

TripAdvisor, Inc.
Form 10-K/A
April 30, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____ to _____

Commission file number: 001-35362

TRIPADVISOR, INC.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

80-0743202
(I.R.S. Employer
Identification No.)

141 Needham Street

Newton, MA 02464

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:

(617) 670-6300

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

Title of each class:	Name of each exchange on which registered:
Common Stock, \$0.001 par value	The NASDAQ Stock Market LLC
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was \$5,560,483,534 based on the closing price on NASDAQ on such date. For the purpose of the foregoing calculation only, all directors and executive officers of the registrant are assumed to be affiliates of the registrant.

Class	Outstanding Shares at February 8, 2013
Common Stock, \$0.001 par value per share	130,105,917 shares
Class B Common Stock, \$0.001 par value per share	12,799,999 shares

Documents Incorporated by Reference

None.

Table of Contents

Table of Contents

	Page
<u>PART II</u>	1
Item 8. <u>Financial Statements and Supplementary Data</u>	1
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	39
Item 9A. <u>Controls and Procedures</u>	39
Item 9B. <u>Other Information</u>	41
<u>PART III</u>	41
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	41
Item 11. <u>Executive Compensation</u>	44
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	59
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	61
Item 14. <u>Principal Accounting Fees and Services</u>	64
<u>PART IV</u>	66
Item 15. <u>Exhibits, Financial Statement Schedules</u>	66
<u>SIGNATURES</u>	67

Table of Contents

EXPLANATORY NOTE

The Registrant is filing this Amendment No. 1 on Form 10-K/A (Form 10-K/A) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (Form 10-K) to include all of the Part III information required by applicable rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, the Registrant hereby amends and replaces in their entirety Items 10, 11, 12, 13 and 14 in the Form 10-K. The Registrant has also included on Form 10K/A the corrected reports of independent registered public accounting firm on pages 63 and 110 on Form 10-K which had inadvertently omitted the reference to the consolidated and combined statements of operations.

As required by Rule 12b-15, the Registrant s principal executive officer and principal financial officer are providing currently dated certifications on Exhibits 31.3, 31.4, 32.3 and 32.4. Accordingly, the Registrant hereby amends Item 15 in the Form 10-K to add such reports as Exhibits.

Except as described above, this Form 10-K/A does not amend, update or change any other items or disclosures in the Form 10-K, including any of the financial information disclosed in Parts II and IV of the Form 10-K, and does not purport to reflect any information or events subsequent to the filing thereof. As such, this Form 10-K/A speaks only as of the date the Form 10-K was filed, and the Company has not undertaken herein to amend, supplement or update any information contained in the Form 10-K to give effect to any subsequent events. Accordingly, this Form 10-K/A should be read in conjunction with the Form 10-K.

We refer to TripAdvisor, Inc. as the Company, TripAdvisor, us, we and our in this report.

Table of Contents

Item 8. Consolidated and Combined Financial Statements and Supplementary Data

Index to Consolidated and Combined Financial Statements:

<u>Report of Independent Registered Public Accounting Firm</u>	2
<u>Consolidated and Combined Statements of Operations for the years ended December 31, 2012, 2011 and 2010</u>	3
<u>Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010</u>	4
<u>Consolidated Balance Sheets as of December 31, 2012 and 2011</u>	5
<u>Consolidated and Combined Statements of Changes in Stockholders' Equity for the years ended December 31, 2012, 2011 and 2010</u>	6
<u>Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010</u>	8
<u>Notes to Consolidated and Combined Financial Statements</u>	9
<u>Quarterly Financial Information (Unaudited)</u>	37
<u>Schedule II Valuation and Qualifying Accounts</u>	38

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of TripAdvisor, Inc.

We have audited the accompanying consolidated balance sheets of TripAdvisor, Inc. as of December 31, 2012 and 2011, and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TripAdvisor, Inc. at December 31, 2012 and 2011, and the consolidated and combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TripAdvisor, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 15, 2013

Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	Year ended December 31,		
	2012	2011	2010
Revenue	\$ 559,215	\$ 426,045	\$ 313,525
Related-party revenue from Expedia	203,751	211,018	171,110
Total revenue	762,966	637,063	484,635
Costs and expenses:			
Cost of revenue (exclusive of amortization) (1)	12,074	10,873	7,345
Selling and marketing (2)	266,239	209,176	140,470
Technology and content (2)	86,640	57,448	43,321
General and administrative (2)	75,641	44,770	31,819
Related-party shared services fee		9,222	7,900
Depreciation	19,966	18,362	12,871
Amortization of intangible assets	6,110	7,523	14,609
Spin-off costs		6,932	
Total costs and expenses	466,670	364,306	258,335
Operating income	296,296	272,757	226,300
Other income (expense):			
Interest (expense) income, net	(10,871)	391	(241)
Other, net	(3,450)	(1,254)	(1,644)
Total other expense, net	(14,321)	(863)	(1,885)
Income before income taxes	281,975	271,894	224,415
Provision for income taxes	(87,387)	(94,103)	(85,461)
Net income	194,588	177,791	138,954
Net (income) loss attributable to noncontrolling interest	(519)	(114)	(178)
Net income attributable to TripAdvisor, Inc.	\$ 194,069	\$ 177,677	\$ 138,776
Earnings Per Share attributable to TripAdvisor, Inc:			
Basic	\$ 1.39	\$ 1.33	\$ 1.04
Diluted	\$ 1.37	\$ 1.32	\$ 1.04
Weighted Average Common Shares Outstanding:			
Basic	139,462	133,461	133,461
Diluted	141,341	134,865	133,461
(1) Excludes amortization as follows:			
Amortization of acquired technology included in amortization of intangibles	\$ 708	\$ 578	\$ 1,080
Amortization of website development costs included in depreciation	12,816	12,438	8,104

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

	\$ 13,524	\$ 13,016	\$ 9,184
(2) Includes stock-based compensation as follows:			
Selling and marketing	\$ 4,622	\$ 3,216	\$ 2,101
Technology and content	11,400	3,931	2,661
General and administrative	14,080	10,197	2,421

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

Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)**

	Years Ended December 31,		
	2012	2011	2010
Net income	\$ 194,588	\$ 177,791	\$ 138,954
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	1,945	(781)	1,520
Unrealized gain (loss) on marketable securities, net of tax (1)	(104)		
Other comprehensive income (loss), net of tax	1,841	(781)	1,520
Comprehensive income	196,429	177,010	140,474
Less: Comprehensive income attributable to noncontrolling interest	(519)	(114)	(178)
Comprehensive income attributable to TripAdvisor, Inc.	\$ 195,910	\$ 176,896	\$ 140,296

(1) Net of unrealized tax benefits of \$72 for the year ended December 31, 2012.

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

Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

	December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 367,515	\$ 183,532
Short-term marketable securities (note 5)	118,970	
Accounts receivable, net of allowance of \$2,818 and \$5,370 at December 31, 2012 and 2011, respectively	81,459	67,936
Receivable from Expedia, net (note 16)	23,971	14,081
Taxes receivable	24,243	
Deferred income taxes, net (note 9)	5,971	6,494
Prepaid expenses and other current assets	10,365	6,279
Total current assets	632,494	278,322
Long-term marketable securities (note 5)	99,248	
Property and equipment, net (note 6)	43,802	34,754
Deferred income taxes, net (note 9)	502	
Other long-term assets	13,274	11,888
Intangible assets, net (note 7)	38,190	44,030
Goodwill (note 7)	471,684	466,892
TOTAL ASSETS	\$ 1,299,194	\$ 835,886
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 14,099	\$ 5,903
Deferred revenue	31,563	19,395
Credit facility borrowings (note 8)	32,145	26,734
Borrowings, current (note 8)	40,000	20,000
Taxes payable	14,597	17,229
Accrued expenses and other current liabilities (note 10)	63,236	37,269
Total current liabilities	195,640	126,530
Deferred income taxes, net (note 9)	11,023	16,004
Other long-term liabilities (note 11)	25,563	15,952
Borrowings, net of current portion (note 8)	340,000	380,000
Total Liabilities	572,226	538,486
Commitments and Contingencies (note 12)		
Redeemable noncontrolling interest (note 14)		3,863
Stockholders' equity:		
Preferred stock \$.001 par value		
Authorized shares: 100,000,000		
Shares issued and outstanding: 0 and 0		
Common stock \$.001 par value	130	121

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Authorized shares: 1,600,000,000		
Shares issued and outstanding: 130,060,138 and 120,661,808		
Class B Common Stock \$.001 par value	13	13
Authorized shares 400,000,000		
Shares issued and outstanding: 12,799,999 and 12,799,999		
Additional paid-in capital	531,256	293,744
Retained earnings	196,438	2,369
Accumulated other comprehensive loss	(869)	(2,710)
Total stockholders' equity	726,968	293,537
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,299,194	\$ 835,886

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

Table of Contents

TRIPADVISOR, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(in thousands, except share data)

	Invested Capital	Common stock Shares	Amount	Class B Stock Shares	Common Stock Amount	Additional paid- in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance as of December 31, 2009	\$ 393,363		\$		\$	\$	\$	\$ (3,449)	\$ 389,914
Net income attributable to TripAdvisor, Inc.	138,776								138,776
Currency translation adjustments								1,520	1,520
Tax benefits on equity awards	3,992								3,992
Adjustment to the fair value of redeemable noncontrolling interest	(1,152)								(1,152)
Stock-based compensation expense	6,582								6,582
Balance as of December 31, 2010	\$ 541,561		\$		\$	\$	\$	\$ (1,929)	\$ 539,632
Net income attributable to TripAdvisor, Inc. prior to Spin-Off	175,308								175,308
Net income attributable to TripAdvisor, Inc. after the Spin-Off							2,369		2,369
Currency translation adjustments								(781)	(781)
Tax benefits on equity awards	1,453								1,453
Stock- based compensation expense- pre-Spin-Off	16,260								16,260
Acquisition of common control subsidiary from Expedia	(40,564)								(40,564)
Adjustment to the fair value of redeemable noncontrolling interest	(571)								(571)
Extinguishment of receivable due from Expedia related to Spin- Off, including transfers of assets and liabilities	(1,525)								(1,525)
Distribution to Expedia related to Spin-Off, net	(398,488)								(398,488)
Capitalization of TripAdvisor as a result of Spin-Off from Expedia, including issuance of Common and Class B shares	(293,434)	120,661,808	121	12,799,999	13	293,300			
Stock-based compensation expense- post Spin-Off						444			444

Table of Contents

	Invested Capital	Common stock		Class B Common Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
		Shares	Amount	Shares	Amount				
Balance as of December 31, 2011	\$	120,661,808	\$ 121	12,799,999	\$ 13	\$ 293,744	\$ 2,369	\$ (2,710)	\$ 293,537
Net income attributable to TripAdvisor, Inc.							194,069		194,069
Currency translation adjustments								1,945	1,945
Unrealized loss on marketable securities, net of tax								(104)	(104)
Tax benefits on equity awards						3,933			3,933
Issuance of common stock related to exercise of options and warrants and vesting of RSUs		9,398,330	9			230,702			230,711
Minimum withholding taxes on net share settlements of equity awards						(6,675)			(6,675)
Adjustment to the fair value of redeemable noncontrolling interest						(14,617)			(14,617)
Reclassification of non-employee equity awards to liability						(1,462)			(1,462)
Stock-based compensation expense						25,631			25,631
Balance as of December 31, 2012	\$	130,060,138	\$ 130	12,799,999	\$ 13	\$ 531,256	\$ 196,438	\$ (869)	\$ 726,968

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

Table of Contents**TRIPADVISOR, INC.****CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

(in thousands)

	Year ended December 31,		
	2012	2011	2010
Operating activities:			
Net income	\$ 194,588	\$ 177,791	\$ 138,954
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment, including internal-use software and website development costs	19,966	18,362	12,871
Stock-based compensation	30,102	17,344	7,183
Amortization of intangible assets	6,110	7,523	14,609
Amortization of deferred financing costs	889	21	
Amortization of discounts and premiums on marketable securities, net	527		
Deferred tax benefit	(4,960)	(931)	(653)
Excess tax benefits from stock-based compensation	(2,717)	(1,571)	(1,813)
(Recovery) provision for doubtful accounts	(1,050)	909	3,383
Foreign currency transaction (gains) losses, net	1,644	209	(541)
Other, net	187	(131)	164
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(11,810)	(15,910)	(14,853)
Related parties	(16,921)		
Taxes receivable	(24,243)		
Prepaid expenses and other assets	(3,305)	(1,821)	(328)
Accounts payable	13,977	5,885	1,273
Taxes payable	7,073	3,244	17,359
Accrued expenses and other liabilities	17,067	82	9,707
Deferred revenue	11,942	6,876	9,600
Net cash provided by operating activities	239,066	217,882	196,915
Investing activities:			
Acquisitions, net of cash acquired	(3,007)	(7,894)	(34,446)
Capital expenditures, including internal-use software and website development costs	(29,282)	(21,323)	(18,813)
Transfers to Expedia, net		(95,967)	(66,421)
Acquisitions, net of cash acquired, from Expedia		(28,099)	
Distribution to Expedia related to Spin-Off	7,028	(405,516)	
Purchase of marketable securities and other investments	(218,922)		(20,090)
Proceeds from maturities of marketable securities and other investments		20,090	
Other		(153)	
Net cash used in investing activities	(244,183)	(538,862)	(139,770)
Financing activities:			
Acquisitions funded by Expedia		5,135	
Payments on acquisition earn-out		(9,546)	
Payments to purchase subsidiary shares from noncontrolling interest	(22,304)		
Proceeds from credit facilities	15,372	18,158	1,733
Payments on credit facilities	(10,000)		
Principal payments on long-term debt	(20,000)		
Proceeds from issuance of long-term debt, net of issuance costs		396,516	
Proceeds from exercise of stock options and warrants	230,711		
Payment of minimum withholding taxes on net share settlements of equity awards	(6,675)		

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Excess tax benefits from stock-based compensation	2,717	1,571	1,813
Change in restricted cash			475
Net cash provided by financing activities	189,821	411,834	4,021
Effect of exchange rate changes on cash and cash equivalents	(721)	(455)	603
Net increase in cash and cash equivalents	183,983	90,399	61,769
Cash and cash equivalents at beginning of year	183,532	93,133	31,364
Cash and cash equivalents at end of year	\$ 367,515	\$ 183,532	\$ 93,133
Supplemental disclosure of cash flow information:			
Income taxes paid directly to taxing authorities, net	\$ 107,799	\$ 42,220	\$ 26,654
Income taxes paid to Expedia, Inc.		49,570	41,333
Total income taxes paid, net	\$ 107,799	\$ 91,790	\$ 67,987
Cash paid during the period for interest	\$ 9,792	\$ 313	\$ 7
Supplemental disclosure of non-cash investing and financing activities:			
Non-cash fair value increase for redeemable noncontrolling interests	\$ 14,617	\$ 571	\$ 1,152
Distribution receivable from Expedia, Inc.		(7,028)	

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

Table of Contents

TRIPADVISOR, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

On April 7, 2011, Expedia announced its plan to separate into two independent public companies in order to better achieve certain strategic objectives of its various businesses. We refer to this transaction as the Spin-Off. Non-recurring expenses incurred to affect the Spin-Off during the year ended December 31, 2011 have been included within Spin-Off costs in the consolidated and combined statements of operations.

On December 20, 2011, following the close of trading on the NASDAQ Global Select Market (NASDAQ), the Spin-Off was completed, and TripAdvisor began trading as independent public company on December 21, 2011. Expedia effected the Spin-Off by means of a reclassification of its capital stock that resulted in the holders of Expedia capital stock immediately prior to 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 occurred immediately prior to the Spin-Off, with cash paid in lieu of fractional shares.

In connection with the Spin-Off, Expedia contributed or transferred all of the subsidiaries and assets relating to Expedia's TripAdvisor Media Group, which were comprised of the TripAdvisor Holdings, LLC combined financial statements, to TripAdvisor and TripAdvisor or one of its subsidiaries assumed all of the liabilities relating to Expedia's TripAdvisor Media Group. TripAdvisor now trades on the NASDAQ under the symbol TRIP.

In connection with the Spin-Off, on December 20, 2011, TripAdvisor Holdings, LLC distributed \$405.5 million in cash to Expedia in the form of a dividend. This distribution was funded through borrowings under a credit agreement, dated as of December 20, 2011. Such credit agreement together with all exhibits, schedules, annexes, certificates, assignments and related documents contemplated thereby is referred to herein as the Credit Agreement. Refer to Note 8 *Debt* below and our debt discussion in the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Position, Liquidity and Capital Resources for further information.

For information on our relationships with Expedia, Barry Diller and Liberty Interactive Corporation and recent material transactions and change in voting control in the fourth quarter of 2012, refer to Note 16 *Related Party Transactions* below.

Basis of Presentation

The accompanying consolidated and combined financial statements include TripAdvisor, our wholly-owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We refer to TripAdvisor, Inc. and our wholly-owned subsidiaries as TripAdvisor, us, we and our in these notes to the consolidated and combined financial statements. We record our investments in entities that we do not control, but over which we have the ability to exercise significant influence, using the equity method. We record noncontrolling interest in our consolidated and combined financial statements to recognize the minority ownership interest in our consolidated subsidiaries. Noncontrolling interest in the earnings and losses of consolidated subsidiaries represents the share of net income or loss allocated to members or partners in our consolidated entities. We have eliminated significant intercompany transactions and accounts. The accounting for income taxes was computed for TripAdvisor on a separate tax return basis (see Note 9 *Income Taxes* for further information). The accompanying consolidated and combined financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP).

The financial statements and related financial information pertaining to the period preceding December 21, 2011 have been presented on a combined basis and reflect the results of TripAdvisor that were ultimately transferred to us as part of the Spin-Off. The financial statements and related financial information pertaining to the period from December 21, 2011 onward have been presented on a consolidated basis. Prior to the Spin-Off, certain functions, including accounting, legal, tax, corporate development, treasury, employee benefits, financial reporting and real estate management, were historically managed by the corporate division of Expedia on behalf of its subsidiaries. The assets, liabilities and expenses related to the support of these centralized corporate functions have been allocated to us on a specific identification basis to the extent possible. Otherwise, allocations related to these services, in the form of a related-party services fee, were primarily based upon an estimate of the proportion of corporate amounts applicable to us. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. In the opinion of management, the assumptions and allocations were made on a reasonable basis. Management believes that amounts allocated to TripAdvisor reflect a reasonable representation of the types of costs that would have been incurred if we had performed these functions as a stand-alone company. However, as estimation is inherent within the aforementioned allocation process, these combined financial statements do not include all of the actual amounts that would have been incurred

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

had we been a stand-alone entity during the periods presented and also do not necessarily reflect our future financial position, results of operations and cash flows.

Table of Contents

Description of Business

TripAdvisor is an online travel company, empowering users to plan and have the perfect trip. TripAdvisor's travel research platform aggregates reviews and opinions of members about destinations, accommodations (hotels, bed and breakfasts, specialty lodging and vacation rentals), restaurants and activities throughout the world through our flagship TripAdvisor brand. TripAdvisor-branded websites include tripadvisor.com in the United States and localized versions of the website in 29 countries, including in China under the brand daodao.com. Beyond travel-related content, TripAdvisor websites also include links to the websites of our travel advertisers allowing travelers to directly book their travel arrangements. In addition to the flagship TripAdvisor brand, we manage and operate 20 other travel brands, connected by the common goal of providing comprehensive travel planning resources across the travel sector. We derive substantially all of our revenue from advertising, primarily through click-based advertising and display-based advertising sales. In addition, we earn revenue through a combination of subscription-based offerings from our Business Listings and Vacation Rental products, transaction revenue from selling room nights on our transactional sites SniqueAway and Tingo, and other revenue including licensing our content to third-parties. We have one reportable segment: TripAdvisor. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

Seasonality

Expenditures by travel advertisers tend to be seasonal. Traditionally, our strongest quarter has been the third quarter, which is a key travel research period, with the weakest quarter being the fourth quarter. However, adverse economic conditions or continued growth of our international operations with differing holiday peaks may influence the typical trend of our seasonality in the future.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Consolidation

Our consolidated and combined financial statements include the accounts of TripAdvisor, our wholly owned subsidiaries, and entities we control, or in which we have a variable interest and are the primary beneficiary of expected cash profits or losses. We record our investments in entities that we do not control, but over which we have the ability to exercise significant influence, using the equity method. We record noncontrolling interest in our consolidated and combined financial statements to recognize the minority ownership interest in our consolidated subsidiaries. Noncontrolling interest in the earnings and losses of consolidated subsidiaries represent the share of net income or loss allocated to members or partners in our consolidated entities. Significant intercompany transactions between the TripAdvisor consolidated entities and accounts have been eliminated.

Certain of our subsidiaries that operate in China, have variable interests in affiliated entities in China in order to comply with Chinese laws and regulations, which restrict foreign investment in Internet content provision businesses. Although we do not own the capital stock of some of our Chinese affiliates, we consolidate their results as we are the primary beneficiary of the cash losses or profits of these variable interest affiliates and have the power to direct the activities of these affiliates. Our variable interest entities are not material for all periods presented.

Accounting Estimates

We use estimates and assumptions in the preparation of our consolidated and combined financial statements in accordance with GAAP. Our estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated and combined financial statements. These estimates and assumptions also affect the reported amount of net income or loss during any period. Our actual financial results could differ significantly from these estimates. The significant estimates underlying our consolidated and combined financial statements include revenue recognition; recoverability of long-lived assets and investments, intangible assets and goodwill; income taxes; useful lives of property and equipment; purchase accounting and stock-based compensation.

Reclassifications

Certain reclassifications have been made to conform the prior period to the current presentation, which include the reclassifications of our redeemable noncontrolling interest on the consolidated balance sheets from accrued expenses and other current liabilities to the mezzanine section and the reclassification of accrued marketing costs from accounts payable to accrued expenses and other current liabilities on our consolidated balance sheets. These reclassifications had no net effect on our consolidated and combined financial statements.

Revenue Recognition

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

We recognize revenue from the advertising services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

Click-based Advertising. Revenue is derived primarily from click-through fees charged to our travel partners for traveler leads sent to the travel partners website. We record revenue from click-through fees after the traveler makes the click-through to the travel partners websites.

Table of Contents

Display and Other Advertising . We recognize display advertising revenue ratably over the advertising period or upon delivery of advertising impressions, depending on the terms of the advertising contract. Subscription-based revenue is recognized ratably over the related subscription period. We recognize revenue from all other sources either upon delivery or when we provide the service.

Deferred revenue, which primarily relates to our subscription-based programs, is recorded when payments are received in advance of our performance as required by the underlying agreements.

Cost of Revenue

Cost of revenue consists of expenses that are closely correlated or directly related to revenue generation, including ad serving fees, flight search fees, credit card fees and data center costs.

Selling and Marketing

Sales and marketing expenses primarily consist of direct costs, including search engine marketing, or SEM, other traffic acquisition costs, syndication costs and affiliate program commissions, brand advertising and public relations. In addition, our indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense and bonuses for sales, sales support, customer support and marketing employees.

Technology and Content

Technology and content expenses consist of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing and maintenance of our website. Other costs include licensing and maintenance expense.

General and Administrative

General and administrative expenses consist primarily of personnel and related overhead costs, including executive leadership, finance, legal and human resource functions and stock-based compensation as well as professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense and our charitable foundation costs.

Cash, Cash Equivalents and Marketable Securities

Our cash equivalents consist of highly liquid investments with maturities of 90 days or less at the date of purchase. Our marketable debt and equity securities have been classified and accounted for as available-for-sale. We determine the appropriate classification of our investments at the time of purchase and reevaluate the designations at each balance sheet date. We invest in highly-rated securities, and our investment policy limits the amount of credit exposure to any one issuer, industry group and currency. The policy requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss and providing liquidity of investments sufficient to meet our operating and capital spending requirements and debt repayments.

We classify our marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date and as to whether and when we intend to sell a particular security prior to its maturity date. Marketable debt securities with maturities greater than 90 days at the date of purchase and 12 months or less remaining at the balance sheet date will be classified as short-term and marketable debt securities with maturities greater than 12 months from the balance sheet date will generally be classified as long-term. We classify our marketable equity securities, limited to money market funds and mutual funds, as either short-term or long-term based on the nature of each security and its availability for use in current operations. Our marketable debt and equity securities are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) as a component of shareholders' equity. Fair values are determined for each individual security in the investment portfolio.

Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. We may sell certain of our marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and liquidity and duration management. The weighted average maturity of our total invested cash shall not exceed 12 months, and no security shall have a final maturity date greater than three years.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If we do not intend to sell the debt security, but it is probable that we will not collect all amounts due, then only the impairment due to the credit risk would be recognized in earnings and the remaining amount of the impairment would be recognized in accumulated other comprehensive loss within stockholders' equity.

Table of Contents

Cash consists of cash deposits held in global financial institutions. Prior to Spin-Off, our domestic cash receipts had been transferred to Expedia, which had historically funded our domestic disbursement accounts as required. Transfers of cash between TripAdvisor and Expedia resulted in increases or decreases to our net related-party receivable. In connection with the Spin-Off any subsequent cash transfers related to business operations between TripAdvisor and Expedia ceased.

Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We measure assets and liabilities at fair value based on the expected exit price, which is the amount that would be received on the sale of an asset or amount paid to transfer a liability, as the case may be, in an orderly transaction between market participants in the principal or most advantageous market in which we would transact. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability at the measurement date. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1 Valuations are based on quoted prices for identical assets and liabilities in active markets.

Level 2 Valuations are based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Valuations are based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Derivative Financial Instruments

Our goal in managing our foreign exchange risk is to reduce, to the extent practicable, our potential exposure to the changes that exchange rates might have on our earnings, cash flows and financial position. We account for our derivative instruments as either assets or liabilities and carry them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in income. For derivative instruments that hedge the exposure to changes in the fair value of an asset or a liability and that are designated as fair value hedges, both the net gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings in the current period. The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure of the net investment in a foreign operation is reported in the same manner as a foreign currency translation adjustment. For forward exchange contracts designated as net investment hedges, we exclude changes in fair value relating to changes in the forward carrying component from its definition of effectiveness. Accordingly, any gains or losses related to this component are recognized in current income. We have not entered into any cash flow, fair value or net investment hedges to date as of December 31, 2012.

Derivatives that do not qualify as hedges must be adjusted to fair value through current income. In certain circumstances, we enter into foreign currency forward exchange contracts (forward contracts) to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. Our derivative instruments or forward contracts that were entered into and are not designated as hedges as of December 31, 2012 are disclosed below in Note 5 *Financial Instruments* in the notes to the consolidated and combined financial statements. Monetary assets and liabilities denominated in a currency other than the functional currency of a given subsidiary are remeasured at spot rates in effect on the balance sheet date with the effects of changes in spot rates reported in Other, net on our consolidated and combined statement of operations. Accordingly, fair value changes in the forward contracts help mitigate the changes in the value of the remeasured assets and liabilities attributable to changes in foreign currency exchange rates, except to the extent of the spot-forward differences. These differences are not expected to be significant due to the short-term nature of the contracts, which typically have average maturities at inception of less than one year.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generally due within 30 days and are recorded net of an allowance for doubtful accounts. We consider accounts outstanding longer than the contractual payment terms as past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to us, and the condition of the general economy and industry as a whole.

Table of Contents

Property and Equipment, Including Website and Software Development Costs

We record property and equipment at cost, net of accumulated depreciation. We capitalize certain costs incurred during the application development stage related to the development of websites and internal use software. Capitalized costs include internal and external costs, if direct and incremental, and deemed by management to be significant. We expense costs related to the planning and post-implementation phases of software and website development as these costs are incurred. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website or software resulting in added functionality, in which case the costs are capitalized.

We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is three to five years for computer equipment, capitalized software and website development and furniture and other equipment. We depreciate leasehold improvement using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease.

Leases

We lease facilities in several countries around the world and certain equipment under non-cancelable lease agreements. The terms of some of the lease agreements provide for rental payments on a graduated basis. Rent expense is recognized on a straight-line basis over the lease period and accrued as rent expense incurred but not paid.

Recoverability of Goodwill and Indefinite-Lived Intangible Assets

Goodwill:

We account for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. We assess goodwill, which is not amortized, for impairment annually as of October 1, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment). We have one reportable segment. The segment is determined based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance.

In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of the reporting unit is less than the carrying amount. If we determine that it is not more likely than not that the fair value of the goodwill is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the goodwill is less than its carrying amount, we then perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

Indefinite-Lived Intangible Assets:

Intangible assets that have indefinite lives are not amortized and are tested for impairment annually on October 1, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Similar to the qualitative assessment for goodwill, we may assess qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If we determine that it is not more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, no further testing is necessary. If, however, we determine that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, we compare the fair value of the indefinite-lived asset with its carrying amount. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, the individual asset is written down by an amount equal to such excess. The assessment of qualitative factors is optional and at our discretion. We may bypass the qualitative assessment for any indefinite-lived intangible asset in any period and resume performing the qualitative assessment in any subsequent period.

As part of our qualitative assessment for our 2012 impairment analysis, the factors that we considered for our goodwill and indefinite-lived intangible assets included, but were not limited to: (a) changes in macroeconomic conditions in the overall economy and the specific markets in which we operate, (b) our ability to access capital, (c) changes in the online travel industry, (d) changes in the level of competition, (e) comparison of our current financial performance to historical and budgeted results, (f) changes in excess market capitalization over book value based on our current common stock price and latest consolidated balance sheet, and (g) comparison of the excess of the fair value of our of

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

trade names and trademarks to the carrying value of those same assets, using the results of our most recent quantitative assessment. After considering these factors and the impact that changes in such factors would have on the inputs used in our previous quantitative assessment, we determined for our goodwill and indefinite-lived intangible assets that it was more likely than not that these assets were not impaired.

Table of Contents

Since the annual impairment tests in October 2012, there have been no events or changes in circumstances to indicate any potential impairment to goodwill or our indefinite lived intangible assets. In the event that future circumstances indicate that any portion of our goodwill or our indefinite-lived intangibles is impaired, an impairment charge would be recorded.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

Intangible assets with definite lives and other long-lived assets are carried at cost and are amortized on a straight-line basis over their estimated useful lives of two to ten years. We review the carrying value of long-lived assets or asset groups, including property and equipment, to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable.

Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, we assess the recoverability of the asset by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If the recoverability test indicates that the carrying value of the asset is not recoverable, we will estimate the fair value of the asset using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. We have not identified any circumstances that would warrant an impairment assessment as of December 31, 2012.

Income Taxes

We compute and account for our income taxes on a stand-alone basis. We record income taxes under the liability method. Deferred tax assets and liabilities reflect our estimation of the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book and tax purposes. We determine deferred income taxes based on the differences in accounting methods and timing between financial statement and income tax reporting. Accordingly, we determine the deferred tax asset or liability for each temporary difference based on the enacted tax rates expected to be in effect when we realize the underlying items of income and expense. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. We may establish a valuation allowance to reduce deferred tax assets to the amount we believe is more likely than not to be realized. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

We recognize in our consolidated and combined financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Foreign Currency Translation and Transaction Gains and Losses

Certain of our operations outside of the United States use the related local currency as their functional currency. We translate revenue and expense at average rates of exchange during the period. We translate assets and liabilities at the rates of exchange as of the consolidated balance sheet dates and include foreign currency translation gains and losses as a component of accumulated other comprehensive income. Due to the nature of our operations and our corporate structure, we also have subsidiaries that have transactions in foreign currencies other than their functional currency. We record transaction gains and losses in our consolidated and combined statements of operations related to the recurring re-measurement and settlement of such transactions. Accordingly, we have recorded foreign exchange losses of \$3.2 million, 1.0 million and \$1.6 million for the years ended December 31, 2012, 2011 and 2010, respectively, in Other, net.

Advertising Expense

We incur advertising expense consisting of traffic generation costs from search engines and Internet portals, other online and offline advertising expense, promotions and public relations to promote our brands. We expense the costs associated with advertisements in the period in which the advertisement takes place. For the years ended December 31, 2012, 2011 and 2010, our advertising expense was \$175.0 million, \$135.6 million, and \$86.3 million, respectively.

Stock-Based Compensation

TripAdvisor Equity Grants Assumed at Spin-Off

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

All stock-based compensation included in our consolidated and combined financial statements prior to the Spin-Off relates to Expedia common stock options and restricted stock units (RSUs) held by TripAdvisor employees prior to the Spin-Off. The following methods were used to measure the fair value of these awards and we will continue to amortize the fair value thereof as follows for all pre-Spin-Off equity grants:

Stock Options. The value of stock options issued or modified, including unvested options assumed in acquisitions, on the grant date (or modification or acquisition dates, if applicable) were measured at fair value, using the Black-Scholes option valuation model. The Black-Scholes model incorporates various assumptions including expected volatility, expected term, dividend yield and risk-free interest rates. The expected volatility was based on historical volatility of Expedia's common stock and other relevant factors. The expected term assumptions were based on historical experience and on the terms and conditions of the stock awards granted to employees. We will continue to amortize the fair value, net of estimated forfeitures, over the remaining vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date. The majority of these stock options vest over four years.

Table of Contents

Restricted Stock Units. RSUs are stock awards granted to employees entitling the holder to shares of common stock as the award vests, typically over a five-year period. RSUs were measured at fair value based on the number of shares granted and the quoted price of Expedia's common stock at the date of grant. We will continue to amortize the fair value of these awards, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

TripAdvisor Equity Grants Awards Issued Subsequent to the Spin-Off

We adopted the TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan, or the 2011 Incentive Plan, as of December 21, 2011, under which we may grant restricted stock, restricted stock awards, RSUs, stock options and other stock-based awards to our directors, officers, employees and consultants. Refer to Note 4 *Stock Based Awards and Other Equity Instruments* below for further information on the 2011 Incentive Plan and our stock based award activity.

Stock Options. The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant. Stock options granted during the year ended December 31, 2012 had a term of ten years from the date of grant and generally vest over a four-year period.

The estimated fair value of the options granted under the 2011 Incentive Plan to date, have been calculated using a Black-Scholes Merton option-pricing model (Black-Scholes model). The Black-Scholes model incorporates assumptions to value stock-based awards, which includes the risk-free rate of return, volatility, expected term and expected dividend yield.

Our risk-free interest rate is based on the rates currently available on zero-coupon U.S. Treasury issues, in effect at the time of the grant, whose remaining maturity period most closely approximates the stock option's expected term assumption. We estimated the volatility of our common stock by using an average of historical stock price volatility of publicly traded companies that we consider peers based on daily price observations over a period equivalent or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor of a peer group was based upon the relatively short period of availability of data on our common stock. We estimated our expected term using the simplified method for all stock options as we do not have sufficient historical exercise data on our common stock. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date.

We amortize the fair value, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

Restricted Stock Units. RSUs are stock awards that are granted to employees entitling the holder to shares of our common stock as the award vests. RSUs are measured at fair value based on the number of shares granted and the quoted price of our common stock at the date of grant. We amortize the fair value, net of estimated forfeitures, as stock-based compensation expense over the vesting term on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

Performance-based stock options and RSUs vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of performance-based awards is determined based on the fair value, which is calculated using the same method as our service based stock options and RSUs described above. We then assess whether it is probable that the performance targets would be achieved. If assessed as probable, compensation expense will be recorded for these awards over the estimated performance period on a straight-line basis. At each reporting period, we will reassess the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and of the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation expense recognized will be based on a comparison of the final performance metrics to the specified targets.

Table of Contents

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of our original estimates of fair value. We have considered many factors when estimating expected forfeitures, including our historical attrition rates, the employee class and historical experience. The estimate of stock awards that will ultimately be forfeited requires significant judgment and, to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period such estimates are revised.

Certain Risks and Concentrations

Our business is subject to certain risks and concentrations including dependence on relationships with our customers. We are highly dependent on our advertising and media relationship with Expedia, (see Note 16 *Related Party Transactions*), which accounted for approximately 27%, 33% and 35% of our total revenue in 2012, 2011 and 2010, respectively. In addition, another customer accounted for approximately 21%, 16% and 11% of our revenue in 2012, 2011 and 2010, respectively. As of December 31, 2012 and 2011, there were no customers that accounted for 10% or more of our trade receivables.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated and combined statements of operations. We provide disclosure in the notes to the consolidated and combined financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated and combined financial statements.

Comprehensive Loss

Comprehensive loss consists of net income (loss), cumulative foreign currency translation adjustments, and unrealized gains and losses on available-for-sale securities, net of tax.

Earnings per Share (EPS)

As discussed above in Note 1 *Organization and Basis of Presentation* , in connection with the Spin-Off a one-for-two reverse stock split of outstanding Expedia capital stock occurred immediately prior to the Spin-Off, which resulted in 120,661,020 shares of common stock and 12,799,999 shares of Class B common stock outstanding immediately following the Spin-Off.

Basic Earnings Per Share

For the year ending ended December 31, 2012, we computed basic earnings per share using the number of shares of common stock and Class B common stock outstanding as of December 31, 2011 plus the weighted average of any additional shares issued and outstanding during the year ended December 31, 2012.

For the year ended December 31, 2011, we computed basic earnings per share using the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, as if such shares were outstanding for the entire period prior to the Spin-Off, plus the weighted average of any additional shares issued and outstanding following the Spin-Off date through December 31, 2011.

For the year ended December 31, 2010, we computed basic earnings per share using the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, as if such shares were outstanding for the entire period.

Diluted Earnings Per Share

For the year ended December 31, 2012, we computed diluted earnings per share using (i) the number of shares of common stock and Class B common stock outstanding at December 31, 2011, (ii) the weighted average of any additional shares issued and outstanding for the year ended December 31, 2012, and (iii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of common equivalent shares related to stock options, stock warrants and the vesting of restricted stock units using the treasury stock method

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

during the year ended December 31, 2012, and (iv) if dilutive, performance based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

For the year ended December 31, 2011, we computed diluted earnings per share using (i) the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, (ii) the weighted average of any additional shares issued and outstanding shares outstanding following the Spin-Off date through December 31, 2011, and (iii) if dilutive, the incremental weighted average common stock that we would issue upon the assumed exercise of common equivalent shares related to stock options, stock warrants and the

Table of Contents

vesting of restricted stock units using the treasury stock method during the year ended December 31, 2011, and (iv) if dilutive, performance based awards based on the number of shares that would be issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period. We treated all outstanding equity awards assumed at Spin-Off as if they were granted as of the Spin-Off and we included them in our diluted earnings per share calculation for the year ended December 31, 2011, based on the number of days they were outstanding.

For the year ended December 31, 2010, we computed diluted earnings per share using (i) the number of shares of common stock and Class B common stock outstanding immediately following the Spin-Off, as no TripAdvisor equity awards were outstanding prior to the Spin-Off.

Under the treasury stock method, the assumed proceeds calculation includes the actual proceeds to be received from the employee upon exercise, the average unrecognized compensation cost during the period and any tax benefits credited upon exercise to additional paid-in-capital. The treasury stock method assumes that a company uses the proceeds from the exercise of an award to repurchase common stock at the average market price for the period. Windfall tax benefits created upon the exercise of an award would be added to assumed proceeds, while shortfalls charged to additional paid-in-capital would be deducted from assumed proceeds. Any shortfalls not covered by the windfall tax pool would be charged to the income statement and would be excluded from the calculation of assumed proceeds, if any.

Below is a reconciliation of the weighted average number of shares of common stock outstanding in calculating diluted earnings per share (in thousands, except for per share information):

	During the Year Ended December 31,		
	2012	2011	2010
Numerator:			
Net income attributable to TripAdvisor, Inc.	\$ 194,069	\$ 177,677	\$ 138,776
Denominator:			
Weighted average shares used to compute Basic EPS	139,462	133,461	133,461
Effect of dilutive securities:			
Stock options	1,207	1,164	
RSUs	161	240	
Stock warrants	511		
Weighted average shares used to compute Diluted EPS	141,341	134,865	133,461
Basic EPS	\$ 1.39	\$ 1.33	\$ 1.04
Diluted EPS	\$ 1.37	\$ 1.32	\$ 1.04

The following potential common shares related to stock options, stock warrants and RSUs were excluded from the calculation of diluted net income per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	During the Year Ended		
	December 31,		
	2012(1)(2)	2011(2)	2010
Stock options	3,944	2,261	
RSUs	21	80	
Warrants		8,047	
Total	3,965	10,388	

(1) These totals do not include performance based options representing the right to acquire 110,000 shares of common stock, respectively, for which all targets required to trigger vesting have not been achieved; therefore, such awards were excluded from the calculation of

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

weighted average shares used to compute diluted earnings per share for those reporting periods.

- (2) These totals do not include performance based RSUs representing the right to acquire 200,000 and 400,000 shares of common stock at December 31, 2012 and 2011, respectively, for which all targets required to trigger vesting have not been achieved; therefore, such awards were excluded from the calculation of weighted average shares used to compute diluted earnings per share for those reporting periods. The earnings per share amounts are the same for common stock and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

Table of Contents**Recently Adopted Accounting Pronouncements***Testing Indefinite-lived Intangibles for Impairment*

In July 2012, the FASB issued ASU 2012-02, which amends ASC Topic 350, Intangibles – Goodwill and Other. The guidance amends the impairment test for indefinite lived intangible assets other than goodwill by allowing companies to first assess qualitative factors to determine if it is more likely than not that an indefinite lived intangible asset is impaired and whether it is necessary to perform the impairment test of comparing the carrying amount with the recoverable amount of the indefinite lived intangible asset. This guidance is effective for interim and annual periods beginning after September 15, 2012, however, we have decided to early adopt and make it effective for our 2012 impairment review. Accordingly, we have adopted the presentation requirements of ASU 2012-02 during the fourth quarter of 2012. The adoption of ASU 2012-02 did not have a material impact on our consolidated and combined financial statements.

New Accounting Pronouncements Not Yet Adopted*Disclosure about Offsetting Assets and Liabilities*

In December 2011, the FASB issued ASU 2011-11, which amends ASC Subtopic 210-20, Offsetting. The guidance requires enhanced disclosures with improved information about financial instruments and derivative instruments that are either (i) offset in accordance with current guidance or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current guidance. This guidance is effective for interim and annual periods beginning after January 1, 2013. The guidance is limited to the form and content of disclosures, and we do not anticipate that the adoption of this guidance will have an impact on our consolidated and combined financial statements.

NOTE 3: ACQUISITIONS

During the years ended December 31, 2012, 2011, and 2010, we acquired a number of companies including various online travel media content companies. The following table summarizes the allocation of the purchase price for those years:

	2012	2011	2010
	(In thousands)		
Goodwill	\$ 3,043	\$ 6,390	\$ 40,703
Intangible assets with definite lives (1)		1,642	8,148
Net assets (liabilities) (2)	7	(16)	(3,580)
 Total (3)	 \$ 3,050	 \$ 8,016	 \$ 45,271

(1) The weighted average life of acquired intangible assets during 2011 and 2010 was 2.8 years, and 6.2 years, respectively.

(2) Includes cash acquired of \$0 million, \$0.1 million and \$2 million during 2012, 2011 and 2010, respectively.

(3) All outstanding purchase contingencies have been paid.

The purchase price allocation of the 2012 acquisition is preliminary and subject to revision as more information becomes available, but in any case will not be revised beyond 12 months after the acquisition date and any change to the fair value of net assets acquired will lead to a corresponding change to the purchase price allocable to goodwill, which is not tax deductible, on a retroactive basis. The results of operations of each of the acquired businesses have been included in our consolidated and combined results from each transaction closing date forward. We did not have any material acquisitions, individually or in the aggregate, during the years 2012, 2011 and 2010; therefore no pro-forma results have been provided.

During 2011, we paid \$13 million of contingent purchase consideration under prior acquisitions. The amount in 2011 represented an earn-out payment, of which approximately \$10 million and \$3 million are recorded to financing activities and operating activities, respectively, in the consolidated and combined statement of cash flows. All contingent consideration accrued and paid was calculated based on the financial performance of the acquired entity to which it relates.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

In addition to the acquisitions listed in the above table, in October 2011, we purchased a subsidiary in China from Expedia for \$37 million, or \$28 million net of acquired cash. This acquisition was accounted for as a common control transaction, with net liabilities recorded at a carrying value of \$4 million, including an additional \$7 million of short term borrowings from the Chinese Credit Facilities (refer to Note 8 *Debt* below for further information on the Chinese Credit Facilities). No goodwill or other intangibles were recorded as a result of this acquisition and no contingent payments are outstanding. The difference between the purchase price and the carrying value of the net liabilities was recorded to additional paid in capital. The results of operations from this business are included in our consolidated and combined results from the transaction closing date.

Table of Contents

NOTE 4: STOCK BASED AWARDS AND OTHER EQUITY INSTRUMENTS

Stock-based compensation expense relates primarily to expense for RSUs and stock options. Our outstanding RSUs and stock options generally vest over five years and four years, respectively.

For the years ended December 31, 2012, 2011, and 2010, we recognized total stock-based compensation expense of \$30.1 million, \$17.3 million, and \$7.2 million, respectively. The total income tax benefit related to stock-based compensation expense was \$10.6 million, \$6.5 million, and \$2.0 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Stock Based Awards prior to the Spin-Off from Expedia

Prior to the Spin-Off, we participated in the Amended and Restated Expedia, Inc. 2005 Stock and Annual Incentive Plan, under which we, through Expedia, granted RSUs, stock options, and other stock-based awards to our directors, officers, employees and consultants. In connection with the Spin-Off, these existing Expedia stock-based awards were primarily converted as follows:

Each vested stock option to purchase shares of Expedia common stock converted into an option to purchase shares of Expedia common stock and an option to purchase shares of TripAdvisor common stock;

Each unvested stock option to purchase shares of Expedia common stock converted into a stock option to purchase shares of common stock of the applicable company for which the employee was employed following the Spin-Off; and

All RSUs converted into RSUs of the applicable company for which the employee was employed following the Spin-Off. This resulted in a modification to the number of shares subject to each option and the option exercise prices, which were both based on the relative market capitalization of Expedia and TripAdvisor as of the date of the Spin-Off. These modifications resulted in a one-time expense of \$8.0 million, the majority of which was recorded to general and administrative expense, primarily due to the modification of vested stock options that remained unexercised at the date of the Spin-Off.

In addition, upon Spin-Off, we entered into a warrant agreement (the "Warrant Agreement") with Mellon Investor Services LLC and issued warrants exercisable for TripAdvisor common stock in respect of previously outstanding warrants exercisable for Expedia common stock that were adjusted on account of Expedia's reverse stock split and the Spin-Off. The warrants, which totaled 32,186,792 at Spin-Off, were subsequently converted into 7,952,456 shares of our common stock during the year ended December 31, 2012, prior to their expiration date of May 7, 2012. Refer to "2012 Stock Warrant Activity," below, for a discussion of warrant activity during the year ended December 31, 2012.

One tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$12.23 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$6.48 per warrant, and the other tranche of warrants (issued in respect of Expedia warrants that had featured an exercise price of \$14.45 per warrant prior to adjustment) were exercisable for 0.25 (one-quarter) of a share of TripAdvisor common stock at an exercise price equal to \$7.66 per warrant. The exercise price could have been paid in cash or via "cashless exercise" as set forth in the Warrant Agreement. In total, at Spin-Off, the warrants could have been converted into a maximum of 8,046,698 shares of our common stock without any further adjustments to the Warrant Agreement.

The summary of the material terms of the Warrant Agreement set forth above is qualified in its entirety by the full text of the Warrant Agreement, which is incorporated by reference in this Annual Report on Form 10-K as Exhibit 4.1.

Stock Based Awards Subsequent to the Spin-Off from Expedia

TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan

On December 20, 2011, the 2011 Incentive Plan became effective. A summary of certain important features of the 2011 Incentive Plan can be found below. The summary of the material terms of the 2011 Incentive Plan is qualified in its entirety by the full text of the 2011 Incentive Plan which is incorporated by reference in this Annual Report on Form 10-K as Exhibit 4.3. The purpose of the 2011 Incentive Plan is to give us a competitive advantage in attracting, retaining and motivating officers and employees and to provide us with the ability to provide incentives

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

more directly linked to the profitability of our businesses and increases in stockholder value. Under the terms of the 2011 Incentive Plan, we are authorized to grant incentive stock options (ISOs), non-qualified stock options (NSOs), stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs) and other stock based awards to full and part-time employees of the Company and its subsidiaries or affiliates, where legally eligible to participate, as well as consultants and non-employee directors of the Company, its subsidiaries and affiliates. The 2011 Incentive Plan will govern TripAdvisor options and TripAdvisor RSUs that have converted from existing Expedia options and Expedia RSUs in connection with the Spin-Off as well as other award grants made following the Spin-Off pursuant to the 2011 Incentive Plan.

Table of Contents

The 2011 Incentive Plan authorizes the issuance of up to 10,000,000 shares of TripAdvisor Common Stock pursuant to new awards under the 2011 Incentive Plan, plus shares to be granted pursuant to the assumption of outstanding adjusted awards. During a calendar year, no single participant may be granted (a) stock options covering in excess of 3,000,000 shares of TripAdvisor Common Stock, or (b) restricted stock or RSUs, intended to qualify under Section 162(m) (4)(C) of the Code, covering in excess of 2,000,000 shares of TripAdvisor common stock; provided, however, that adjusted awards will not be subject to these limitations. The maximum number of shares of TripAdvisor common stock that may be granted pursuant to stock options intended to be incentive stock options within the meaning of Section 422 of the Code is 7,000,000 shares.

2012 Stock Option Activity

The exercise price for all stock options granted by us to date has been equal to the market price of the underlying shares of common stock at the date of grant. In this regard, when making stock option awards, our practice is to determine the applicable grant date and to specify that the exercise price shall be the closing price of our common stock on the date of grant. Stock options granted during the year ended December 31, 2012 have a term of ten years from the date of grant and generally vest over a four-year requisite service period.

During the year ended December 31, 2012, we have issued 3,650,814 of primarily service based stock options under the 2011 Incentive Plan with a weighted average estimated grant-date fair value per option of \$20.36. During the year ended December 31, 2011, we did not grant any stock options under the 2011 Incentive Plan. We will amortize the fair value of the 2012 grants, net of estimated forfeitures, as stock-based compensation expense over the vesting term of generally four years on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

A summary of the status and activity for stock option awards relating to our common stock for the year ended December 31, 2012, is presented below:

	Options Outstanding (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at January 1, 2012	6,575	\$ 23.65		
Granted	3,651	39.79		
Exercised	1,151	14.09		\$ 25,074
Cancelled	421	29.42		
Options outstanding at December 31, 2012	8,654	\$ 31.41	5.7	\$ 92,083
Exercisable as of December 31, 2012	3,329	\$ 27.23	3.1	\$ 49,016
Vested and expected to vest after December 31, 2012	7,655	\$ 30.65	5.7	\$ 86,121

Aggregate intrinsic value represents the difference between the closing stock price of our common stock and the exercise price of outstanding, in-the-money options. Our closing stock price as reported on NASDAQ as of December 31, 2012 was \$41.92.

The fair value of stock option grants under the 2011 Incentive Plan has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012
Risk-free interest rate	1.03%

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Expected volatility	53.46%
Expected life (in years)	6.21
Dividend yield	
Weighted-average estimated fair value of options granted during the year	\$ 20.36

No stock options were granted under the 2011 Incentive Plan in the years ending December 31, 2011 and 2010.

2012 RSU Activity

During the year ended December 31, 2012, we issued 85,144 RSUs under the 2011 Incentive Plan for which the fair value was measured based on the quoted price of our common stock. The weighted average estimated grant-date fair value per RSU was \$35.76. We will amortize

Table of Contents

the fair value of the 2012 grants, net of estimated forfeitures, as stock-based compensation expense over the weighted average remaining vesting term of 2.0 years on a straight-line basis, with the amount of compensation expense recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

The following table presents a summary of RSU activity on our common stock:

	RSUs Outstanding (In thousands)	Weighted Average Grant- Date Fair Value Per Share
Unvested RSUs outstanding as of January 1, 2012	926	\$ 21.32
Granted	85	35.76
Vested and released (1)	548	17.17
Cancelled	17	26.78
Unvested RSUs outstanding as of December 31, 2012 (2)	446	\$ 26.11

(1) Inclusive of 190,856 RSUs withheld to satisfy minimum tax withholding requirements.

(2) Included in RSUs outstanding at December 31, 2012 are 200,000 performance based RSUs for which vesting is tied to achievement of performance targets and a requisite service period.

2012 Stock Warrant Activity

During the year ended December 31, 2012, there were a total of 32,186,791 warrants exercised which resulted in a total of 7,952,456 shares of our common stock being issued during that period, which included 31,641,337 warrants for which the exercise price was paid in cash at a weighted average price of \$27.11. We received total exercise proceeds of \$214.5 million related to these warrant exercises. In addition there were 545,454 cashless warrants exercised with a weighted average exercise price of \$25.92 of which we did not receive any exercise proceeds. As of December 31, 2012, we had no outstanding warrants available which could be convertible to shares of our common stock.

A summary of the unrecognized compensation expense, net of estimated forfeitures and the weighted average period remaining at December 31, 2012 related to our non-vested stock options and RSU awards is presented below (in thousands, except per year information):

	Stock Options	RSUs
Unrecognized compensation expense (net of forfeitures)	\$ 59,686	\$ 4,486
Weighted average period remaining (in years)	3.0	1.8

All shares of common stock issued in respect of the exercise of options or other equity awards granted under the 2005 Stock and Annual Incentive Plan and 2011 Incentive Plan since Spin-Off have been issued from authorized, but unissued common stock.

NOTE 5: FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Marketable Securities

The following tables show our cash and available-for-sale securities amortized cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or short and long-term marketable securities as of December 31, 2012 and December 31, 2011 (in thousands):

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

	December 31, 2012							
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short- Term Marketable Securities	Long-Term Marketable Securities	
Cash	\$ 141,460	\$	\$	\$ 141,460	\$ 141,460	\$	\$	
Level 1:								
Money market funds	215,052			215,052	215,052			
Subtotal	356,512			356,512	356,512			
Level 2:								
U.S. agency securities	13,634	4	(3)	13,635		7,635	6,000	
Commercial paper	48,710	15	(22)	48,703	9,999	38,704		
Corporate securities	162,050	12	(180)	161,882	1,004	67,630	93,248	
Municipal securities	5,003		(2)	5,001		5,001		
Subtotal	229,397	31	(207)	229,221	11,003	118,970	99,248	
Total	\$ 585,909	\$ 31	\$ (207)	\$ 585,733	\$ 367,515	\$ 118,970	\$ 99,248	

Table of Contents

	December 31, 2011						
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short- Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 114,532	\$	\$	\$ 114,532	\$ 114,532	\$	\$
Level 1:							
Money market funds	69,000			69,000	69,000		
Total	\$ 183,532	\$	\$	\$ 183,532	\$ 183,532	\$	\$

Our cash and cash equivalents consist of cash on hand in global financial institutions, money market funds and marketable securities, with maturities of 90 days or less at the date purchased. The remaining maturities of our long-term marketable securities range from one to three years and our short-term marketable securities include maturities that were greater than 90 days at the date purchased and have 12 months or less remaining at December 31, 2012.

We classify our cash equivalents and marketable securities within Level 1 and Level 2 as we value our cash equivalents and marketable securities using quoted market prices (Level 1) or alternative pricing sources (Level 2). The valuation technique we used to measure the fair value of money market funds were derived from quoted prices in active markets for identical assets or liabilities. Fair values for our U.S. agency securities, commercial paper, corporate securities and municipal securities and corporate notes are considered Level 2 valuations because they are obtained from pricing sources for identical or comparable instruments, rather than direct observations of quoted prices in active markets.

There were no sales of our marketable securities for the years ending December 31, 2012, 2011 and 2010.

As of December 31, 2012, we have marketable securities with a total fair value of \$200.0 million in a total gross unrealized loss position of \$0.2 million. We consider the declines in market value of our marketable securities investment portfolio to be temporary in nature and do not consider any of our investments other-than-temporarily impaired. When evaluating an investment for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and the our intent to sell, or whether it is more likely than not we will be required to sell the investment before recovery of the investment's cost basis. During the years ended December 31, 2012, 2011 and 2010, we did not recognize any impairment charges. We did not have any investments in marketable securities that were in a continuous unrealized loss position for 12 months or greater at December 31, 2012 or 2011.

Derivative Financial Instruments

In the normal course of business, we are exposed to the impact of foreign currency fluctuations, which we attempt to mitigate through the use of derivative instruments. Accordingly, we have entered into forward contracts to reduce the effects of fluctuating foreign currency exchange rates on our cash flows denominated in foreign currencies. We do not use derivatives for trading or speculative purposes. In accordance with current accounting guidance on derivative instruments and hedging activities, we record all our derivative instruments as either an asset or liability measured at their fair value. Our derivative instruments are typically short-term in nature.

Our current forward contracts are not designated as hedges. Consequently, any gain or loss resulting from the change in fair value is recognized in the current period earnings. These gains or losses are offset by the exposure related to receivables and payables with our foreign subsidiaries. We recorded a net realized and unrealized loss in Other, net of \$0.7 million for the year ended December 31, 2012 related to our forward contracts in our consolidated and combined statement of operations. The net cash received or paid related to our derivative instruments are classified as operating in our consolidated and combined statements of cash flows, which is based on the objective of the derivative instruments. No derivative instruments were entered into or settled during the years ended December 31, 2011 and 2010.

Table of Contents

The following table shows the fair value and notional principal amounts of our outstanding or unsettled derivative instruments that are not designated as hedging instruments:

(\$ in thousands)	Balance Sheet Classification	December 31, 2012		U.S. Dollar Notional
		Value of Derivative(2) Asset	Liability	
Foreign exchange-forward contracts (current)	Accrued and other current liabilities(1)	\$	\$ \$64	\$ 2,710

- (1) Current derivative contracts address foreign exchange fluctuations for the Euro versus the U.S. Dollar.
(2) The fair value of our derivative liability is measured using Level 2 fair value inputs, as we use a pricing model that takes into account the contract terms as well as current foreign currency exchange rates in active markets.

Concentration of Credit Risk

Counterparties to currency exchange derivatives consist of major international financial institutions. We monitor our positions and the credit ratings of the counterparties involved and, by policy limits, the amount of credit exposure to any one party. While we may be exposed to potential losses due to the credit risk of non-performance by these counterparties, losses are not anticipated.

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, related party receivables, trade payables, short-term debt, accrued and other current liabilities and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value because of the short maturity of these instruments as reported on the consolidated balance sheets as of December 31, 2012 and December 31, 2011. The carrying value of the long-term borrowings outstanding on our Credit Agreement bear interest at a variable rate and therefore is also considered to approximate fair value.

In addition during 2012 we had a redeemable noncontrolling interest which was considered a Level 3 liability. The total liability balance at December 31, 2012 and December 31, 2011 is \$0 and \$3.9 million respectively, and is included in redeemable noncontrolling interests in the mezzanine section of the consolidated balance sheets. Refer to Note 14 *Redeemable Noncontrolling Interest* below for additional information.

We did not have any Level 3 assets for the periods ended December 31, 2012 or 2011.

NOTE 6: PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	December 31,	
	2012	2011
	(In thousands)	
Capitalized software and website development	\$ 48,527	\$ 46,878
Leasehold improvements	14,244	12,924
Computer equipment	13,174	11,638
Furniture and other equipment	5,276	5,267
	81,221	76,707
Less: accumulated depreciation	(37,626)	(43,391)

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Projects in progress	207	1,438
Property and equipment, net	\$ 43,802	\$ 34,754

As of December 31, 2012 and 2011, our recorded capitalized software and website development costs, net of accumulated amortization, were \$28.4 million and \$21.0 million, respectively. For the years ended December 31, 2012 and 2011, we capitalized \$20.2 million and \$16.3 million, respectively, related to software and website development costs. For the years ended December 31, 2012, 2011 and 2010, we recorded amortization of capitalized software and website development costs of \$12.8 million, \$12.4 million and \$8.1 million, respectively, which is included in depreciation expense on our consolidated and combined statement of operations.

During the year ended December 31, 2012, we retired property and equipment, primarily capitalized software and website development, which were no longer in use with a total cost of \$25.4 million and associated accumulated depreciation of \$25.2 million, resulting in a loss of \$0.2 million included in Other, net on the consolidated and combined statement of operations.

Table of Contents**NOTE 7: GOODWILL AND INTANGIBLE ASSETS, NET**

The following table presents the changes in goodwill for the years ended December 31:

	2012	2011
	(In thousands)	
Beginning balance as of January 1	\$ 466,892	\$ 460,610
Additions	3,043	6,390
Foreign exchange translation adjustment	1,749	(108)
Ending balance as of December 31	\$ 471,684	\$ 466,892

In 2012 and 2011, the additions to goodwill relate to our acquisitions. See Note 3 *Acquisitions*, above for further information. Refer to Note 2 *Significant Accounting Policies*, above for a discussion of our annual goodwill impairment assessment.

Intangible assets, which were acquired in business combinations and recorded at fair value on the date of purchase, consist of the following for the years ended December 31:

	2012	2011
	(In thousands)	
Intangible assets with definite lives	\$ 21,382	\$ 89,323
Less: accumulated amortization	(13,492)	(75,593)
Intangible assets with definite lives, net	7,890	13,730
Intangible assets with indefinite lives	30,300	30,300
	\$ 38,190	\$ 44,030

Amortization expense was \$6.1 million, \$7.5 million, and \$14.6 million, respectively, for the years ended December 31, 2012, 2011 and 2010. Included within amortization expense for 2010 was a charge of approximately \$4 million related to changes in the estimated amount of contingent purchase consideration, which was paid during 2011. In 2011 this amount was not material.

Our indefinite-lived assets relate to trade names and trademarks acquired in various acquisitions. Refer to Note 2 *Significant Accounting Policies* above for a discussion of our annual indefinite-lived intangible asset impairment assessment.

The following table presents the components of our intangible assets with definite lives as of December 31, 2012 and 2011:

	Weighted Ave Remaining Life (in years)	December 31, 2012			December 31, 2011		
		Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
Trade names and trademarks	4.2	\$ 14,431	\$ (9,029)	\$ 5,402	\$ 17,030	\$ (9,104)	\$ 7,926
Subscriber relationships	1.5	5,617	(3,511)	2,106	19,290	(14,470)	4,820
Technology and other	1.0	1,334	(952)	382	53,003	(52,019)	984

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Total	3.3	\$ 21,382	\$ (13,492)	\$ 7,890	\$ 89,323	\$ (75,593)	\$ 13,730
-------	-----	-----------	-------------	----------	-----------	-------------	-----------

During the year ended December 31, 2012, our gross carrying amount and accumulated amortization was reduced by a total of \$68.4 million due to asset retirements related to fully amortized intangibles, which consisted of trade names and trademarks of \$2.8 million, subscriber relationships of \$13.9 million and technology and other of \$51.7 million. The retirement of these assets had no net impact on our consolidated and combined financial statements.

Table of Contents

The estimated future amortization expense related to intangible assets with definite lives as of December 31, 2012, assuming no subsequent impairment of the underlying assets, is as follows, in thousands:

2013	\$ 3,966
2014	2,204
2015	328
2016	310
2017	310
2018 and thereafter	772
Total	\$ 7,890

NOTE 8. DEBT***Term Loan Facility Due 2016 and Revolving Credit Facility****Overview*

On December 20, 2011, in connection with the Spin-Off, we entered into the Credit Agreement, which provides \$600 million of borrowing including:

the Term Loan Facility, or Term Loan, in an aggregate principal amount of \$400 million with a term of five years due December 2016; and

the Revolving Credit Facility in an aggregate principal amount of \$200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on our leverage ratio. We are also required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 175 basis points, or the Eurocurrency Spread, or the alternate base rate (ABR) plus 75 basis points, and undrawn amounts are currently subject to a commitment fee of 30 basis points.

As of December 31, 2012 we are using a one-month interest period Eurocurrency Spread which is approximately 2.0% per annum. Interest is currently payable on a monthly basis while we are borrowing under the one-month interest rate period. The current interest rates are based on current assumptions, leverage and LIBOR rates and do not take into account that rates will reset periodically.

The Term Loan principal was repayable in quarterly installments on the last day of each calendar quarter in 2012 equal to 1.25% of the original principal amount, with \$20 million paid during the year ended December 31, 2012. Principal payments will be equal to 2.5% of the original principal amount in each year thereafter, with the balance due on the final maturity date.

The Revolving Credit Facility includes \$40 million of borrowing capacity available for letters of credit and \$40 million for borrowings on same-day notice. Immediately following the Spin-Off, \$10 million was drawn down under the Revolving Credit Facility, which was repaid during the three months ended March 31, 2012. As of December 31, 2012 there are no outstanding borrowings under our Revolving Credit Facility.

During the years ended December 31, 2012 and 2011, we recorded total interest and commitment fees related to our Credit Agreement of \$8.7 million and \$0.3 million, respectively, to interest expense on our consolidated statement of operations. All unpaid interest and commitment fee amounts as of December 31, 2012 and 2011 were not material.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

In connection with the Credit Agreement, we incurred debt financing costs totaling \$3.5 million, which were capitalized as deferred financing costs. Approximately \$0.8 million, recorded in other current assets, and approximately \$ 1.8 million, reported in other long term assets, remain on the consolidated balance sheet as of December 31, 2012, net of amortization. Total amortization expense of \$ 0.9 million was recorded for the year ended December 31, 2012. These costs will continue to be amortized over the remaining term of the Term Loan using the effective interest rate method and will be included in interest expense on the consolidated and combined statement of operations.

Total outstanding borrowings under the Credit Agreement consist of the following (in thousands):

	December 31,2012	
Short-Term Debt:		
Revolving Credit Facility	\$	
Term Loan		40,000
Total Short-Term Borrowings	\$	40,000
Long-Term Debt:		
Term Loan	\$	340,000
Total Long-Term Borrowings	\$	340,000

Table of Contents

The remaining future minimum principal payment obligations due under the Credit Agreement related to our Term Loan is as follows (in thousands):

Year Ending December 31,	Payment Amount
2013	\$ 40,000
2014	\$ 40,000
2015	\$ 40,000
2016	\$ 260,000
Total	\$ 380,000

Prepayments

We may voluntarily repay any outstanding borrowing under the Credit Agreement at any time without premium or penalty, other than customary breakage costs with respect to eurocurrency loans.

Guarantees

All obligations under the Credit Agreement are unconditionally guaranteed by us and each of our existing and subsequently acquired or organized direct or indirect wholly-owned domestic and foreign restricted subsidiaries, subject to certain exceptions for subsidiaries that are controlled foreign corporations, foreign subsidiaries in jurisdictions where applicable law would otherwise be violated, and non-material subsidiaries.

Covenants

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness, create liens, enter into sale and leaseback transactions, engage in mergers or consolidations, sell or transfer assets, pay dividends and distributions or repurchase our capital stock, make investments, loans or advances, prepay certain subordinated indebtedness, make certain acquisitions, engage in certain transactions with affiliates, amend material agreements governing certain subordinated indebtedness, and change our fiscal year. The Credit Agreement also requires us to maintain a maximum leverage ratio and a minimum cash interest coverage ratio, and contain certain customary affirmative covenants and events of default, including a change of control. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under Credit Agreement and all actions permitted to be taken by a secured creditor.

As of December 31, 2012 we believe we are in compliance with all of our debt covenants.

The full text of the Credit Agreement is incorporated by reference in this Annual Report on Form 10-K as Exhibit 4.2.

Chinese Credit Facilities

In addition to our borrowings under the Credit Agreement, we maintain our Chinese Credit Facilities. As of December 31, 2012 and 2011, we had \$32.1 million and \$16.7 million of short term borrowings outstanding, respectively.

Certain of our Chinese subsidiaries entered into a RMB 138,600,000 (approximately \$22 million), one-year revolving credit facility with Bank of America (the Chinese Credit Facility BOA) that is currently subject to review on a periodic basis with no specific expiration period. During the year ended December 31, 2012, this credit line was increased to RMB 189,000,000 (approximately \$30 million). We currently have \$21.8 million of outstanding borrowings from this credit facility as of December 31, 2012. Our Chinese Credit Facility BOA currently bears interest based at 100% of the People's Bank of China's base rate and was 5.6% as of December 31, 2012.

In addition, during April 2012, certain of our Chinese subsidiaries entered into a RMB 125,000,000 (approximately \$20 million) one-year revolving credit facility with J.P. Morgan Chase Bank (Chinese Credit Facility-JPM). We currently have \$10.3 million of outstanding borrowings from this credit facility as of December 31, 2012. Our Chinese Credit Facility JPM currently bears interest based at 100% of the

People's Bank of China's base rate and was 5.6% as of December 31, 2012.

Table of Contents**NOTE 9: INCOME TAXES**

The following table presents a summary of our domestic and foreign income before income taxes:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Domestic	\$ 133,361	\$ 121,100	\$ 121,964
Foreign	148,614	150,794	102,451
Total	\$ 281,975	\$ 271,894	\$ 224,415

The following table presents a summary of the components of our provision for income taxes:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Current income tax expense:			
Federal	\$ 55,877	\$ 49,736	\$ 42,568
State	5,927	7,818	13,490
Foreign	30,543	37,480	30,056
Current income tax expense	92,347	95,034	86,114
Deferred income tax (benefit) expense:			
Federal	(3,113)	216	972
State	(347)	148	(215)
Foreign	(1,500)	(1,295)	(1,410)
Deferred income tax (benefit) expense:	(4,960)	(931)	(653)
Provision for income taxes	\$ 87,387	\$ 94,103	\$ 85,461

For all periods presented, current and deferred tax expense has been computed using our stand-alone effective rate. As of December 31, 2012, our current income tax receivable and income tax payable balances represent amounts that we will receive and pay, respectively, to the Internal Revenue Service and other tax authorities.

For all periods prior to and through the Spin-Off date, we were a member of the Expedia consolidated tax group. Accordingly, Expedia filed a consolidated federal income tax return and certain state income tax returns with us for that period. Expedia will pay the entire income tax liability associated with these filings. As such, our estimated income tax liability for this period was transferred to Expedia upon Spin-Off and is not included in income taxes payable as of December 31, 2011. Under the terms of the Tax Sharing Agreement, Expedia can make certain elections in preparation of these tax returns which may change the amount of income taxes we owe for the period after the Spin-Off. Additionally, due to continuing ownership and business relationships after the Spin-Off, we may be considered to have a unitary relationship with Expedia from January 1, 2012 through December 11, 2012 for state income tax purposes. Consequently, we may file as part of a unitary combined group with Expedia for certain state tax returns for 2012.

Our deferred tax assets and deferred tax liabilities as of December 31, 2012 and 2011 are as follows:

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

	December 31,	
	2012	2011
	(In thousands)	
Deferred tax assets:		
Stock-based compensation	\$ 21,605	\$ 17,596
Net operating loss carryforwards	15,005	9,415
Provision for accrued expenses	6,824	5,950
Other	4,298	4,597
Total deferred tax assets	47,732	37,558
Less valuation allowance	(11,677)	(9,239)
Net deferred tax assets	\$ 36,055	\$ 28,319
Deferred tax liabilities:		
Intangible assets	\$ (28,205)	\$ (26,699)
Property and equipment	(10,313)	(10,059)
Prepaid expenses	(2,087)	(923)
Other		(148)
Total deferred tax liabilities	\$ (40,605)	\$ (37,829)
Net deferred tax liability	\$ (4,550)	\$ (9,510)

Table of Contents

At December 31, 2012, we had federal, state and foreign net operating loss carryforwards (NOLs) of approximately \$ 10.0 million, \$7.3 million and \$49.3 million. If not utilized, the federal and state NOLs will expire at various times between 2020 and 2032 and the foreign NOLs will expire at various times between 2012 and 2017.

At December 31, 2012, we had a valuation allowance of \$11.7 million related to the portion of net operating loss carryforwards and other items for which it is more likely than not that the tax benefit will not be realized. This amount represented an overall increase of \$2.4 million over the amount recorded as of December 31, 2011.

This increase represented an increase in valuation allowances on foreign net operating losses of \$4.9 million and decreases in domestic valuation allowances of \$2.5 million. This domestic valuation allowance decrease was in connection with our acquisition of the non-controlling interest in one of our subsidiaries. As a result of this transaction, the subsidiary will meet the requirements for being included in our consolidated federal income tax return. Due to certain limitations in the Internal Revenue Code, this subsidiary's net operating losses cannot be used to reduce the taxable income of other members of the consolidated group. Therefore, as required by GAAP, we considered prudent, feasible tax planning strategies, within management's control, that could be successfully implemented to allow utilization of these losses.

We have not provided for deferred U.S. income taxes on undistributed earnings of certain foreign subsidiaries that we intend to reinvest permanently outside the United States; the total amount of such earnings as of December 31, 2012 and 2011 was \$371.6 million and \$258.0 million, respectively. Should we distribute or be treated under certain U.S. tax rules as having distributed earnings of foreign subsidiaries in the form of dividends or otherwise, we may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable at this time to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

A reconciliation of the provision for income taxes to the amounts computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Income tax expense at the federal statutory rate of 35%	\$ 98,691	\$ 95,163	\$ 78,545
Foreign rate differential	(25,069)	(15,319)	(6,947)
State income taxes, net of effect of federal tax benefit	5,581	4,240	7,716
Unrecognized tax benefits and related interest	4,853	2,570	1,920
Non-deductible transaction costs		2,426	
Change in valuation allowance	2,535	3,451	3,639
Other, net	796	1,572	588
Provision for income taxes	\$ 87,387	\$ 94,103	\$ 85,461

During the fourth quarter of 2012, we restructured our non-US operations to align our global structure for more efficient treasury management and global cash deployment. As a result, and due to the continued expansion of our non-US operations, we expect our effective tax rate to continue to decrease.

During 2011, the Singapore Economic Development Board accepted our application to receive a tax incentive under the International Headquarters Award. This incentive provides for a reduced tax rate on qualifying income of 5% as compared to Singapore's statutory tax rate of 17% and is conditional upon our meeting certain employment and investment thresholds. This agreement is set to expire on June 30, 2016, with the ability to extend for another five years. This benefit resulted in a decrease to the 2012 tax provision of \$4.3 million.

Table of Contents

By virtue of previously filed consolidated income tax returns filed with Expedia, we are routinely under audit by federal, state and foreign tax authorities. We are currently under an IRS audit for the 2009 and 2010 tax years, and have various ongoing state income tax audits. As of December 31, 2012, no material assessments have resulted from these audits. These audits include questioning the timing and the amount of income and deductions and the allocation of income among various tax jurisdictions. Annual tax provisions include amounts considered sufficient to pay assessments that may result from the examination of prior year returns. We are no longer subject to tax examinations by tax authorities for years prior to 2005.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	2012	2011 (In thousands)	2010
Balance, beginning of year	\$ 12,900	\$ 6,342	\$ 2,672
Increases to tax positions related to the current year	11,854	5,631	3,913
Increases to tax positions related to the prior year	540	927	2,123
Reductions due to lapsed statute of limitations			(2,366)
Decreases to tax positions related to the prior year			
Settlements during current year	(1,245)		
Balance, end of year	\$ 24,049	\$ 12,900	\$ 6,342

As of December 31, 2012, we had \$24.0 million of unrecognized tax benefits, which is classified as long-term and included in other long-term liabilities. Included in this balance at December 31, 2012 was \$10.2 million of liabilities for uncertain tax positions that, if recognized, would decrease our provision for income taxes. We recognize interest and penalties related to our liabilities for uncertain tax positions in the provision for income taxes. During the years ended December 31, 2012, 2011, and 2010, we recognized \$1.0 million of interest expense, net of federal benefit and penalties, related to our liabilities for uncertain tax positions. We estimate that none of these amounts will be paid within the next year.

NOTE 10: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2012	2011
	(In thousands)	
Accrued salary, bonus, and related benefits	\$ 29,438	\$ 21,744
Accrued marketing costs (1)	11,941	6,194
Accrued charitable foundation payments (2)	6,757	109
Other	15,100	9,222
Total accrued expenses and other current liabilities	\$ 63,236	\$ 37,269

(1) Reclassified amount for the year ended December 31, 2011 from accounts payable on the consolidated balance sheet to conform to current year presentation.

(2) See Note 12 *Commitments and Contingencies* below for information regarding our charitable foundation.

NOTE 11: OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	December 31,	
	2012	2011
	(In thousands)	
Unrecognized tax benefits (1)	\$ 23,138	\$ 13,455
Other	2,425	2,497
Total other long-term liabilities	\$ 25,563	\$ 15,952

- (1) See Note 9 Income Taxes above for additional information on our unrecognized tax benefits. Amount includes accrued interest and penalties related to this liability.

Table of Contents**NOTE 12: COMMITMENTS AND CONTINGENCIES**

We have commitments and obligations that include operating leases, purchase obligations and expected interest on long-term debt, which are not accrued on the consolidated balance sheet at December 31, 2012 but we expect to require future cash outflows and in some cases may be accelerated upon demand of a third party upon certain contingent events.

Office Lease Commitments

We have contractual obligations in the form of operating leases for office space for which we record the related expense on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. Rent expense related to such leases is recorded on a straight-line basis. Operating lease obligations expire at various dates with the latest maturity in June 2023. For the years ended December 31, 2012, 2011 and 2010, we recorded rental expense of \$7.8 million, \$6.0 million and \$6.0 million, respectively.

We lease approximately 119,000 square feet for our corporate headquarters in Newton, Massachusetts, pursuant to a lease with an expiration date of April 2015. We also lease an aggregate of approximately 144,000 square feet at 21 other locations across North America, Europe and Asia Pacific, primarily for our international management teams, sales offices, and subsidiary headquarters, pursuant to leases with expiration dates through June 2023.

The following table presents our estimated future minimum rental payments under operating leases with non-cancelable lease terms that expire after December 31, 2012, in thousands:

2013	\$ 6,730
2014	5,312
2015	3,124
2016	1,279
2017 and thereafter	7,337
 Total	 \$ 23,782

Purchase Obligations

As of December 31, 2012, we had minimum non-cancelable purchase obligations with certain of our vendors, which we expect to utilize in the ordinary course of business.

The following table summarizes our material commitments and obligations as of December 31, 2012 and excludes amounts already recorded on the consolidated balance sheet:

	Total	By Period			More than 5 years
		Less than 1 year	1 to 3 years	3 to 5 years	
		(In thousands)			
Operating leases	\$ 23,782	\$ 6,730	\$ 8,436	\$ 2,558	\$ 6,058
Purchase obligations	1,441	586	747	108	
Expected interest payments on Term Loan (1)	25,029	7,519	12,566	4,944	
 Total (2)	 \$ 50,252	 \$ 14,835	 \$ 21,749	 \$ 7,610	 \$ 6,058

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

- (1) The amounts included as expected interest payments on the Term Loan in this table are based on the current effective interest rate and payment terms as of December 31, 2012, but, could change significantly in the future. Amounts assume that our existing debt is repaid at maturity and do not assume additional borrowings or refinancings of existing debt.
- (2) In connection with the Spin-Off, we assumed Expedia's obligation to fund a charitable foundation. The Board of Directors of the charitable foundation is currently comprised of Stephen Kaufer- President and Chief Executive Officer, Julie M.B. Bradley-Chief Financial Officer and Seth J. Kalvert- Senior Vice President, General Counsel and Secretary. Our obligation was calculated at 2.0% of OIBA in 2012 and is expected to be calculated at 2.0% of Adjusted EBITDA for subsequent years. For a discussion regarding OIBA and Adjusted EBITDA see Note 17 *Segment Information* below. This future commitment has been excluded from the table above.

Table of Contents

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Contingencies:

In the ordinary course of business, we and our subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the registrant's business, and advise that proceedings ordinarily need not be described if they primarily involve damages claims for amounts (exclusive of interest and costs) not individually exceeding 10% of the current assets of the registrant and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters that the Company and its subsidiaries are defending involves or is likely to involve amounts of that magnitude. There may be claims or actions pending or threatened against us of which we are currently not aware and the ultimate disposition of which could have a material adverse effect on us.

NOTE 13: EMPLOYEE BENEFIT PLANS

Prior to the Spin-Off from Expedia

Our U.S. employees were generally eligible to participate in Expedia's retirement and savings plan (the Expedia 401(k) Plan) that qualified under Section 401(k) of the Internal Revenue Code until October 31, 2011. Our employees ceased to participate in this plan upon the creation of our new retirement and savings plan on November 1, 2011 described below. Within the Expedia 401(k) Plan, participating employees could contribute up to 50% of their pretax salary, but not more than statutory limits. We matched 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. Our contributions vested with the employees after they completed two years of service. Participating employees had the option to invest in Expedia's common stock, but there was no requirement for participating employees to invest their contribution or our matching contribution in Expedia's common stock. Expedia also had various defined contribution plans for our international employees. Contributions to these benefit plans for our employees were \$2 million and \$1 million for the years ended December 31, 2011 and 2010, respectively.

Subsequent to Spin-Off from Expedia

TripAdvisor Retirement Savings Plan

Effective November 1, 2011, our U.S. employees were generally eligible to participate in a new retirement and savings plan, the TripAdvisor Retirement Savings Plan (the 401(k) Plan), that qualifies under Section 401(k) of the Internal Revenue Code. The 401(k) Plan is similar to and replaced the Expedia 401(k) Plan, allowing all employees to make contributions of a specified percentage of their compensation. Participating employees may contribute up to 50% of their pretax salary, but not more than statutory limits, and employee-participants age 50 or over may contribute an additional pre-tax salary deferral contribution to the 401(k) Plan up to the IRS Catch-Up Provision Limit. Employees may also contribute into the 401(k) Plan on an after-tax basis up to an annual maximum of 10%. The 401(k) Plan has an automatic enrollment feature at 3% pre-tax. We match 50% of the first 6% of employee contributions to the plan for a maximum employer contribution of 3% of a participant's eligible earnings. The 401(k) Plan additionally allows certain employees to contribute amounts above the specified percentage, which are not subject to any employer match. Our contributions vest with the employee after the employee completes two years of service. Effective June 8, 2012 the 401(k) Plan permits certain after-tax Roth 401(k) contributions. Additionally at the end of the 401(k) Plan year we may make an additional matching contribution to eligible participants. This additional discretionary matching employer contribution referred to as true up is limited to match only contributions up to 3% of eligible compensation.

We also have various defined contribution plans for our international employees. Our employee's interests were rolled into the 401(k) Plan from the Expedia 401(k) Plan in connection with the creation of our new plan on November 1, 2011. Our contributions to the 401(k) Plan were not material for the period from November 1, 2011 through December 31, 2011 and \$3.1 million for the year ended December 31, 2012.

TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors

On December 20, 2011, the TripAdvisor, Inc. Deferred Compensation Plan for Non-Employee Directors (the Plan) became effective. Under the Plan, eligible directors who defer their directors' fees may elect to have such deferred fees (i) applied to the purchase of share units, representing the number of shares of our common stock that could have been purchased on the date such fees would otherwise be payable, or (ii) credited to a

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

cash fund. The cash fund will be credited with interest at an annual rate equal to the weighted average prime or base lending rate of a financial institution selected in accordance with the terms of the Plan and applicable law. Upon termination of service as a director of TripAdvisor, a director will receive (i) with respect to share units, such number of shares of our common stock as the share units represent, and (ii) with respect to the cash fund, a cash payment. Payments upon termination will be made in either one lump sum or up to five annual installments, as elected by the eligible director at the time of the deferral election.

Table of Contents

Under the 2011 Incentive Plan, 100,000 shares of TripAdvisor common stock are available for issuance to non-employee directors. There has been no activity from the inception of the Plan through December 31, 2012.

The summary of the material terms of the Plan is qualified in its entirety by the full text of the Plan, which is incorporated by reference in the Annual Report on this Form 10-K as Exhibit 4.4.

NOTE 14: REDEEMABLE NONCONTROLLING INTEREST

Redeemable noncontrolling interests are measured at fair value, both at the date of acquisition and subsequently at each reporting period. Our redeemable noncontrolling interest is reported on our consolidated balance sheets in the mezzanine section in redeemable noncontrolling interest.

One of our acquisitions made during 2008 included a noncontrolling interest with certain rights whereby we could acquire, and the minority shareholders could sell to us, the additional shares of the subsidiary, at fair value or at adjusted fair values at our discretion, beginning in the fourth quarter of 2012. Fair value determination has been based on various internal valuation techniques, including industry market comparables and a discounted cash flow valuation model. Certain assumptions were used in determining fair value, including revenue growth rates and discount rates. Changes in these assumptions impacted the fair value. Changes in the fair value of the shares for which the minority shareholders could sell to us have been recorded to the redeemable noncontrolling interest with charges or credits to additional paid in capital. The final purchase price paid for the remaining noncontrolling interest subsidiary shares during the fourth quarter of 2012 was \$22.3 million, which brought our ownership to 100% at December 31, 2012.

In addition, we have incurred stock based compensation for the year ending December 31, 2012 and 2011 of \$3.3 million and \$0.5 million, respectively related to stock option and RSU issuances which were convertible for common shares of our noncontrolling interest. All stock option and RSU grants issued by our noncontrolling interest were issued with an exercise price at fair value, calculated as described above, and generally vested over a four-year requisite service period. In accordance with current accounting guidance on stock based compensation, we had classified these awards as liability awards and therefore marked the liability to market at each report date with stock based compensation expense recognized ratably over the vesting period. All outstanding stock options and RSU s were accelerated and thus fully vested and expensed upon the liquidation event in the fourth quarter of 2012 as provided in the award agreements. As of December 31, 2012 we have no remaining redeemable noncontrolling interests.

A reconciliation of our redeemable noncontrolling interest is as follows (in thousands):

	Twelve months ended December 31, 2012	Twelve months ended December 31, 2011
Balance, beginning of period (1)	\$ 3,863	\$ 2,637
Net income attributable to noncontrolling interest	519	114
Fair value adjustments	14,617	571
Stock based compensation	3,305	541
Purchases of subsidiary shares at fair value	(22,304)	
Balance, end of period	\$	\$ 3,863

(1) The balance as of December 31, 2011 was reclassified from accrued expenses and other current liabilities to redeemable noncontrolling interest on the consolidated balance sheet to conform to current year presentation.

NOTE 15 STOCKHOLDERS EQUITY**Common Stock and Class B Common Stock**

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Our authorized common stock consists of 1.6 billion shares of common stock with par value of \$0.001 per share, and 400 million shares of Class B common stock with par value of \$0.001 per share. Both classes of common stock qualify for and share equally in dividends, if declared by our Board of Directors. Common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share on most matters. Holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number, which is currently three directors. Class B common stockholders may, at any time, convert their shares into common stock, on a one for one share basis. Upon conversion, the Class B common stock is retired and is not available for reissue. In the event of liquidation, dissolution, distribution of assets or winding-up of TripAdvisor the holders of both classes of common stock have equal rights to receive all the assets of TripAdvisor after the rights of the holders of the preferred stock have been satisfied.

Table of Contents

As discussed in Note 1 *Organization and Basis of Presentation* above, in connection with the Spin-Off, a one-for-two reverse stock split of outstanding Expedia capital stock occurred immediately prior to the Spin-Off, which resulted in 120,661,020 shares of common stock and 12,799,999 shares of Class B common stock outstanding immediately following the Spin-Off.

Preferred Stock

In addition to common stock, we are authorized to issue up to 100 million preferred shares, with \$ 0.001 par value per share, with terms determined by our Board of Directors, without further action by our stockholders. At December 31, 2012, no preferred shares had been issued.

Share Repurchases

During the period January 1, 2012 through December 31, 2012, our Board of Directors did not authorize any share buyback program and we have not repurchased any shares of outstanding common stock. See Note 18 *Subsequent Events* below for information related to a share repurchase program approved by our Board of Directors subsequent to December 31, 2012.

Dividends

During the period January 1, 2012 through December 31, 2012, our Board of Directors did not declare any dividends on our outstanding common stock.

Spin-Off Adjustments to Invested Equity and Additional Paid-in Capital

The table below reflects the accounting treatment related to the formation of TripAdvisor and the transfer to us by Expedia of the post-Spin-Off net assets of TripAdvisor in 2011 after giving effect to the terms provided for in the separation agreement between Expedia and us (in thousands).

Invested equity prior to Spin-Off	\$ 693,447
Distribution to Expedia (1)	(405,516)
Adjustment to distribution from Expedia (2)	7,028
Receivable from Expedia extinguished, net (3)	(1,525)
Common shares issued (4)	(121)
Class B shares issued (4)	(13)
Beginning Additional-Paid-In-Capital	\$ 293,300

- (1) The transfer of \$405.5 million in cash to Expedia in form of dividend, prior to our separation from Expedia.
- (2) Per the Separation Agreement, we were to retain \$165 million in cash on hand immediately following the Spin-Off. The agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained and all amounts in excess of \$165 million were remitted to Expedia. The completion of this reconciliation resulted in TripAdvisor recording an additional receivable from Expedia of \$7 million at December 31, 2011 which was subsequently received by us during 2012.
- (3) The extinguishment of domestic intercompany receivables from Expedia, including transfers of assets and liabilities at Spin-Off.
- (4) The reclassification of 120,661,020 shares of Expedia common stock and 12,799,999 shares of Expedia Class B common stock into, in part, shares of Expedia mandatory exchangeable preferred stock that automatically, immediately following the reclassification, exchanged into 120,661,020 shares of TripAdvisor Common Stock and 12,799,999 shares of TripAdvisor Class B common stock to effect the transfer of ownership of TripAdvisor from Expedia to Expedia's shareholders based upon a ratio of one share of the respective class of TripAdvisor common stock for each share of the respective class of Expedia common stock and the number of Expedia common and Class B common shares outstanding as of December 20, 2011 after giving effect to the one-for-two reverse stock split of Expedia shares in connection with, and immediately prior to, the Spin-Off.

Accumulated Other Comprehensive Loss

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Accumulated other comprehensive loss is primarily comprised of accumulated foreign currency translation adjustments, as follows:

	December 31,	
	2012	2011
	(In thousands)	
Net unrealized gain (loss) on securities, net of tax (1)	\$ (104)	\$
Cumulative foreign currency translation adjustments (2)	(765)	(2,710)
Total accumulated other comprehensive income (losses)	\$ (869)	\$ (2,710)

- (1) Net of unrealized tax benefits of \$72 for the year ended December 31, 2012.
- (2) Our foreign subsidiary earnings are considered indefinitely reinvested; therefore, deferred taxes are not provided on foreign currency translation adjustments.

Table of Contents**NOTE 16: RELATED PARTY TRANSACTIONS*****Expedia***

Related-party revenue from Expedia of \$203.8 million, \$211.0 million and \$171.1 million for the years ended December 31, 2012, 2011 and 2010, respectively, primarily consists of click-based advertising and other advertising services provided to Expedia and its subsidiaries and is recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Related-party revenue represented 27%, 33% and 35% of our total revenue for the years ended December 31, 2012, 2011 and 2010, respectively.

Prior to the Spin-Off, our operating expenses included a related-party shared services fee, of \$9.2 million and \$7.9 million for the years ended December 31, 2011 and 2010, respectively, which was comprised of allocations from Expedia for accounting, legal, tax, corporate development, financial reporting, treasury and real estate functions and included an allocation of employee compensation within these functions. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. It was not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity. In the opinion of our management, the allocation method was reasonable.

Other related-party operating expenses which were included within selling and marketing expense were \$6.4 million, \$4.3 million, and \$1.2 million for the years ended December 31, 2012, 2011 and 2010, respectively, which primarily consisted of marketing expense for exit windows.

Related party net interest income (expense) of \$0.5 million and (\$0.2) million for the years ending December 31, 2011 and 2010 are reflected in the consolidated and combined statements of operations within interest income (expense), net and were primarily intercompany in nature, arising from the transfer of liquid funds between Expedia and us that occurred as part of Expedia's treasury operations prior to the Spin-Off.

The net related party receivable balances with Expedia reflected in our consolidated balance sheets as of December 31, 2012 and 2011 were \$24.0 million receivable and \$14.1 million, respectively. In addition to the revenue and expense relationships described above, the change in the net related party receivable balance was also affected by our transfer of domestic cash receipts to Expedia during the periods prior to the Spin-Off offset by Expedia's funding of our payroll and income tax payments as well as certain acquisitions. In connection with the Spin-Off, all domestic intercompany receivables/payables with Expedia were extinguished.

As discussed in Note 1 *Organization and Basis of Presentation* above, we transferred \$405.5 million in cash to Expedia in the form of a dividend, prior to completion of the Spin-Off. Per the Separation Agreement we were to retain \$165 million in cash on hand immediately following the Spin-off and the agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained. The completion of this reconciliation resulted in us recording an additional receivable from Expedia of \$7 million at December 31, 2011, which was subsequently received by us during 2012.

We were a guarantor of Expedia's credit facility and outstanding senior notes. These guarantees were full, unconditional, joint and several, and were released upon Spin-Off.

Following the Spin-Off, as a result of the irrevocable proxy of Liberty Interactive Corporation (Liberty) described in more detail below under Liberty and Barry Diller, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote). Additionally, Mr. Diller was the Chairman and Senior Executive of Expedia, and through similar arrangements between Mr. Diller and Liberty, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of Expedia's stockholders (other than with respect to the election by the holders of Expedia common stock of 25% of the members of Expedia's Board of Directors and matters as to which Delaware law requires a separate class vote). As a result, from the completion of the Spin-Off until December 11, 2012, TripAdvisor and Expedia were related parties since they were under common control. On December 11, 2012, as a result of the purchase by Liberty of an aggregate of 4,799,848 shares of common stock of TripAdvisor from Mr. Diller and certain of his affiliates which is described in further detail below under Liberty and Barry Diller, Expedia and TripAdvisor are no longer under common control. However, Expedia continues to be a related party to TripAdvisor due to Liberty's ownership of Expedia stock.

Table of Contents

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia have entered into various agreements, including, among others, the Separation Agreement; the Tax Sharing Agreement, the Employee Matters agreement, the Transition Services Agreement, and commercial agreements. The various commercial agreements, including click-based advertising agreements, content sharing agreements and display-based and other advertising agreements, had terms of up to one year. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement, the Transition Services Agreement and the Master Advertising Agreement (CPC) are incorporated by reference in this Annual Report on Form 10-K as Exhibits 2.1, 10.2, 10.3, 10.4 and 10.6 (10.6 filed in redacted form pursuant to confidential treatment request), respectively. We continue to work together with Expedia pursuant to various commercial agreements between subsidiaries of TripAdvisor, on the one hand, and subsidiaries of Expedia, on the other hand.

Liberty and Barry Diller

On December 20, 2011, in connection with the Spin-Off, we entered into a governance agreement (the *Governance Agreement*) with Liberty Interactive Corporation (*Liberty*) and Barry Diller, our former Chairman of the Board of Directors and our Senior Executive. The summary of the material terms of the *Governance Agreement* are qualified in their entirety by the full text of the *Governance Agreement*, which is incorporated by reference on this Annual Report on Form 10-K as Exhibit 10.1. In addition, Liberty and Mr. Diller entered into a stockholders agreement, dated December 20, 2011 (the *Stockholders Agreement*), pursuant to which, among other things, Liberty granted to Mr. Diller an irrevocable proxy (the *Proxy*) with respect to all of TripAdvisor's securities beneficially owned by Liberty on all matters submitted to a stockholder vote or by which the stockholders may act by written consent (other than with respect to contingent matters with respect to which Liberty had not consented).

By virtue of the *Proxy*, as well as through shares owned by Mr. Diller directly, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote). Additionally, Mr. Diller was the Chairman and Senior Executive of Expedia, and through similar arrangements between Mr. Diller and Liberty, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of Expedia's stockholders (other than with respect to the election by the holders of Expedia common stock of 25% of the members of Expedia's Board of Directors and matters as to which Delaware law requires a separate class vote). As a result, from the completion of the Spin-Off until December 11, 2012, TripAdvisor and Expedia were related parties since they were under common control.

On December 11, 2012, Liberty purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Mr. Diller and certain of his affiliates (the *Stock Purchase*). Effective upon completion of the *Stock Purchase*, Mr. Diller resigned as Chairman and the Senior Executive of TripAdvisor, but continues to serve as a non-employee director. As a result of the completion of the *Stock Purchase*: (i) the *Stockholders Agreement* has, in accordance with its terms, terminated, (ii) the *Proxy* has terminated and Mr. Diller no longer has the right to vote the shares of TripAdvisor common stock and Class B common stock beneficially owned by Liberty, and (iii) the *Governance Agreement* has, in accordance with its terms, terminated with respect to Mr. Diller and remains in effect with respect to Liberty and TripAdvisor.

Pursuant to the terms of the stock purchase agreement entered into by Liberty, Mr. Diller and certain of their affiliates in connection with the *Stock Purchase*, Liberty has agreed that, until the Director Expiration Date (as defined below), it will:

use its reasonable best efforts to cause Mr. Diller to be included in the slate of nominees recommended by the Board of Directors to the Company's stockholders for election as directors at each annual meeting of the stockholders of the Company,

vote, or act by written consent with respect to, any and all shares of common stock or shares of Class B common stock with respect to which it has the power to vote, in favor of Mr. Diller to serve as a director on the Company's Board of Directors, and

use its reasonable best efforts to ensure that the unvested options to acquire, and restricted stock units (the *RSUs*) with respect to, shares of common stock that Mr. Diller held as of the completion of the transaction will continue to vest as long as Mr. Diller remains a director of the Company and the post-termination exercise period of any options to acquire shares of common stock of the Company (*Options*) that Mr. Diller held as of the completion of the transaction will not commence until Mr. Diller ceases to be a director of the Company.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

The term **Director Expiration Date** in the Stock Purchase Agreement means the first to occur of (w) January 1, 2018, (x) such time as Mr. Diller has been convicted of, or has pled guilty to, any felony involving moral turpitude, (y) Mr. Diller ceases to hold any Options or RSUs or (z) such time as all Options and RSUs shall have become vested and shall by their terms be exercisable through the applicable expiration date.

As of December 31, 2012, Mr. Diller beneficially owned 2,047,088 shares of our common stock (assuming the exercise of options to purchase 1,994,759 shares of Common Stock and 10,319 shares of common stock issuable upon settlement of RSUs that are or become exercisable by Mr. Diller or vest within 60 days of December 31, 2012), which shares constitute 1.41% of the outstanding shares of Common Stock. As of December 31, 2012, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B

Table of Contents

common stock, which shares constitute 14.0% of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Common Stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.7% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.6% of our voting power.

NOTE 17: SEGMENT INFORMATION

We have one reportable segment: TripAdvisor. We determined our segment based on how our chief operating decision maker manages our business, makes operating decisions and evaluates operating performance. Our primary operating metric for evaluating segment performance is Adjusted EBITDA. Adjusted EBITDA is defined as operating income plus: (1) depreciation of property and equipment, including internal use software and website development; (2) amortization of intangible assets; (3) stock-based compensation; and (4) non-recurring expenses incurred to effect the Spin-Off during the year ended December 31, 2011. Such amounts are detailed in our segment reconciliation below. In addition, please see our discussion of Adjusted EBITDA in the section of this Annual Report on Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following table is a reconciliation of Adjusted EBITDA to operating income and net income for the periods presented:

	Year ended December 31, (in thousands)		
	2012	2011	2010
Adjusted EBITDA	\$ 352,474	\$ 322,918	\$ 260,963
Depreciation (1)	(19,966)	(18,362)	(12,871)
OIBA (2)	332,508	304,556	248,092
Amortization of intangible assets	(6,110)	(7,523)	(14,609)
Stock-based compensation	(30,102)	(17,344)	(7,183)
Spin-Off costs		(6,932)	
Operating income	296,296	272,757	226,300
Interest income (expense), net	(10,871)	391	(241)
Other, net	(3,450)	(1,254)	(1,644)
Provision for income taxes	(87,387)	(94,103)	(85,461)
Net (income) loss attributable to noncontrolling interest	(519)	(114)	(178)
Net income attributable to TripAdvisor, Inc.	\$ 194,069	\$ 177,677	\$ 138,776

(1) Includes internal use software and website development costs.

(2) Our primary operating metric prior to the Spin-Off for evaluating operating performance was OIBA, as reported on our Registration Statement on Form S-4, filed with the SEC on November 1, 2011. OIBA is defined as operating income plus: (1) amortization of intangible assets and any related impairment; (2) stock-based compensation expense; and (3) non-recurring expenses incurred to effect the Spin-Off during the year ended December 31, 2011. This operating metric is no longer being used by our management to measure operating performance and is only being shown above to illustrate the financial impact as we converted to a new operating metric post Spin-Off and is also currently used to calculate our annual obligation for our charitable foundation. Refer to Note 12 *Commitments and Contingencies* above for a discussion of our charitable foundation.

We derive substantially all of our revenue from the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. The remainder of our revenue is generated through a combination of subscription-based offerings, transaction revenue from selling room nights on our transactional sites SniqueAway and Tingo, and other revenue including content licensing.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

	Year ended December 31,		
	2012	2011	2010
	(\$ in thousands)		
Click-based advertising	\$ 587,781	\$ 499,993	\$ 383,543
Display-based advertising	94,147	85,736	71,848
Subscription, transaction and other	81,038	51,334	29,244
Total revenue	\$ 762,966	\$ 637,063	\$ 484,635

Table of Contents

The following table presents revenue by geographic area, the United States, the United Kingdom and all other countries, based on the geographic location of our websites for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,		
	2012	2011	2010
	(In thousands)		
Revenue			
United States	\$ 386,211	\$ 348,066	\$ 297,830
United Kingdom	110,213	99,646	69,721
All other countries	266,542	189,351	117,084
	\$ 762,966	\$ 637,063	\$ 484,635

The following table presents property and equipment, net for the United States and all other countries based on the geographic location of the assets:

	As of December 31,	
	2012	2011
	(In thousands)	
Property and equipment, net		
United States	\$ 36,255	\$ 30,138
All other countries	7,547	4,616
	\$ 43,802	\$ 34,754

NOTE 18: SUBSEQUENT EVENTS**Share Repurchase Authorization**

On February 12, 2013, our Board of Directors authorized the repurchase of \$250.0 million of our shares of common stock under a share repurchase program. We intend to use available cash and future cash from operations to fund repurchases under the share repurchase program. The repurchase program has no expiration but may be suspended or terminated by the Board of Directors at any time. The Executive Committee of our Board of Directors will determine the price, timing, amount and method of such repurchases based on its evaluation of market conditions and other factors, and any shares repurchased will be in compliance with applicable legal requirements, at prices determined to be attractive and in the best interests of both the Company and its stockholders.

TripAdvisor, Inc**Quarterly Financial Information (Unaudited)**

(in thousands, except per share data)

The following table presents selected unaudited financial information for the eight quarters in the period ended December 31, 2012. The results for any quarter are not necessarily indicative of future quarterly results and, accordingly, period to period comparisons should not be relied upon as an indication of future performance.

March 31	Three Months Ended		
	June 30	September 30	December 31

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

(In thousands)

Year ended December 31, 2012				
Revenue	\$ 183,715	\$ 197,148	\$ 212,710	\$ 169,393
Operating income	73,377	83,678	92,249	46,992
Net income	48,171	53,165	59,535	33,717
Net income attributable to TripAdvisor, Inc.	48,111	53,019	59,360	33,579
Basic earnings per share (1)	\$ 0.36	\$ 0.38	\$ 0.42	\$ 0.24
Diluted earnings per share (1)	\$ 0.35	\$ 0.37	\$ 0.41	\$ 0.23
Year ended December 31, 2011				
Revenue	\$ 149,222	\$ 169,242	\$ 180,801	\$ 137,798
Operating income	73,314	83,819	82,068	33,556
Net income	47,371	54,110	54,293	22,017
Net income attributable to TripAdvisor, Inc.	47,278	54,064	54,314	22,021
Basic earnings per share (1).	\$ 0.35	\$ 0.41	\$ 0.41	\$ 0.16
Diluted earnings per share (1).	\$ 0.35	\$ 0.41	\$ 0.41	\$ 0.16

- (1) Refer to Note 2 *Significant Accounting Policies* above for information regarding the calculation of basic and diluted share calculations. Our common stock began trading on NASDAQ on December 21, 2011 under the ticker symbol TRIP following the Spin-Off from Expedia.

Table of Contents**TripAdvisor, Inc****For the Years Ended December 31, 2012, 2011 and 2010****Schedule II Valuation and Qualifying Accounts**

The following table presents the changes in our valuation and qualifying accounts:

Description	Balance at Beginning of Year	Charges(recoveries)to Earnings	Deductions	Balance at End of Year
		(In thousands)		
2012				
Allowance for doubtful accounts	\$ 5,370	\$ (1,050)	\$ (1,502)	\$ 2,818
2011				
Allowance for doubtful accounts	\$ 5,184	\$ 909	\$ (723)	\$ 5,370
2010				
Allowance for doubtful accounts	\$ 3,693	\$ 3,383	\$ (1,892)	\$ 5,184

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2012, our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2012, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules, or the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective control over financial reporting described in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that, as of December 31, 2012, our internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee. Ernst & Young, LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2012, as stated in their report which is included below.

Limitations on Effectiveness of Controls and Procedures

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of TripAdvisor, Inc.

We have audited TripAdvisor, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). TripAdvisor Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TripAdvisor, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TripAdvisor, Inc. as of December 31, 2012 and 2011, and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012 and our report dated February 15, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 15, 2013

Table of Contents**Item 9B. Other Information**

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance****Directors and Executive Officers**

Set forth below is certain background information, as of April 24, 2013, regarding the members of our Board of Directors as well as TripAdvisor's executive officers. Messrs. Kaufer, Miller, Philips, Wiesenthal and Ms. Singh Cassidy have been directors of TripAdvisor since the completion of TripAdvisor's spin-off (the "Spin-Off") from Expedia, Inc. ("Expedia") in December 2011. Messrs. Maffei and Shean have been directors of TripAdvisor since February 2013. There are no family relationships among directors or executive officers of TripAdvisor. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills, each director has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to TripAdvisor and our Board of Directors as demonstrated by the director's past service. All of our directors also have extensive management experience in complex organizations. The Board of Directors considered the NASDAQ requirement that the Company's Audit Committee be composed of at least three independent directors, as well as specific NASDAQ and Securities and Exchange Commission ("SEC") requirements regarding financial literacy and expertise.

Name	Age	Position
Gregory B. Maffei	52	Chairman
Stephen Kaufer	50	Director, President and Chief Executive Officer
Julie M.B. Bradley	44	Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer
Seth J. Kalvert	43	Senior Vice President, General Counsel and Secretary
Jonathan F. Miller	56	Director
Jeremy Philips	40	Director
Christopher W. Shean	47	Director
Sukhinder Singh Cassidy	43	Director
Robert S. Wiesenthal	46	Director

Gregory B. Maffei has been the Chairman of the Board of Directors of TripAdvisor since February 2013. Mr. Maffei has served as President and Chief Executive Officer of Liberty Interactive Corporation ("Liberty") since February 2006 and served as its CEO-elect from November 2005 through February 2006. Mr. Maffei has also served as President and Chief Executive Officer of Liberty Media Corporation (including its predecessor) since May 2007. Previously, he has served as President and Chief Financial Officer of Oracle Corporation during 2005, President and Chief Executive Officer of 360networks Corporation from 2000 until 2005 and Chairman of the Board of Directors of 360networks Corporation from 2002 until 2011, Chief Financial Officer of Microsoft Corporation from 1997 until 2000. Mr. Maffei currently serves as a Director of Barnes & Noble, Inc., Electronic Arts Inc., Liberty, Liberty Media Corporation, Starz, Live National Entertainment, Inc., Sirius XM Radio Inc. and Zillow, Inc. He has served as a Director of DIRECTV from November 2009 to June 2010 and as a Director of its predecessor The DirecTV Group, Inc. from February 2008 to November 2009. Mr. Maffei holds an MBA from Harvard Business School, where he was a Baker Scholar, and an AB from Dartmouth College.

Board Membership Qualifications: Mr. Maffei brings to our Board significant financial and operational experience based on his senior policy making positions at Liberty, Liberty Media Corporation, Oracle Corporation, 360networks Corporation and Microsoft Corporation and his other public company board experience. He provides our board with an executive and leadership perspective on the operations and management of large public companies and risk management principles.

Table of Contents

Stephen Kaufer co-founded TripAdvisor in February 2000 and has been the President and Chief Executive Officer of TripAdvisor since that date. Mr. Kaufer has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Prior to co-founding TripAdvisor, Mr. Kaufer served as President of CDS, Inc., an independent software vendor specializing in programming and testing tools, and co-founded CenterLine Software and served as its Vice President of Engineering. Mr. Kaufer serves on the boards of several privately-held companies, including CarGurus, LLC, LiveData, Inc., and GlassDoor, Inc., as well as the charity, Caring for Carcinoid Foundation. Mr. Kaufer holds an AB in Computer Science from Harvard University.

Board Membership Qualifications: As co-founder of TripAdvisor and through his service as its Chief Executive Officer, Mr. Kaufer has extensive knowledge of TripAdvisor's business and operations, and significant experience in the online advertising sector of the global travel industry. Mr. Kaufer also possesses strategic and governance skills gained through his executive and director roles with several privately-held companies.

Jonathan F. Miller has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Miller was the Chairman and Chief Executive of News Corporation's digital media group and News Corporation's Chief Digital Officer from April 2009 until October 2012. Mr. Miller had previously been a founding partner of Velocity Interactive Group (Velocity), an investment firm focusing on digital media and the consumer Internet, from its inception in February 2007 until April 2009. Prior to founding Velocity, Mr. Miller served as Chief Executive Officer of AOL LLC (AOL) from August 2002 to December 2006. Prior to joining AOL, Mr. Miller served as Chief Executive Officer and President of USA Information and Services, of USA Interactive, a predecessor to IAC. Mr. Miller also served as a director of Ticketmaster Entertainment, Inc. from August 2008 until January 2010, and as a director of Live Nation Entertainment, Inc. from January 2010 through April 2011. Mr. Miller is currently a member of the Board of Directors of Shutterstock, Inc. Mr. Miller also serves on the Board of Trustees of the American Film Institute and is a member of the International Academy of Television Arts & Sciences.

Board Membership Qualifications: Through his various senior leadership positions at other private and public companies and business divisions thereof, Mr. Miller possesses extensive executive, strategic, operational, and corporate governance experience. Mr. Miller also has expertise in the digital media and online advertising sectors. Further, Mr. Miller has experience as a director serving on other public company boards.

Jeremy Philips has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Philips served as the Chief Executive Officer of Photon Group Limited, a holding company listed on the Australian Securities Exchange, from June 2010 to January 2012. Mr. Philips had previously served as an Executive Vice President in the Office of the Chairman of News Corporation from January 2006 to March 2010, and as Senior Vice President of News Corporation from July 2004 to January 2006. Prior to joining News Corporation, he served in several roles, including as co-founder and Vice-Chairman of a publicly traded Internet holding company, and as an analyst at McKinsey & Company. Mr. Philips also served as a director of REA Group Ltd. from March 2009 to June 2010. He holds a BA and LLB from the University of New South Wales and an MPA from the Harvard Kennedy School of Government.

Board Membership Qualifications: Mr. Philips has significant strategic and operational experience, acquired through his service as Chief Executive Officer and other executive-level positions at other companies. He also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Christopher W. Shean has been a director of TripAdvisor since February 2013. Mr. Shean has been a Senior Vice President of Liberty Media Corporation (including its predecessor) since May 2007 and its Chief Financial Officer since November 2011. He was the Controller of Liberty Media Corporation's predecessor company from May 2007 until October 2011. Mr. Shean has also been a Senior Vice President of Liberty since January 2002 and its Chief Financial Officer since November 2011. He was the Controller of Liberty from October 2000 until October 2011 and a Vice President of Liberty from October 2000 to January 2002. Mr. Shean was previously a partner with KPMG. He is a graduate of Virginia Polytechnic Institute and State University.

Board Membership Qualifications: Mr. Shean has significant financial and operational experience gained through his service as Chief Financial Officer and other executive-level positions at other companies. He also possesses a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Sukhinder Singh Cassidy has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. In January 2011, Ms. Singh Cassidy founded, and currently serves as Chairman of Joyus, a video commerce website. Ms. Singh Cassidy previously served as Chief Executive Officer and Chairman of the Board of Polyvore, Inc., a privately-held social commerce website, from March 2010 to September 2010. Prior to that, she was CEO-in-residence at Accel Partners, a global venture and growth equity firm, from April 2009 to March 2010. From 2003 to April 2009, Ms. Singh Cassidy held various positions at Google, Inc., including, most recently, global Vice President of Sales and Operations. Previously, Ms. Singh Cassidy worked with Yodlee.com, Amazon.com and News Corporation, and in investment banking with Merrill Lynch. Ms. Singh Cassidy serves on the board of privately-held direct sales company J. Hilburn, Inc. and has served on the board of directors of publicly-traded J. Crew Group, Inc. from August 2009 to March 2010. She also currently serves on the Princeton Computer Science

Advisory Council.

Table of Contents

Board Membership Qualifications: Through her experience as a consumer Internet and media executive, Ms. Singh Cassidy has in-depth knowledge of the online media and advertising sectors. Ms. Singh Cassidy also possesses extensive executive, strategic and operational experience.

Robert S. Wiesenthal has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Since January 2013, Mr. Wiesenthal has been serving as Chief Operating Officer of Warner Music Group Corp., a leading global music conglomerate. From 2000-2012, Mr. Wiesenthal served in various senior executive capacities within the Sony Corporation. From January 2002 through June 2012, Mr. Wiesenthal served as Executive Vice President and Chief Financial Officer of Sony Corporation of America and, since July 2005, as Executive Vice President and Chief Strategy Officer, Sony Entertainment. Prior to joining Sony, Mr. Wiesenthal was Managing Director at Credit Suisse First Boston and head of the firm's Entertainment and Digital Media practices from 1999 to 2000, a member of its Media Group from 1993 to 1999 and a member of its Mergers and Acquisitions Group from 1988 to 1993. Mr. Wiesenthal presently serves on the boards of directors of Entercom Communications Corp. and Starz. Mr. Wiesenthal has a B.A. from the University of Rochester.

Board Membership Qualifications: Mr. Wiesenthal possesses extensive strategic, operational and financial experience, gained through his wide range of service in executive-level positions with a strong focus on networked consumer electronics, entertainment, and digital media. He also has a high degree of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Julie M.B. Bradley has served as Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of TripAdvisor since October 2011. Prior to joining TripAdvisor, from July 2005 to April 2011, Ms. Bradley served as Senior Vice President, Chief Financial Officer, Treasurer and Secretary of Art Technology Group, Inc., a provider of e-commerce software solutions and services, which was acquired by Oracle Corporation in January 2011. Prior to joining Art Technology Group, Ms. Bradley was at Akamai Technologies, Inc. from April 2000 to June 2005, most recently serving as Vice President of Finance. Previously, Ms. Bradley was an accountant with Deloitte. Ms. Bradley is currently a member of the Board of Directors of Wayfair.com and Exact Target and serves as a member of the Board of Trustees of The Judge Baker's Children's Center. Ms. Bradley received her B.A. in Economics from Wheaton College and is a certified public accountant.

Seth J. Kalvert, has served as Senior Vice President, General Counsel and Secretary of TripAdvisor since August 2011. Prior to joining TripAdvisor, Mr. Kalvert served as Vice President, Associate General Counsel of Expedia since February 2006, having been promoted from Assistant General Counsel, a position he had held since March 2005. Prior to that, Mr. Kalvert held positions at IAC, including Senior Counsel, from April 2002 to March 2005, and Vice President and General Counsel of Electronic Commerce Solutions, a former subsidiary of IAC, from July 2001 to March 2002. Previously, Mr. Kalvert held a business development position at Bolt Media Inc., a privately-held online social networking and e-commerce company, and was an associate at Debevoise & Plimpton, LLP, a New York law firm. Mr. Kalvert holds an A.B. degree from Brown University and a J.D. degree from Columbia Law School.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, TripAdvisor officers and directors and persons who beneficially own more than 10% of a registered class of TripAdvisor's equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Such persons are required by the rules of the SEC to furnish TripAdvisor with copies of all such forms they file. Based solely on a review of the copies of such forms furnished to TripAdvisor and/or written representations that no additional forms were required, TripAdvisor believes that all of its directors and officers complied with all the reporting requirements applicable to them with respect to transactions during 2012.

Code of Ethics

We post our code of business conduct and ethics, which applies to all employees, including all executive officers, senior financial officers and directors, on our corporate website at www.tripadvisor.com. Our code of business conduct and ethics complies with Item 406 of SEC Regulation S-K and the rules of NASDAQ. We intend to disclose any changes to the code that affect the provisions required by Item 406 of Regulation S-K, and any waivers of the code of ethics for our executive officers, senior financial officers or directors, on our corporate website.

Director Nominations by Stockholders

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders. However, the Board of Directors would consider such recommendations if made in the future. Stockholders who wish to make such a

Table of Contents

recommendation should send the recommendation to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary. The envelope must contain a clear notation that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder, provide a brief summary of the candidate’s qualifications and history and be accompanied by evidence of the sender’s stock ownership, as well as consent by the candidate to serve as a director if elected. Any director candidate recommendations will be reviewed by the Secretary and, if deemed appropriate, forwarded to the Chairman for further review. If the Chairman believes that the candidate fits the profile of a director nominee as described above, the recommendation will be shared with the entire Board of Directors.

Audit Committee and Audit Committee Financial Expert

The Audit Committee of the Board of Directors currently consists of three directors: Messrs. Miller, Philips and Wiesenthal. Mr. Wiesenthal is the Chairman of the Audit Committee. Each Audit Committee member satisfies the independence requirements under the current standards imposed by the rules of the SEC and NASDAQ. The Board has determined that each of Messrs. Wiesenthal and Philips is an audit committee financial expert, as such term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee functions pursuant to a written charter adopted by the Board of Directors, pursuant to which the Audit Committee is granted the responsibilities and authority necessary to comply with Rule 10A-3 of the Exchange Act. The full text of the Audit Committee charter is available in the Corporate Governance section of TripAdvisor’s corporate website at ir.tripadvisor.com. The Audit Committee is appointed by the Board of Directors to assist the Board with a variety of matters discussed in detail in the Audit Committee charter, including monitoring (i) the integrity of our financial reporting process, (ii) the independent registered public accounting firm’s qualifications and independence, (iii) the performance of the independent registered public accounting firm and (iv) our compliance with legal and regulatory requirements. The Audit Committee met 9 times in 2012.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis describes TripAdvisor’s executive compensation program as it relates to the following named executive officers:

Name	Position with TripAdvisor, Inc.
Barry Diller	Chairman and Senior Executive*
Stephen Kaufer	President and Chief Executive Officer
Julie M.B. Bradley	Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer
Seth J. Kalvert	Senior Vice President, General Counsel and Secretary

* Mr. Diller resigned as our Chairman and Senior Executive effective December 11, 2012 and resigned as a member of the Board of Directors effective April 23, 2013.

TripAdvisor has a Compensation Committee and a Section 16 Committee that together have primary responsibility for establishing the compensation of our named executive officers.

Compensation Program Objectives

TripAdvisor’s executive compensation program is designed to attract, motivate and retain highly skilled executives with the business experience and acumen that management and the Compensation Committees believe are necessary for achievement of TripAdvisor’s long-term business objectives. In addition, the executive compensation program is designed to reward short- and long-term performance and to align the financial interests of executive officers with the interests of our stockholders. Management and the Compensation Committees evaluate both performance and compensation levels to ensure that we maintain our ability to attract and retain outstanding employees in executive positions and that the compensation provided to these executives remains competitive with the compensation paid to similarly situated executives at comparable

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

companies. To that end, management and the Compensation Committees believe the executive compensation packages provided by TripAdvisor to the named executive officers should include both cash and equity-based compensation.

Table of Contents

Roles and Responsibilities

Role of the Compensation and Section 16 Committees

The Compensation Committee is appointed by the Board of Directors and consists entirely of directors who are outside directors for purposes of Section 162(m) of the Internal Revenue Code. The Compensation Committee currently consists of Ms. Singh Cassidy and Messrs. Philips and Maffei. Mr. Maffei replaced Mr. Zeisser as a member of the Compensation Committee upon Mr. Zeisser's resignation as a director in February 2013. The Compensation Committee is responsible for (i) administering and overseeing our compensation with respect to executive officers, including salary matters, bonus plans and stock compensation plans and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (see below). Ms. Singh Cassidy is the Chairperson of the Compensation Committee.

The Section 16 Committee is also appointed by the Board of Directors and consists entirely of directors who are non-employee directors for purposes of Rule 16b-3 under the Exchange Act. The Section 16 Committee currently consists of Ms. Singh Cassidy and Mr. Philips. The Section 16 Committee is responsible for administering and overseeing matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to named executive officers. Ms. Singh Cassidy is also the Chairperson of the Section 16 Committee.

In this report, we refer to the Compensation Committee and Section 16 Committee collectively as the Compensation Committees.

Role of Executive Officers

TripAdvisor management participates in reviewing and refining our executive compensation program. Mr. Kaufer, TripAdvisor's President and Chief Executive Officer, annually reviews the performance of the Company and each named executive officer with the Chairperson and the Compensation Committees and makes recommendations with respect to the appropriate base salary, annual cash bonus and grants of long-term equity incentive awards for each named executive officer, other than in connection with compensation for himself. Based in part on these recommendations and other considerations discussed below, the Compensation Committees review and approve the annual compensation package of each named executive officer.

The Role of Shareholder Say-on-Pay Votes

TripAdvisor provides its stockholders with the opportunity to cast an advisory vote to approve the compensation of the named executive officers. In evaluating our 2012 executive compensation program, the Compensation Committees considered the result of the stockholder advisory vote on our executive compensation (the say-on-pay vote) held at our Annual Meeting of Stockholders on June 26, 2012, which was approved by over 99% of the votes cast. As a result, the Compensation Committees did not make any significant changes to our executive compensation program for 2012. The Compensation Committees will continue to consider the outcome of the say-on-pay vote when making future compensation decisions for the named executive officers. We will hold a say-on-pay vote every three years until the next vote on the frequency of such stockholder advisory votes, which will occur no later than our 2018 Annual Meeting of Stockholders.

Compensation Program Elements

General

The primary elements of the executive compensation program are base salary, annual cash bonus and equity compensation. Generally, the Compensation Committees review these elements in the first quarter of each year in light of TripAdvisor and individual performance, recommendations from management and other relevant information, including prior compensation history and outstanding long-term compensation arrangements. Management and the Compensation Committees believe that there are multiple, dynamic factors that contribute to success at an individual and business level. Management and the Compensation Committees have therefore avoided adopting strict formulas and have relied primarily on a discretionary approach that allows the Compensation Committees to set executive compensation levels on a case-by-case basis, taking into account all relevant factors.

Following recommendations from management, the Compensation Committees may also adjust compensation for specific individuals at other times during the year when there are significant changes in responsibilities or under other circumstances that the Compensation Committees consider appropriate.

Base Salary

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Base salary represents the fixed portion of a named executive officer's compensation and is intended to provide compensation for expected day-to-day performance. An executive officer's base salary is initially determined upon hire or promotion based on the executive officer's responsibilities, prior experience, individual compensation history and salary levels of other executives within TripAdvisor and similarly situated executives at comparable companies. Base salary is typically reviewed annually, at which time management makes recommendations to the Compensation Committees based on consideration of a variety of factors, including:

the executive's total compensation relative to other executives in similarly situated positions,

Table of Contents

individual performance of the executive,

the executive's responsibilities, prior experience, and individual compensation history, including any non-standard compensation,

the terms of the executive's employment agreement, if any,

competitive compensation market data, when available,

general economic conditions,

the recommendations of the President and Chief Executive Officer, other than in connection with compensation for himself, and

with respect to the President and Chief Executive Officer, the recommendation of the Chairman.

After consideration of the factors discussed above, the Compensation Committees decided to maintain Mr. Kaufer's base salary for 2013 at \$500,000, to increase Ms. Bradley's 2013 base salary from \$302,500 to \$365,000, and to increase Mr. Kalvert's 2013 base salary from \$330,000 to \$350,000. Mr. Diller resigned as Chairman and Senior Executive effective December 11, 2012 and resigned as a member of the Board of Directors effective April 23, 2013.

Cash Bonuses

Cash bonuses are granted to recognize and reward an individual's annual contribution to Company performance. Mr. Kaufer has a target cash bonus equal to 100% of his base salary for the year, Ms. Bradley has a target cash bonus equal to 66% of her base salary for the year and Mr. Kalvert has a target cash bonus equal to 50% of his base salary for the year. Unless otherwise provided by the provisions of employment agreements, bonus targets for executive officers are generally established by the Compensation Committees, based on the recommendations of management, and are reviewed each year by the President and Chief Executive Officer with the approval of the Chairman and the Compensation Committees.

In February 2013, management recommended bonuses with respect to calendar year 2012 for each of the named executive officers after taking into account a variety of factors, including:

TripAdvisor's business and financial performance, including year-over-year performance,

TripAdvisor's performance against strategic initiatives,

the executive's target cash bonus percentage, if any,

the executive's individual performance,

the overall funding of the cash bonus pool,

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

the amount of bonus relative to other TripAdvisor executives,

general economic conditions,

competitive compensation market data, when available,

the recommendations of the President and Chief Executive Officer, other than in connection with compensation for himself, and

with respect to the President and Chief Executive Officer, the recommendation of the Chairman.

After consideration of the factors discussed above, the Compensation Committees awarded 2012 cash bonuses to the named executive officers as follows: Mr. Kaufer, \$750,000, Ms. Bradley, \$250,000, and Mr. Kalvert, \$205,000. No bonus was awarded to Mr. Diller for 2012.

After consideration of the factors discussed above, the Compensation Committees decided to maintain Mr. Kaufer's 2013 target cash bonus at 100%. With respect to Ms. Bradley and Mr. Kalvert, the Compensation Committees decided to maintain their 2013 target bonus amounts at 66% and 50%, respectively, which is consistent with the terms of their respective employment agreements.

Table of Contents

The annual cash bonuses awarded to the named executive officers for 2012 were subject to the achievement of performance goals relating either to stock price performance or revenues, which were satisfied. These performance goals were designed to permit TripAdvisor to deduct all named executive officer compensation for 2012 in accordance with Section 162(m) of the Code. Specifically, the cash bonuses awarded to named executive officers in 2012 were subject to the satisfaction of one of the following performance goals:

The revenues of TripAdvisor in any of the three consecutive calendar quarters beginning with the second quarter of 2012 must be at least 10% higher than the revenues in the corresponding calendar quarter 12 months before, excluding the benefit of any acquisitions by TripAdvisor during this period.

On at least 30 trading days during the period beginning on March 23, 2012 through December 31, 2012, the closing price per share of TripAdvisor common stock must exceed at least 5% of the closing price of TripAdvisor's common stock on March 22, 2012, which was \$33.25, taking into account any Share Change or Corporate Transaction (each as defined in the TripAdvisor, Inc. 2011 Stock and Annual Incentive Plan (the "2011 Plan")).

In general these performance goals reflect the minimally acceptable Company performance that must be achieved in order for any amount of cash bonuses to be awarded to the named executive officers, but with respect to which there is substantial uncertainty when established. Based on data provided by management, the Compensation Committees exercise negative discretion in setting payouts under the annual incentive plan. By setting a high amount that can be reduced, TripAdvisor is advised by legal counsel that TripAdvisor's annual incentive plan meets the requirements of Section 162(m) of the Code. As a result, while performance targets are utilized in setting compensation under this plan, ultimately the levels of those targets and the Compensation Committees' use of negative discretion typically result in the award of compensation as if the annual incentive plan were operating as a discretionary plan.

These cash bonuses are reflected in the "Bonus" column of the table below titled "2012 Summary Compensation Table."

Equity Compensation

The Compensation Committees use equity compensation to align executive compensation with our long-term performance. Equity compensation awards link compensation to financial performance because the value of equity awards depends on TripAdvisor's share price. Equity compensation awards are also an important employee retention tool because they generally vest over a multi-year period, subject to continued service by the award recipient. For 2012, the Compensation Committees granted equity awards to our named executive officers (other than Mr. Diller who received a grant of RSUs only in connection with his service as a director) in the form of stock options and expects to continue that practice going forward.

Equity awards are typically granted to executive officers upon hire or promotion and annually thereafter. Management generally recommends annual equity awards in the first quarter of each year when the Compensation Committees meet to make determinations regarding annual bonuses for the last completed fiscal year and to set compensation levels for the current fiscal year. The practice of the Compensation Committee is to generally make equity grants to our named executive officers only in open trading windows. In February 2013, the Compensation Committees made equity grants in the form of stock options to certain of the named executive officers.

The Compensation Committees review various factors considered by management when they establish the Company's equity grant pool, including:

TripAdvisor's business and financial performance, including year-over-year performance,

dilution rates, taking into account projected headcount growth and employee turnover,

non-cash compensation as a percentage of earnings before interest, taxes, depreciation and amortization,

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

equity compensation utilization by peer companies,

general economic conditions, and

competitive compensation market data regarding award values.

For specific grants to named executive officers, management makes recommendations to the Section 16 Committee based on a variety of factors, including:

TripAdvisor's business and financial performance, including year-over-year performance,

individual performance and future potential of the executive,

the overall size of the equity grant pool,

Table of Contents

award value relative to other TripAdvisor executives,

the value of previous grants and amount of outstanding unvested equity awards,

competitive compensation market data, to the degree that the available data is comparable,

the recommendations of the President and Chief Executive Officer, other than in connection with compensation for himself, and

with respect to the President and Chief Executive Officer, the recommendation of the Chairman.

After review and consideration of management's recommendations, the Section 16 Committee decides whether to approve the grants of equity compensation to executive officers.

Employee Benefits

In addition to the primary elements of compensation (base salary, cash bonuses and equity awards) described above, the named executive officers also participate in employee benefits programs available to all domestic employees generally, including the TripAdvisor Retirement Savings Plan. Under this plan, TripAdvisor matches 50% of each dollar a participant contributes, up to the first 6% of eligible compensation, subject to tax limits. In situations where an executive is required to relocate, TripAdvisor also provides relocation benefits, including reimbursement of moving expenses, temporary housing and other relocation expenses as well as a tax gross-up payment on the relocation benefits. TripAdvisor also sponsors a Global Personal Travel Reimbursement program generally available to all employees, including named executive officers, that provides for reimbursement of up to \$750 a year for leisure travel that is arranged using one of the TripAdvisor Media Group family of products and provides all employees, including named executive officers, an annual holiday bonus in the form of a gift card as well as a tax gross-up payment on the value of the gift card.

The Role of Peer Groups, Surveys and Benchmarking

Management considers multiple data sources when reviewing compensation information to ensure that the data reflects compensation practices of relevant companies in terms of size, industry and geographic location. Among other factors, management considers the following information in connection with its recommendations to the Compensation Committees regarding compensation for named executive officers:

data from salary and equity compensation surveys that include companies of a similar size, based on market capitalization, revenues and other factors, and

data regarding compensation for certain executive officer positions (e.g., chief executive officer and chief financial officer) from recent proxy statements and other SEC filings of peer companies, which include: (a) direct industry competitors, and (b) non-industry companies with which TripAdvisor commonly competes for talent (including both regional and national competitors).

For purposes of establishing its compensation peer group for 2013, management recommended to, and reviewed with, the Compensation Committees companies in technology, travel and/or e-commerce businesses with which TripAdvisor competes for talent at both the executive and employee levels. The companies constituting the compensation peer group for 2013, as approved by the Compensation Committees, are:

Akamai Technologies, Inc.
Concur Technologies, Inc.
Groupon, Inc.
LinkedIn Corporation

Ancestry.com Inc.
Expedia, Inc.
Homeaway.com, Inc.
Netflix, Inc.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Nuance Communications, Inc.
priceline.com Incorporated
salesforce.com, inc.
Valueclick, Inc.
Workday, Inc.

Parametric Technology Corporation
Progress Software Corporation
Shutterfly, Inc.
WebMD Health Corp.
Zynga Inc.

When available, management considers competitive market compensation paid by other peer group companies but does not attempt to maintain a certain target percentile within the peer group or otherwise rely solely on such data when making recommendations to the Compensation Committees regarding compensation for the named executive officers. Management and the Compensation Committees strive to incorporate flexibility into the compensation programs and the assessment process to respond to and adjust for the evolving business environment and the value delivered by the named executive officers.

Table of Contents

Tax Matters

Section 162(m) of the Code generally permits a tax deduction to public corporations for compensation over \$1 million paid in any fiscal year to a corporation's chief executive officer and certain other highly compensated executive officers only if the compensation qualifies as being performance-based under Section 162(m). Whenever possible, TripAdvisor endeavors to structure its compensation policies to qualify as performance-based under Section 162(m). Nonetheless, from time to time certain nondeductible compensation may be paid and the Board of Directors and the Compensation Committees reserve the authority to award nondeductible compensation to executive officers in appropriate circumstances.

For purposes of allowing TripAdvisor to deduct employee compensation in accordance with Section 162(m) of the Code, the Compensation Committees made all annual bonuses to the named executive officers in 2012 subject to the satisfaction of performance goals described under Compensation Program Elements - Cash Bonuses - above.

Change in Control

Under the 2011 Plan, certain executive officers (including all the named executive officers) are entitled to accelerated vesting of equity awards in the event of a change in control of TripAdvisor. The change in control definition in the 2011 Plan does not include the acquisition of voting control by Liberty (a Liberty Change of Control). The Compensation Committees believe that accelerated vesting of equity awards in connection with change in control transactions would provide an incentive for these executives to continue to help execute successfully such a transaction from its early stages until closing.

Also, certain of our executive officers are entitled to accelerated vesting of equity awards in the event of a change of control under their employment agreements. For a description and quantification of these change in control benefits, please see the section below titled Executive Compensation - Potential Payments Upon Termination or Change in Control.

Severance

The Company has entered into employment agreements with terms of two years with Ms. Bradley and Mr. Kalvert, pursuant to which, in the event that either executive terminates his or her employment for good reason or is terminated by TripAdvisor without cause:

 TripAdvisor will continue to pay the executive's base salary through the longer of the end of the term of the executive's employment agreement and 12 months (in all cases provided that such payments will be offset by any amount earned from another employer during such time period);

 TripAdvisor will consider in good faith the payment of discretionary bonuses on a pro rata basis for the year in which termination of employment occurs;

 TripAdvisor will pay COBRA health insurance coverage, through the longer of the end of the term of the executive's employment agreement and 12 months;

 all equity held by the named executive officer that otherwise would have vested during the 12-month period following termination of employment, will accelerate (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and

 the executive will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration date of the options.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

In return, each executive has agreed to be restricted from competing with TripAdvisor or soliciting its employees through the longer of (i) the completion of the term of the employment agreement and (ii) 12 months after the termination of employment. These agreements are intended to attract and retain qualified executives who may have other employment alternatives that may appear to them to be less risky absent these agreements. The restrictive covenants contained in these agreements also serve to protect the interest of TripAdvisor.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Philips and Maffei and the Section 16 Committee consists of Ms. Singh Cassidy and Mr. Philips. Mr. Zeisser was a member of the Compensation Committee until his resignation from the Board in February 2013. None of Ms. Singh Cassidy or Messrs. Philips, Zeisser or Maffei was an officer or employee of TripAdvisor, formerly an officer of TripAdvisor, or an executive officer of an entity for which an executive officer of TripAdvisor served as a member of the compensation committee or as a director during the one-year period ended December 31, 2012.

Table of Contents**COMPENSATION COMMITTEES REPORT**

This report is provided by the Compensation Committee and the Section 16 Committee (the Compensation Committees) of the Board of Directors. The Compensation Committees have reviewed the Compensation Discussion and Analysis and discussed that Analysis with management. Based on this review and discussions with management, the Compensation Committees recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K/A.

Members of the Compensation Committee:

Sukhinder Singh Cassidy (Chairperson)
Jeremy Philips
Gregory B. Maffei

Members of the Section 16 Committee:

Sukhinder Singh Cassidy (Chairperson)
Jeremy Philips

EXECUTIVE COMPENSATION**2012 Summary Compensation Table**

The table below sets forth certain information regarding the compensation that TripAdvisor's former Chairman and Senior Executive, President and Chief Executive Officer, Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer and Senior Vice President, General Counsel and Secretary earned during the fiscal years ended December 31, 2012 and 2011. Prior to December 20, 2011, TripAdvisor was a wholly-owned subsidiary of Expedia, with Expedia as its sole stockholder. This table includes all compensation received from Expedia for services performed in 2011 for those named executive officers who devoted substantially all of their efforts to TripAdvisor's businesses prior to December 20, 2011.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(2)	All Other Compensation (\$)(3)	Total (\$)
Barry Diller Former Chairman and Senior Executive (4)	2012	95,000				10,960	105,960
	2011				914,851		914,851
Stephen Kaufer President and Chief Executive Officer	2012	469,231	750,000		5,126,804	47,440	6,393,475
	2011	300,000	500,000		3,345,249	51,802	4,197,051
Julie M.B. Bradley Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer	2012	302,116	250,000		2,050,722	1,574	2,604,412
	2011	69,231	100,000	1,215,500			1,384,731
Seth J. Kalvert Senior Vice President, General Counsel and Secretary	2012	329,231	205,000		1,025,361	268,496	1,828,088
	2011	112,500	180,000		493,170	75,552	861,222

(1) Represents cash bonuses paid in March 2013 and April 2012 for annual performance in 2012 and 2011, respectively.

Table of Contents

- (2) Amounts shown are the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, excluding the effect of estimated forfeitures. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the named executive officers. Stock awards consist of RSUs valued using the closing price of TripAdvisor's common stock on the NASDAQ Stock Market on the grant date. Stock option awards were valued at the date of grant using the Black-Scholes pricing model. The Black-Scholes model incorporates various assumptions including expected volatility, expected term, risk-free interest rates and assumed annual dividend rates. The expected volatility for the awards above was based on the average of historical stock price volatility of publicly traded companies that we consider peers based on daily price observations over a period equivalent or approximate to the expected term of the stock option grants. The decision to use a weighted average volatility factor of a peer group was based upon the relatively short period of availability of data on our common stock. The expected term was based on using the simplified method for all stock options as we do not have sufficient historical exercise data on our common stock. Our expected dividend yield is zero, as we have not paid any dividends on our common stock to date. The fair value of the May 2012 grants was determined using the following assumptions:

Expected Term	Risk-Free Interest Rate	Expected Volatility	Assumed Annual Dividend Rate (% of grant date closing price)
(years)	(%)	(%)	
6.21	1.05	53.34	0.00

- (3) See the table below for additional information regarding certain components of amounts reflected in the All Other Compensation column for 2012 above.
- (4) Mr. Diller resigned as our Chairman and Senior Executive effective December 11, 2012 and resigned as a member of the Board of Directors effective April 23, 2013. The compensation received by Mr. Diller as a non-employee director is included in the table titled 2012 Non-Employee Director Compensation below.

2012 All Other Compensation

	Barry Diller(\$)(g)	Stephen Kaufer(\$)	Julie M.B. Bradley(\$)	Seth J. Kalvert(\$)
Gift Card(a)		125	125	125
Tax Gross-Up on Gift Card(b)		50	50	50
401(k) Company Match(c)		7,500	524	7,500
Relocation Benefits(d)				180,361
Tax Gross Up on Relocation Benefits(e)				78,944
Dividend Equivalents(f)	10,960	39,765	875	1,516

- (a) Represents the amount of a gift card that was given to all employees as a holiday bonus.
- (b) Represents the amount of the tax gross-up paid in connection with the gift cards described above.
- (c) Represents matching contributions of TripAdvisor under the TripAdvisor 401(k) Retirement Savings Plan (the TripAdvisor 401(k) Plan). Under the TripAdvisor 401(k) Plan as in effect through December 31, 2012, TripAdvisor matches \$0.50 for each dollar a participant contributes, up to the first 6% of eligible compensation, subject to limits imposed by the Internal Revenue Code.
- (d) Represents amounts paid to Mr. Kalvert for relocation expenses, including reimbursement of moving expenses, temporary housing and mortgage assistance.
- (e) Represents the amount of the tax gross-up paid in connection with the relocation benefits described above.
- (f) Represents amounts paid in cash for accrued dividend equivalents on vested RSUs that were assumed by TripAdvisor in the Spin-Off.
- (g) Mr. Diller resigned as Chairman and Senior Executive on December 11, 2012 and resigned as a member of the Board on April 23, 2013. The compensation Mr. Diller received as a non-employee director in 2012 is included in the table titled 2012 Non-Employee Director Compensation below.

Table of Contents**2012 Grants of Plan-Based Awards**

During fiscal year 2012, the Section 16 Committee approved stock option awards to the named executive officers as follows:

Name	Grant Date	Restricted Stock Unit Awards	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
Stephen Kaufer	5/4/2012		250,000	40.20	5,126,804
Julie M.B. Bradley	5/4/2012		100,000	40.20	2,050,722
Seth J. Kalvert	5/4/2012		50,000	40.20	1,025,361

Mr. Diller was not granted any awards for his service as an employee during 2012. The RSUs awarded to Mr. Diller as a non-employee director are described in the table titled "2012 Non-Employee Director Compensation" below.

Table of Contents**Outstanding Equity Awards at 2012 Year-End**

The following table provides information regarding the holdings of stock options and RSUs by the named executive officers as of December 31, 2012. The market value of the RSUs is based on the closing price of TripAdvisor common stock on the NASDAQ Stock Market on December 31, 2012 the last trading day of the year, which was \$41.92.

Name	Grant Date(1)	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Barry Diller	6/7/2005	1,196,856	(2)	30.19	6/7/2015		
	6/7/2005	698,166	(2)	40.64	6/7/2015		
	3/2/2009		24,935(4)	7.80	3/2/2016		
	2/23/2010	49,869	49,869(4)	23.76	2/23/2017		
	3/1/2011	12,467	37,402(4)	20.87	3/1/2018		
	2/28/2008					10,319(6)	432,572
	12/15/2012					3,599(7)	150,870
Stephen Kaufer	3/2/2009	48,529	23,595(4)	7.80	3/2/2016		
	3/2/2009	28,314	(3)	9.75	3/2/2016		
	2/23/2010	23,439	30,674(4)	23.76	2/23/2017		
	3/1/2011	17,696	53,089(4)	20.87	3/1/2018		
	11/30/2011	58,987	176,963(4)	29.48	11/30/2018		
	5/4/2012		250,000(5)	40.20	5/4/2022		
	2/28/2008					3,895(8)	163,278
Julie M.B. Bradley	10/4/2011					35,393(9)	1,483,675
	5/4/2012		100,000(5)	40.20	5/4/2022		
Seth J. Kalvert	3/2/2009	13,703	8,966(4)	7.80	3/2/2016		
	2/23/2010	6,310	8,258(4)	23.76	2/23/2017		
	3/1/2011	3,539	10,618(4)	20.87	3/1/2018		
	8/25/2011	5,898	17,697(4)	28.86	8/25/2018		
	11/30/2011	2,359	7,079(4)	29.48	11/30/2018		
	5/4/2012		50,000(5)	40.20	5/4/2022		
	2/28/2008					1,208(10)	50,639

(1) Represents the date on which the original grant was approved by the applicable compensation committee. All awards with a grant date prior to the effective date of the Spin-Off, December 20, 2011, were granted by Expedia and were converted into TripAdvisor equity awards upon effectiveness of the Spin-Off.

(2) Options vested in full on June 7, 2010, the fifth anniversary of the grant date.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

- (3) Options vested in full on March 2, 2012, the third anniversary of the grant date.
- (4) Options vest in four equal installments commencing on the first anniversary of the grant date.
- (5) Options vest in four equal installments commencing on February 15, 2013 and each anniversary thereafter.
- (6) Of these RSUs, all 10,319 vested on February 28, 2013.

Table of Contents

- (7) Of these RSUs, 1,200 vest on each of December 15, 2013 and December 15, 2014 and 1,199 vest on December 15, 2015.
(8) Of these RSUs, all 3,895 vested on February 28, 2013.
(9) Of these RSUs, 11,798 will vest on October 3, 2013, 11,797 vest on October 3, 2014 and 11,798 vest on October 3, 2015.
(10) Of these RSUs, all 1,208 vested on February 28, 2013.

2012 Option Exercises and Stock Vested

Name	Exercise or Vest Date	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise (\$)(2)	Number of Shares Acquired on Vesting (#)(3)	Value Realized on Vesting (\$)(4)
Barry Diller	2/27/2012			9,213	293,987
	2/28/2012			10,317	333,342
	12/11/2012	74,803	2,476,727		
	12/11/2012	32,793	1,021,830		
	12/14/2012	42,010	1,340,959		
Stephen Kaufer	2/27/2012			4,347	138,713
	2/28/2012			3,895	125,847
	3/2/2012			58,776	1,907,281
Julie M.B. Bradley	10/3/2012			11,797	378,920
Seth J. Kalvert	2/27/2012			1,348	43,015
	2/28/2012			1,207	38,998

- (1) Represents the gross number of shares acquired upon exercise of vested options without taking into account any shares that may be withheld to cover option exercise price or applicable tax obligations.
(2) Represents the value of exercised options calculated by multiplying (i) the number of shares of TripAdvisor's common stock to which the exercise of the option related by (ii) the difference between the market price of TripAdvisor's common stock at exercise and the exercise price of the options.
(3) Represents the gross number of shares acquired upon vesting of RSUs without taking into account any shares that may be withheld to satisfy applicable tax obligations.
(4) Represents the value of vested RSUs calculated by multiplying the gross number of vested RSUs by the closing price of TripAdvisor common stock on the NASDAQ Stock Market on the vesting date or if the vesting occurred on a day on which the NASDAQ Stock Market was closed for trading, the next trading day.

Potential Payments Upon Termination or Change in Control

Certain of our compensation plans, award agreements and employment agreements entitle the named executive officers to accelerated vesting of equity awards or severance payments in the event of a change in control of TripAdvisor and/or upon the termination or material adverse modification of the executive's employment with TripAdvisor under specified circumstances. These plans and agreements are described below as they apply to each named executive officer.

Change of Control Provisions of TripAdvisor's 2011 Stock and Annual Incentive Plan and Award Agreements Thereunder

In the event of a change in control (as defined in the 2011 Plan) of TripAdvisor, (i) any stock options outstanding held by our named executive officers as of the date of the change in control which are not then exercisable and vested will become fully exercisable and vested, and (ii) all RSUs held by our named executive officers will be considered to be earned and payable in full and any deferral or other restrictions will lapse and such RSUs will be settled in cash or shares of TripAdvisor common stock as promptly as practicable.

Table of Contents

Julie M.B. Bradley and Seth J. Kalvert Employment Agreements

In October 2011, TripAdvisor, LLC, a subsidiary of the Company, entered into agreements (the *Employment Agreements*) with each of Ms. Bradley and Mr. Kalvert. The *Employment Agreements* have terms of two years. Pursuant to the *Employment Agreements*, in the event that either executive terminates his or her employment for good reason or is terminated by TripAdvisor without cause:

TripAdvisor will continue to pay the executive's base salary through the longer of the end of the term of the executive's employment agreement and 12 months (in all cases provided that such payments will be offset by any amount earned from another employer during such time period);

TripAdvisor will consider in good faith the payment of discretionary bonuses on a pro rata basis for the year in which termination of employment occurs;

TripAdvisor will pay COBRA health insurance coverage, through the longer of the end of the term of the executive's employment agreement and 12 months;

all equity held by the named executive officer that otherwise would have vested during the 12-month period following termination of employment, will accelerate (provided that equity awards that vest less frequently than annually shall be treated as though such awards vested annually); and

the executive will have 18 months following such date of termination to exercise any vested stock options (including stock options accelerated pursuant to the terms of the executive's employment agreement) or, if earlier, through the scheduled expiration date of the options.

In return, each executive has agreed to be restricted from competing with TripAdvisor or soliciting its employees through the longer of (i) the completion of the term of the employment agreement and (ii) 12 months after the termination of employment.

Under the *Employment Agreements*, *good reason* means the occurrence of any of the following without the executive's prior written consent: (A) TripAdvisor's material breach of the *Employment Agreement*, (B) the material reduction in the executive's title, duties, reporting responsibilities or level of responsibilities in such executive's position at TripAdvisor, excluding for this purpose any such reduction that is an isolated and inadvertent action not taken in bad faith or that is authorized pursuant to the *Employment Agreement*, (C) the material reduction in the executive's base salary or the executive's total annual compensation opportunity, or (D) the relocation of the executive's principal place of employment more than 50 miles outside the Boston metropolitan area.

Under the *Employment Agreements*, *cause* means: (i) the plea of guilty or nolo contendere to, conviction for, or the commission of, a felony offense by the executive, (ii) a material breach by the executive of a fiduciary duty owed to TripAdvisor or any of its subsidiaries, (iii) material breach by the executive of certain covenants of the *Employment Agreement*, (iv) the willful or gross neglect by the executive of the material duties required by the *Employment Agreement* and (v) a knowing and material breach by the executive of any TripAdvisor policy pertaining to ethics, legal compliance, wrongdoing or conflicts of interest that, in the cases of clauses (iv) and (v) above, if curable, is not cured by the executive within 30 days after the executive is provided written notice thereof.

Estimated Potential Incremental Payments

The table below reflects the estimated amount of incremental compensation payable to the named executive officers upon termination of the executive's employment in the following circumstances: (i) a termination by TripAdvisor without cause, (ii) resignation by the executive for good reason not in connection with a change in control, (iii) a change in control or (iv) a termination by TripAdvisor without cause or by the executive for good reason in connection with a change in control. The table should be read in conjunction with the descriptions of benefits above as the definitions for *change in control*, *cause* and *good reason* may vary.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

The amounts shown in the table assume that the triggering event was effective as of December 31, 2012 and that the price of TripAdvisor common stock on which certain of the calculations are based was the closing price of \$41.92 on the NASDAQ Stock Market on December 31, 2012, the last trading day in 2012. These amounts are estimates of the incremental amounts that would be paid out to the executive upon such triggering event. The actual amounts to be paid out can only be determined at the time of the triggering event, if any.

Table of Contents

Name and Benefit	Termination without cause	Resignation for good reason	Change in Control	Termination w/o cause or for good reason in connection with Change in Control
Barry Diller				
Cash Severance (salary)	\$	\$	\$	\$
Stock Options (vesting accelerated)			2,543,715	
RSUs (vesting accelerated)			583,442	
Total estimated value	\$	\$	\$ 3,127,157	\$
Stephen Kaufer				
Cash Severance (salary)	\$	\$	\$	\$
Stock Options (vesting accelerated)			5,111,044	
RSUs (vesting accelerated)			163,278	
Total estimated value	\$	\$	\$ 5,274,322	\$
Julie M.B. Bradley				
Cash Severance (salary)	\$ 302,500(1)	\$ 302,500(1)	\$	\$ 302,500(1)
Stock Options (vesting accelerated)	43,000(1)	43,000(1)	172,000	
RSUs (vesting accelerated)	494,572(1)	494,572(1)	1,483,675	
Health & Benefits	19,298(1)	19,298(1)		19,298(1)
Total estimated value	\$ 859,370	\$ 859,370	\$ 1,655,675	\$ 321,798
Seth J. Kalvert				
Cash Severance (salary)	\$ 330,000(1)	\$ 330,000(1)	\$	\$ 330,000(1)
Stock Options (vesting accelerated)	583,298(1)	583,298(1)	1,084,580	
RSUs (vesting accelerated)	50,639(1)	50,639(1)	50,639	
Health & Benefits	19,298(1)	19,298(1)		19,298(1)
Total estimated value	\$ 983,235	\$ 983,235	\$ 1,135,219	\$ 349,298

(1) Represents salary continuation and equity acceleration benefits pursuant to the Employment Agreements. See section above titled Julie M.B. Bradley and Seth J. Kalvert Employment Agreements.

Table of Contents**DIRECTOR COMPENSATION**

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

TripAdvisor employees do not receive compensation for services as directors. Each non-employee director of TripAdvisor is entitled to receive the following compensation:

an annual retainer of \$50,000, paid in equal quarterly installments;

a grant of RSUs with a value of \$150,000 (based on the closing price of TripAdvisor's common stock on the NASDAQ Stock Market on the date of grant), upon such director's initial election to office and on December 1st of each year, such RSUs to vest in three equal installments commencing on the first anniversary of the grant date and, in the event of a change in control (as defined in the 2011 Plan and described in the section below titled "Executive Compensation - Potential Payments Upon Termination or Change in Control"), to vest automatically in full;

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

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

Non-Employee Director Deferred Compensation Plan

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

2012 Non-Employee Director Compensation

As an employee of the Company, Mr. Kaufer did not receive compensation for his service as director. Mr. Diller's compensation for his service as a non-employee director beginning December 12, 2012 is included in the following table. Messrs. Fitzgerald and Zeisser, who were each nominated by Liberty, also did not receive compensation for their service on the TripAdvisor Board of Directors in 2012. Effective February 12, 2013, each of Messrs. Fitzgerald and Zeisser resigned from the Board. On February 12, 2013, Messrs. Maffei and Shean, who were each nominated by Liberty, were elected to the Board to fill the vacancies created by the resignations of Messrs. Fitzgerald and Zeisser. The following table shows the compensation information for the remaining directors of the Company as of December 31, 2012:

Name	Fees	Stock	Option	Total
	Earned or Paid in Cash			
	(\$)(1)	(\$)(2)(3)	(\$)(4)	(\$)

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Victor A. Kaufman (5)	50,000	149,970	199,970
Sukhinder Singh Cassidy(6)	75,000	149,970	224,970
Dara Khosrowshahi (7)	50,000	149,970	199,970
Jonathan F. Miller(8)	70,000	149,970	219,970
Jeremy Philips(9)	85,000	149,970	234,970
Robert S. Wiesenthal(10)	80,000	149,970	229,970
Barry Diller (11)	2,610	149,970	152,580

- (1) Cash compensation for services in 2012.
- (2) Amounts shown reflect the aggregate grant date fair value of awards computed in accordance with Financial FASB ASC Topic 718. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the directors. Stock awards consist of RSUs valued using the closing price of TripAdvisor common stock on the NASDAQ Stock Market on the grant date.

Table of Contents

- (3) On December 15, 2012, each of the directors listed in the table above received an award of 3,599 RSUs with a grant date fair value of \$149,970.
- (4) TripAdvisor has not granted any options for service as a director.
- (5) On February 7, 2013, Mr. Kaufman resigned from the Board.
- (6) Ms. Singh Cassidy is the Chairperson of the Compensation Committee and the Section 16 Committee.
- (7) On February 7, 2013, Mr. Khosrowshahi resigned from the Board.
- (8) Mr. Miller is a member of the Audit Committee.
- (9) Mr. Philips is a member of the Audit Committee and the Compensation Committee.
- (10) Mr. Wiesenthal is the Chairman of the Audit Committee.
- (11) Mr. Diller was an employee of TripAdvisor until his resignation as Chairman and Senior Executive on December 11, 2012. Mr. Diller's compensation for his service as an employee of TripAdvisor is included in the table titled "2012 Summary Compensation Table" above.

Conversion of Dara Khosrowshahi's Expedia RSUs

On March 7, 2006, Expedia and Mr. Khosrowshahi, entered into a restricted stock unit agreement covering 800,000 shares of Expedia common stock, with vesting of such restricted stock units generally subject to the satisfaction of certain performance goals by Expedia. In connection with the Spin-Off, Expedia and TripAdvisor agreed to divide the original award between the companies, in accordance with the treatment of shares of Expedia common stock in the Spin-Off, such that the initial award was converted into (1) RSUs covering 400,000 shares of Expedia common stock governed by an amended and restated restricted stock unit agreement between Mr. Khosrowshahi and Expedia and (2) RSUs covering 400,000 shares of TripAdvisor common stock governed by a restricted stock unit agreement between Mr. Khosrowshahi and TripAdvisor (the "DK RSU Agreement"), which was entered into on December 20, 2011. The vesting of the RSUs under the DK RSU Agreement was contingent upon Mr. Khosrowshahi's continued service as a director of TripAdvisor through the applicable vesting dates. The RSUs were scheduled to vest as follows:

75% of the RSUs to vest upon the achievement of certain performance goals by Expedia and TripAdvisor; provided, however, that, at the election of TripAdvisor, such vesting shall be conditioned on Mr. Khosrowshahi agreeing to continue as a director of TripAdvisor for an additional two years thereafter, and

the remaining 25% of the RSU to vest on the one-year anniversary of the achievement of the performance goals by Expedia and TripAdvisor; provided that Mr. Khosrowshahi has not voluntarily terminated his service as a director of TripAdvisor and there has not been a good faith determination of the existence of cause (as defined in the DK RSU Agreement) by the Board of Directors of TripAdvisor.

In the event of a change of control of TripAdvisor, including a Liberty Change of Control, 50% of the then-outstanding RSUs would vest without regard to achievement of the performance goals. If, within one year following a change of control, TripAdvisor terminates Mr. Khosrowshahi's service as a director other than for cause, the remaining RSUs would vest without regard to the achievement of the performance goals. Mr. Khosrowshahi has agreed not to compete with TripAdvisor during his service as a director of TripAdvisor, and for a period of 24 months thereafter.

In connection with the purchase of Liberty's purchase of 4,799,848 shares of our common stock from Mr. Diller and The Diller-von Furstenberg Family Foundation, 50% of the RSUs covered by the DK RSU Agreement became fully vested. Subsequently, on February 7, 2013, Mr. Khosrowshahi tendered his resignation as a member of the Board and the remaining RSUs covered by the DK RSU Agreement were accelerated and became fully vested.

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table presents information as of April 22, 2013 relating to the beneficial ownership of TripAdvisor's capital stock by (i) each person or entity known to TripAdvisor to own beneficially more than 5% of the outstanding shares of TripAdvisor's common stock or Class B common stock, (ii) each director of TripAdvisor, (iii) the named executive officers and (iv) executive officers and directors of TripAdvisor, as a group.

Unless otherwise indicated, beneficial owners listed in the table may be contacted at TripAdvisor's corporate headquarters at 141 Needham Street, Newton, Massachusetts 02464.

Shares of TripAdvisor Class B common stock may, at the option of the holder, be converted on a one-for-one basis into shares of TripAdvisor common stock; therefore, the common stock column below includes shares of Class B common stock held by each such listed person, entity or group, and the beneficial ownership percentage of each such listed person assumes the conversion of all Class B common stock into common stock. For each listed person, entity or group, the number of shares of TripAdvisor common stock and Class B common stock and the percentage of each such class listed also include shares of TripAdvisor common stock and Class B common stock that may be acquired by such person, entity or group on the conversion or exercise of equity securities, such as stock options, which can be converted or exercised, and RSUs that have or will have vested within 60 days of April 22, 2013, but do not assume the conversion or exercise of any equity securities (other than the conversion of the Class B common stock) owned by any other person, entity or group.

The percentage of votes for all classes of TripAdvisor's capital stock is based on one vote for each share of common stock and ten votes for each share of Class B common stock.

Beneficial Owner	Common Stock		Class B Common Stock		Percent (%) of Votes (All Classes)
	Shares	%	Shares	%	
Liberty Interactive Corporation 12300 Liberty Boulevard Englewood, CO 80112	30,959,751(1)	21.6	12,799,999(1)	100	56.5
Fidelity Management & Research Company 245 Summer Street Boston, MA 02210	13,072,456(2)	9.1	0	0	5.1
Lone Pine Capital LLC Two Greenwich Plaza Greenwich, Connecticut 06830	6,567,153(3)	4.6	0	0	2.5
Barry Diller	2,072,023(4)	1.4	0	0	*
Stephen Kaufer	565,977(5)	*	0	0	*
Sukhinder Singh Cassidy	1,807	*	0	0	*
Christopher W. Shean	0	*	0	0	*
Gregory B. Maffei	1,938(6)	*	0	0	*
Jonathan F. Miller	1,807	*	0	0	*
Jeremy Philips	1,807	*	0	0	*

Table of Contents

Beneficial Owner	Common Stock		Class B Common Stock		Percent (%) of Votes (All Classes)
	Shares	%	Shares	%	
Robert S. Wiesenthal	1,807	*	0	0	*
Julie M.B. Bradley	33,051(7)	*	0	0	*
Seth J. Kalvert	64,729(8)	*	0	0	*
All executive officers, directors and director nominees as a group(10 persons)	2,744,946(9)	1.9	0	0	1.1

* The percentage of shares beneficially owned does not exceed 1% of the class.

- (1) Based on information filed on a Schedule 13D/A(1) with the SEC on December 11, 2012 by Liberty and Mr. Diller (the Liberty/Diller Schedule 13D) and the Company's records. Consists of 18,159,752 shares of Common Stock and 12,799,999 shares of Class B Common Stock owned by Liberty. Excludes shares beneficially owned by the executive officers and directors of Liberty, as to which Liberty disclaims beneficial ownership.
- (2) Based solely on information filed on a Schedule 13G/A with the SEC on April 10, 2013 by FMR LLC, the parent holding company of Fidelity Management & Research Company (Fidelity). Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the Fidelity funds (Funds) each has sole power to dispose of the 12,189,188 shares owned by the Funds. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.
- (3) Based solely on information filed on a Schedule 13G/A with the SEC on February 14, 2013 by Lone Pine Capital LLC. Lone Pine Capital LLC, a Delaware limited liability company (Lone Pine Capital), which serves as investment manager to Lone Spruce, L.P., a Delaware limited partnership (Lone Spruce), Lone Balsam, L.P., a Delaware limited partnership (Lone Balsam), Lone Sequoia, L.P., a Delaware limited partnership (Lone Sequoia), Lone Cascade, L.P., a Delaware limited partnership (Lone Cascade), Lone Sierra, L.P., a Delaware limited partnership (Lone Sierra), Lone Cypress, Ltd., a Cayman Islands exempted company (Lone Cypress), Lone Kauri, Ltd., a Cayman Islands exempted company (Lone Kauri) and Lone Monterey Master Fund, Ltd., a Cayman Islands exempted company (Lone Monterey Master Fund), and together with Lone Spruce, Lone Balsam, Lone Sequoia, Lone Cascade, Lone Sierra, Lone Cypress, Lone Kauri and Lone Monterey Master Fund, the Lone Pine Funds), with respect to the common stock directly held by each of the Lone Pine Funds. Stephen F. Mandel, Jr., the managing member of Lone Pine Managing Member LLC, which is the Managing Member of Lone Pine Capital, with respect to the common stock directly held by each of the Lone Pine Funds.
- (4) Based on information filed March 4, 2013 on Form 4 by the Company and the Company's records. Consists of (i) 52,329 shares of common stock owned by Mr. Diller, and (ii) options to purchase 2,019,694 shares of common stock held by Mr. Diller that are currently exercisable or will be exercisable within 60 days of April 22, 2013. Excludes shares of common stock and options to purchase shares of common stock held by Mr. Diller's spouse, as to which Mr. Diller disclaims beneficial ownership.
- (5) Includes options to purchase 296,093 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 22, 2013.
- (6) Represents 1,938 shares of common stock that are held by Maffei Foundation.
- (7) Includes options to purchase 25,000 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 22, 2013.
- (8) Includes options to purchase 60,943 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 22, 2013.
- (9) Includes options to purchase 2,401,730 shares of common stock that are currently exercisable or will be exercisable within 60 days of April 22, 2013.

Table of Contents**Equity Compensation Plan Information**

The following table provides information as of December 31, 2012 regarding shares of common stock that may be issued under TripAdvisor's equity compensation plans consisting of the 2011 Plan and the Non-Employee Director Deferred Compensation Plan.

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a)) (c)
Equity compensation plans approved by security holders:	9,100,651(1)	31.41(2)	6,524,199
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
Total	9,100,651		6,524,199

- (1) Includes 8,653,983 shares of common stock issuable upon the exercise of outstanding options and 446,668 shares of common stock issuable upon the vesting of restricted stock units.
- (2) Since restricted stock units do not have any exercise price, such units are not included in the weighted average exercise price calculation.

**Item 13. Certain Relationships and Related Transactions, and Director Independence
Review and Approval or Ratification of Related Person Transactions**

Prior to the completion of the Spin-Off, we were subject to the policies and procedures of Expedia regarding the review and approval of related person transactions. In general, we will enter into or ratify a related person transaction only when it has been approved by the Audit Committee of the Board of Directors, in accordance with its written charter. Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. Related person transactions are transactions that meet the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person or entity has a direct or indirect material interest). When a potential related person transaction is identified, management presents it to the Audit Committee to determine whether to approve or ratify. When determining whether to approve, ratify, disapprove or reject any related person transaction, the Audit Committee considers all relevant factors, including the extent of the related person's interest in the transaction, whether the terms are commercially reasonable and whether the related person transaction is consistent with the best interests of TripAdvisor and our stockholders.

The legal and accounting departments work with business units throughout TripAdvisor to identify potential related person transactions prior to execution. In addition, we take the following steps with regard to related person transactions:

On an annual basis, each director, director nominee and executive officer of TripAdvisor completes a Director and Officer Questionnaire that requires disclosure of any transaction, arrangement or relationship with us during the last fiscal year in which the director or executive officer, or any member of his or her immediate family, had a direct or indirect material interest.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

Each director, director nominee and executive officer is expected to promptly notify our legal department of any direct or indirect interest that such person or an immediate family member of such person had, has or may have in a transaction in which we participate.

TripAdvisor monitors its accounts payable, accounts receivable and other databases to identify any other potential related person transactions that may require disclosure.

Any reported transaction that our legal department determines may qualify as a related person transaction is referred to the Audit Committee.

Table of Contents

If any related person transaction is not approved, the Audit Committee may take such action as it may deem necessary or desirable in the best interests of TripAdvisor and our stockholders.

Related Person Transactions

Expedia

Related-party revenue from Expedia of \$203.8 million, \$211.0 million and \$171.1 million for the years ended December 31, 2012, 2011 and 2010, respectively, primarily consists of click-based advertising and other advertising services provided to Expedia and its subsidiaries and is recorded at contract value, which we believe is a reasonable reflection of the value of the services provided. Related-party revenue represented 27%, 33% and 35% of our total revenue for the years ended December 31, 2012, 2011 and 2010, respectively.

Prior to the Spin-Off, our operating expenses included a related-party shared services fee, of \$9.2 million and \$7.9 million for the years ended December 31, 2011 and 2010, respectively, which was comprised of allocations from Expedia for accounting, legal, tax, corporate development, financial reporting, treasury and real estate functions and included an allocation of employee compensation within these functions. These allocations were determined on a basis that Expedia and we considered to be a reasonable reflection of the cost of services provided or the benefit received by us. These expenses were allocated based on a number of factors including headcount, estimated time spent and operating expenses. It was not practicable to determine the amounts of these expenses that would have been incurred had we operated as an unaffiliated entity. In the opinion of our management, the allocation method was reasonable.

Other related-party operating expenses which were included within selling and marketing expense were \$6.4 million, \$4.3 million, and \$1.2 million for the years ended December 31, 2012, 2011 and 2010, respectively, which primarily consisted of marketing expense for exit windows.

Related party net interest income (expense) of \$0.5 million and (\$0.2) million for the years ending December 31, 2011 and 2010 are reflected in the consolidated and combined statements of operations within interest income (expense), net and were primarily intercompany in nature, arising from the transfer of liquid funds between Expedia and us that occurred as part of Expedia's treasury operations prior to the Spin-Off.

The net related party receivable balances with Expedia reflected in our consolidated balance sheets as of December 31, 2012 and 2011 were \$24.0 million receivable and \$14.1 million, respectively. In addition to the revenue and expense relationships described above, the change in the net related party receivable balance was also affected by our transfer of domestic cash receipts to Expedia during the periods prior to the Spin-Off offset by Expedia's funding of our payroll and income tax payments as well as certain acquisitions. In connection with the Spin-Off, all domestic intercompany receivables/payables with Expedia were extinguished.

As discussed in Note 1 *Organization and Basis of Presentation* in our Annual Report on Form 10-K filed with the SEC on February 15, 2013, we transferred \$405.5 million in cash to Expedia in the form of a dividend, prior to completion of the Spin-Off. Per the Separation Agreement we were to retain \$165 million in cash on hand immediately following the Spin-off and the agreement also provided for a subsequent reconciliation process to ensure the appropriate amount was retained. The completion of this reconciliation resulted in us recording an additional receivable from Expedia of \$7 million at December 31, 2011, which was subsequently received by us during 2012.

We were a guarantor of Expedia's credit facility and outstanding senior notes. These guarantees were full, unconditional, joint and several, and were released upon Spin-Off.

From the completion of the Spin-Off until December 11, 2012, as a result of the irrevocable proxy of Liberty Interactive Corporation (Liberty) described in more detail below under Liberty and Barry Diller, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote). Additionally, Mr. Diller was the Chairman and Senior Executive of Expedia, and through similar arrangements between Mr. Diller and Liberty, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of Expedia's stockholders (other than with respect to the election by the holders of Expedia common stock of 25% of the members of Expedia's Board of Directors and matters as to which Delaware law requires a separate class vote). As a result, from the completion of the Spin-Off until December 11, 2012, TripAdvisor and Expedia were related parties since they were under common control. On December 11, 2012, as a result of the purchase by Liberty of an aggregate of 4,799,848 shares of common stock of TripAdvisor from Mr. Diller and certain of his affiliates which is described in further detail below under Liberty and Barry Diller, Expedia and TripAdvisor are no longer under common control. However, Expedia continues to be a related party to TripAdvisor due to Liberty's ownership of Expedia stock.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

For purposes of governing certain of the ongoing relationships between us and Expedia at and after the Spin-Off, and to provide for an orderly transition, we and Expedia have entered into various agreements, including, among others, the Separation Agreement; the Tax Sharing

Table of Contents

Agreement, the Employee Matters Agreement, the Transition Services Agreement, and commercial agreements. The various commercial agreements, including click-based advertising agreements, content sharing agreements and display-based and other advertising agreements, had terms of up to one year. The full texts of the Separation Agreement, the Tax Sharing Agreement, the Employee Matters Agreement, the Transition Services Agreement and the Master Advertising Agreement (CPC) are incorporated by reference to our Annual Report on Form 10-K filed with the SEC on February 15, 2013 as Exhibits 2.1, 10.2, 10.3, 10.4 and 10.6 (10.6 filed in redacted form pursuant to confidential treatment request), respectively. We continue to work together with Expedia pursuant to various commercial agreements between subsidiaries of TripAdvisor, on the one hand, and subsidiaries of Expedia, on the other hand. These commercial arrangements were and will continue to be negotiated on an arm's length basis.

Liberty and Barry Diller

On December 20, 2011, in connection with the Spin-Off, we entered into a governance agreement (the "Governance Agreement") with Liberty and Barry Diller, our former Chairman of the Board of Directors and our Senior Executive. The summary of the material terms of the Governance Agreement are qualified in their entirety by the full text of the Governance Agreement, which is incorporated by reference to our Annual Report on Form 10-K filed with the SEC on February 15, 2013 as Exhibit 10.1. In addition, Liberty and Mr. Diller entered into a stockholders agreement, dated December 20, 2011 (the "Stockholders Agreement"), pursuant to which, among other things, Liberty granted to Mr. Diller an irrevocable proxy (the "Proxy") with respect to all of TripAdvisor's securities beneficially owned by Liberty on all matters submitted to a stockholder vote or by which the stockholders may act by written consent (other than with respect to contingent matters with respect to which Liberty had not consented).

By virtue of the Proxy, as well as through shares owned by Mr. Diller directly, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote). Additionally, Mr. Diller was the Chairman and Senior Executive of Expedia, and through similar arrangements between Mr. Diller and Liberty, Mr. Diller was effectively able to control the outcome of all matters submitted to a vote or for the consent of Expedia's stockholders (other than with respect to the election by the holders of Expedia common stock of 25% of the members of Expedia's Board of Directors and matters as to which Delaware law requires a separate class vote). As a result, from the completion of the Spin-Off until December 11, 2012, TripAdvisor and Expedia were related parties since they were under common control.

On December 11, 2012, Liberty purchased an aggregate of 4,799,848 shares of common stock of TripAdvisor from Mr. Diller and certain of his affiliates (the "Stock Purchase"). Effective upon completion of the Stock Purchase, Mr. Diller resigned as Chairman and the Senior Executive of TripAdvisor, but continued to serve as a non-employee director. As a result of the completion of the Stock Purchase: (i) the Stockholders Agreement has, in accordance with its terms, terminated, (ii) the Proxy has terminated and Mr. Diller no longer has the right to vote the shares of TripAdvisor common stock and Class B common stock beneficially owned by Liberty, and (iii) the Governance Agreement has, in accordance with its terms, terminated with respect to Mr. Diller and remains in effect with respect to Liberty and TripAdvisor.

As of April 22, 2013, Mr. Diller beneficially owned 2,072,023 shares of our common stock (assuming the exercise of options to purchase 2,019,694 shares of common stock that are or become exercisable by Mr. Diller or vest within 60 days of April 22, 2013), which shares constitute 1.4% of the outstanding shares of common stock. Effective April 23, 2013, Mr. Diller tendered his resignation from our Board of Directors. As of April 22, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 13.9% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.6% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.5% of our voting power. As a result, Liberty is effectively able to control the outcome of all matters submitted to a vote or for the consent of TripAdvisor's stockholders (other than with respect to the election by the holders of TripAdvisor common stock of 25% of the members of TripAdvisor's Board of Directors and matters as to which Delaware law requires a separate class vote).

Director Independence

Under the NASDAQ Stock Market Listing Rules (the "Listing Rules"), the Board has a responsibility to make an affirmative determination that those members of the Board who serve as independent directors do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In connection with the independence determinations described below, the Board reviewed information regarding transactions, relationships and arrangements relevant to independence, including those required by the Listing Rules. This information is obtained from director responses to questionnaires circulated by management, as well as our records and publicly available information. Following this determination, management monitors those transactions, relationships and arrangements that were

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

relevant to such determination, as well as solicits updated information potentially relevant to independence from internal personnel and directors, to determine whether there have been any developments that could potentially have an adverse impact on the Board's prior independence determination. The Board of Directors has determined that each of Ms. Singh Cassidy and Messrs. Miller, Philips

Table of Contents

and Wiesenthal is an independent director as defined by the Listing Rules. In making its independence determinations, the Board of Directors considered the applicable legal standards and any relevant transactions, relationships or arrangements. In addition to the satisfaction of the director independence requirements set forth in the Listing Rules, members of the Audit Committee and Compensation Committee have also satisfied separate independence requirements under the current standards imposed by the SEC and the Listing Rules for audit committee members and by the SEC and the Internal Revenue Service for compensation committee members.

Controlled Company Status

The Listing Rules exempt controlled companies, or companies of which more than 50% of the voting power is held by an individual, a group or another company, such as TripAdvisor, from certain requirements under the Listing Rules.

As of April 22, 2013, Liberty beneficially owned 18,159,752 shares of our common stock and 12,799,999 shares of our Class B common stock, which shares constitute 13.9% of the outstanding shares of common stock and 100% of the outstanding shares of Class B common stock. Assuming the conversion of all of the Liberty's shares of Class B common stock into common stock, Liberty would beneficially own 21.6% of the outstanding common stock (calculated in accordance with Rule 13d-3). Because each share of Class B common stock generally is entitled to ten votes per share and each share of common stock is entitled to one vote per share, Liberty may be deemed to beneficially own equity securities representing approximately 56.5% of our voting power. Liberty has filed a Statement of Beneficial Ownership on Schedule 13D/A with respect to its TripAdvisor holdings and related voting arrangements with the SEC. On this basis, TripAdvisor is relying on the exemption for controlled companies from certain requirements under the Listing Rules, including, among others, the requirement that a majority of the Board of Directors be composed of independent directors, the requirement that the Compensation Committee be composed solely of independent directors and certain requirements relating to the nomination of directors.

**Item 14. Principal Accounting Fees and Services
Fees Paid to Our Independent Registered Public Accounting Firm**

The following table sets forth aggregate fees for professional services rendered by Ernst & Young LLP for the years ended December 31, 2012 and 2011.

	2012	2011
Audit Fees(1)	\$ 1,218,300	\$ 468,000
Audit-Related Fees(2)	\$	\$
Total Audit and Audit-Related Fees	\$ 1,218,300	\$ 468,000
Tax Fees(3)	\$ 3,150	\$
Other Fees	\$	\$
Total Fees	\$ 1,221,450	\$ 468,000

- (1) Audit Fees include fees and expenses associated with the annual audit of TripAdvisor's consolidated financial statements, statutory audits, reviews of TripAdvisor's periodic reports, accounting consultations, reviews of SEC registration statements, report on the effectiveness of internal control and consents and other services related to SEC matters.
- (2) Audit-Related Fees include fees and expenses for due diligence in connection with acquisitions.
- (3) Tax Fees include fees and expenses for quarterly tax compliance services outside of the U.S.

Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee has considered the non-audit services provided by Ernst & Young LLP as described above and believes that they are compatible with maintaining Ernst & Young LLP's independence as our independent registered public accounting firm.

Edgar Filing: TripAdvisor, Inc. - Form 10-K/A

The Audit Committee has adopted a policy governing the pre-approval of all audit and permitted non-audit services performed by TripAdvisor's independent registered public accounting firm to ensure that the provision of such services does not impair the independent registered public accounting firm's independence from TripAdvisor and our management. Unless a type of service to be provided by our independent registered public accounting firm has received general pre-approval from the Audit Committee, it requires specific pre-approval by the Audit Committee. The payment for any proposed services in excess of pre-approved cost levels requires specific pre-approval by the Audit Committee.

Table of Contents

Pursuant to its pre-approval policy, the Audit Committee may delegate its authority to pre-approve services to one or more of its members, and it has currently delegated this authority to its Chairman, subject to a limit of \$250,000 per approval. The decisions of the Chairman (or any other member(s) to whom such authority may be delegated) to grant pre-approvals must be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may not delegate its responsibilities to pre-approve services to Company management.

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a). The following are filed as part of this Amendment No. 1 on Form 10-K/A:

1. *Consolidated and Combined Financial Statements*: The consolidated and combined financial statements and report of independent registered public accounting firm required by this item are included in Part II, Item 8.

2. *Financial Statement Schedules*: Schedule II, Valuation and Qualifying Accounts, is included in Part II, Item 8.

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated and combined financial statements or in the notes thereto.

(b). Exhibits: The exhibits listed in the Exhibit Index at the end of this report are filed as Exhibits to this Amendment No. 1 on Form 10-K/A and are meant to supplement the Exhibits listed and/or filed in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TripAdvisor, Inc.

April 30, 2013

By: /s/ STEPHEN KAUFER
Stephen Kaufer

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on April 30, 2013.

Signature	Title
/s/ STEPHEN KAUFER Stephen Kaufer	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ JULIE M.B. BRADLEY Julie M.B. Bradley	Chief Financial Officer (Principal Financial and Accounting Officer)
* Sukhinder Singh Cassidy	Director
* Gregory B. Maffei	Director
* Jonathan F. Miller	Director
* Jeremy Philips	Director
* Christopher W. Shean	Director
* Robert S. Wiesenthal	Director

*By: /s/ JULIE M.B. BRADLEY

Attorney-in-Fact

Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Filed Herewith	Form	Incorporated by Reference Exhibit		Filing Date
				SEC File No.	No.	
23.2	Consent of Independent Registered Public Accounting Firm	X				
31.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.4	Certification of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.3	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.4	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				