.

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PROPOSAL 3

APPROVAL OF 2003 DEFERRED STOCK UNIT PLAN

We are asking you to approve the 2003 Deferred Stock Unit Plan, or DSU Plan. In March 2003, the Board of Directors adopted the DSU Plan, subject to stockholder approval. The DSU Plan was adopted as a result of the Board's comprehensive review of the company's director compensation structure that began in December 2002, as described under "Compensation of Directors" above. As a result of that review, the Board determined to eliminate the initial 180,000 share option grant to new directors and replace it with the deferred stock unit award described below. The DSU Plan is intended to retain and motivate directors (and such other officers or employees as are selected to participate) by allowing eBay to grant them a proprietary interest in the company's success, in the form of deferred stock units, or DSUs. Each DSU represents an unfunded, unsecured right to receive one share of eBay common stock (or the equivalent value thereof in cash or property), and the value of a DSU varies directly with the price of eBay's common stock.

Subject to stockholder approval of the DSU Plan, new directors (including Mr. Tierney) will receive a DSU award with an initial value of \$150,000 when they are elected to the Board (or, in the case of Mr. Tierney, on the date of stockholder approval of the DSU Plan).

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3.

A summary of the DSU Plan is set forth below. The discussion below is qualified in its entirety by reference to the complete text of the DSU Plan, which is attached as Appendix C to this proxy statement.

PURPOSE

The purpose of the DSU Plan is to retain and motivate our directors and such other officers or employees (including prospective employees) as are selected to participate, to compensate them for their contributions to our long-term growth and profits, and to encourage them to acquire a proprietary interest in eBay's success. Awards will be made to all new directors of the Board and any officer or employee (including prospective employees) of eBay selected by the Board or the committee that administers the DSU Plan.

ADMINISTRATION

The Compensation Committee is charged with administering the DSU Plan. The Compensation Committee may construe and interpret the DSU Plan, determine the directors and employees to whom awards may be granted, and make all other determinations under the DSU Plan. At any time, the Board may grant Awards under the DSU Plan or administer the DSU Plan.

ELIGIBILITY

An award with an initial value of \$150,000 will be made to each new director elected to the Board after December 31, 2002 on the date of his or her election to the Board (or, if later, the date of stockholder adoption of the DSU Plan). Awards may also be made to officers and employees (including prospective employees), at the Compensation Committee's discretion. As of the date of this proxy, Mr. Tierney, a new director elected in March 2003, will receive an award upon approval of the DSU Plan by the stockholders. If the DSU Plan is not approved by the stockholders, no awards will be granted, and the Board of Directors will consider what additional compensation to offer to new directors in lieu of DSU awards. The number of participants and the amount of their DSU awards during the 2003 fiscal year will be determined by the number of new directors and, with regards to other officers and employees, at the discretion of the Compensation Committee. As of April 30, 2003, eBay Inc. and its consolidated

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subsidiaries employed approximately 4,400 persons, all of whom are eligible to receive awards under the DSU Plan. The Compensation Committee has no current plans to make DSU awards other than to directors as described above, but retains the right to make DSU awards to any eligible director, officer or employee in the future.

STOCK SUBJECT TO THE PLAN

The total number of shares of our common stock that may be reserved for issuance under the DSU Plan is 1,000,000 shares. Those shares of common stock may, in the discretion of the Compensation Committee, be either authorized but unissued shares or shares previously issued and reacquired by eBay. If any DSU award expires, terminates or otherwise lapses, in whole or in part, any shares of common stock subject to that award will be returned to the pool of shares available for issuance under the DSU Plan.

The Compensation Committee has the authority (but is not required) to adjust the number of shares of common stock issuable under the DSU Plan and to adjust equitably the terms of any outstanding DSU award (including by payment of cash or adjustment of the number of shares of common stock covered by the award, the type of property to which the award is subject and the exercise or strike price of the award) in such manner as it deems appropriate to preserve the benefits intended to be made available to DSU award recipients, for any increase or decrease in the number of issued shares of common stock resulting from certain events that affect the capitalization of eBay.

TYPES OF AWARDS

The DSU Plan provides for awards in the form of DSUs and dividend equivalent rights. Each award will be evidenced by an Award Agreement that will govern the award's terms and conditions.

A DSU is an unfunded, unsecured right to receive a share of common stock (or cash, securities, or other property of equivalent value) at a future date specified by the Compensation Committee in the recipient's Award Agreement. Each DSU award granted to a director upon election to the Board will vest as to 25% of the DSUs on the first anniversary of the date of grant and as to 1/48 of the DSUs each month thereafter, provided the director continues as a director or consultant of eBay. The Compensation Committee may set the terms of vesting of other awards in its discretion.

A dividend equivalent right represents an unfunded and unsecured promise to pay to the recipient (in cash, common stock, or in another form) an amount equal to all or any portion of the dividends that would be paid on the shares of common stock covered by an award if such shares had been delivered pursuant to the award. The conditions and restrictions for payments in connection with dividend equivalent rights will be determined by the Compensation Committee, as specified in the recipient's Award Agreement. A dividend equivalent right may be granted alone or in connection with another award. Because eBay has never paid a cash dividend on its stock and currently anticipates that it will continue to retain all future earnings, there are currently no plans to issue dividend equivalent rights; however, the Compensation Committee may elect to do so in the future at its discretion.

No recipient of any award under the DSU Plan will have any rights of a stockholder of eBay with respect to shares of common stock subject to the award until the right to receive common stock under the award has been exercised and the common stock has been delivered.

EFFECT OF CERTAIN CORPORATE EVENTS

Except to the extent the Compensation Committee otherwise determines or provides in an Award Agreement, in the event of a merger, consolidation, mandatory share exchange or other similar business combination of eBay with or into any other entity or any transaction in which another person or entity acquires all of the issued and outstanding common stock of eBay, or all or substantially all of the assets of eBay, outstanding awards may be assumed or a substantially equivalent award may be substituted by such successor entity or a parent or subsidiary of such successor entity.

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RESTRICTIONS ON TRANSFER

Except to the extent otherwise expressly provided in an applicable Award Agreement, no award (or any rights and obligations thereunder) granted to any person under the DSU Plan may be sold, transferred, pledged or otherwise disposed of or hedged in any manner other than by will or by the laws of descent and distribution.

DURATION, AMENDMENT AND TERMINATION

The DSU Plan will terminate, and no more awards will be granted, on March 17, 2013. The Board has the right to terminate the DSU Plan at any time.

The Compensation Committee may, at any time, suspend, discontinue, revise or amend the DSU Plan in any respect whatsoever if its action does not materially adversely affect the rights and obligations of the recipient of a previously granted award. Shareholder approval of any suspension, discontinuance, revision or amendment will be obtained only to the extent necessary to comply with any applicable law, rule or regulation.

The expiration date of each award will be determined by the Compensation Committee and will be specified in the recipient's Award Agreement. Awards under the DSU Plan may, in the discretion of the Compensation Committee, be made in substitution for cash or other compensation otherwise payable to the recipient of the grant.

FEDERAL INCOME TAX INFORMATION

DSUs granted under the DSU Plan to persons subject to taxation generally have the following United States federal income tax consequences:

Grant. There are no tax consequences to the DSU holder or eBay by reason of the grant of the DSUs.

Delivery. There generally are no federal income tax consequences to the DSU holder until the right to receive common stock under the award has b