

Expedia, Inc. and TripAdvisor, Inc. Shareholder Tax Basis Information

Following the close of trading on the Nasdaq Stock Market on December 20, 2011, Expedia, Inc. (“Expedia”) completed the spin-off (the “Spin-Off”) of TripAdvisor, Inc. (“TripAdvisor”) to Expedia shareholders. Expedia effected the Spin-Off by means of a reclassification of its capital stock that resulted in the holders of Expedia common stock immediately prior to the Spin-Off having the right to receive one share of TripAdvisor common stock or Class B common stock, as applicable, for each corresponding share of Expedia common stock. A 1-for-2 reverse stock split of outstanding Expedia capital stock (the “Reverse Stock Split”) occurred immediately prior to the Spin-Off, with cash paid in lieu of fractional shares.

Expedia common stock trades under the ticker symbol “EXPE” and TripAdvisor common stock trades under the ticker symbol “TRIP,” each on the Nasdaq Stock Market.

CONSULT YOUR TAX ADVISOR

The information contained herein provides a general summary regarding the application of certain U.S. Federal income tax laws and regulations relating to the allocation of tax basis between the Expedia and TripAdvisor stock following the Reverse Stock Split and the Spin-Off. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Neither Expedia nor TripAdvisor provides tax advice to its shareholders. The example provided below is provided solely for illustrative purposes and as a convenience to shareholders and their tax advisors when establishing their specific tax position. You are urged to consult your own tax advisor regarding the particular consequences of the Reverse Stock Split and the Spin-Off to you, including the applicability and effect of all U.S. Federal, state and local and foreign tax laws. We urge you to read the amended Form S-4 for Expedia and TripAdvisor, as filed with the Securities and Exchange Commission on November 1, 2011 (“Form S-4”), noting especially the discussion on page 63-67 of the proxy statement/prospectus contained therein under the heading “*Material U.S. Federal Income Tax Consequences of the Spin-Off.*” You may access the Form S-4 at our website at www.expediainc.com in the Investors section, under “Financial Information”/“SEC Filings” or at www.sec.gov.

If you did not become entitled to receive any shares of TripAdvisor common stock as a result of the Spin-Off on December 20, 2011, this information does not apply to you. Additionally, this notice does not apply to shares of Expedia common stock sold, exchanged or otherwise disposed of prior to the time of the Spin-Off.

TAX BASIS INFORMATION

As described in the Form S-4, Expedia shareholders will be required to allocate the aggregate tax basis in their Expedia common stock held immediately before the Spin-Off (and after the Reverse Stock Split) among their shares of TripAdvisor common stock received in the Spin-Off and their shares of Expedia common stock.

In general, a shareholder’s aggregate tax basis in his or her shares of Expedia common stock held immediately prior to the Spin-Off (and after the Reverse Stock Split) should be allocated in proportion to the relative fair market value of the TripAdvisor common stock and the Expedia common stock. Shareholders that acquired Expedia common stock at different times or different prices will need to calculate their tax basis in each block of stock and then allocate a portion of that tax basis (as adjusted for the Reverse Stock Split) to the Expedia common stock and TripAdvisor common stock received with respect to such shares.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. Federal income tax law does not specifically prescribe how you should determine the fair market values of the Expedia common stock and the TripAdvisor common stock for purposes of allocating your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

One possible approach to determining the fair market value of the Expedia common stock and the TripAdvisor common stock may be to use (i) the average of the high and low Nasdaq Stock Market trading prices per share of

Expedia common stock on December 21, 2011, which was \$27.79,¹ and (ii) the average of the high and the low Nasdaq Stock Market trading prices per share of TripAdvisor common stock on December 21, 2011, which was \$28.76.²

Based on such amounts, the relative value of the shares of Expedia common stock and the TripAdvisor common stock is as follows:

$$\begin{array}{lcl} \text{Expedia:} & \frac{\$27.79}{\$27.79 + \$28.76} & = 49.15\% \\ \\ \text{TripAdvisor:} & \frac{\$28.76}{\$27.79 + \$28.76} & = 50.85\% \end{array}$$

Under this approach, 49.15% of an Expedia shareholder's tax basis in his or her shares of Expedia common stock prior to the Spin-Off (and after the Reverse Stock Split) would be allocated to such shareholder's shares of Expedia common stock and 50.85% would be allocated to such shareholder's shares of TripAdvisor common stock. Other approaches to determine fair market value may also be possible, and you should determine, in consultation with your tax advisor, what approach to use in determining fair market values for shares of Expedia common stock and shares of TripAdvisor common stock.

Following is an example of how the basis allocation would be so applied:

Assumptions:

| | |
|---|----------|
| Shares of Expedia common stock owned after the Reverse Stock Split | 1,000 |
| Shareholder's tax basis in those 1,000 shares of Expedia common stock | \$10,000 |
| Shares of TripAdvisor common stock received in the Spin-Off | 1,000 |

Tax Basis Allocation:

| | # Shares Owned | Percentage of Total Fair Market Value | Allocated Tax Basis |
|--------------------------|----------------|---------------------------------------|---------------------------------------|
| Expedia common stock | 1,000 | 49.15% | \$4,915 (49.15% x \$10,000) |
| TripAdvisor common stock | 1,000 | 50.85% | \$5,085 (50.85% x \$10,000) |
| Totals | | 100% | \$10,000 |

Please note that some brokerage houses might not use the information provided in this document, and the information is only provided as an example of one potential method. There are various ways brokerage houses may calculate the cost basis allocation, including, but not limited to, using December 21, 2011 opening, closing, or average prices. Please contact your individual brokerage house to determine which calculation they may have used and contact your tax advisor for additional information and clarification.

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The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending any transaction or matter addressed herein.

¹ Based on a high trading price per share of Expedia common stock of \$28.30 and a low trading price per share of Expedia common stock of \$27.28.

² Based on a high trading price per share of TripAdvisor common stock of \$30.00 and a low trading price per share of TripAdvisor common stock of \$27.51.



Investor FAQs – TripAdvisor Spin-Off FAQ's

If I owned shares of Expedia, Inc. common stock prior to the spin-off, what did I receive in connection with the spin-off?

Immediately prior to the spin-off, Expedia, Inc. effected a one-for-two reverse stock split. Therefore, as a result of the stock split and the spin-off, for every two shares of Expedia common stock owned on December 20, 2011, shareholders received one share of new Expedia common stock (EXPE) and one share of TripAdvisor common stock (TRIP).

What was the date of record of the TripAdvisor spin-off? How much of TripAdvisor, Inc. does Expedia continue to own?

Following the close of trading on December 20, 2011, 100% of the outstanding shares of TripAdvisor, Inc. was spun off to Expedia shareholders of record as of December 20, 2011, ending Expedia's ownership of TripAdvisor.

How do I calculate cost basis after the TripAdvisor spin-off?

For general information about the allocation of cost basis for U.S. income tax purposes between Expedia and TripAdvisor stock following the stock split and spin-off, please see this memorandum: [Expedia, Inc. and TripAdvisor, Inc. Shareholder Tax Basis Information](#).

How will the Expedia warrants be treated in the spin-off?

At the time of the spin-off, Expedia had outstanding warrants that were originally issued in 2005 in connection with Expedia's spin-off from IAC/InterActiveCorp, as part of the adjustment of then-outstanding warrants to acquire IAC common stock that IAC had issued in 2002 in connection with a joint venture with Vivendi Universal. These warrants were scheduled to expire in May 2012.

On December 20, 2011, certain adjustments to these warrants were effected in connection with the reverse stock split and the spin-off of TripAdvisor. Specifically, outstanding warrants previously exercisable for one-half (0.5) shares of Expedia common stock at an exercise price of \$14.45 per warrant were converted into: (i) warrants exercisable for one-quarter (0.25) of a share of Expedia common stock at an exercise price of \$6.80 per warrant; and (ii) warrants exercisable for one-quarter (0.25) of a share of TripAdvisor common stock at an exercise price of \$7.66 per warrant. Outstanding warrants previously exercisable for one-half (0.5) shares of Expedia common stock at an exercise price of \$12.23 per warrant were converted into: (i) warrants exercisable for one-quarter (0.25) of a share of Expedia common stock at an exercise price of \$5.76 per warrant and (ii) warrants exercisable for one-quarter (0.25) of a share of TripAdvisor common stock at an exercise price of \$6.48 per warrant. The terms of the new warrants, including the May 2012 expiration date, remain substantially the same as the terms of the pre-spin Expedia warrants.

Did Expedia, Inc. dividend shares of TripAdvisor, Inc. to its shareholders?

No. Expedia effected the spin-off by means of a reclassification of its capital stock.

Immediately prior to the spin-off, Expedia, Inc. effected a one-for-two reverse stock split. As a result, holders of Expedia common stock as of immediately prior to the effective time of the spin-off became entitled to receive one share of TripAdvisor common stock and one share of Expedia common stock for every two shares of Expedia common stock held immediately prior to the completion of the spin-off.

How do I find out more information about TripAdvisor, Inc.?

You can visit the Investor Relations page on [://www.tripadvisor.com](http://www.tripadvisor.com) or use the following contact information:

TripAdvisor, Inc. Contacts

Investor Relations
(617) 795.7848
[@tripadvisor.com](mailto:ir@tripadvisor.com)

Communications
[@tripadvisor.com](mailto:com@tripadvisor.com)

Was the TripAdvisor spin-off a tax-free event for investors?

Expedia's spin-off of TripAdvisor was generally treated as a non-taxable event in the United States for federal tax purposes to holders of Expedia common stock. Expedia did not pursue a determination of eligibility for tax status in Canada or any other jurisdiction outside of the United States. Accordingly, each non-U.S. shareholder should consult his or her tax advisor to seek non-taxable status on an individual basis. For more information about the tax consequences of the spin-off, see the Expedia/TripAdvisor prospectus dated October 31, 2011 (included as part of the registration statement on Form S-4, most recently filed with the SEC on 11/1/11).

1/6/2012 Source: <http://www.expediainc.com/faq.cfm?faqid=2>

Excerpts from PROSPECTUS filed with SEC 11/1/2011:

Expedia, Inc.



TripAdvisor, Inc.



153,577,116 Shares of Common Stock, par value \$0.0001 per share, of Expedia, Inc.

**32,186,793 Warrants to purchase shares of Common Stock, par value \$0.0001 per share, of Expedia, Inc.
(exercisable for an aggregate of 8,046,698.25 shares)**

153,577,116 Shares of Common Stock, par value \$0.001 per share, of TripAdvisor, Inc.

**32,186,793 Warrants to purchase shares of Common Stock, par value \$0.001 per share, of TripAdvisor, Inc.
(exercisable for an aggregate of 8,046,698.25 shares)**

This prospectus relates to the securities listed above that Expedia, Inc. ("Expedia") and TripAdvisor, Inc. ("TripAdvisor") may issue in connection with Expedia's spin-off of TripAdvisor. After the spin-off, TripAdvisor will be an independent, separately traded public company that will consist of the domestic and international operations associated with Expedia's TripAdvisor Media Group. Expedia will effect the spin-off by means of a reclassification of its capital stock that will result in the holders of Expedia capital stock at the time of effectiveness of the reclassification having the right to receive a proportionate amount of TripAdvisor capital stock. A one-for-two reverse stock split of outstanding Expedia capital stock is contemplated to occur prior to the spin-off.

The securities and businesses of Expedia and TripAdvisor are subject to various risks, including with respect to and following the spin-off. You should carefully consider the disclosures contained under the section entitled "[Risk Factors](#)," beginning on page 19 of this prospectus, and carefully read this prospectus in its entirety.

Expedia's common stock currently trades on The Nasdaq Global Select Market under the ticker symbol "EXPE" and the reclassified shares of Expedia common stock are expected to continue to trade under such symbol on The Nasdaq Global Select Market after the spin-off. Outstanding warrants with respect to Expedia common stock are not currently publicly listed and will be adjusted in connection with the spin-off and the reverse stock split. Expedia has no plans to publicly list such warrants.

Prior to the spin-off, TripAdvisor will have been a wholly owned subsidiary of Expedia, and its common stock has not been publicly listed. In connection with the spin-off, TripAdvisor will apply to list TripAdvisor common stock on The Nasdaq Global Select Market and has accordingly reserved the ticker symbol "TRIP." While trading in TripAdvisor common stock under this symbol is expected to begin on the first business day following the date that Expedia completes the spin-off, there can be no assurance that a viable and active trading market will develop. There is no plan to publicly list the new TripAdvisor warrants that will be issued in connection with the spin-off as a consequence of adjustments to the Expedia warrants.

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved the spin-off or the securities to be issued in the spin-off or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated October 31, 2011

EXPEDIA, INC.
333 108th Avenue N.E.
Bellevue, Washington 98004

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The 2011 Annual Meeting of Stockholders of Expedia, Inc., a Delaware corporation, will be held on Tuesday, December 6, 2011, at 11:00 am local time at 555 West 18th Street, New York, New York 10011. Expedia is providing this proxy statement/prospectus to holders of Expedia's common stock, Class B common stock and Series A preferred stock in connection with the solicitation of proxies by the Board of Directors of Expedia for use at the Annual Meeting. At the Annual Meeting, stockholders will consider, among other things, the spin-off of TripAdvisor, Inc. as a separately traded public company that will consist of the domestic and international operations associated with Expedia's TripAdvisor Media Group, including the flagship TripAdvisor brand as well as 18 other travel media brands.

In particular, Expedia will ask stockholders:

1. To approve amendments to the Expedia amended and restated certificate of incorporation that would effect the spin-off of TripAdvisor, Inc. by:

- Reclassifying each share of Expedia \$0.001 par value common stock into one share of Expedia \$0.0001 par value common stock and 1/100 of a share of Expedia Series 1 Mandatory Exchangeable Preferred Stock that will automatically exchange into one share of TripAdvisor \$0.001 par value common stock immediately following the reclassification; and
- Reclassifying each share of Expedia \$0.001 par value Class B common stock into one share of Expedia \$0.0001 par value Class B common stock and 1/100 of a share of Expedia Series 2 Mandatory Exchangeable Preferred Stock that will automatically exchange into one share of TripAdvisor \$0.001 par value Class B common stock immediately following the reclassification.

2. To approve amendments to the Expedia amended and restated certificate of incorporation to effect a one-for-two reverse stock split of Expedia common stock and Expedia Class B common stock (which would, if implemented, take place immediately prior to the spin-off).

3. To approve a proposal to adopt a merger agreement, as it may be amended from time to time, under which a wholly owned subsidiary of Expedia would merge with and into Expedia, and in connection with which each share of Expedia Series A Cumulative Convertible Preferred Stock, par value \$0.001, will be converted into the right to receive an amount in cash equal to \$22.23, plus an amount equal to accrued and unpaid dividends through the effective date of the merger.

Material U.S. Federal Income Tax Consequences of the Spin-Off (page 63)

The following is a discussion of material U.S. federal income tax consequences of the spin-off to "U.S. holders" (as defined below) of Expedia common stock. This summary is based on current provisions of the Code, the U.S. Treasury regulations promulgated thereunder and on judicial and administrative interpretations of the Code and the U.S. Treasury regulations, all as in effect as of the date of this proxy statement/prospectus and all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this document. This discussion assumes that the spin-off, together with certain related transactions, will be consummated in accordance with the separation documents and as described in this proxy statement/prospectus and does not purport to be a complete description of all U.S. federal income tax consequences of the spin-off.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of Expedia common stock that is, for U.S. federal income tax purposes: (1) an individual who is a citizen or resident of the United States; (2) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia; (3) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (4) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons

have the authority to control all substantial decisions of the trust or (y) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The following discussion addresses only holders of Expedia common stock that are U.S. holders and hold such stock as a capital asset within the meaning of Section 1221 of the Code. Further, this summary does not address all aspects of U.S. federal income taxation that may be relevant to a holder in light of such holder's particular circumstances or that may be applicable to holders subject to special treatment under U.S. federal income tax laws (including, but not limited to, financial institutions, brokers or dealers in securities, traders in securities that elect mark-to-market treatment, insurance companies, mutual funds, tax-exempt organizations, partnerships or other flow-through entities and their partners or members, U.S. expatriates, holders liable for the alternative minimum tax, holders whose functional currency is not the U.S. dollar, holders who hold their Expedia common stock as part of a hedge, straddle, constructive sale or conversion transaction, and holders who acquired Expedia common stock pursuant to the exercise of employee stock options or otherwise as compensation). This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010. In addition, no information is provided herein with respect to the tax consequences of the spin-off under any applicable state, local or non-U.S. tax laws or federal laws other than those pertaining to the federal income tax. This discussion does not address the tax consequences to any person who actually or constructively owns more than 5% of Expedia common stock.

If an entity that is treated as a partnership for U.S. federal income tax purposes holds Expedia common stock, the tax treatment of a partner in such entity generally will depend on the status of the partners and the activities of the partnership. If you are a partner in a partnership holding Expedia common stock, please consult your tax advisor.

EXPEDIA STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE SPIN-OFF TO THEM, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS.

It is a **condition to the completion of the spin-off** that Expedia obtain a private letter ruling from the IRS along with an opinion of counsel, or alternatively, solely an opinion of counsel, in each case, satisfactory to the Expedia Board of Directors regarding the qualification of the spin-off, together with certain related transactions, as a transaction that is generally **tax free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D)** of the Code. The IRS private letter ruling, if received, and the opinion of counsel will be based on, among other things, certain facts, assumptions as well as the accuracy of certain representations, statements and undertakings that Expedia and TripAdvisor make to the IRS and to counsel. If any of these representations, statements or undertakings are, or become, inaccurate or incomplete, or if Expedia or TripAdvisor breach any of their respective covenants, the IRS private letter ruling, if received, and the opinions of counsel may be invalid. Moreover, the IRS private letter ruling, if received, will not address all the issues that are relevant to determining whether the spin-off qualifies as a transaction that is generally tax free for U.S. federal income tax purposes. Notwithstanding the IRS private letter ruling, if received, and/or the opinion of counsel, the IRS could determine that the spin-off should be treated as a taxable transaction if it determines that any of the representations, assumptions or undertakings that were included in the request for the IRS private letter ruling or on which the opinion of counsel was based is false or has been violated or if it disagrees with the conclusions in the opinion of counsel that are not covered by the IRS ruling.

In addition to the opinion of counsel to be delivered on the date of the spin-off as described above, in connection with the effectiveness of the registration statement of which this document is a part, Expedia has received a **legal opinion from Wachtell, Lipton, Rosen & Katz** to the effect **that the spin-off**, together with certain related transactions, will qualify as a transaction that is generally **tax free** under Sections 355 and 368(a)(1)(D) of the Code. This opinion is based on representations made by Expedia and on factual assumptions set forth or referred to in the opinion. If any of the representations or assumptions upon which such opinion is based is inconsistent with the actual facts, the U.S. federal income tax consequences of the spin-off could be adversely affected. Unless otherwise indicated, the remainder of this discussion assumes that the spin-off, together with certain related transactions, will qualify as a transaction that is generally tax free under Sections 355 and 368(a)(1)(D) of the Code. Accordingly, and based on this opinion, the following is a discussion of certain material U.S. federal income tax consequences of the spin-off.

The one-for-two reverse stock split and the reclassification of Expedia common stock will generally not be taxable events for U.S. federal income tax purposes and the receipt of the Expedia Series 1 Mandatory Exchangeable Preferred Stock issued pursuant to the reclassification generally will be ignored. The one-for-two reverse stock split, the reclassification of Expedia common stock and the immediate exchange of shares of Expedia Series 1 Mandatory Exchangeable Preferred Stock for shares of TripAdvisor common stock will be treated for U.S. federal income tax purposes as a recapitalization of Expedia common stock and a distribution by Expedia of TripAdvisor common stock to the holders of Expedia common stock.

The following material U.S. federal income tax consequences will generally apply to Expedia, TripAdvisor and Expedia shareholders:

- neither Expedia nor TripAdvisor will generally recognize any gain or loss as a result of the spin-off, and no amount will generally be includible in the income of Expedia or TripAdvisor as a result of the spin-off other than taxable income or gain possibly arising in connection with certain internal restructurings undertaken in connection with the spin-off and with respect to any “excess loss account” or “intercompany transaction” required to be taken into account under U.S. Treasury regulations relating to consolidated federal income tax returns;
- an Expedia shareholder will generally not recognize any gain or loss and no amount will be includable in such shareholder’s income as a result of the receipt of TripAdvisor common stock pursuant to the spin-off;
- an Expedia shareholder’s aggregate tax basis in such shareholder’s Expedia common stock and in TripAdvisor common stock received in the spin-off will generally equal such shareholder’s aggregate tax basis in its Expedia common stock immediately before the spin-off, allocated between the Expedia common stock and TripAdvisor common stock in proportion to their relative fair market values on the date of the spin-off; and
- an Expedia shareholder’s holding period for TripAdvisor common stock received in the spin-off will generally include the holding period for that shareholder’s Expedia common stock.

U.S. Treasury regulations generally provide that if an Expedia shareholder holds different blocks of Expedia common stock (generally shares of Expedia common stock purchased or acquired on different dates or at different prices), the aggregate basis for each block of Expedia common stock purchased or acquired on the same date and at the same price will be allocated, to the greatest extent possible, between the shares of TripAdvisor common stock received in the spin-off in respect of such block of Expedia common stock and such block of Expedia common shares, in proportion to their respective fair market values. The holding period of the shares of TripAdvisor common stock received in the spin-off in respect of such block of Expedia common stock will include the holding period of such block of Expedia common stock. If an Expedia shareholder is not able to identify which particular shares of TripAdvisor common stock are received in the spin-off with respect to a particular block of Expedia common shares, for purposes of applying the rules described above, such shareholder may designate which shares of TripAdvisor common stock are received in the spin-off in respect of a particular block of Expedia common stock, provided that such designation is consistent with the terms of the spin-off. Expedia shareholders are urged to consult their own tax advisors regarding the application of these rules to their particular circumstances.

U.S. Treasury regulations also require each Expedia shareholder who receives TripAdvisor common stock in the spin-off to attach to such shareholder’s U.S. federal income tax return for the year in which the TripAdvisor common stock is received a detailed statement setting forth certain information relating to the tax free nature of the spin-off. Within a reasonable period of time after the spin-off, Expedia expects to make available to its shareholders information pertaining to compliance with this requirement.

Material U.S. Federal Income Tax Consequences if the Spin-Off, Together With Certain Related Transactions, Were Taxable

Notwithstanding receipt by Expedia of the IRS private letter ruling and/or the opinion of counsel, the IRS could assert successfully that the spin-off was taxable. In that event, the above consequences would not apply with respect to the spin-off and both Expedia and holders of Expedia common stock who received shares of TripAdvisor common stock in the spin-off could be subject to significant U.S. federal income tax liability, as described below. In addition, certain events that may or may not be within the control of Expedia or TripAdvisor, including extraordinary purchases of Expedia common stock or TripAdvisor common stock, could cause the spin-off not to qualify as tax free to Expedia and/or holders of Expedia common stock. Depending on the circumstances, TripAdvisor may be required to indemnify Expedia for some or all of the taxes and certain related losses resulting

from the spin-off not qualifying as tax free under Sections 355 and 368(a)(1)(D) of the Code (see section entitled “Proposal 1—The Spin-Off Proposal—Relationship Between Expedia and TripAdvisor After the Spin-Off—Tax Sharing Agreement”). In general, if the spin-off, together with certain related transactions, were to fail to qualify as a transaction that is generally tax free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, then:

- Expedia would recognize gain in an amount equal to the excess of the fair market value of TripAdvisor common stock on the date of the spin-off distributed to Expedia shareholders over Expedia’s adjusted tax basis in TripAdvisor common stock, and Expedia may also recognize income or gain with respect to certain restructuring transactions undertaken in connection with the spin-off;
- an Expedia shareholder who received TripAdvisor common stock in the taxable spin-off would be treated as having received a taxable distribution in an amount equal to the fair market value of such TripAdvisor stock on the date of the spin-off. That distribution would be taxable to the shareholder as a dividend to the extent of Expedia’s current and accumulated earnings and profits. Any amount that exceeded Expedia’s earnings and profits would be treated first as a non-taxable return of capital to the extent of the Expedia shareholder’s tax basis in its Expedia common stock (which amounts would reduce such shareholder’s tax basis in its Expedia common stock), with any remaining amounts being taxed as capital gain;
- certain Expedia shareholders would be subject to additional special rules governing taxable spin-offs, such as rules relating to the dividends received deduction and extraordinary dividends; and
- an Expedia shareholder’s aggregate tax basis in TripAdvisor common stock received in the spin-off generally would equal the fair market value of TripAdvisor common stock on the date of the spin-off, and the holding period for that stock would begin the day after the date of the spin-off. The holding period for the shareholder’s Expedia common stock would not be affected by the fact that the spin-off was taxable.

Even if the spin-off otherwise qualifies as a transaction that is generally tax free for U.S. federal income tax purposes under Section 355 and Section 368(a)(1)(D) of the Code, it could be taxable to Expedia (but not Expedia’s shareholders) under Section 355(e) of the Code if the spin-off were later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, stock representing a 50% or greater interest by vote or value, in Expedia or TripAdvisor. For this purpose, any acquisitions of Expedia common stock or TripAdvisor common stock within the period beginning two years before the spin-off and ending two years after the spin-off are presumed to be part of such a plan, although Expedia or TripAdvisor may be able to rebut that presumption. If such an acquisition of Expedia or TripAdvisor common stock were to trigger the application of Section 355(e), Expedia would recognize taxable gain as described above, but the spin-off would be tax free to Expedia shareholders.

Cash in Lieu of Fractional Shares

To the extent that the one-for-two reverse stock split of Expedia common stock and Expedia Class B common stock results in fractional shares, holders of Expedia common stock and Expedia Class B common stock will receive cash in lieu of such fractional shares. A shareholder who receives cash instead of a fractional share of Expedia common stock in connection with the one-for-two reverse stock split will generally recognize capital gain or loss measured by the difference between the cash received for such fractional share and the shareholder’s tax basis in the fractional share. Any such capital gain or loss will be treated as a long-term or short-term gain or loss based on the shareholder’s holding period for the Expedia common stock. Payments of cash in lieu of a fractional share of Expedia common stock made in connection with the one-for-two reverse stock split may, under certain circumstances, be subject to “backup withholding” (currently at a rate of 28%), unless the Expedia shareholder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the requirements of the backup withholding rules. Backup withholding does not constitute an additional U.S. federal income tax. Rather, the U.S. federal income tax liability of the person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may generally be obtained, provided that the required information is timely furnished to the IRS. The spin-off transaction will not result in any fractional shares of Expedia common stock.

THE FOREGOING IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE SPIN-OFF UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE FOREGOING DOES NOT PURPORT TO ADDRESS ALL U.S. FEDERAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OF OTHER JURISDICTIONS OR THAT MAY

APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS. EACH EXPEDIA SHAREHOLDER SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE SPIN-OFF TO SUCH SHAREHOLDER, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE OR LOCAL AND FOREIGN TAX LAWS, AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.

TripAdvisor Inc/Bellevue WA-TRIP

Investor Relations page Frequently Asked Questions (as of 12/28/2011)

[I am a shareholder of Expedia prior to the spin-off of TripAdvisor, what is my new cost basis post-spin for tax purposes?](#)

Expedia stockholders prior to the spin-off should consult their tax advisors regarding the tax consequences of the spin-off to them, including the effects of U.S. Federal, state and local, foreign and other tax laws. For more tax information, please refer to the registration statement filed by Expedia with the SEC on November 1, 2011.