UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2008

Commission File No.: 0-25581

priceline.com Incorporated

(Exact name of Registrant as specified in its charter)

Delaware (State or other Jurisdiction of Incorporation or Organization)	**06-1528493** (I.R.S. Employer Identification No.)
800 Connecticut Avenue **Norwalk, Connecticut** (Address of Principal Executive Offices)	**06854** (Zip Code)

Registrant's telephone number, including area code: **(203) 299-8000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on which Registered:
Common Stock, par value $0.008 per share	The NASDAQ Global Select Market

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 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 (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of common stock held by non-affiliates of priceline.com as of June 30, 2008 was approximately $2.7 billion based upon the closing price reported for such date on the Nasdaq Global Select Market. For purposes of this disclosure, shares of common stock held by executive officers and directors of priceline.com on June 30, 2008 have been excluded because such persons may be deemed to be affiliates of priceline.com. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of priceline.com's common stock was 40,980,720 as of February 13, 2009.

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DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth in this Form 10-K, is incorporated herein by reference from priceline.com's definitive proxy statement relating to the annual meeting of stockholders to be held on June 3, 2009, to be filed with the Securities and Exchange Commission within 120 days after the end of priceline.com's fiscal year ended December 31, 2008.

priceline.com Incorporated Annual Report on Form 10-K for the Year Ended December 31, 2008 Index

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict, including the Risk Factors identified in Item 1A of this Annual Report; therefore, actual results may differ materially from those expressed, implied or forecasted in any such forward-looking statements.

Expressions of future goals, expectations and similar expressions including, without limitation, “may,” “will,” “should,” “could,” “expects,” “does not currently expect,” “plans,” “anticipates,” “intends,” “believes,” “estimates,” “predicts,” “potential,” “targets,” or “continue,” reflecting something other than historical fact are intended to identify forward-looking statements. Our actual results could differ materially from those described in the forward-looking statements for various reasons including the risks we face which are more fully described in Item 1A, “Risk Factors.” Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the reports and documents we file or furnish from time to time with the SEC, particularly our quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. Business

General

We are a leading global online travel company that offers our customers a broad range of travel services, including hotel rooms, car rentals, airline tickets, vacation packages, cruises and destination services. Internationally, we offer our customers hotel room reservations in over 75 countries and 27 languages. In the United States, we offer our customers a unique choice: the ability to purchase travel services in a traditional, price-disclosed manner or the opportunity to use our unique *Name Your Own Price*® service, which allows our customers to make offers for travel services at discounted prices.

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include, among others, the brands Booking.com, Active Hotels and Agoda. Our principal goal is to be the leading worldwide online hotel reservation service. At present, we derive substantially all of our revenues from the following sources:

- Transaction revenues from our *Name Your Own Price*® hotel room, rental car and airline ticket services, as well as our vacation packages service;
- Commissions earned from the sale of price-disclosed hotel rooms, rental cars, cruises and other travel services;
- Customer processing fees charged in connection with the sale of both *Name Your Own Price*® and price-disclosed hotel rooms and *Name Your Own Price*® airline tickets and rental car services. We eliminated processing fees for our price-disclosed airline ticket service in June 2007;
- Transaction revenue from our price-disclosed “merchant” hotel room service;
- Global distribution system (“GDS”) reservation booking fees related to both our *Name Your Own Price*® airline ticket, hotel room and rental car services, and price-disclosed airline tickets and rental car services; and
- Other revenues derived primarily from selling advertising on our websites.

For the year ended December 31, 2008, we had revenues of approximately $1.9 billion comprised of "merchant" revenue, "agency" revenue and "other" revenue. Merchant revenues are derived from transactions where we are the merchant of record and, among other things, select suppliers and determine the price we will accept from the customer. Merchant revenues, which represented the substantial majority of our total revenues in 2008, consisted of: (1) transaction revenues representing the selling price of *Name Your Own Price*® hotel rooms, rental cars and airline tickets and price-disclosed vacation packages services; (2) transaction revenues representing the amount charged to a customer, less the amount charged by suppliers in connection with the hotel rooms provided through our merchant price-disclosed hotel service; (3) customer processing fees charged in connection with the sale of both *Name Your Own Price*® and price-disclosed hotel rooms and *Name Your Own Price*® airline tickets and rental car services; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above. Agency revenues are generally derived from travel related transactions where we are not the merchant of record and where the prices of our services are determined by third parties. Agency revenues consisted primarily of: (1) travel commissions and (2) GDS reservation booking fees related to certain of the services listed above. Other revenues are derived primarily from advertising on our websites.

Priceline.com was formed as a Delaware limited liability company in 1997 and was converted into a Delaware corporation in July 1998. Our common stock is listed on the NASDAQ Global Select Market under the symbol "PCLN." Our principal executive offices are located at 800 Connecticut Avenue, Norwalk, Connecticut 06854.

The priceline.com Business Model

We offer customers the ability to make hotel reservations on a worldwide basis primarily under the Booking.com and Agoda brands internationally and primarily under the priceline.com brand in the United States. In the United States, we also offer customers the ability to purchase other travel services, including airline tickets, rental car days, vacations packages, destination services and cruises, through both a traditional, price-disclosed "retail" manner, and through our proprietary demand-collection system known as *Name Your Own Price*®. These services are made available over the Internet through websites that we own or control, and are provided by major travel suppliers, including more than 70,000 hotel properties worldwide. We believe that the combination of our retail price-disclosed model and our *Name Your Own Price*® model allows us to provide a broad array of options to value-conscious travelers, while providing us with diverse streams of revenue.

International: Price-Disclosed Hotel Services. We offer a retail, price-disclosed hotel service in Europe and Asia through our international operations, which consist primarily of Booking.com B.V., one of Europe's leading Internet hotel reservation services, with more than twenty offices worldwide, Booking.com Limited, a Cambridge, England-based Internet hotel reservation distributor (together with Booking.com B.V., "Booking.com"), and priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.), an Internet hotel distributor with operations in Singapore and Thailand ("Agoda"). We work with over 60,000 chain-owned and independently owned hotels offering hotel reservations on various websites and in multiple languages. For geographic related information, see Note 20 to our Consolidated Financial Statements.

Our international business — the significant majority of which is currently generated by our European operations — represented approximately 58.4% of our gross bookings (an operating and statistical metric referring to the total dollar value, inclusive of all taxes and fees, of all travel services purchased by our customers) in the year ended December 31, 2008, and contributed more than two-thirds of our consolidated operating income during that period. Given that our international business is primarily comprised of hotel reservation services, revenue earned in connection with the reservation of hotel room nights has come to represent the substantial majority of our gross profit.

United States: Retail Travel Services. In the United States, we offer customers the ability to purchase price-disclosed hotel rooms, rental car days, airline tickets, vacation packages, destination services and cruises at retail prices. In these transactions, the customer typically selects airline flights, hotel reservations, rental car or other travel itineraries from an array of results produced in response to the customer's request. These results include the identity of the travel supplier, the exact price of the itinerary, and other details relating to the itineraries. In some circumstances, the customer pays us at the time of reservation, and in other circumstances, the customer pays the travel supplier directly at the time of travel.

United States: Name Your Own Price® Travel Services. We have developed a unique pricing system known as a "demand collection system" that uses the information sharing and communications power of the Internet to create a different way of pricing services. We believe our services have created a balance between the interests of buyers, who are willing to accept trade-offs in order to save money, and sellers, who are prepared to generate incremental revenue by selling their services at below retail prices, provided that they can do so without disrupting their existing distribution channels or retail pricing structures. Our demand collection system allows consumers to specify the price they are prepared to pay when submitting an offer for a particular leisure travel service. We then access databases in which participating suppliers file secure discounted rates not generally available to the public, to determine whether we can fulfill the customer's offer and decide whether we want to accept the offer at the price designated by the consumer. For most of these transactions, we have discretion in supplier selection and are the merchant of record in the transaction. Consumers agree to hold their offers open for a specified period of time to enable us to determine whether we can or want to accept the offer. Once fulfilled, offers generally cannot be canceled — thereby making such purchases generally non-refundable. This system uses the flexibility of buyers to enable sellers to accept a lower price in order to sell their excess capacity. We believe that our demand collection system addresses limitations inherent in traditional seller-driven pricing mechanisms in a manner that offers substantial benefits to both buyers and sellers. We believe that the principal advantages of our system include the following:

- **Cost Savings**. Our *Name Your Own Price®* demand collection system allows consumers to save money in a simple and compelling way. Buyers effectively trade off flexibility about brands, service features and/or sellers in return for prices that are generally lower than those that can be obtained at that time through traditional retail distribution channels.

- **Incremental Revenue for Sellers**. Sellers use our *Name Your Own Price®* demand collection system as a revenue management tool to generate incremental revenue without disrupting their existing distribution channels or retail pricing structures. We require consumers to be flexible with respect to brands and service features. As a result, our *Name Your Own Price®* system does not reveal sellers' brands to customers prior to the consummation of a transaction, thereby protecting their brand integrity. This shielding of brand identity and price enables sellers to sell services at discounted prices without cannibalizing their own retail sales by publicly announcing discount prices and without competing against their own distributors.

- **Proprietary Seller Networks**. We have assembled proprietary networks of industry leading sellers that represent high quality brands. By establishing attractive networks of seller participants with reputations for quality, scale and national presence, we believe that we foster increased participation by both buyers and sellers.

We often refer to services offered through our *Name Your Own Price®* service as "opaque" services because all aspects of the travel service are not visible to the consumer before making an offer.

The priceline.com Strategy

The online travel category has continued to experience significant worldwide growth as consumer purchasing shifts from traditional off-line channels to interactive online channels. Priceline.com has been a leader in the hotel reservation market internationally and in the deep discount segment of this market in the United States. Our strategy is to continue to participate broadly in online travel growth by expanding our service offerings and markets.

- **Become the Leading Worldwide Online Hotel Reservation Service**. The size of the travel market outside of the United States is substantially greater than that within the United States. Historically, Internet penetration rates and e-commerce adoption rates of international consumers have trailed those of the United States. However, international consumers are rapidly moving to online means for purchasing travel. Accordingly, recent international online travel growth rates have substantially exceeded, and are expected to continue to exceed, the growth rates within the United States. Prior to 2004, substantially all of our revenues were generated within the United States. For the year ended December 31, 2008, our international business — the significant majority of which is currently generated by Booking.com — represented approximately 58.4% of our gross bookings, and contributed more than two-thirds of our consolidated operating income during that period. We expect that our international operations will represent a growing percentage of our total gross bookings and operating income (before taking into account the offsetting impacts of foreign exchange, if any) over the long term. Because of what we believe to be superior growth rate opportunities associated with international online travel, we intend to continue to invest resources to increase the share of our revenues represented by international consumers and capitalize on international travel demand.

  We believe that the positioning of our Booking.com hotel reservation service gives us a foothold into a broader international market. We intend to use Agoda, the online hotel distributor with operations in Singapore and Thailand, which we acquired in 2007, to further develop our operations throughout Asia, where Internet penetration and e-commerce adoption are growing at a substantially greater pace than in the United States over the last several years. We have begun, and intend to continue, development of the means to share hotel availability among our brands, which we believe will allow us to monetize demand across international markets. In addition, from time to time we explore strategic transactions and acquisitions that, among other things, allow us to provide our services to new markets. We believe that by promoting our brands worldwide, sharing hotel supply and customer flow and applying our industry experiences in the United States and Europe to other international regions, we can further expand our service internationally and become the leading worldwide online hotel reservation service.

- **Continue to be One of the Top Online Travel Businesses in North America for Value-Conscious Leisure Travelers**. Our *Name Your Own Price*® demand collection system in the United States allows consumers to save money in a simple and compelling way. Buyers effectively trade off flexibility about brands, service features and/or sellers in return for prices that are lower than those that can be obtained at that time through traditional retail distribution channels. We have expended significant resources to allow us to introduce price-disclosed retail services in the United States to our consumers to compliment the *Name Your Own Price*® service. We believe that by offering a "one-stop-shopping" solution to our customers, we can simultaneously fulfill the needs of those customers who are prepared to accept the unique restrictions of our *Name Your Own Price*® service in exchange for receiving significant savings relative to retail prices, as well as those customers who are less price sensitive and require the certainty of knowing the full details of their travel itinerary prior to purchasing. In June 2007, we eliminated booking fees on price-disclosed retail airline tickets as part of our strategy to provide value to our customers, and in 2008, we reduced price-disclosed hotel booking fees and eliminated hotel change fees.

We intend to enhance our service offerings continually, particularly our retail offerings, by adding competitive functionality, adding competitive content at competitive pricing, adding and improving the content and merchandising on our website as well as "cross-sell" opportunities (for example, offering a hotel customer the opportunity to add a rental car reservation to the transaction) to maximize customer conversion.

- *Competitive functionality:* We continue to expend significant resources to remain competitive in terms of the features and functionality we offer our customers. For example, since launching our domestic retail air service, we added the ability to search for flexible dates or alternative airports, book one-way and multi-destination itineraries and easily make modifications to search criteria. In addition, we offer a personal experience, where individualized content, such as special deals or favorite hotels, can be presented based upon preferences set by the customer or a customer's previous activity on one of our sites.

- *Competitive selection and pricing:* We believe that having a wide selection of travel options at competitive pricing is critical to our success. For example, we have eliminated booking fees on price-disclosed retail airline tickets, reduced price-disclosed hotel booking fees and eliminated hotel change fees. We have also added JetBlue fares to our retail price-disclosed airline ticket service and added over 10,000 additional hotels to our domestic vacation package service. In addition, we have renewed or entered into new agreements with several of our major airline and hotel suppliers, which we believe improved our access to a better selection of travel alternatives and pricing.

- *Content and merchandising:* As part of our evolution to a "one-stop-shopping" website, we have added thousands of pages of content to allow customers to research destinations and hotel properties before booking a reservation. We offer property descriptions, maps, images, and user reviews whereby our customers can benefit from the experiences and opinions of other customers. In the United States, we offer "PriceBreakers℠," which is a presentation of selected travel itineraries at discounted prices that is updated daily. In 2008, we introduced Price Drop Alerts, whereby we monitor airfares daily and notify customers of fare reductions via email. We also created a loyalty program that awards our customers for using www.priceline.com and encourages them to try new priceline.com services. We intend to continue to improve our content and merchandising with more comprehensive descriptions, more and higher quality images, and more user reviews, which we believe will improve conversion of users shopping on our website.

- *Cross-sell opportunities*: We also cross-sell different travel components to maximize the revenue we generate from each customer in the United States. We have developed and implemented functionality that allows customers to "add-on" travel components to their selection, both during the shopping experience and at time of purchase. For example, customers can add a rental car reservation to their air or hotel reservation, or a hotel reservation to their air reservation. Customers can also add destination related services such as shuttles, tours and activities. Additionally, we cross-sell opaque services on our retail path and retail services on our opaque path. For example, an unsuccessful opaque air customer may be offered a price-disclosed alternative, while a retail hotel shopper may be offered the *Name Your Own Price*® alternative for greater savings. In addition, personalized cross-sell offers can appear on the priceline.com homepage when a customer has an upcoming trip. We intend to further enhance these cross-sell opportunities across all of our services.

We strive to be the preferred discount distribution channel in the United States for airlines, hotels and rental car companies. Our *Name Your Own Price*® service protects supplier brand and published pricing and our packages and other merchandising provide access to the brand neutral leisure traveler at attractive distribution costs.

Service Offerings — International

Retail Hotels. We offer a retail, price-disclosed hotel service worldwide, primarily through our Booking.com and Agoda brands. We work with over 60,000 chain-owned and independently owned hotels offering hotel reservations on various websites and in 27 languages. Hotels participate in Booking.com, which operates under an agency model, and Agoda, which operates primarily under a merchant model, by filing rates in our proprietary extranet. Hotels may also participate in Agoda via consolidator relationships.

Service Offerings — United States

***Name Your Own Price*® Hotels**. Through our *Name Your Own Price*® hotel room reservation service, customers can make reservations at hotel properties in substantially all major cities and metropolitan areas in the United States and Europe. Most significant national hotel chains as well as several important real estate investment trusts and independent property owners participate in our *Name Your Own Price*® service. Hotels participate by filing secure private discounted rates with related rules in a global distribution system database. These specific rates generally are not available to the general public or to consolidators and other discount distributors who sell to the public, however, hotel participants may make similar rates available to consolidators or other discount providers under other arrangements.

To make an offer, a customer specifies: (1) the city and neighborhood in which the customer wants to stay, (2) the dates on which the customer wishes to check in and check out, (3) the “class” of service (1, 2, 2½, 3, 3½, 4, 5-star or “resort”), (3) the price the customer is willing to pay, and (4) the customer’s valid credit card to guarantee the offer. When making an offer, consumers must agree to stay at any one of our participating hotel partners and accept a reservation that cannot be refunded or changed. The target market for our *Name Your Own Price*® hotel room reservation service is the leisure travel market.

Retail Hotels. We also operate a price-disclosed hotel service in the United States that enables our customers to select the exact hotel they want to book and the price of the reservation is disclosed prior to purchase.

***Name Your Own Price*® Rental Cars**. Our *Name Your Own Price*® rental car service is currently available in substantially all major United States airport markets. The top five brand name airport rental car companies in the United States are seller participants in our rental car program. Consumers can access our website and select where and when they want to rent a car, what kind of car they want to rent (e.g., economy, compact, mid-size, SUV, etc.) and the price they want to pay per-day, excluding taxes, fees and surcharges. When we receive an offer, we determine whether to fulfill the offer based upon the available rates and rules. If a customer’s offer is accepted, we will immediately reserve the rental car, charge the customer’s credit card and notify the customer of the rental car company and location providing the rental car.

Retail Rental Cars. We also offer a price-disclosed rental car service on www.priceline.com that enables our customers in the United States to choose between price-disclosed or *Name Your Own Price*® rental cars. Our price-disclosed rental car service operates under the “agency” model, under which we earn a commission upon rental car return, and accommodates one-way and off-airport reservations. As with our retail airline ticket and hotel reservation services, rental car reservations booked in a retail manner do not have the restrictions associated with our *Name Your Own Price®* service. Customers can select the exact car they want to book and the price of the reservation is disclosed prior to purchase.

With respect to each of our airline, hotel and rental car services, we believe the combination of our *Name Your Own Price®* model and the retail model allows us to provide a broad array of options to value-conscious travelers, while providing us with diverse streams of revenue.

***Name Your Own Price®* Airline Tickets**. There are a total of 10 domestic airlines and 22 international airlines participating in our *Name Your Own Price®* airline ticket service.

Our *Name Your Own Price®* airline ticket service operates in a manner similar to our *Name Your Own Price®* hotel room reservation service. To make an offer, a customer specifies: (1) the origin and destination of the trip, (2) the dates on which the customer wishes to depart and return, (3) the price the customer is willing to pay, and (4) the customer's valid credit card to guarantee the offer. When making an offer, consumers must agree to:

- fly on any one of our participating airline partners;
- leave at any time of day between 6 a.m. and 10 p.m. on their desired dates of departure and return;
- purchase only round trip coach class tickets between the same two points of departure and return;
- accept at least one stop or connection;
- receive no frequent flier miles or upgrades; and
- accept tickets that cannot be refunded or changed.

If a customer's offer is not accepted, but we believe the offer is reasonably close to a price that we would be willing to accept, we will attempt to satisfy the customer by providing guidance to the customer indicating that changing certain parameters of the offer would increase the chances of the offer being accepted. For example, in some cases we disclose to the customer that agreeing to fly into an alternate airport would increase the chances of his or her offer being accepted. In other cases, we inform the customer that increasing his or her offer by a certain amount would increase the chances of it being accepted. We may also offer a customer the opportunity to purchase a price-disclosed retail airline ticket.

Retail Airline Tickets. We also offer our customers in the United States the ability to purchase retail airline tickets at disclosed prices and with disclosed itineraries. The airline sets the retail price paid by the consumer and is the merchant of record for the transaction. These airline tickets do not have the restrictions associated with our *Name Your Own Price®* service. For example, in addition to having fully disclosed itineraries, retail airline tickets are generally changeable and cancellable for a fee. In June 2007, we eliminated booking fees we had previously charged on the sale of published price retail airline tickets.

Vacation Packages. Our vacation package service allows consumers in the United States to purchase packages consisting of airfare, hotel, rental car and destination service components. Consumers can select the exact hotel or resort that they want to reserve, and then select either a retail airline ticket or an opaque airline ticket for the air component of their package. Additionally, consumers can add destination related services such as parking, tours, shuttles, and activities. Vacation packages are sold at disclosed prices, although consumers cannot determine the exact price of the individual components on our website.

Destination Services. We currently offer customers in the United States the opportunity to purchase destination services such as parking, event tickets, ground transfers, tours and other services available at their travel destinations. This service is offered to consumers as part of the process of booking an air, hotel and vacation reservation, and also as a standalone service.

Cruises. We also offer price-disclosed cruise trips through World Travel Holdings, Inc., formerly known as National Leisure Group, Inc. ("WTH"), an agent representing major cruise lines. Our cruise service allows consumers in the United States to search for and compare cruise pricing and availability information from 19 cruise lines, and to purchase cruises online or through a call center by selecting from our published offerings and prices. We receive commissions from WTH on successful cruise bookings.

Travel Insurance. We offer our air, hotel, vacation package and rental car customers in the United States an optional travel insurance package that provides coverage for, among other things, trip cancellation, trip interruption, medical expenses, emergency evacuation, and loss of baggage, property and travel documents. The travel insurance is provided by member companies of American International Group, Inc. ("AIG"). We receive a percentage of the premium from AIG member companies for every optional insurance package purchased by our customers.

While we are currently focused on the travel services described above, over time, we may evaluate the introduction of other services that we believe could enhance the travel experience of our customers.

Financial Services

We offer financial services through Priceline Mortgage Company LLC, d/b/a pricelinemortgage.com, of which we own 49% and hold two of five seats on the board of managers. Pursuant to an intellectual property license from us, pricelinemortgage.com utilizes the priceline.com *Name Your Own Price®* business model. Although results from pricelinemortgage.com have been impacted by external housing and credit market conditions, our proportionate share of its losses has not been significant. Pricelinemortgage.com is controlled by EverBank, a federally chartered savings association supervised by the Office of Thrift Supervision, and a wholly owned subsidiary of EverBank Financial Corp. Pricelinemortgage.com has access to the management resources and expertise of EverBank, one of the nation's largest privately held banking and mortgage firms. EverBank Financial Corp. provides management services to pricelinemortgage.com, including the procurement of personnel and office space and assistance in obtaining regulatory approvals. Pricelinemortgage.com is operating in all 50 states. Robert J. Mylod, our Vice Chairman and Head of Worldwide Strategy and Planning, is a director of, and an investor in, EverBank Financial Corp., the parent company of EverBank. Mr. Mylod's investment represents less than 1/10 of one percent of EverBank Financial Corp.'s outstanding common stock.

Under the terms of an agreement with EverBank Financial Corp., pricelinemortgage.com allows consumers to access attractive financial services including, but not limited to, mortgages, home equity loans, and banking service. We record our proportionate share of the results of pricelinemortgage.com as equity in income (loss) of investees and minority interests.

Marketing and Brand Awareness

Booking.com, priceline.com and Agoda have established widely used and recognized e-commerce brands through aggressive marketing and promotion campaigns. During 2008, our total online advertising expenses were approximately $270.7 million, a substantial portion of which was spent internationally through Internet search engines and online affiliate marketing. We also invested approximately $38.0 million in priceline.com-branded offline advertising in the United States. We intend to continue a marketing strategy to promote brand awareness and the concept that consumers can save money using our services. Underlying our marketing strategy is our belief that our target market is all consumers, not just Internet-savvy consumers. We intend to continue to promote the Booking.com, priceline.com and Agoda brands aggressively throughout 2009.

As our international operations have become more meaningful contributors to our results, we have seen, and expect to continue to see, changes in our advertising expense. Specifically, because our international operations utilize Internet search engines and online affiliate marketing, principally through the purchase of travel-related keywords, as principal means of generating traffic to their websites, our online advertising expense has increased significantly since our acquisition of those companies, a trend we expect to continue throughout 2009.

Competition

We compete with both online and traditional sellers of the services we offer. The market for the services we offer is intensely competitive, and current and new competitors can launch new sites at a relatively low cost. In addition, the major online travel companies with which we compete have significantly greater financial resources and capital than we do. We may not be able to effectively compete with industry conglomerates such as Expedia, Orbitz Worldwide or Sabre, each of which has access to significantly greater and more diversified resources than we do.

We currently or potentially compete with a variety of companies with respect to each service we offer. With respect to our travel services, these competitors include, but are not limited to:

- Internet travel services such as Expedia, Hotels.com and Hotwire, which are owned by Expedia, and Venere, an Italian-based agency hotel reservation service provider that was acquired by Expedia in the third quarter of 2008; Travelocity and lastminute.com, which are owned by the Sabre Group; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are currently owned by Orbitz Worldwide; laterooms and asiarooms owned by Tui Travel, and Gullivers, octopustravel, Superbreak, hotel.de, Hotel Reservation Service, Ctrip, Rakuten and Wotif;

- travel suppliers such as airlines, hotel companies and rental car companies, many of which have their own branded websites to which they drive business;

- large online portal and search companies, such as AOL (including AOL Travel), Yahoo! (including Yahoo! Travel) and Google;

- traditional travel agencies, wholesalers and tour operators;

- online travel search sites such as Mobissimo.com, FareChase.com, Kayak.com and SideStep.com (each sometimes referred to as “meta-search” sites) and travel research sites that have search functionality, such as TripAdvisor, Travelzoo and Cheapflights.com; and

- operators of travel industry reservation databases such as Galileo, Travelport, Amadeus and Sabre.

Many airline, hotel and rental car suppliers, including suppliers with which we conduct business, are focusing on driving online demand to their own websites in lieu of third-party distributors such as us. Certain suppliers have attempted to charge additional fees to customers who book airline reservations through an online channel other than their own website. Furthermore, several low cost airlines, which are having increasing success in the marketplace, distribute their tickets exclusively through their own websites. Suppliers who sell on their own websites typically do not charge a processing fee, and, in some instances, offer advantages such as web-only fares, bonus miles or loyalty points, which could make their offerings more attractive to consumers than models like ours.

We potentially face competition from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic, including Amazon.com, AOL, MSN, Google.com and Yahoo!, which compete with us either directly or indirectly through affiliations with other e-commerce or off-line companies. We also compete with “meta-search” companies, which are companies that leverage their search technology to aggregate travel search results across supplier, travel agent and other websites. Some established search engine companies as well as start-ups are attempting to enter the online travel marketplace in this manner. If Google, Yahoo! or other portals decide to refer significant traffic to travel search engines, it could result in more competition from supplier websites and higher customer acquisition costs for third-party sites such as ours. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

Many of our current and potential competitors, including Internet directories, search engines and large traditional retailers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, personnel, technical and other resources than priceline.com. Some of these competitors may be able to secure services on more favorable terms than we can. In addition, many of these competitors may be able to devote significantly greater resources to:

- marketing and promotional campaigns;
- attracting traffic to their websites;
- attracting and retaining key employees;
- securing vendors and supply; and
- website and systems development.

Increased competition could result in reduced operating margins, loss of market share and damage to our brand. There can be no assurance that we will be able to compete successfully against current and future competitors. See “*Risk Factors — Intense competition could reduce our market share and harm our financial performance*.”

Operations and Technology

Our business is supported by a systems platform, which was designed with an emphasis on scalability, performance and reliability. The software platform and architecture are built on server-side Java, C++, ASP and Perl, and SQL scripts integrated with Oracle and MySQL relational database systems. This internal platform was designed to include open application protocol interfaces that can provide connectivity to vendors in the industries in which we operate. These include large global systems, such as airline and hotel room reservation systems and financial service providers, as well as individual suppliers, such as individual hotels. Our Internet servers utilize digital certificates to help us conduct secure communications and transactions, as appropriate.

The systems infrastructure and web and database servers of our international operations are primarily hosted at Equinix Europe Ltd., in London, England, and Global Switch Amsterdam B.V. and TelecityRedbus, in the Netherlands. Each location has backup generators and infrastructure typical of hosted data centers.

Our systems infrastructure and web and database servers in the U.S. are hosted at SAVVIS in Jersey City, New Jersey, which provides communication links, as well as 24-hour monitoring and engineering support. SAVVIS has its own generator and multiple back-up systems in Jersey City. We also maintain a second web hosting facility at AT&T in New York City. Our network operations center monitors both web hosting facilities and is located in our Norwalk, Connecticut headquarters. All three facilities have a continuous power supply system, generators and redundant servers. If SAVVIS were unable, for any reason, to support our primary web hosting facility, we would need to activate our secondary site at AT&T.

We out-source most of our domestic call center and customer service functions, and use a real-time interactive voice response system with transfer capabilities to our call centers and customer service centers.

Intellectual Property

We currently hold twenty issued United States patents, Nos. 5,794,207; 5,897,620; 6,085,169; 6,108,639; 6,134,534; 6,240,396; 6,332,129; 6,345,090; 6,356,878; 6,418,415; 6,466,919; 6,484,153; 6,510,418; 6,553,346; 6,993,503; 7,203,660; 7,188,176; 7,333,941; 7,386,508; 7,472,074 and over twenty pending United States and foreign patent applications. All of our issued United States patents expire between September 4, 2016 and March 22, 2025. We file additional patent applications on new inventions, as appropriate.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that:

- a third party will not have or obtain one or more patents that can prevent us from practicing features of our business or that will require us to pay for a license to use those features;
- our operations do not or will not infringe valid, enforceable patents of third parties;
- any patent can be successfully defended against challenges by third parties;
- the pending patent applications will result in the issuance of patents;
- competitors or potential competitors will not devise new methods of competing with us that are not covered by our patents or patent applications;
- because of variations in the application of our business model to each of our services, our patents will be effective in preventing one or more third parties from utilizing a copycat business model to offer the same service in one or more categories;
- new prior art will not be discovered that may diminish the value of or invalidate an issued patent; or
- legislative or judicial action will not directly or indirectly affect the scope and validity of any of our patent rights.

There has been discussion in the press regarding the examination and issuance of so-called “business method” patents. As a result, the United States Patent and Trademark Office has intensified the review process applicable to such patent applications. Recent court decisions by the U.S. Supreme Court and the Court of Appeals for the Federal Circuit have made the requirements for obtaining and maintaining certain types of patent protection more stringent. In addition, we understand there to be renewed focus on legislative reform efforts concerning patents in the U.S. Senate, House of

Representatives or both. At this time, we cannot fully anticipate what effect, if any, the new judicial action and the intensified Patent Office review process or new legislation will have on our issued patents and pending patent applications. See, "*Risk Factors — We face risks related to our intellectual property*."

We hold the exclusive rights to the trade names and service marks PRICELINE® and PRICELINE.COM® in the U.S. as well as in many foreign countries. We own U.S. Service Mark Registrations Nos. 2,481,750; 2,272,659; 2,594,582 for PRICELINE, and 2,481,752; 2,594,592; and 2,481,112 for PRICELINE.COM, including all attendant goodwill. We also own U.S. Service Mark Registration No. 2,647,673 for NAME YOUR OWN PRICE®; U.S. Service Mark Registration No. 2,481,751 for PRICELINEMORTGAGE®, U.S. Service Mark Registration No. 3,357,458 for PRICELINE EUROPE, and others. In addition, through our European subsidiary Booking.com BV, we hold the registered service mark BOOKINGS in the Netherlands (Benelux Registrations Nos. 762051 and 762054) and in France (French Registration No. 43276223, as well as French Registration No. 43276225 for BOOKING; two European Community ("EC") service mark registrations for BOOKINGS (Registrations Nos. 3413846 and 3413952,) and one for ACTIVE HOTELS (EC Reg. No. 3859618).

We aggressively monitor, protect and enforce our copyrights, service marks, trademarks, trade dress, domain names and trade secrets on an ongoing basis through a combination of laws and contractual restrictions, such as confidentiality agreements. For example, we endeavor to register our trademarks and service marks in the United States and internationally, currently holding over one hundred fifty service mark registrations worldwide. However, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are or may be made available online, regardless of our continuous efforts to police and register our marks. See, "*Risk Factors —- We face risks related to our intellectual property*."

We currently own numerous Internet domain names in various top level domains, particularly for purposes of deterring service mark infringement. Domain names are generally regulated by Internet regulatory bodies such as the World Intellectual Property Organization. The relationship between trademark and unfair competition laws and domain name registration is evolving. The Anticybersquatting Consumer Protection Act in the U.S. and the Uniform Domain Name Dispute Resolution Policy of the Internet Corporation for Assigned Names and Numbers have both significantly enhanced our ability to deter the infringing incorporation of trademarks into domain names by third parties and to assert our registrations against them. We actively pursue significant infringers as appropriate, including cybersquatters and typosquatters who misappropriate our service marks and misspellings thereof as domain names for commercial purposes, in order to maintain our famous marks and prevent the dilution of their distinctiveness. See, "*Risk Factors — We face risks related to our intellectual property*."

Governmental Regulation

The services we provide are subject to various federal, state and local regulations. For example, our travel service is subject to laws governing the offer and/or sale of travel services as well as laws requiring us to register as a "seller of travel." In addition, our services may be subject to various state and local taxing regulations. See "*Risk Factors — Uncertainty regarding state and local taxes*".

We are subject to federal, state and international laws that require protection of user privacy and user data. In our processing of travel transactions, we receive and store a large volume of personally identifiable data, both in the United States, Europe and Asia. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including the Commission of the European Union through its Data Protection Directive and variations of that directive in the member states of the European Union. Such government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction.

All of our services are subject to federal and state consumer protection laws and regulations prohibiting unfair and deceptive trade practices.

We are also subject to regulations applicable to businesses conducting online commerce. Presently, there are relatively few laws specifically directed toward online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted with respect to the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of services, taxation, advertising, intellectual property rights and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy is developing, but any such new legislation could have significant implications on how we conduct online business. In addition, some states may require us to qualify in that state to do business as a foreign corporation because our service is available in that state over the Internet. Although we are qualified to do business in a number of states, failure to meet the qualifications of certain states, or a determination that we are required to qualify in additional states, could subject us to taxes and penalties. See "*Risk Factors — Regulatory and legal uncertainties could harm our business,"* and *"Uncertainty regarding state and local taxes*."

Our European operations are subject to various foreign regulations and governing bodies that might limit their services. They may be affected by unexpected changes in regulatory requirements and various tariffs and trade barriers in connection with online commerce. Any failure by our European operations to comply may have an adverse effect on our business.

Pricelinemortgage.com is subject to laws governing the licensing and conduct of persons providing mortgage brokerage services. Such laws typically require certain consumer protection disclosures and loan solicitation procedures. For example, the Real Estate Settlement Procedures Act prohibits the payment and receipt of mortgage loan referral fees, and permits persons to be compensated only for the fair value of non-referral services. Accordingly, pricelinemortgage.com's home financing service provides non-referral services such as website development and advertising to a licensed mortgage broker who, in turn, provides the back-end processing for loan referrals.

Seasonality

Our *Name Your Own Price®* services are non-refundable in nature, and accordingly, we recognize travel revenue at the time a booking is generated. However, we recognize revenue generated from our retail hotel services, including our international operations, at the time that the customer checks out of the hotel. As a result, a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized until future quarters. From a cost perspective, however, we expense the substantial majority of our advertising activities as they are incurred, which is typically in the quarter in which bookings are generated. Therefore, as our retail hotel business continues to grow, we expect our quarterly results to become increasingly impacted by these seasonal factors.

Employees

As of February 1, 2009, we employed approximately 1,780 full-time employees, of which 430 are based in the United States and 1,350 are based in our international offices. We also retain independent contractors to support our customer service and system support functions.

We have never had a work stoppage and our employees are not represented by any collective bargaining unit. We consider our relations with our employees to be good. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial personnel, for whom competition is intense.

The priceline.com Websites

We maintain websites with the addresses www.booking.com, www.priceline.com and www.agoda.com, among others. We are not including the information contained on our websites as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through the www.priceline.com website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. These reports and other information are also available, free of charge, at www.sec.gov. Alternatively, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the priceline.com Incorporated Code of Business Conduct and Ethics is available through the www.priceline.com website and any amendments to or waivers from the Code of Ethics will be disclosed on that website.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us may also impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

The worldwide recession has adversely affected, and could continue to adversely affect, our business.

Worldwide recession is negatively affecting the broad travel market and, as a result, our business. For example, hotels worldwide have recently reported significant decreases in occupancy rates and average daily rates ("ADRs"). We believe that the positive trends impacting our domestic and international business overshadowed these negative influences in 2008. However, market conditions worsened significantly recently, with particular deterioration in the fourth quarter of 2008 and January 2009. Worldwide recession has weakened the fundamental demand for our services and could also cause an increase in the number of customers who cancel existing travel reservations with us.

Booking.com currently distributes hotel rooms primarily through a retail model whereby we earn a commission from the hotel property when the customer checks out of the hotel. This requires us to pursue collection of commissions relating to hotel room reservations from the hotel after the customer has completed his or her stay. As a result of worldwide recession, we have experienced an increase in delinquency rates, negatively impacting our business. Bankruptcies or insolvencies of hotel suppliers could also have an adverse impact on our business, results of operations and financial condition.

We believe the worldwide recession and these weakening travel market trends, including, without limitation, decreased consumer demand, further deterioration in ADRs and increases in cancellations, had a negative impact on our business, particularly in Europe and Asia, and will continue to have a negative impact in the near term. We cannot predict the magnitude or duration of this worldwide recession, but our current limited visibility does not suggest any near-term improvement. In addition, the worldwide recession has dramatically restricted the willingness and ability of financial institutions to extend credit. If we are not able to gain access to funds at an acceptable cost through the credit market, we may be limited, or unable, to pursue certain strategic alternatives such as acquisitions and share repurchases.

Our international operations' business model exposes us to certain risks that we have not traditionally experienced in the U.S. hotel business.

Throughout 2006, 2007 and 2008, our international operations experienced significant year-over-year growth in their gross bookings (an operating and statistical metric referring to the total dollar value, inclusive of all taxes and fees, of all travel services purchased by our customers). This growth rate has contributed significantly to our growth in revenue, gross profit and earnings per share. We expect our international operations to experience a decline in their growth rate in future years as the absolute level of their gross bookings grows larger. We expect other factors to slow the growth rates of our international business, including, for example, worldwide recession, the recent strengthening of the U.S. dollar versus the Euro, further declines in hotel ADRs, further increases in cancellations, travel market conditions and the competitiveness of the market. A decline in our international operations' growth rate could have a negative impact on our future revenue and earnings per share growth rates and, as a consequence, our stock price.

In addition, our international operations rely on various third party distribution channels to distribute hotel room reservations. Should one or more of such third parties cease distribution of our international operations' reservations, or suffer deterioration in its search engine ranking, due to changes in search engine algorithms or otherwise, the business of our international operations could be negatively affected. Similarly, a significant amount of our international business is directed to our own websites through advertising campaigns on Internet search engines, primarily Google, whose pricing and operating dynamics can experience rapid change both technically and competitively. We have experienced increased competition and increased costs associated with our advertising campaigns. If a major search engine changes its pricing, operating or competitive dynamics in a negative manner, our business, results of operations and financial condition would be adversely affected.

The strategy of our international operations involves rapid expansion into countries in Europe, including eastern Europe, Asia, North America and South America and elsewhere, many of which have different customs, different levels of customer acceptance of the Internet and different legislation, regulatory environments and tax schemes. For example, recent civil unrest during the peak booking season in Thailand, a key market for our Agoda business, negatively impacted booking volumes and future civil or political unrest would further disrupt Agoda's business. In addition, compliance with foreign legal, regulatory or tax requirements will place demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. If our international operations are unsuccessful in rapidly expanding into other countries, our business, results of operations and financial condition would be adversely affected.

We are dependent on the leisure travel industry and certain travel suppliers.

Our financial prospects are significantly dependent upon our sale of leisure travel services. Leisure travel, including the sale of hotel rooms and leisure airline tickets, is dependent on personal discretionary spending levels. As a result, sales of leisure travel services tend to decline during general economic downturns and recessions. Accordingly, the current worldwide recession has led to a weakening in the fundamental demand for our services and an increase in the number of customers who cancel existing travel reservations with us. In addition, unforeseen events beyond our control, such as terrorist attacks, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents, travel related health concerns and unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes, also may adversely affect the leisure travel industry and our business and results of operations. Further, work stoppages or labor unrest at any of the major airlines could materially adversely affect the airline industry and, as a consequence, have a material adverse effect on our business, results of operations and financial condition.

During the year ended December 31, 2008, *Name Your Own Price®* hotel room nights from our five largest hotel suppliers accounted for approximately 63.2% of total *Name Your Own Price®* hotel room nights sold, and sales of airline tickets from our five largest and two largest airline suppliers accounted for approximately 75.8% and 37.4% of total airline tickets sold, respectively. As a result, we are currently substantially dependent upon the continued participation of these suppliers in our system in order to maintain and continue to grow our total gross profit.

Our arrangements with the hotel, airline and rental car suppliers that participate in our system — either *Name Your Own Price®* or price-disclosed service — generally do not require them to provide any specific quantity of hotel rooms, airline tickets or rental cars, or to make rooms, tickets or cars available for any particular route, in any geographic area or at any particular price. During the course of our business, we are in continuous dialogue with our major suppliers about the nature and extent of their participation in our system. The significant reduction on the part of any of our major suppliers of their participation in our system for a sustained period of time or their complete withdrawal could have a material adverse effect on our business, results of operations and financial condition.

The hotel industry has recently experienced a significant decrease in occupancy rates, and we have experienced slowing demand growth, an increase in reservation cancellation rates and declining ADRs — trends which have continued to deteriorate and for which we do not anticipate any near-term improvement. While lower occupancy rates have historically resulted in hotel suppliers increasing their distribution of hotel rooms through third-party intermediaries such as us, our remuneration for hotel transactions changes proportionately with room price, and therefore, lower ADRs generally have a negative effect on our hotel business and a negative effect on our gross profit.

We believe the worldwide recession and lower ADRs are largely responsible for the increase in the number of hotel cancellations, particularly at our international operations. Our international operations distribute hotel rooms primarily through an agency model where reservations are generally cancellable, as opposed to merchant models operated by us (principally in the U.S.) and our competition and through which reservations are generally not cancellable without penalty. As ADRs decline, customers who have existing reservations may cancel those reservations and rebook at a lower rate, and in times of economic stress, travelers are more likely to cancel their vacation plans outright. While decreasing ADRs and a worldwide recession make it relatively more attractive for consumers to make a cancellable agency reservation than a pre-paid reservation, our agency business will likely have higher cancellation rates compared to companies who offer predominantly merchant model hotel rooms.

In addition, certain hotels have begun initiatives to reduce margins received by third party intermediaries on retail merchant transactions, which is the primary method we employ to distribute retail hotel room reservations in the United States. Many hotels distribute rooms through their own websites and therefore might increase negotiated rates for merchant rate hotel rooms sold through our merchant price-disclosed hotel service, decreasing the margin available to us. While our merchant price-disclosed hotel agreements with our leading hotel suppliers provide for specified discounts, if one or more participating hotels were to require us to limit our merchant margins, upon contract renewal or otherwise, it could have a material adverse effect on our business, results of operations and financial condition.

With respect to our airline suppliers, the airline industry has experienced a shift in market share from full-service carriers to low-cost carriers that focus primarily on discount fares to leisure destinations and we expect this trend to continue. Some low-cost carriers, such as Southwest, have not historically distributed their tickets through us or other third-party intermediaries. In addition, certain airlines have significantly limited or eliminated sales of airline tickets through opaque channels, preferring to consistently show the lowest available price on their own website. Certain airlines have also significantly reduced their domestic capacity, which reduces the number of airline tickets available to our customers. Furthermore, we have recently observed a sharp decline in passenger traffic and airfares across the airline industry, and we believe the airlines are experiencing significant year-over-year declines in yield, all of which we believe is principally due to the worldwide recession. Decreases in capacity and lower traveler demand negatively impact our domestic air business, which in turn has negative repercussions on our domestic hotel and rental car businesses, and could have a material adverse effect on our business, results of operations and financial condition.

We could be adversely affected by changes in the airline industry, and, in many cases, we will have no control over such changes or their timing. Recently, there has been an emerging prospect of domestic airline industry consolidation, as evidenced by the recent merger between Delta Air Lines and Northwest Airlines. If one of our major airline suppliers merges or consolidates with, or is acquired by, another company that either does not participate in the priceline.com system or that participates on substantially lower levels, the surviving company may elect not to participate in our system or to participate at lower levels than the previous supplier. For example, in September 2005, US Airways and America West merged. US Airways was a meaningful participant in our *Name Your Own Price*® system, but America West participated on a very limited basis. The resulting entity participates in our *Name Your Own Price*® system, but at much lower levels than US Airways' historical participation.

In addition, in the event that one of our major suppliers voluntarily or involuntarily declares bankruptcy and is subsequently unable to successfully emerge from bankruptcy, and we are unable to replace such supplier, our business would be adversely affected. In the past, airline carriers that have participated in our system and declared bankruptcy have continued to operate while in bankruptcy. High oil prices place financial stress on airline carriers, and increase the risk that a carrier may cease operations and face liquidation rather than reorganization under the bankruptcy laws. For example, in April 2008, Aloha Airlines and ATA Airlines each ceased operations and we experienced an increase in credit card charge backs from customers with tickets on those airlines. To the extent major U.S. airlines that participate in our system declare bankruptcy or cease operations, they may be unable or unwilling to honor tickets sold for their flights. Our policy in such event is to direct customers seeking a refund or exchange to the airline, and not to provide a remedy ourselves. Because we are the merchant-of-record on sales of *Name Your Own Price*® airline tickets to our customers, however, we could experience a significant increase in demands for refunds or credit card charge backs from customers, which could materially adversely affect our operations and financial results. In addition, because *Name Your Own Price*® customers do not choose their airlines, hotels or rental car companies, the bankruptcy of a major airline, hotel or rental car company, or even the possibility of such a bankruptcy, could discourage customers from using our *Name Your Own Price*® system to book travel.

The loss of any major airline participant in our *Name Your Own Price*® system could result in other major airlines electing to terminate their participation in the *Name Your Own Price*® system, which would further negatively impact our business, results of operations and financial condition. In addition, fewer independent suppliers reduces opacity and competition among suppliers. In such event, if we are unable to divert sales to other suppliers, our business, results of operations and financial condition may be adversely affected.

In addition, given the concentration of the airline industry, particularly in the domestic market, our competitors could exert pressure on other airlines not to supply us with tickets. Moreover, the airlines may attempt to establish their own buyer driven commerce service or participate or invest in other similar services.

If one of our major rental car suppliers merges or consolidates with, or is acquired by, another company that either does not participate in the priceline.com system or that participates on substantially lower levels, the surviving company may elect not to participate in our system or to participate at lower levels than the previous supplier. The loss of any rental car supplier participant in our *Name Your Own Price*® system could result in other rental car suppliers electing to terminate or reduce their participation in the *Name Your Own Price*® system, which would negatively impact our business, results of operations and financial condition. Furthermore, many major rental car companies are highly leveraged and the worldwide recession creates the potential for severe financial difficulty, including without limitation, the inability of a rental car company to refinance its debt, restructure its operations or emerge from a bankruptcy, any of which could lead to a reduction in rental car supply made available to us and an increase in credit card chargebacks. In addition, fewer independent suppliers reduces opacity and competition among suppliers. In such event, if we are unable to divert sales to other suppliers, our business, results of operations and financial condition may be adversely affected.

In addition, rental car companies rely on auto manufacturers to provide new vehicles for their fleet. Rental car companies also rely on auto manufacturers and the wholesale used car market to dispose of their fleets of cars. Worldwide recession has led to questions about the long term viability of the major U.S. auto manufacturers. In addition, the tight credit market has negatively affected the used car market, making it difficult for auto manufacturers and rental car suppliers to dispose of their fleets. If the rental car industry is faced with excess supply, rental car companies may lower retail rental car rates, which could be beneficial to our retail rental car business, but detrimental to our *Name Your Own Price®* business. Because rental car days are typically less expensive than airline tickets or hotel room nights, a reduction in retail rental car rates has a disproportionately adverse effect on sales of *Name Your Own Price®* rental car days since customers may be less likely to accept the trade-offs associated with that service. Alternatively, if the industry is faced with a shortage of vehicles, rental car companies may reduce the number of car reservations they distribute through our service or increase the negotiated rates at which they are willing to provide car reservations. Any disruption in the supply of vehicles or the ability to dispose of vehicles by car rental companies could impact their ability to match their fleet supply with demand, which could adversely impact our business.

We are exposed to fluctuations in currency exchange rates.

As a result of the growth of our international operations, we are conducting a significant portion of our business outside the United States and are reporting our results in U.S. dollars. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency (principally the Euro and the British Pound Sterling) into U.S. dollars upon consolidation. For example, our international operations contributed approximately $619.8 million to our revenues for the year ended December 31, 2008, which compares to $372.6 million for the year ended December 31, 2007. Approximately $11.3 million of this increase is due to fluctuations in currency exchange rates. The U.S. dollar generally weakened from when we acquired Booking.com B.V. in July 2005, until mid-2008, and as a result, the year over year growth rates in our international results, when reported in U.S. dollars, were positively impacted by changes in foreign exchange rates. However, the U.S. dollar has recently strengthened significantly against the Euro and the British Pound Sterling, which results in decreased net assets, revenues, operating expenses, and net income, and in the fourth quarter 2008, for the first time since our acquisition of Booking.com B.V., the foreign exchange impact was negative rather than positive. Accordingly, if this trend continues, it will become increasingly difficult for us to grow our gross bookings, revenues and earnings on a U.S. dollar denominated basis during 2009 and beyond. If the U.S. dollar weakens against the local currency, the translation of our foreign-currency-denominated balances will result in increased net assets, gross bookings, revenues, operating expenses, and net income.

Intense competition could reduce our market share and harm our financial performance.

We compete with both online and traditional sellers of the services we offer. The market for the services we offer is intensely competitive, and current and new competitors can launch new sites at a relatively low cost. In addition, the major online travel companies with which we compete have significantly greater financial resources and capital than we do. We may not be able to effectively compete with industry conglomerates such as Expedia, Orbitz Worldwide or Sabre, each of which has access to significantly greater and more diversified resources than we do.

We currently or potentially compete with a variety of companies with respect to each service we offer. With respect to our travel services, these competitors include, but are not limited to:

- Internet travel services such as Expedia, Hotels.com and Hotwire, which are owned by Expedia, and Venere, an Italian-based agency hotel reservation service provider that was acquired by Expedia in the third quarter of 2008; Travelocity and lastminute.com, which are owned by the Sabre Group; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are currently owned by Orbitz Worldwide; laterooms and asiarooms owned by Tui Travel, and Gullivers, octopustravel, Superbreak, hotel.de, Hotel Reservation Service, Ctrip, Rakuten and Wotif;

- travel suppliers such as airlines, hotel companies and rental car companies, many of which have their own branded websites to which they drive business;

- large online portal and search companies, such as AOL (including AOL Travel), Yahoo! (including Yahoo! Travel) and Google;

- traditional travel agencies, wholesalers and tour operators;

- online travel search sites such as Mobissimo.com, FareChase.com, Kayak.com and SideStep.com (each sometimes referred to as "meta-search" sites) and travel research sites that have search functionality, such as TripAdvisor, Travelzoo and Cheapflights.com; and

- operators of travel industry reservation databases such as Galileo, Travelport, Amadeus and Sabre.

Many airline, hotel and rental car suppliers, including suppliers with which we conduct business, are focusing on driving online demand to their own websites in lieu of third-party distributors such as us. Certain suppliers have attempted to charge additional fees to customers who book airline reservations through an online channel other than their own website. Furthermore, several low cost airlines, which are having increasing success in the marketplace, distribute their tickets exclusively through their own websites. Suppliers who sell on their own websites typically do not charge a processing fee, and, in some instances, offer advantages such as web-only fares, bonus miles or loyalty points, which could make their offerings more attractive to consumers than models like ours.

We potentially face competition from a number of large Internet companies and services that have expertise in developing online commerce and in facilitating Internet traffic, including Amazon.com, AOL, MSN, Google.com and Yahoo!, which compete with us either directly or indirectly through affiliations with other e-commerce or off-line companies. We also compete with "meta-search" companies, which are companies that leverage their search technology to aggregate travel search results across supplier, travel agent and other websites. Some established search engine companies as well as start-ups are attempting to enter the online travel marketplace in this manner. If Google, Yahoo! or other portals decide to refer significant traffic to travel search engines, it could result in more competition from supplier websites and higher customer acquisition costs for third-party sites such as ours. Competition from these and other sources could have a material adverse effect on our business, results of operations and financial condition.

Many of our current and potential competitors, including Internet directories, search engines and large traditional retailers, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, personnel, technical and other resources than priceline.com. Some of these competitors may be able to secure services on more favorable terms than we can. In addition, many of these competitors may be able to devote significantly greater resources to:

- marketing and promotional campaigns;
- attracting traffic to their websites;
- attracting and retaining key employees;
- securing vendors and supply; and
- website and systems development.

Increased competition could result in reduced operating margins, loss of market share and damage to our brand. There can be no assurance that we will be able to compete successfully against current and future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition.

Worldwide recession increases the likelihood that holders of our convertible senior notes will elect to convert their notes prior to maturity.

In the past several months, the world financial markets — and in particular the world debt markets — have experienced major disruptions, causing investors to liquidate investment holdings in favor of the relative safety of cash and/or government backed securities. The holders of our convertible senior notes are primarily hedge funds whose investment pools are subject to such investor demands for liquidity. Given the worldwide recession, significant investor redemptions and withdrawals from hedge funds by their underlying investors are likely. Accordingly, a potentially significant number of hedge funds that hold our convertible senior notes could be forced to convert their notes prior to maturity in order to meet these investor demands. For example, since September 30, 2008, we received conversion notices for approximately $58 million of our convertible senior notes. Any such conversion activity exposes us to several potential risks, including without limitation:

- *Early conversions of a significant amount of our convertible senior notes would reduce our cash and investment balances.* We would likely fund any conversion obligations with existing cash and cash equivalents, short-term investments, long-term investments and borrowings under our revolving credit facility. While we currently have sufficient cash and investment balances to fund early conversions, if a significant amount of convertible senior notes were to be converted, our cash and investment balances would be significantly reduced.

- *In certain circumstances, our Conversion Spread Hedges could be ineffective.* In connection with the issuance in a private placement of $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2011, with an interest rate of 0.50% (the “2011 Notes”), and $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2013, with an interest rate of 0.75% (the “2013 Notes”), we purchased certain Conversion Spread Hedges that entitle us to purchase from Goldman Sachs and Merrill Lynch approximately 8.5 million shares of our common stock (the number of shares underlying the 2011 Notes and the 2013 Notes) at a strike price of $40.38 per share (subject to adjustment in certain circumstances) in 2011 and 2013, and the hedging counterparties are entitled to purchase from us approximately 8.5 million shares of our common stock at a strike price of $50.47 per share (subject to adjustment in certain circumstances) in 2011 and 2013. We purchased the Conversion Spread Hedges in order to increase the effective conversion price of the 2011 Notes and the 2013 Notes to $50.47 per share from the stated conversion price of $40.38 per share, thereby reducing the potential dilution upon the expected conversion of the 2011 Notes and the 2013 Notes at their maturity dates. The Conversion Spread Hedges do not immediately hedge against the associated dilution from conversions of our notes prior to their stated maturities. Therefore, if the holders of the 2011 Notes or the 2013 Notes elect to convert all or a portion of their notes prior to maturity, we will be obligated to immediately deliver any related conversion premium in shares of our common stock or a combination of cash and shares. However, our hedging counterparties will not be obligated to deliver us shares or cash that would offset the dilution associated with the early conversion activity until 2011 and 2013. Because of this potential timing difference, it is possible that the number of shares, if any, that we receive from our Conversion Hedge Spread could differ materially from the number of shares, if any, that we are required to deliver to holders of our notes upon their early conversion. This potential difference in timing potentially makes the hedges ineffective, which could negatively impact our future diluted shares outstanding and diluted earnings per share.

- *Early conversions of our convertible senior notes would subject us to accelerated recognition of debt issuance expense.* In connection with the issuance of our convertible senior notes, we incurred certain debt issuance costs that we carry on our balance sheet as "Other Assets". The current unamortized value of our debt issuance costs is $6.3 million. These debt issuance costs are amortized over the period beginning with the date on which the notes were issued and ending on their stated maturity date or the first stated put date, if applicable. However, in the event that some or all of our convertible senior notes are converted prior to their expected maturity date, we will be required to accelerate the expense of some or all of the carrying value of our debt issuance costs. As a result, we would experience a significant increase in our interest expense for the period in which the acceleration occurs. While such an expense would be non-cash in nature and would generally not be recurring, it could have a negative impact on our earnings for the period in which we recognize such an expense.

We are exposed to various counterparty risks.

We are party to derivative instruments to hedge our exposure to foreign currency exchange rate fluctuation, as well as potential dilution upon conversion of our convertible senior notes. As of December 31, 2008, we are party to foreign currency contracts with a notional value of approximately 25.0 million Euros. The counterparties to these contracts are JPMorganChase and Morgan Stanley. On the maturity dates of these contracts, the counterparties are potentially obligated to pay us the net settlement value. The counterparties to our Conversion Spread Hedges are Goldman Sachs and Merrill Lynch. Under the Conversion Spread Hedges, we are entitled to purchase from the counterparties approximately 8.5 million shares of our common stock (the number of shares underlying the 2011 Notes and the 2013 Notes) at a strike price of $40.38 per share (subject to adjustment in certain circumstances) and the counterparties are entitled to purchase from us approximately 8.5 million shares of our common stock at a strike price of $50.47 per share (subject to adjustment in certain circumstances). The Conversion Spread Hedges increase the effective conversion price of the 2011 Notes and the 2013 Notes to $50.47 per share from our perspective and are designed to reduce the potential dilution upon conversion of the 2011 Notes and the 2013 Notes. If the market value per share of our common stock at maturity is above $40.38, the Conversion Spread Hedge will entitle us to receive from the counterparties net shares of our common stock based on the excess of the then current market price of our common stock over the strike price of the hedge (up to $50.47). If any of the counterparties to these derivative instruments were to liquidate, declare bankruptcy or otherwise cease operations, it may not satisfy its obligations under these derivative instruments. In such event, our fully diluted share count would be increased, which would negatively impact our fully diluted earnings per share.

Our business could be negatively affected by changes in search engine algorithms and dynamics or termination of traffic-generating arrangements.

We utilize Internet search engines and other travel demand aggregation websites, principally through the purchase of travel-related keywords, to generate traffic to our websites. Our international operations, in particular, rely to a significant extent upon Google to generate business and, to a much lesser extent, other search engines and other travel demand aggregation websites. Search engines such as Google frequently update and change the logic which determines the placement and display of results of a user's search, such that the placement of links to our sites, and particularly those of our international operations and their affiliates, can be negatively affected. In a similar way, a significant amount of our international business is directed to our own websites through participation in pay-per-click advertising campaigns on Internet search engines whose pricing and operating dynamics can experience rapid change commercially, technically and competitively. In addition, we purchase web traffic from a number of sources, including some operated by our competitors, in the form of pay-per-click arrangements that can be terminated with little or no notice. If one or more of such arrangements is terminated, or if a major search engine, such as Google, changes its algorithms in a manner that negatively affects the search engine ranking of our brands or our third-party distribution partners or changes its pricing, operating or competitive dynamics in a negative manner, our business, results of operations and financial condition would be adversely affected.

Our processing, storage, use and disclosure of personal data exposes us to risks of internal or external security breaches and could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

The security of data when engaging in electronic commerce is essential in maintaining consumer and supplier confidence in the priceline.com services. Substantial or ongoing security breaches whether instigated internally or externally on our system or other Internet based systems could significantly harm our business. We currently require customers who use certain of our services to guarantee their offers with their credit card, either online or, in some instances, through our toll-free telephone service. It is possible that advances in computer circumvention capabilities, new discoveries or other developments, including our own acts or omissions, could result in a compromise or breach of customer transaction data.

We cannot guarantee that our existing security measures will prevent security breaches or attacks. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal customer information or transaction data, proprietary information or cause significant interruptions in our operations. For instance, from time to time, we have experienced “denial-of-service” type attacks on our system that have made portions of our websites slow or unavailable for periods of time. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches, and reductions in website availability and response time could cause loss of substantial business volumes during the occurrence of any such incident. These issues are likely to become more difficult as we expand the number of places where we operate and as the tools and techniques used in such attacks become more advanced. Security breaches could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties. Security breaches could also cause customers and potential customers to lose confidence in our security, which would have a negative effect on the value of our brand. Our insurance policies carry low coverage limits, and would likely not be adequate to reimburse us for losses caused by security breaches.

Companies that we have acquired, such as our international operations, and that we may acquire in the future, may employ security and networking standards at levels we find unsatisfactory. The process of enhancing infrastructure to attain improved security and network standards may be time consuming and expensive and may require resources and expertise that are difficult to obtain. Such acquisitions increase the number of potential vulnerabilities, and can cause delays in detection of an attack, as well as the timelines of recovery from any given attack. Failure to raise any such standards that we find unsatisfactory could expose us to security breaches of, among other things, personal customer data and credit card information that would have an adverse impact on our business, results of operations and financial condition.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet, and any publicized security problems could inhibit the growth of the Internet and, therefore, the priceline.com service as a means of conducting commercial transactions. Additionally, security breaches at the third-party, supplier or distributor systems upon which we rely could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties.

In our processing of travel transactions, we receive and store a large volume of personally identifiable data. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including the Commission of the European Union through its Data Protection Directive and variations of that directive in the member states of the European Union. This government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations and financial condition.

In addition, in the aftermath of the terrorist attacks of September 11, 2001 in the United States, government agencies have been contemplating or developing initiatives to enhance national and aviation security, such as the Transportation Security Administration's Computer-Assisted Passenger Prescreening System, known as CAPPS II. These initiatives may result in conflicting legal requirements with respect to data handling. As privacy and data protection has become a more sensitive issue, we may also become exposed to potential liabilities as a result of differing views on the privacy of travel data. Travel businesses have also been subjected to investigations, lawsuits and adverse publicity due to allegedly improper disclosure of passenger information. These and other privacy developments that are difficult to anticipate could adversely impact our business, results of operations and financial condition.

Adverse application of state and local tax laws could have an adverse effect on our business and results of operation.

Several jurisdictions have initiated lawsuits against many on-line travel companies, including us, alleging among other things, that sales or hotel occupancy tax is applicable to the differential between the price paid by a customer for our service and the cost of the underlying room. In addition, a number of jurisdictions have initiated audit proceedings against us purportedly to determine whether taxes are owed on this differential or issued assessments claiming that we owe tax on this differential for prior periods. Additional state and local jurisdictions could assert that we are subject to sales or hotel occupancy taxes on this differential and could seek to collect such taxes, either retroactively or prospectively, or both. Historically, we have not collected taxes on this differential. Such actions may result in substantial liabilities for past and/or future sales and could have a material adverse effect our business and results of operations. To the extent that any tax authority succeeds in asserting that any such tax collection responsibility exists, it is likely that, with respect to future transactions, we would collect any such additional tax obligation from our customers, which would have the effect of increasing the cost of hotel room reservations to our customers and, consequently, could reduce hotel reservation transactions. We will continue to assess the risks of the potential financial impact of additional tax exposure, and to the extent appropriate, we will reserve for those estimates of liabilities.

In addition, we may be required in certain jurisdictions to pay tax assessments, which may be substantial, prior to contesting the validity of such assessments. This requirement is commonly referred to as "pay to play." Payment of these amounts is not an admission that the tax payer believes it is subject to such taxes. We continue to work with relevant tax authorities to clarify our obligations under existing, new and emerging laws and regulations. There have been, and will continue to be, substantial ongoing costs, which may include "pay to play" payments, associated with complying with, and defending our position in, the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

Recession in the United States is triggering active consideration on ways to generate additional tax revenues by the federal, state and local governments. We cannot predict what changes in tax law or interpretations of such laws may be adopted or assure that such changes or interpretations would not materially impact our business.

We rely on the performance of highly skilled personnel and, if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. In particular, the contributions of certain key senior management in the U.S. and Europe are critical to the overall management of the company. In addition, because our European senior management's minority ownership interest was repurchased in September

2008, it may become more difficult to retain these senior managers over time. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees, the loss of whom could harm our business.

In addition, competition for well-qualified employees in all aspects of our business, including software engineers and other technology professionals, is intense both in the U.S. and abroad. With the recent success of our international business and the increased profile of the Booking.com business and brand, competitors have increased their efforts to hire our international employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business would be adversely affected. We do not maintain any key person life insurance policies.

Our expansion places a significant strain on our management, technical, operational and financial resources.

We have rapidly and significantly expanded our international operations and anticipate expanding further to pursue growth of our service offerings and customer base. For example, the number of our employees worldwide has grown from less than 700 in the first quarter of 2007, to approximately 1,780 as of February 1, 2009, which growth is almost entirely comprised of hires by our international operations. Such expansion increases the complexity of our business and places a significant strain on our management, operations, technical performance, financial resources and internal financial control and reporting functions.

There can be no assurance that we will be able to manage our expansion effectively. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ personnel in multiple geographic locations. We may not be able to hire, train, retain, motivate and manage required personnel, which may limit our growth, damage our reputation, negatively affect our financial performance, and harm our business.

Capacity constraints and system failures could harm our business.

We rely on certain third party computer systems and third party service providers, including the computerized central reservation systems of the airline, hotel and rental car industries to satisfy demand for airline tickets and domestic hotel room and rental car reservations. In particular, our domestic travel business is substantially dependent upon the computerized reservation systems of operators of global distribution systems for the travel industry. Any interruption in these third party services systems or deterioration in their performance could prevent us from booking airline, hotel and rental car reservations and have a material adverse effect on our business. Our agreements with some third party service providers are terminable upon short notice and often do not provide recourse for service interruptions. In the event our arrangement with any of such third parties is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms and, as a result, it could have a material adverse effect on our business, results of operations and financial condition.

We depend upon Paymentech to process our U.S. credit card transactions, and e-clearing, WorldPay and others to process Agoda credit card transactions. If any of these providers were wholly or partially compromised, our cash flows could be disrupted until such a time as a replacement process could be put in place with a different vendor. As we add complexity to our systems infrastructure by adding new suppliers and distribution, our total system availability could decline and our results could suffer.

A substantial amount of our computer hardware for operating our services is currently located at the facilities of SAVVIS in New Jersey, AT&T in New York City, Equinix Europe Ltd. in London, England, Global Switch Amsterdam B.V. and TelecityRedbus in the Netherlands. These systems and operations are vulnerable to damage or interruption from human error, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions we may take, the occurrence of any disruption of service due to any such misconduct, natural disaster or other unanticipated problems at the SAVVIS facility, the AT&T facility, the Equinix Europe Ltd. facility or the TelecityRedbus and Global Switch Amsterdam B.V. facility could result in lengthy interruptions in our services. In addition, the failure by SAVVIS, Verizon, AT&T, Equinix Europe Ltd., Colt Telecom Group Limited, Verizon Business B.V., or TrueServer B.V. to provide our required data communications capacity could result in interruptions in our service. Any system failure that causes an interruption in service or decreases the responsiveness of our services could impair our reputation, damage our brand name and have a material adverse effect on our business, results of operations and financial condition.

We do not have a completely formalized disaster recovery plan in every geographic region in which we conduct business. In the event of certain system failures, we may not be able to switch to back-up systems immediately and the time to full recovery could be prolonged. Like many online businesses, we have experienced system failures from time to time. In addition to placing increased burdens on our engineering staff, these outages create a significant amount of user questions and complaints that need to be addressed by our customer support personnel. Any unscheduled interruption in our service could result in an immediate loss of revenues that can be substantial and may cause some users to switch to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently harmed. We have been taking steps to increase the reliability and redundancy of our systems. These steps are expensive, may reduce our margins and may not be successful in reducing the frequency or duration of unscheduled downtime.

We use both internally developed systems and third-party systems to operate our services, including transaction processing, order management and financial systems. If the number of users of our services increases substantially, or if critical third-party systems stop operating as designed, we will need to significantly expand and upgrade our technology, transaction processing systems, financial and accounting systems and other infrastructure. We do not know whether we will be able to upgrade our systems and infrastructure to accommodate such conditions in a timely manner, and, depending on the third-party systems affected, our transactional, financial and accounting systems could be impacted for a meaningful amount of time before repair.

If our systems cannot be expanded to cope with increased demand or fails to perform, we could experience:

- unanticipated disruptions in service;
- slower response times;
- decreased customer service and customer satisfaction; or
- delays in the introduction of new services,

any of which could impair our reputation, damage our brands and materially and adversely affect our revenues. While we do maintain redundant systems and hosting services for some of our business, it is possible that we could experience an interruption in our business, and we do not carry business interruption insurance sufficient to compensate us for losses that may occur.

Companies that we have acquired, such as our international operations, and that we may acquire in the future, may present known or unknown capacity/stability or other types of system challenges. The process of enhancing infrastructure to attain improved capacity/scalability and other system characteristics may be time consuming and expensive and may require resources and expertise that are difficult to obtain. Such acquisitions increase potential downtime, customer facing problems and compliance problems. Failure to successfully make any such improvements to such infrastructures could expose us to potential capacity, stability, and system problems that would have an adverse impact on our business, results of operations and financial condition.

We have integrated the majority of our international agency hotel offerings into a single back-office extranet system operated by Booking.com B.V., in order to allow customers of both Booking.com B.V. and Booking.com Limited to access hotels which may have previously been available only through either Booking.com B.V. or Booking.com Limited. Because all of our international operations' agency hotel offerings are therefore on one platform, in the event that the extranet operated by Booking.com B.V. experiences a system failure, our international operations could be unable to generate hotel bookings, which would have a material adverse effect on our business, results of operations and financial condition.

Our financial results will be materially impacted by payment of cash income taxes in the future.

Due to our significant net operating loss carryforwards, we do not expect to pay cash taxes on our U.S. federal taxable income tax for the foreseeable future. We expect to make cash payments for U.S. alternative minimum tax and for certain international taxes. We expect that our international operations will grow their pretax income at higher rates than the U.S. over the long term and, therefore, it is our expectation that our cash tax rate and cash tax payments will increase as our international business generates an increasing share of our pretax income.

The Financial Accounting Standards Board issued an accounting rule change that will significantly impact the accounting for our convertible debt.

The Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires cash settled convertible debt, such as our convertible senior notes, to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component would be the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, would be recorded as a debt discount and amortized to interest expense over the life of the bond. In addition, if our convertible debt is redeemed or converted prior to maturity and the fair value of the debt component immediately prior to extinguishment exceeds the carrying value it will result in a loss on extinguishment. Although FSP APB 14-1 will have no impact on our actual past or future cash flows, it will require us to record a significant amount of non-cash interest expense as the debt discount is amortized and may result in losses on extinguishment that would not have occurred under previous GAAP. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and must be applied on a retrospective basis. We estimate that the adoption of FSP APB 14-1 will increase non-cash interest expense for the years ended December 31, 2008, 2007 and 2006 by approximately $26 million ($16 million net of tax), $28 million ($17 million net of tax), and $6 million ($3.6 million net of tax), respectively. The estimated impact to fiscal year 2009 non-cash interest expense is expected to be an increase of approximately $21 million ($13 million net of tax), excluding the impact of future debt conversions, if any. We estimate that adoption of FSP APB 14-1 will also result in a gain on extinguishment of debt of approximately $5 million ($3 million net of tax) for the year ended December 31, 2008.

Acquisitions could result in operating difficulties.

As part of our business strategy, in September 2004, we acquired Booking.com Limited, in July 2005, Booking.com B.V. and, in November 2007, Agoda. We may enter into additional business combinations and acquisitions in the future. Acquisitions may result in dilutive issuances of equity securities, use of our cash resources, incurrence of debt and amortization of expenses related to intangible assets acquired. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures. The acquisitions of Booking.com B.V., Booking.com Limited, and Agoda were accompanied by a number of risks, including, without limitation:

- the need to implement or remediate controls, procedures and policies appropriate for a larger public company at companies that prior to the acquisitions may have lacked such controls, procedures and policies;

- the difficulty of assimilating the operations and personnel of Booking.com Limited, which are principally located in Cambridge, England, Booking.com B.V., which are principally located in Amsterdam, The Netherlands, and Agoda, which are principally located in Singapore and Bangkok, Thailand, with and into our operations, which are headquartered in Norwalk, Connecticut;
- the potential disruption of our ongoing business and distraction of management;
- the difficulty of incorporating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to further successfully develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- the impairment of relationships with customers of Booking.com B.V., Booking.com Limited and Agoda or our own customers as a result of any integration of operations;
- the impairment of relationships with employees of Booking.com B.V., Booking.com Limited and Agoda or our own business as a result of any integration of new management personnel;
- the potential unknown liabilities associated with Booking.com B.V., Booking.com Limited and Agoda.

We may experience similar risks in connection with any future acquisitions. We may not be successful in addressing these risks or any other problems encountered in connection with the acquisitions of Booking.com B.V., Booking.com Limited or Agoda, or that we could encounter in future acquisitions, which would harm our business or cause us to fail to realize the anticipated benefits of our acquisitions. As of December 31, 2008, we had approximately $481 million assigned primarily to the intangible assets and goodwill of Booking.com B.V., Booking.com Limited and Agoda, and therefore, the occurrence of any of the risks identified above could result in a material adverse impact, including an impairment of these assets, which could cause us to have to record a charge for impairment. Any such charge could adversely impact our operating results, which would likely cause our stock price to decline significantly.

We may not be able to keep up with rapid technological and other changes.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, consolidation, frequent new service announcements, introductions and enhancements and changing consumer demands. We may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the emerging nature of the Internet and the apparent need of companies from many industries to offer Internet based services. As a result, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to continually improve the performance, features and reliability of our service in response to competitive service offerings and the evolving demands of the marketplace. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our services or infrastructure.

We rely on the value of the priceline.com and Booking.com brands, along with others, and the costs of maintaining and enhancing our brand awareness are increasing.

We believe that maintaining and expanding the priceline.com brand, and other owned brands, including Booking.com, Active Hotels, Agoda, Lowestfare.com, Rentalcars.com, Breezenet.com, MyTravelGuide.com and Travelweb, are important aspects of our efforts to attract and expand our user and advertiser base. As our larger competitors spend increasingly more on advertising, we are required to spend more in order to maintain our brand recognition. In addition, we have spent considerable money and resources to date on the establishment and maintenance of the priceline.com brands, and we will continue to spend money on, and devote resources to advertising, marketing and other brand building efforts to preserve and enhance consumer awareness of the priceline.com brands. We may not be able to successfully maintain or enhance consumer awareness of the priceline.com brands, and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance customer awareness of the priceline.com brands in a cost-effective manner, our business, results of operations and financial condition would be adversely affected.

Our outstanding convertible senior notes could result in substantial shareholder dilution.

Our convertible senior notes are convertible into shares of our common stock if certain specified conditions are met. All of our convertible notes are currently convertible. Upon conversion, the holder will receive cash for the principal amount of the note and cash or shares of our common stock or a combination of cash and shares of our common stock for the conversion value in excess of such principal amount. If our stock trades above the conversion prices of the outstanding convertible notes, our diluted share count will increase by the net number of shares that would become issuable to the holders of our outstanding convertible notes and, as a consequence, have a dilutive impact on net income per share. As an example, at stock prices of $40 per share, $60 per share, $80 per share and $100 per share, common equivalent shares would include approximately 0.1 million, 3.3 million, 5.0 million and 6.0 million equivalent shares, respectively, related to the remaining outstanding convertible notes (excluding the offsetting impact of the Conversion Spread Hedges described in Note 13 to our Consolidated Financial Statements). The Conversion Spread Hedges increase the effective conversion price of the 2011 Notes and the 2013 Notes from $40.38 to $50.47 per share, and reduce the dilution upon conversion of the 2011 Notes and the 2013 Notes. Since the impact of the Conversion Spread Hedges is anti-dilutive it is excluded from the calculation of net income per share under GAAP until they are exercised upon maturity.

We will be subject to increased income taxes in the event that our foreign cash balances are remitted to the United States.

As of December 31, 2008, we held approximately $181.6 million of cash and short-term liquid investments outside of the United States. To date, we have used our foreign cash to reinvest in our foreign operations. It is our current expectation to continue to seek ways to make further investments in our foreign operations with our foreign cash. If our foreign cash balances continue to grow and our ability to reinvest those balances diminishes, it will become increasingly likely that we will repatriate some of our foreign cash balances to the United States. In such event, we would likely be subject to additional income tax expenses in the United States with respect to our unremitted foreign earnings. We would not incur an increase in cash income taxes payable unless we no longer have net operating loss carryforwards available to offset the taxable income.

The unit profitability of our airline ticket business has declined and could continue to decline, as we may be subject to, among other things, competitive pressure and loss or reduction of global distribution system fees.

In recent quarters, the amount of profit we make per airline ticket sold has declined and could continue to decline as we, among other things, experience pressure from suppliers to reduce our profit, strive to remain competitive with other online travel agencies and continue to be subject to reduction of global distribution system, or GDS, fees paid to us. Historically, we have relied on fees paid to us by GDSs for travel bookings made through GDSs for a portion of our gross profit and a substantial portion of our operating income. We rebate certain GDS costs to certain suppliers (e.g., airlines, hotels, etc.) in exchange for contractual considerations such as those relating to pricing and availability, and expect to continue to do so in the future. Airlines put pressure on us to reduce our aggregate compensation and book through lower cost channels to receive airlines' full content and avoid airline service fees. We have agreements with a number of airlines to obtain access to airline content, and are in continuing discussions with others to obtain similar access. If we were denied access to airlines' full content or had to impose service fees on our airline tickets, it could have a material adverse effect on our business, results of operations and financial condition.

Additionally, some travel suppliers are encouraging third-party travel intermediaries, such as us, to develop technology to bypass the traditional GDSs, such as enabling direct connections to the travel suppliers or using alternative global distribution methods. Development of the technology to connect to such alternatives, or to enable direct connections to travel suppliers, requires the use of information technology resources and could cause us to incur additional operating expenses, increase the frequency/duration of system problems and delay other projects.

We face risks related to our intellectual property.

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. If we are not successful in protecting our intellectual property, it could have a material adverse effect on our business, results of operations and financial condition.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that:

- any patent can be successfully defended against challenges by third parties;
- pending patent applications will result in the issuance of patents;
- competitors or potential competitors of priceline.com will not devise new methods of competing with us that are not covered by our patents or patent applications;
- because of variations in the application of our business model to each of our services, our patents will be effective in preventing one or more third parties from utilizing a copycat business model to offer the same service in one or more categories;
- new prior art will not be discovered which may diminish the value of or invalidate an issued patent;
- a third party will not have or obtain one or more patents that prevent us from practicing features of our business or require us to pay for a license to use those features; or
- our operations do not or will not infringe valid, enforceable patents of third parties.

There has been recent discussion in the press regarding the examination and issuance of so called “business method” patents. As a result, the United States Patent and Trademark Office has indicated that it intends to intensify the review process applicable to such patent applications. The new procedures are not expected to have a direct effect on patents already granted. We cannot anticipate what effect, if any, the new review process will have on our pending patent applications. In addition, there has been recent discussion in various federal court proceedings regarding the patentability and validity of so called “business method” patents. The Court of Appeals for the Federal Circuit, in a recent order in *In re Bilski*, has questioned whether it should review its earlier decision affirming the patentability of so-called business method patents in *State Street Bank v. Signature Financial*. We cannot anticipate what effect, if any, any new federal court decision will have on our issued patents or pending patent applications.

We pursue the registration of our trademarks and service marks in the U.S. and internationally. However, effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services are made available online. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation.

From time to time, in the ordinary course of our business, we have been subject to, and are currently subject to, legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims, in particular patent claims, against us, particularly as we expand the complexity and scope of our business. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time consuming, and has and is likely to continue to divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability or prevent us from operating our business, or portions of our business. In addition, resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or possibly to cease using those rights altogether. Any of these events could have a material adverse effect on our business, results of operations or financial condition.

Our business is exposed to risks associated with credit card fraud and charge backs.

To date, our results have been negatively impacted by purchases made using fraudulent credit cards. Because we act as the merchant-of-record in a majority of our domestic transactions as well as those of Agoda, we may be held liable for accepting fraudulent credit cards on our websites as well as other payment disputes with our customers. Additionally, we are held liable for accepting fraudulent credit cards in certain retail transactions when we do not act as merchant of record. Accordingly, we calculate and record an allowance for the resulting credit card charge backs. If we are unable to combat the use of fraudulent credit cards on our websites, our business, results of operations and financial condition could be materially adversely affected.

Fluctuations in our financial results make quarterly comparisons and financial forecasting difficult.

Our revenues and operating results have varied significantly from quarter to quarter because our business experiences seasonal fluctuations, which reflect seasonal trends for the travel services offered by our websites. Traditional leisure travel bookings in the United States are higher in the second and third calendar quarters of the year as consumers take spring and summer vacations. In the first and fourth quarters of the calendar year, demand for travel services in the United States and Europe generally declines and the number of bookings flattens. Furthermore, prior to introducing a retail travel option to our customers, substantially all of our business was conducted under the *Name Your Own Price®* system and accordingly, because those services are non-refundable in nature, we recognize travel revenue at the time a booking was generated. We recognize revenue generated from our retail hotel service, however, including our international operations, at the time that the customer checks out of the hotel. As a result, we have seen and expect to continue to see, that a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized until future quarters. This could result in a disproportionate amount of our annual earnings being recognized in later quarters.

Our results may also be affected by seasonal fluctuations in the supply made available to us by airlines, hotels and rental car suppliers. Our revenues and operating results may continue to vary significantly from quarter to quarter because of these factors. As a result, quarter-to-quarter comparisons of our revenues and operating results may not be meaningful. In addition, due to our limited operating history, a relatively new and unproven business model and an uncertain environment in the travel industry, it may be difficult to predict our future revenues or results of operations. A significant change in the global economic environment, such as we are currently experiencing as a result of the worldwide recession, makes it more difficult to forecast future operating results.

Because of these fluctuations and uncertainties, our operating results may fail to meet the expectations of securities analysts and investors. If this happens, the trading price of our common stock would almost certainly be materially adversely affected.

Our stock price is highly volatile.

The market price of our common stock is highly volatile and is likely to continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- quarterly variations in our operating results;
- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- changes in our capital structure;
- changes in market valuations of other Internet or online service companies;
- announcements of technological innovations or new services by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major supplier participant, such as an airline or hotel chain;
- changes in the status of our intellectual property rights;
- lack of success in the expansion of our business model geographically;
- announcements by third parties of significant claims or proceedings against us or adverse developments in pending proceedings;
- occurrences of a significant security breach;
- additions or departures of key personnel; and
- stock market price and volume fluctuations.

Sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that exists for our shares, such sales could cause the market price of our common stock to decline significantly. In addition, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

The trading prices of Internet company stocks in general, including ours, have experienced extreme price and volume fluctuations. To the extent that the public's perception of the prospects of Internet or e-commerce companies is negative, our stock price could decline further, regardless of our results. Other broad market and industry factors may decrease the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations, also may decrease the market price of our common stock. Negative market conditions could adversely affect our ability to raise additional capital.

We are defendants in securities class action litigations. In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. To the extent our stock price declines or is volatile, we may in the future be the target of additional litigation. This additional litigation could result in substantial costs and divert management's attention and resources.

We are party to legal proceedings which, if adversely decided, could materially adversely affect us.

We are a party to the legal proceedings described in Note 18 to our Consolidated Financial Statements. The defense of the actions described in Note 18 may increase our expenses and an adverse outcome in any of such actions could have a material adverse effect on our business, results of operations and financial condition.

Regulatory and legal uncertainties could harm our business.

The services we offer through the priceline.com service are regulated by federal and state governments. Our ability to provide such services is and will continue to be affected by such regulations. The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise have a material adverse effect on our business, results of operations and financial condition. See “Uncertainty regarding state and local taxes.”

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our executive, administrative, operating offices and network operations center are located in approximately 92,000 square feet of leased office space located in Norwalk, Connecticut. We also lease approximately 45,670 of office space in Grand Rapids, Michigan. Booking.com Limited leases approximately 11,000 square feet of office space primarily in Cambridge, England. Booking.com B.V. leases approximately 102,000 square feet of office space primarily in Amsterdam, Netherlands. Agoda leases approximately 20,000 square feet of office space primarily in Bangkok, Thailand. We also lease office space in 13 other countries in support of our international operations. We do not own any real estate as of February 1, 2009.

We believe that our existing facilities are adequate to meet our current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further expansion of corporate operations.

Item 3. Legal Proceedings

Litigation Related to Hotel Occupancy and Other Taxes

Statewide Class Actions and Putative Class Actions

A number of cities and counties have filed class actions or putative class actions on behalf of themselves and other allegedly similarly situated cities and counties within the same respective state against us and other defendants, including, but not in all cases, Lowestfare.com LLC and Travelweb LLC, both of which are our subsidiaries, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Travelport, Inc. (f/k/a Cendant Travel Distribution Services Group, Inc.); Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. Each complaint alleges, among other things, that the defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Los Angeles v. Hotels.com, Inc., et al.: On December 30, 2004, a putative class action complaint was filed in the Superior Court for the County of Los Angeles by the City of Los Angeles on behalf of itself and an alleged class of California cities, counties and other municipalities that have enacted occupancy taxes. In addition to the tax claims, the complaint also asserts unfair competition claims under California Business and Professions Code § 17200, et seq. ("Section 17200"). On August 31, 2005, the City of Los Angeles filed an amended complaint adding a claim for a declaratory judgment. On September 26, 2005, the court sustained the defendants' demurrers on grounds of improper joinder of defendants and claims, and therefore, dismissed the amended complaint, with leave to file a second amended complaint. On February 8, 2006, the City of Los Angeles filed a second amended complaint that asserts the same claims but includes additional allegations of fact. On March 27, 2006, at the direction of the court, the defendants filed renewed demurrers to the second amended complaint on grounds of improper joinder of defendants and claims. On March 31, 2006, the defendants filed a petition to coordinate this matter with the City of San Diego case (discussed below). On July 12, 2006, that petition was granted, and, as a result, this case and the City of San Diego case will now proceed in the Superior Court of Los Angeles. On January 17, 2007, the defendants filed demurrers to the City of Los Angeles' second amended complaint on all issues other than misjoinder of defendants and claims. On March 1, 2007, the court denied defendants' previously-filed demurrers on grounds of improper joinder of defendants and claims. On March 2, 2007, the City of Los Angeles filed a third amended complaint. On April 11, 2007, the defendants filed renewed demurrers to the third amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's third amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City has not yet completed those administrative procedures.

City of Rome, Georgia, et al., v. Hotels.com, L.P., et al.: On November 18, 2005, a putative class action complaint was filed in the United States District Court for the Northern District of Georgia by the City of Rome, Hart County and the City of Cartersville on behalf of themselves and a putative class of Georgia cities, counties and governments which have enacted transient occupancy taxes and/or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of Georgia's Uniform Deceptive and Unfair Trade Practices Act, conversion, unjust enrichment, a constructive trust and a declaratory judgment. On February 6, 2006, we and certain other defendants moved to dismiss the complaint. On May 8, 2006, the court granted defendants' motion to dismiss all claims relating to the Georgia sales and use tax and denied defendants' motion to dismiss the excise tax claims. The plaintiffs filed an amended complaint on June 7, 2006 naming additional plaintiffs. On February 9, 2007, the defendants moved for summary judgment on the plaintiffs' claims for plaintiffs' failure to exhaust the administrative procedures required by Georgia law and plaintiffs' respective ordinances. On May 10, 2007, the court denied the defendants' motion but concluding that plaintiffs were required to estimate, assess and attempt to collect the taxes at issue. The court stayed further litigation to permit plaintiffs to comply with those administrative procedures. On March 26, 2008, certain of the plaintiffs in the *City of Rome* action sent the defendants, including us and our subsidiaries, proposed assessments of hotel occupancy tax. We and our subsidiaries promptly responded on March 31, 2008. Certain of the plaintiffs in the *City of Rome* action sent the defendants, including us and our subsidiaries, renewed assessments. The administrative process of those plaintiffs remains ongoing and the action remains stayed pending the decision of the Georgia Supreme Court in *City of Atlanta, Georgia v. Hotels.com L.P., et al*. (described below).

Pitt County v. Hotels.com, L.P., et al.: On December 1, 2005, a putative class action complaint was filed in the North Carolina General Court of Justice, Superior Court Division by Pitt County on behalf of itself and a putative class of North Carolina political subdivisions that impose occupancy taxes. In addition to the tax claims, the complaint also asserts claims for violation of North Carolina General Statute § 75-1, et seq., conversion, a constructive trust and a declaratory judgment. On February 13, 2006, the defendants removed this action to the United States District Court for the Eastern District of North Carolina. On March 13, 2006, the defendants moved to dismiss the complaint. On March 29, 2007, the court denied defendants' motion to dismiss the complaint. On April 13, 2007, the defendants moved for reconsideration of that decision or, in the alternative, interlocutory appeal. On August 13, 2007, the court granted defendants' motion for reconsideration of the court's prior order denying the defendants' motion to dismiss, and dismissed the action in its entirety. On September 6, 2007, Pitt County filed a notice of appeal of that decision to the United States Court of Appeals for the Fourth Circuit. On January 14, 2009, the United States Court of Appeals for the Fourth Circuit affirmed the district court's decision rejecting Pitt County's tax claims. On January 27, 2009, the County filed a petition for re-hearing en banc. On February 10, 2009, the petition for re-hearing en banc was denied.

City of San Antonio, Texas v. Hotels.com, L.P., et al.: On May 8, 2006, a putative class action complaint was filed in the United States District Court for the Western District of Texas, San Antonio Division, by the City of San Antonio on behalf of itself and putative classes of Texas municipalities. In addition to the tax claims, the complaint also asserts claim for conversion and a declaratory judgment. On June 30, 2006, we and other defendants moved to dismiss the complaint. On August 28, 2006, the plaintiff moved for class certification. Following briefing of the motion to dismiss and motion for class certification, on October 30, 2006, the plaintiff filed a first amended complaint that limited the putative classes of Texas municipalities to 175 specifically enumerated municipalities that plaintiff alleges to have hotel occupancy tax ordinances similar to that of the plaintiff. On March 21, 2007, the court denied defendants' motion to dismiss the City of San Antonio's amended complaint. On September 7, 2007, the defendants filed a motion for reconsideration of the court's March 21, 2007 order denying the defendants' motion to dismiss, and that motion was denied on October 1, 2007. On May 27, 2008, the court granted the City of San Antonio's motion to certify a class of 175 specifically enumerated Texas municipalities that the City alleges to have hotel occupancy tax ordinances similar to it. On June 10, 2008, the defendants petitioned the United States Court of Appeals for the Fifth Circuit for interlocutory review of the class certification decision, which petition was denied on July 3, 2008. On August 12, 2008, the court granted plaintiff's motion for leave to amend its complaint to add equitable claims of unjust enrichment, money had and received, and for a constructive trust. Plaintiff amended its complaint on August 13, 2008 and the defendants answered the amended complaint on August 27, 2008. The parties are presently conducting discovery.

Lake County Convention and Visitors Bureau, Inc. and Marshall County v. Hotels.com, L.P., et al.: On June 12, 2006, a putative class action was filed in the United States District Court for the Northern District of Indiana, Hammond Division, by the Lake County Convention and Visitors Bureau and Marshall County on behalf of themselves and a putative class of Indiana counties, convention and visitors bureaus and any other local governments which have enacted or benefit from taxes on innkeepers. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, and breach of fiduciary duties. On November 3, 2006, we and other defendants moved to dismiss the complaint. On July 14, 2008, the court denied the defendants' motion to dismiss the complaint. On July 28, 2008, the defendants answered the complaint. The parties are presently conducting discovery.

Louisville/Jefferson County Metro Government v. Hotels.com, L.P., et al.: On September 21, 2006, a putative class action was filed in the United States District Court for the Western District of Kentucky by the Louisville/Jefferson County Metro Government on behalf of itself and a putative class of Kentucky cities, counties and townships that have enacted transient room taxes. In addition to the tax claims, the complaint also asserts claims for conversion, money had and received, unjust enrichment, a constructive trust, and a declaratory judgment. On December 15, 2006, the plaintiff moved to amend the complaint to make certain changes to the identity of the defendants. That motion was granted, and, on January 8, 2007, plaintiff filed its amended complaint. On December 22, 2006, the defendants moved to dismiss the original complaint, and, on January 17, 2007, renewed their motion to dismiss with respect to the amended complaint. On August 10, 2007, the court denied the defendants' motion to dismiss. On September 13, 2007, the defendants answered. On October 26, 2007, the defendants filed a motion for reconsideration of the court's order denying the defendants' motion to dismiss, or, in the alternative, certification of interlocutory appeal to the Kentucky Supreme Court or the United States Court of Appeals for the Sixth Circuit. On November 9, 2007, the plaintiff moved to strike the defendants' motion for reconsideration. On February 20, 2008, the Lexington-Fayette Urban County Government ("Lexington") filed a motion to intervene in this action as an additional plaintiff, which the defendants did not oppose. On March 20, 2008, Lexington's motion was granted, and its intervening complaint was filed on April 16, 2008. Lexington's intervening complaint makes substantially the same claims asserted by the Louisville/Jefferson County Metro Government, except it does not seek to represent a class. On March 21, 2008, the Louisville/Jefferson County Metro Government filed an unopposed motion to amend its complaint to withdraw its allegations relating to the proposed certification of a class of Kentucky cities, counties and townships that have enacted transient room taxes, and to make certain other changes to the alleged facts. That motion was granted on June 6, 2008 and the Louisville/Jefferson County Metro Government was ordered to file an amended complaint. On May 16, 2008, the defendants moved to dismiss the intervening complaint filed by the Lexington-Fayette Urban County Government. On September 30, 2008, the court granted the defendants' motion for reconsideration of its prior order denying the defendants' motion to dismiss the claims brought by the Louisville/Jefferson County Metro Government, and dismissed all of that plaintiff's claims. The court also granted the defendants' motion to dismiss the claims brought by the Lexington-Fayette Urban County Government. The court dismissed all claims against the defendants with prejudice. Both plaintiffs have filed notices of appeal to the U.S. Court of Appeals for the Sixth Circuit.

County of Nassau, New York v. Hotels.com, LP, et al.: On October 24, 2006, a putative class action was filed in the United States District Court for the Eastern District of New York by Nassau County on behalf of itself and a putative class of New York cities, counties and other local governmental entities that have imposed hotel taxes since March 1, 1995. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment and a constructive trust. On January 31, 2007, the defendants moved to dismiss the complaint. On August 17, 2007, the court granted the defendants' motion to dismiss the complaint for the County of Nassau's failure to exhaust its mandatory administrative procedures for tax collection. On September 12, 2007, the County of Nassau filed a notice of appeal of that order to the United States Court of Appeals for the Second Circuit. On January 22, 2009, the United States Court of Appeals for the Second Circuit, heard oral argument on the County's appeal of the lower court's order dismissing the action and ordered further briefing on certain issues.

City of Jefferson, Missouri v. Hotels.com, LP, et al.: On June 27, 2007, a putative class action complaint was filed in the Circuit Court of Cole County, Missouri by the City of Jefferson, Missouri on behalf of itself and a putative class of Missouri cities, counties and governments that have enacted taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for violation of the Missouri Merchandising Practices Act, conversion, unjust enrichment, declaratory judgment, breach of fiduciary duties and a constructive trust. On November 5, 2007, the defendants moved to dismiss the complaint. On June 19, 2008, the court granted the defendants' motion to dismiss in part and denied it in part. The court dismissed the claim for violation of the Missouri Merchandising Practices Act, but did not dismiss the remaining claims. On July 21, 2008, the defendants answered the complaint.

City of Gallup, New Mexico v. Hotels.com, L.P., et al.: On July 6, 2007, a putative class action was filed in the United States District Court for the District of New Mexico by the City of Gallup on behalf of itself and a putative class of New Mexico taxing authorities that have enacted lodgers' taxes. The complaint asserts claims for violation of the New Mexico Lodger's Tax Act and municipal ordinances. On August 27, 2007, the defendants answered the City of Gallup's complaint. On January 8, 2009, the City filed an unopposed motion to amend its complaint to narrow its class allegations and to seek injunctive relief. On February 2, 2009 the defendants answered the amended complaint. The parties are currently conducting discovery.

City of Jacksonville v. Hotels.com, L.P., et al.: In July 2006, a putative class action was filed in the Circuit Court, Fourth Judicial Circuit, in and for Duval County, Florida, by the City of Jacksonville on behalf of itself and a putative class of Florida counties that collect tourist development taxes and/or convention development taxes and that have elected self administration of such taxes. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, a constructive trust, and a declaratory judgment. On August 21, 2007, the court granted defendants' motion to dismiss the complaint for the City of Jacksonville's failure to exhaust its mandatory administrative procedures for tax collection. On September 10, 2007, the City of Jacksonville moved for a stay of proceedings pending the outcome of that administrative process. That motion was denied on October 31, 2007 and the case was closed. No appeal was taken by the City of Jacksonville. On July 1, 2008, the City of Jacksonville filed a first amended complaint. The proposed first amended complaint asserts only a declaratory judgment claim related to the defendants' alleged liability for tourist development taxes and/or convention development taxes. On July 15, 2008, the defendants moved to dismiss and to strike the amended complaint. On July 30, 2008, the plaintiff filed a motion to amend its complaint. Those motions are pending.

The City of Goodlettsville, Tennessee, et al. v. priceline.com Incorporated, et al.: On June 2, 2008, a putative class action was filed in the United States District Court for the Middle District of Tennessee by the City of Goodlettsville and the City of Brentwood, Tennessee on behalf of themselves and a putative class of Tennessee political subdivisions that impose a tax on the privilege of occupancy of a hotel or other lodging establishment. In addition to the tax claims, the complaint also asserts claims for unjust enrichment and conversion. On August 7, 2008, the defendants moved to dismiss the complaint. That motion is pending. On Oct. 2, 2008, the City of Brentwood, Tennessee voluntarily dismissed its claims, and the case will proceed with the City of Goodlettsville as the sole plaintiff.

The Township of Lyndhurst, New Jersey v. priceline.com Incorporated, et al.: On June 18, 2008, a putative class action was filed in the United States District Court for the District of New Jersey by the Township of Lyndhurst on behalf of itself and a putative class of New Jersey political subdivisions that impose hotel occupancy taxes. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, conversion, a constructive trust, and a declaratory judgment. On August 19, 2008, the defendants moved to dismiss the complaint. That motion is pending.

County of Monroe, Florida v. Priceline.com, Inc. et al: On January 12, 2009, the County filed a purported class action complaint in the United States District Court for the Southern District of Florida. In addition to claims with respect to the application of the Tourist Development Tax, the complaint also asserted claims for conversion and unjust enrichment. The defendants have not yet answered the complaint.

We intend to defend vigorously against the claims in all of the proceedings described above.

Actions Filed on Behalf of Individual Cities and Counties

Several cities, counties, municipalities and other political subdivisions across the country have filed actions relating to the collection of hotel occupancy taxes against us and other defendants, including, but not in all cases, Lowestfare.com LLC and Travelweb LLC, both of which are our subsidiaries, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Cendant Travel Distribution Services Group, Inc.; Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. In each, the complaint alleges, among other things, that each of these defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Findlay v. Hotels.com, L.P., et al and City of Columbus, et al. v. Hotels.com, L.P., et al.: On October 25, 2005, a putative class action complaint was filed in the Common Pleas Court of Hancock County, Ohio by the City of Findlay on behalf of itself and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of the Ohio Consumer Sales Practices Act, conversion, a constructive trust and a declaratory judgment. On November 22, 2005, we and certain other defendants removed this action to the United States District Court for the Northern District of Ohio. On July 26, 2006, the court granted defendants' motion to dismiss the Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 8, 2006, a putative class action complaint was filed in the United States District Court for the Southern District of Ohio by the cities of Columbus and Dayton on behalf of themselves and a putative class of Ohio cities, counties and townships. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, money had and received, conversion, a constructive trust and a declaratory judgment. . On July 10, 2007, defendants' motion to transfer the case to the United States District Court for the Northern District of Ohio, where the *City of Findlay* case is pending was granted. On July 23, 2007, the court granted defendants' motion to dismiss the plaintiffs' Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 2, 2007, the City of Findlay filed a motion seeking leave to amend its complaint to withdraw its allegations seeking to assert claims on behalf of a state-wide class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. On August 15, 2007, the court granted that motion and an amended complaint withdrawing those class allegations was filed. On August 31, 2007, the defendants answered the *City of Columbus* complaint. On September 4, 2007, the defendants answered the *City of Findlay* amended complaint. On November 6, 2007, the parties' joint motion to consolidate the *City of Findlay* action with the *City of Columbus* action for pre-trial purposes, was granted. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion was granted on February 27, 2008, and the plaintiffs' first amended consolidated complaint was filed that day. On March 26, 2008, the defendants moved to dismiss the first amended consolidated complaint. On June 19, 2008, the court denied the defendants' motion. On July 3, 2008, the defendants answered the first amended consolidated complaint. The parties are presently conducting discovery.

City of Chicago, Illinois v. Hotels.com, L.P., et al.: On November 1, 2005, the City of Chicago, Illinois filed a complaint in the Circuit Court of Cook County, Illinois. In addition to the tax claims, the complaint also asserts claims for conversion, imposition of a constructive trust, and a demand for a legal accounting. On January 31, 2006, the defendants moved to dismiss the complaint. On September 27, 2007, the court denied the defendants' motion to dismiss. On November 2, 2007, the defendants answered the complaint. The parties are currently conducting discovery.

City of San Diego, California v. Hotels.com L.P., et al.: On February 9, 2006, the City of San Diego, California filed a complaint in Superior Court for the County of San Diego, California. In addition to the tax claims, the complaint also asserts unfair competition claims under Section 17200. On March 31, 2006, the defendants filed with a petition to coordinate this matter with the *City of Los Angeles* case (discussed above). On July 12, 2006, that petition was granted, and, as a result, this case was coordinated with the *City of Los Angeles* action and will proceed in the Superior Court of Los Angeles. As discussed above, on March 1, 2007, the court denied defendants' previously-filed demurrers to the City of Los Angeles' Second Amended Complaint on misjoinder grounds, which the parties deemed applicable to the City of San Diego's complaint. On January 17, 2007, the defendants filed demurrers to the City of San Diego's complaint on all issues other than misjoinder of defendants and claims. On March 8, 2007, the City of San Diego filed an amended complaint. On April 11, 2007, the defendants filed a renewed motion to dismiss the amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Atlanta, Georgia v. Hotels.com L.P., et al.: On March 29, 2006, the City of Atlanta, Georgia filed a complaint in the Superior Court of Fulton County, Georgia. In addition to the tax claims, the complaint also asserts claims for a declaratory judgment, conversion, unjust enrichment, a constructive trust and a demand for an equitable accounting. On June 5, 2006, certain defendants, including us and our subsidiaries, answered the complaint. The parties proceeded to conduct discovery. On October 12, 2006, as directed by the court, the defendants submitted briefs regarding the City of Atlanta's failure to exhaust the administrative remedies dictated by Georgia law and its own ordinance. On December 12, 2006, the court dismissed the City of Atlanta's action for lack of jurisdiction because the City of Atlanta failed to exhaust mandatory administrative remedies prior to bringing suit. On January 10, 2007, the City of Atlanta filed a notice of appeal to the court's order deciding it lacked jurisdiction. On October 26, 2007, the Georgia Court of Appeals affirmed the order of the Georgia Superior Court. On November 5, 2007, the City moved for reconsideration of the October 26, 2007 opinion, and that motion was denied on November 13, 2007. On December 10, 2007, the City filed a petition for certiorari with the Georgia Supreme Court. On May 20, 2008, the Georgia Supreme Court granted certiorari to certain questions raised by plaintiff from the October 26, 2007 decision of the Georgia Court of Appeals affirming the dismissal of this action. On September 8, 2008, the Georgia Supreme Court heard the plaintiff's appeal from the October 26, 2007 decision of the Georgia Court of Appeals affirming the dismissal of this action. We are awaiting the decision of the Georgia Supreme Court.

City of Charleston, South Carolina v. Hotel.com, et al.: On April 26, 2006, the City of Charleston, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. In addition to the tax claims, the complaint also asserts claims for conversion, a constructive trust and a demand for a legal accounting. On May 31, 2006, defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On July 7, 2006, the defendants answered the complaint. On January 23, 2007, the City of Charleston moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *Town of Mount Pleasant* (discussed below). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

Town of Mount Pleasant, South Carolina v. Hotels.com, et al.: On May 23, 2006, the Town of Mount Pleasant, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. On July 21, 2006, the defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On September 15, 2006, the defendants answered the complaint. On January 22, 2007, the Town of Mount Pleasant moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *City of Charleston* (discussed above). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. On November 30, 2007, the defendants answered the amended complaint. The parties are currently conducting discovery.

City of North Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On August 28, 2006, the City of North Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Fifteenth Judicial Circuit of South Carolina. On October 27, 2006, we and certain other defendants removed the case to the United States District Court for the District of South Carolina, Florence Division. On December 1, 2006, the defendants filed their motion to dismiss the complaint. On September 30, 2007, the court denied that motion. On January 29, 2008, the City of North Myrtle Beach moved to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On June 25, 2008, the court granted the plaintiff's motion to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On August 1, 2008, the plaintiff filed an amended complaint asserting claims arising under the South Carolina Unfair Trade Practices Act. On August 15, 2008, the defendants answered the amended complaint. The parties are currently conducting discovery.

Wake County v. Hotels.com, LP, et al.; Dare County v. Hotels.com, LP, et al and Buncombe County v. Hotels.com, LP, et al: On November 3, 2006, Wake County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Wake County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On January 31, 2007, the defendants moved to dismiss this action. On February 1, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On January 26, 2007, Dare County, North Carolina filed a complaint in the same court alleging the same claim. On February 1, 2007, Buncombe County, North Carolina filed a complaint in the same court. The Buncombe complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes, as well as supplemental relief including, without limitation, an accounting and a determination of the amount of taxes due but unpaid. On April 4, 2007, the *Wake County, Buncombe County and Dare County* actions were consolidated for pre-trial purposes, and the following discussion applies to all four actions. On May 7, 2007, the defendants moved to dismiss the *Dare County and Buncombe County* actions. On November 19, 2007, the court granted in part and denied in part the motions to dismiss the three actions. The court dismissed all claims for conversion, all claim for violation of North Carolina General Statute § 75-1, et seq. The remaining claims brought by the other three plaintiffs survived the defendants' motions. The parties are currently conducting discovery.

City of Branson v. Hotels.com, LP., et al.: On December 28, 2006, the City of Branson, Missouri filed a complaint in the Circuit Court of Greene County, Missouri. In addition to the claim for Tourism Taxes, the complaint also asserted claims for a declaratory judgment, conversion and a legal accounting. On April 23, 2007, the defendants moved to dismiss the complaint, and that motion was denied on November 26, 2007. The defendants answered the complaint on December 20, 2007. The parties are presently conducting discovery.

Horry County, et al. v. Hotels.com, LP, et al.: On February 2, 2007, Horry County, South Carolina and the Horry County Administrator filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiffs are entitled to other relief, including penalties and interest. On April 30, 2007, the defendants moved to dismiss the complaint. On March 18, 2008, the court denied the defendants' motion to dismiss. On May 9, 2008, the defendants answered the complaint. On August 14, 2008, the defendants moved to dismiss the plaintiff's declaratory judgment claims, and that motion was denied on September 17, 2008. The parties are presently conducting discovery.

City of Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On February 2, 2007, the City of Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiff is entitled to other relief, including penalties and interest. On April 23, 2007, the defendants moved to dismiss the complaint. On December 11, 2007, the court heard argument on that motion, along with the motion in the Horry County action (discussed above). On August 14, 2008, the defendants moved to dismiss the plaintiff's declaratory judgment claims, and that motion was denied on September 17, 2008. The parties are presently conducting discovery.

City of Houston, Texas v. Hotels.com, LP., et al.: On March 5, 2007, the City of Houston, Texas filed a petition (i.e., a complaint) in the District Court of Harris County, Texas. In addition to the claim for violation of the Houston hotel occupancy tax ordinance, the petition also asserted claims for conversion, constructive trust, civil conspiracy, and a legal accounting. On April 30, 2007, the defendants filed special exceptions, seeking to dismiss the petition. On July 5, 2007, the court denied in part and granted in part the defendants' special exceptions. The court denied the special exceptions relating to the adequacy of the plaintiff's allegations, but granted the special exceptions requiring the plaintiff to state with specificity the maximum amount of damages claimed. On October 2, 2007, the City of Houston filed an amended petition adding the Harris County Sports Authority as a plaintiff. On October 15, 2007, we and the other defendants filed renewed special exceptions to the complaint and affirmative defenses. On November 19, 2007, the court granted those special exceptions. On January 22, 2008, the plaintiffs filed a second amended petition. On February 4, 2008, we and the defendants filed renewed special exceptions to the petition and moved to dismiss the action. On March 13, 2008, the court granted the defendants' special exceptions and dismissed the action. On April 14, 2008, the plaintiffs filed a motion seeking to have their petition reinstated, which was granted on May 27, 2008.

City of Oakland, California v. Hotels.com, L.P., et al.: On June 29, 2007, the City of Oakland, California filed a complaint in the United States District Court for the Northern District of California. In addition to the claim for violation of the City of Oakland's Transient Tax Ordinance, the complaint also asserted unfair competition claims under California Business and Professions Code § 17200, *et seq*., and claims for conversion, unjust enrichment, punitive damages, a constructive trust and a declaratory judgment. On September 18, 2007, the defendants moved to dismiss the complaint. On November 6, 2007, the court granted the defendants' motion and dismissed the City of Oakland's complaint with prejudice for the City's failure to exhaust its mandatory administrative procedures for tax collection. On December 5, 2007, the City of Oakland filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. The plaintiff's appeal to the U.S. Court of Appeals for the Ninth Circuit remains pending. On July 16, 2008, we and Lowestfare.com LLC received audit notices from the City. On August 4, 2008, we and Lowestfare.com LLC responded and requested a hearing before the City's Business Tax Board of Review. That hearing request remains pending.

Mecklenburg County v. Hotels.com LP, et al.: On January 14, 2008, Mecklenburg County filed a complaint in the General Court of Justice, Superior Court Division, Mecklenburg County, North Carolina. In addition to the claim for room occupancy taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, et seq., and breach of agency duties and statutory penalties. At the time it filed the complaint, Mecklenburg also moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court. On February 19, 2008, this action was consolidated with *Wake County*, which is discussed in further detail above. On May 15, 2008, the court granted in part and denied in part the defendants' motion to dismiss the complaint, adopting the reasoning of the court's prior opinion on the motion to dismiss in the *Wake County* action.

City of Baltimore, Maryland v. Priceline.com, Inc., et al.: On December 10, 2008, the City filed a complaint in the United States District Court for the District of Maryland. In addition to claims for declaratory and injunctive relief with respect to the application of the City's Hotel Room Tax, the complaint also asserted claims for conversion, unjust enrichment, assumpsit, constructive trust, and punitive damages. The defendants have not yet answered the complaint.

County Commissioners of Worcester, Maryland v. Priceline.com, Inc., et al.: On January 6, 2009, the County filed a complaint in the United States District Court for the District of Maryland. In addition to the claim for violation of the County's Hotel Room Tax, the complaint also asserted claims for conversion, unjust enrichment, and assumpsit. The defendants have not yet answered the complaint.

We have also been informed by counsel to the plaintiffs in certain of the aforementioned actions that various, undisclosed municipalities or taxing jurisdictions may file additional cases against us, Lowestfare.com LLC and Travelweb LLC in the future. Some municipalities or taxing jurisdictions have sent us and/or our subsidiaries tax notices or demands, including Brunswick County and Stanly County, North Carolina; Jefferson County, Arkansas; City of North Little Rock, Arkansas; and the Pine Bluff Advertising and Promotion Commission.

We intend to defend vigorously against the claims in all of the proceedings described above.

Judicial Actions Relating to Assessments Issued by Individual Cities and Counties

After administrative remedies have been exhausted, we may seek judicial review of assessments issued by an individual city or county.

Priceline.com, Inc. et al. v. Broward County, Florida: In May 2008, we and Travelweb LLC received assessments from the County. On June 19, 2008, we and Travelweb LLC submitted formal protests of the assessments. In July 2008, we and Travelweb LLC received additional audit requests from the County. On November 13, 2008, our and Travelweb LLC's protests were denied. On January 13, 2009, we and Travelweb LLC filed suit in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida, against the County and the Florida Department of Revenue challenging the assessments. The County and the Department of Revenue answered and filed a counterclaim on February 2, 2009. In addition to claims for injunctive relief with respect to the County's tourist development tax, the counterclaim also asserted claims for breach of fiduciary duty, conversion and statutory civil theft. The counterclaim defendants have not yet answered the counterclaim.

Priceline.com Inc. et al. v. City of Anaheim et al.: In May 2008, we, Travelweb LLC and Lowestfare.com LLC received assessments from the City. On June 2, 2008, the companies submitted formal protests of the assessments. On February 6, 2009, the City-appointed hearing officer issued a ruling upholding the determination that the companies were liable for the Transient Occupancy Tax, but reducing the amounts of the assessments issued. On February 11 2009, we and Travelweb LLC filed suit in Superior Court of the State of California, County of Orange, against the City and the hearing officer challenging the assessments and the liability determination. On February 18, 2009, we and Travelweb LLC joined a motion filed by Expedia, Inc. seeking a ruling that we do not have to pay the amount assessed by the City until resolution of the matter by the courts.

We intend to prosecute vigorously our claims in these actions.

Consumer Class Actions

Two purported class actions brought by consumers were pending against us:

Marshall, et al. v. priceline.com, Inc.: On February 17, 2005, a putative class action complaint was filed in the Superior Court of the State of Delaware for New Castle County by Jeanne Marshall and three other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against us. The complaint alleged that we violated the Delaware Consumer Fraud

Act, Del. Code Ann. Tit. 6, § 2511, *et seq*., relating to our disclosures and charges to customers to cover taxes under city hotel occupancy tax ordinances nationwide, and service fees. We moved to dismiss the complaint on April 21, 2005. On June 10, 2005, plaintiffs filed an amended complaint that asserts claims under the Delaware Consumer Fraud Act and for breach of contract and the implied duty of good faith and fair dealing. On October 31, 2006, the court granted in part and denied in part our motion to dismiss. The court dismissed all claims arising under the Delaware Consumer Fraud Act. The court also dismissed all claims for breach of contract and the implied duty of good faith and fair dealing that relate to our charges for service fees. The court denied our motion to dismiss the breach of contract and implied duty of good faith and fair dealing claims as they relate to our charges to consumers to cover taxes under city hotel occupancy tax ordinances. On February 1, 2008, two of the four plaintiffs voluntarily dismissed their claims against us. On February 29, 2008, the remaining plaintiffs moved for leave to amend their complaint to assert additional claims for breach of contract and the implied duty of good faith and fair dealing alleging that we included a hidden fee within its room rate charge. On August 28, 2008, the court granted plaintiffs' motion for leave to amend. The plaintiffs filed their second amended complaint on September 12, 2008, and we answered that complaint on September 26, 2008. The parties' summary judgment motions have been submitted and a hearing was held in January 2009; we are awaiting the court's ruling.

Chiste, et al. v. priceline.com Inc., et al.: On December 11, 2008, a putative class action was filed by plaintiff Matthew R. Chiste and two other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against us, Lowestfare.com, Inc. and Travelweb, LLC. The complaint alleges the defendants overcharge consumers by collecting Hotel Occupancy and sales taxes over and above that necessary to pay the actual taxes on the hotel room reserved by the customer. The complaint asserts claims for deceptive business practices, declaratory and injunctive relief, conversion, breach of fiduciary duty, and breach of contract. Defendants have not yet answered the complaint.

We intend to defend vigorously against the claims in all of the proceedings described above.

Administrative Proceedings and Other Possible Actions

At various times we have also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to our charges and remittance of amounts to cover state and local hotel occupancy and other related taxes. Among others, the City of Philadelphia, Pennsylvania; Miami-Dade County, Florida; the City of Anaheim, California; the City of Phoenix, Arizona; the City of San Francisco, California; and state tax officials from Wisconsin, Pennsylvania, and Indiana, have begun formal or informal administrative procedures or stated that they may assert claims against us relating to allegedly unpaid state or local hotel occupancy or related taxes. The City of San Francisco, California, and the Indiana Department of Revenue have each issued assessments from which we intend to appeal to a court of competent jurisdiction.

Litigation Related to Securities Matters

On March 16, March 26, April 27, and June 5, 2001, respectively, four putative class action complaints were filed in the U.S. District Court for the Southern District of New York naming priceline.com, Inc., Richard S. Braddock, Jay Walker, Paul Francis, Morgan Stanley Dean Witter & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., BancBoston Robertson Stephens, Inc. and Salomon Smith Barney, Inc. as defendants (01 Civ. 2261, 01 Civ. 2576, 01 Civ. 3590 and 01 Civ. 4956). Shives *et al*. v. Bank of America Securities LLC *et al*., 01 Civ. 4956, also names other defendants and states claims unrelated to us. The complaints allege, among other things, that priceline.com and the individual defendants violated the federal securities laws by issuing and selling priceline.com common stock in priceline.com's March 1999 initial public offering without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had allegedly solicited and received excessive and undisclosed commissions from certain investors. By Orders of Judge Mukasey and Judge

Scheindlin dated August 8, 2001, these cases were consolidated for pre-trial purposes with hundreds of other cases, which contain allegations concerning the allocation of shares in the initial public offerings of companies other than priceline.com, Inc. By Order of Judge Scheindlin dated August 14, 2001, the following cases were consolidated for all purposes: 01 Civ. 2261; 01 Civ. 2576; and 01 Civ. 3590. On April 19, 2002, plaintiffs filed a Consolidated Amended Class Action Complaint in these cases. This Consolidated Amended Class Action Complaint makes similar allegations to those described above but with respect to both our March 1999 initial public offering and our August 1999 second public offering of common stock. The named defendants are priceline.com, Inc., Richard S. Braddock, Jay S. Walker, Paul E. Francis, Nancy B. Peretsman, Timothy G. Brier, Morgan Stanley Dean Witter & Co., Goldman Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., Robertson Stephens, Inc. (as successor-in-interest to BancBoston), Credit Suisse First Boston Corp. (as successor-in-interest to Donaldson Lufkin & Jenrette Securities Corp.), Allen & Co., Inc. and Salomon Smith Barney, Inc. Priceline.com, Richard Braddock, Jay Walker, Paul Francis, Nancy Peretsman, and Timothy Brier, together with other issuer defendants in the consolidated litigation, filed a joint motion to dismiss on July 15, 2002. On November 18, 2002, the cases against the individual defendants were dismissed without prejudice and without costs. In addition, counsel for plaintiffs and the individual defendants executed Reservation of Rights and Tolling Agreements, which toll the statutes of limitations on plaintiffs' claims against those individuals. On February 19, 2003, Judge Scheindlin issued an Opinion and Order granting in part and denying in part the issuer's motion. None of the claims against us were dismissed. On June 26, 2003, counsel for the plaintiff class announced that they and counsel for the issuers had agreed to the form of a Memorandum of Understanding (the "Memorandum") to settle claims against the issuers. The terms of that Memorandum provide that class members will be guaranteed $1 billion in recoveries by the insurers of the issuers and that settling issuer defendants will assign to the class members certain claims that they may have against the underwriters. Issuers also agree to limit their abilities to bring certain claims against the underwriters. If recoveries in excess of $1 billion are obtained by the class from any non-settling defendants, the settling defendants' monetary obligations to the class plaintiffs will be satisfied; any amount recovered from the underwriters that is less than $1 billion will be paid by the insurers on behalf of the issuers. The Memorandum, which is subject to the approval of each issuer, was approved by a special committee of the priceline.com Board of Directors on Thursday, July 3, 2003. Thereafter, counsel for the plaintiff class and counsel for the issuers agreed to the form of a Stipulation and Agreement of Settlement with Defendant Issuers and Individuals ("Settlement Agreement"). The Settlement Agreement implements the Memorandum and contains the same material provisions. On June 11, 2004, a special committee of the priceline.com Board of Directors authorized our counsel to execute the Settlement Agreement on behalf of us. The Settlement Agreement was submitted to the Court for approval. Subsequently, the Second Circuit reversed the District Court's granting of class certification in certain of the related class actions. As a result, the parties entered into a stipulation and order dated June 25, 2007 which terminated the Settlement Agreement. We intend to defend vigorously against the claims in all of these proceedings.

On May 3, 2007, we entered into a Stipulation and Agreement of Settlement ("Settlement Agreement") to settle a class action lawsuit brought after our announcement that third quarter 2000 revenues would not meet expectations. Under the terms of the Settlement Agreement, the class received $80 million in return for a release, with prejudice, of all claims against us and the individual defendants (the "Settling Defendants") that are related to the purchase of our securities by class members during the class period. Our insurance carriers funded $30 million of the settlement. As a result, we recorded a net charge in the year ended 2007 of approximately $55.4 million representing our share of the cost to settle the litigation and cover related expenses.

We intend to defend vigorously against the claims in all of the proceedings described in this Item 3. We have accrued for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Except as disclosed, such amounts accrued are not material to our consolidated balance sheets and provisions recorded have not been material to the consolidated results of operations. We are unable to estimate the potential maximum range of loss.

From time to time, we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from our business objectives and could adversely affect our business, results of operations, financial condition and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of stockholders of priceline.com during the fourth quarter of the year ended December 31, 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PCLN." The following table sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported on the NASDAQ Global Select Market:

2008	High	Low
First Quarter	$ 131.75	$ 86.68
Second Quarter	144.34	114.38
Third Quarter	119.33	62.59
Fourth Quarter	74.21	45.15
2007		
First Quarter	$ 56.11	$ 41.80
Second Quarter	69.40	53.33
Third Quarter	91.95	59.50
Fourth Quarter	120.67	79.15

Holders

As of February 1, 2009, there were approximately 597 stockholders of record of priceline.com's common stock, although we believe that there are a significantly larger number of beneficial owners.

Dividend Policy

We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business.

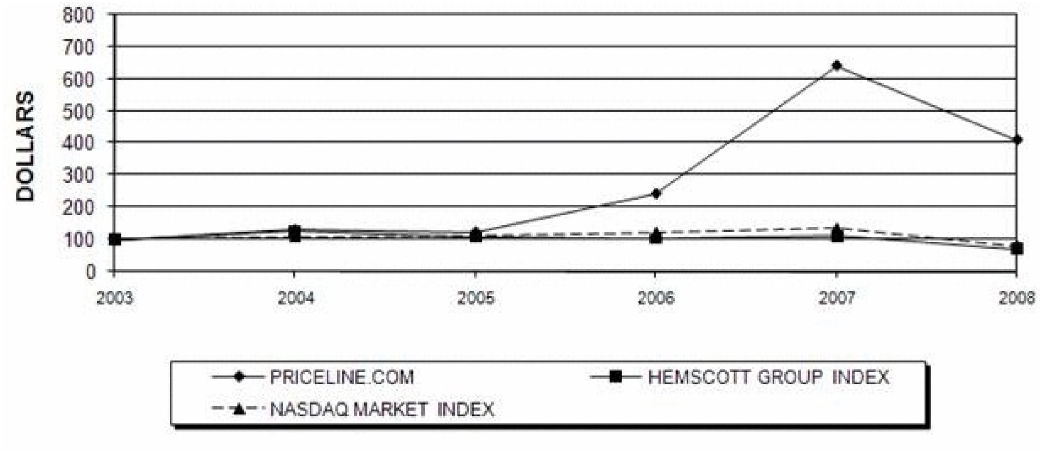
Equity Compensation Plan Information

Information required by Part II, Item 5, relating to Equity Compensation Plan Information will be included in our Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2008.

Performance Measurement Comparison

The following graph shows the total stockholder return through December 31, 2008 of an investment of $100 in cash on January 1, 2004 for priceline.com common stock and an investment of $100 in cash on January 1, 2004 for (i) the NASDAQ Market Index and (ii) the Hemscott Group Index. The Hemscott Group Index is an index of stocks representing the Internet industry, including Internet software and services companies and e-commerce companies. Historic stock performance is not necessarily indicative of future stock price performance. All values assume reinvestment of the full amount of all dividends and are calculated as of the last day of each month:

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG PRICELINE. COM INC.,
NASDAQ MARKET INDEX AND HEMSCOTT GROUP INDEX



ASSUMES $100 INVESTED ON JAN. 1, 2004
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2008

Measurement Point	Priceline.com Incorporated	Internet Software & Svcs	NASDAQ Market Index
2003	100.00	100.00	100.00
2004	131.79	126.04	108.41
2005	124.69	109.07	110.79
2006	243.63	103.53	122.16
2007	641.68	110.68	134.29
2008	411.45	71.06	79.25

Sales of Unregistered Securities

In 2008, holders of our 1.00% Convertible Senior Notes converted approximately $125.0 million principal amount of notes into approximately 1,890,600 shares of our common stock; holders of our 2.25% Convertible Senior Notes converted approximately $30,000 principal amount of notes into 508 shares of our common stock; holders of our 2011 Notes converted approximately $37.9 million principal amount of notes into 277,946 shares of our common stock and holders of our 2013 Notes converted approximately $14.0 million principal amount of notes into 95,082 shares of our common stock. Such issuances of shares of our common stock were made under Section 4(2) of the Securities Act of 1933, as amended. See Note 13 to our Consolidated Financial Statements.

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Issuer Purchases of Equity Securities

The following table sets forth information relating to repurchases of our equity securities during the three months ended December 31, 2008:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2008 — October 31, 2008	—	—	—	$ 44,866,000(1) $ 20,447,000(2)
November 1, 2008 — November 30, 2008	2,181(3)	$ 51.17	—	$ 44,866,000(1) $ 20,447,000(2)
December 1, 2008 — December 31, 2008	20(3)	$ 77.42	—	$ 44,866,000(1) $ 20,447,000(2)
Total	2,201	$ 51.41	—	$ 65,313,000

(1) Pursuant to a stock repurchase program announced on November 2, 2005, whereby the Company was authorized to repurchase up to $50,000,000 of its common stock.

(2) Pursuant to a stock repurchase program announced on September 21, 2006, whereby the Company was authorized to repurchase up to $150,000,000 of its common stock.

(3) Pursuant to a general authorization, not publicly announced, whereby the Company is authorized to repurchase shares of its common stock to satisfy employee withholding tax obligations related to stock-based compensation.

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Item 6. Selected Financial Data

SELECTED FINANCIAL DATA

The following selected consolidated financial data presented below are derived from our Consolidated Financial Statements and related Notes of the Company, and should be read in connection with those statements, some of which are included herein. Selected financial data reflects data related to Agoda, Booking.com B.V., Booking.com Limited and Travelweb LLC from their respective acquisition dates of November 2007, July 2005, September 2004 and May 2004. The information set forth below is not necessarily indicative of future results and should be read in conjunction with Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(In thousands, except per share amounts)				
Total revenues	$ 1,884,806	$ 1,409,409	$ 1,123,103	$ 962,660	$ 914,372
Cost of revenues	928,835	769,997	722,004	694,797	716,217
Gross profit	955,971	639,412	401,099	267,863	198,155
Total operating expenses(1)	666,497	501,477	339,113	231,979	167,733
Operating income(1)	289,474	137,935	61,986	35,884	30,422
Total other income (expense)	6,095	12,088	3,646	(181)	1,405
Income tax (expense) benefit(2)	(98,408)	12,059	12,388	156,277	193
Equity in (loss) income of investees and minority interests	(3,688)	(5,000)	(3,554)	749	(511)
Net income(1)(2)	193,473	157,082	74,466	192,729	31,509
Net income applicable to common stockholders(1)(2)	193,473	155,527	72,539	190,875	29,997
Net income applicable to common stockholders per basic common share(1)(2)	4.92	4.13	1.88	4.87	0.78
Net income applicable to common stockholders per diluted share(1)(2)	3.98	3.42	1.68	4.21	0.76
Total assets	1,343,977	1,350,856	1,105,648	754,028	542,082
Long-term obligations, minority interest and redeemable preferred stock(3)	459,928	646,702	656,420	313,942	268,562
Total liabilities	613,595	754,713	721,136	347,828	325,155
Total stockholders' equity	730,382	579,107	348,556	369,071	199,143

(1) The Company recorded a $55.4 million expense related to a litigation settlement in 2007.

(2) The Company recorded income tax benefits in the years ended December 31, 2007, 2006 and 2005, amounting to $47.9 million, $28.1 million and $170.5 million, respectively, resulting from a reversal of a portion of the valuation allowance on its deferred tax assets.

(3) Includes convertible debt which is classified as a current liability as of December 31, 2008 and 2007.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements, including the notes to those statements, included elsewhere in this Form 10-K, and the Section entitled "Special Note Regarding Forward-Looking Statements" in this Form 10-K. As discussed in more detail in the Section entitled "Special Note Regarding Forward-Looking Statements," this discussion contains forward-looking statements which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include, but are not limited to, those discussed in "Risk Factors."

Overview

General. We are a leading online travel company that offers our customers a broad range of travel services, including hotel rooms, car rentals, airline tickets, vacation packages, cruises and destination services. In the United States, we offer our customers a unique choice: the ability to purchase travel services in a traditional, price-disclosed manner or the opportunity to use our unique *Name Your Own Price®* service, which allows our customers to make offers for travel services at discounted prices. Internationally, we offer our customers hotel room reservations in 75 countries and 27 languages.

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include, among others, the brands Booking.com and Active Hotels in Europe and Agoda in Asia. Our principal goal is to be the leading worldwide online hotel reservation service. At present, we derive substantially all of our revenues from the following sources:

- Transaction revenues from our Name Your Own Price® hotel room, rental car and airline ticket services, as well as our vacation packages service;
- Commissions earned from the sale of price-disclosed hotel rooms, rental cars, cruises and other travel services;
- Customer processing fees charged in connection with the sale of both *Name Your Own Price®* and price-disclosed hotel rooms and *Name Your Own Price®* airline tickets and rental car services. We eliminated processing fees for our price-disclosed airline ticket service in June 2007;
- Transaction revenue from our price-disclosed merchant hotel room service;
- Global distribution system ("GDS") reservation booking fees related to both our *Name Your Own Price®* airline ticket, hotel room and rental car services, and price-disclosed airline tickets and rental car services; and
- Other revenues derived primarily from selling advertising on our websites.

Over the last several years, our business has transitioned from one driven primarily by domestic results to one driven primarily by international results. Prior to 2004, substantially all of our revenues were generated within the United States. In September 2004, we acquired Booking.com Limited, a U.K.-based online hotel service; in July 2005, we acquired Booking.com B.V., a Netherlands-based online hotel service (together with Booking.com Limited, "Booking.com"); and in November 2007, we acquired priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.), an online hotel service with operations in Singapore and Thailand ("Agoda"). During the year ended December 31, 2008, our international business — the significant majority of which is currently generated by our European operations — represented approximately 58.4% of our gross bookings (an operating and statistical metric referring to the total dollar value, inclusive of all taxes and fees, of all travel services purchased by our customers), and contributed more than two-thirds of our consolidated operating income. Given that our international business is primarily comprised of hotel reservation services, revenue earned in connection with the reservation of hotel room nights has come to represent a substantial majority of our gross profit.

Worldwide recession is negatively affecting the broad travel market and, as a result, our business. Most recently, global economic and financial market conditions have worsened markedly, creating uncertainty for consumers and pressuring consumer spending on travel. For example, hotel operators have recently reported significant decreases in occupancy rates (a common metric that measures hotel customer usage) and average daily rates ("ADRs") in both the United States and Europe. We believe that the positive trends impacting our domestic and international business overshadowed these negative influences in 2008. However, market conditions have worsened significantly recently, with particular deterioration in the fourth quarter 2008, and continuing into 2009. We believe worldwide recession and these weakening travel market trends, including, without limitation, decreased consumer demand, further deterioration in ADRs and increases in cancellations, have had a negative impact on our business, particularly in Europe, and will continue to have a negative impact in the near term. We cannot predict the magnitude or duration of this worldwide recession, but our current limited visibility does not suggest any near-term improvement.

The hotel industry has recently experienced a significant decrease in occupancy rates and we have experienced slowing demand growth, an increase in reservation cancellation rates and declining ADRs — trends which have continued to deteriorate and for which we do not anticipate any near-term improvement. While lower occupancy rates have historically resulted in hotel suppliers increasing their distribution of hotel rooms through third-party intermediaries such as us, our remuneration for hotel transactions changes proportionately with room price, and therefore, lower ADRs generally have a negative effect on our hotel business and a negative effect on our gross profit.

We believe the current worldwide recession and lower ADRs are also responsible for the increase in the number of hotel cancellations, particularly at our international operations. Our international operations distribute hotel rooms primarily through an agency model where reservations are generally cancellable, as opposed to merchant models operated by us (principally in the U.S.) and our competition and through which reservations are generally not cancellable without penalty. As ADRs decline, customers who have existing reservations may cancel those reservations and rebook at a lower rate, and in times of economic stress, travelers are more likely to cancel their vacation plans outright. While decreasing ADRs and a worldwide recession make it relatively more attractive for consumers to make a cancellable agency reservation than a pre-paid reservation, our agency business will likely have higher cancellation rates compared to companies who offer predominantly merchant model hotel rooms.

International Trends. The size of the travel market outside of the United States is substantially greater than that within the United States. Historically, Internet adoption rates and e-commerce adoption rates of international consumers have trailed those of the United States. However, international consumers are rapidly moving to online means for purchasing travel. Accordingly, recent international online travel growth rates have substantially exceeded, and are expected to continue to exceed, the growth rates within the United States. In addition, the base of hotel suppliers in Europe is particularly fragmented compared to that in the United States, where the hotel market is dominated by large hotel chains. We believe online reservation systems like ours may be more appealing to small chains and independent hotels more commonly found outside of the United States. We believe these trends have enabled us to become the top online hotel service provider in Europe, and will allow us to successfully expand our service offerings internationally beyond Europe.

As our international operations have become significant contributors to our results and international hotel bookings have become of increased importance to our earnings, we have seen, and expect to continue to see, changes in certain of our operating expenses and other financial metrics. For example, because our international operations utilize online affiliate and search marketing as the principal means of generating traffic to their websites, our online advertising expense has increased significantly since our acquisition of those companies, a trend we expect to continue in 2009 and beyond. In addition, and as discussed in more detail below, since the acquisitions of Booking.com, we have seen the effects of seasonal fluctuations on our operating results change as a result of different revenue recognition policies that apply to our price-disclosed services (including our international hotel service) as compared to our *Name Your Own Price®* services.

Another impact of the growing importance that our international operations represent to our business is our increased exposure to foreign currency exchange risk. Because we are conducting a significant and growing portion of our business outside the United States and are reporting our results in U.S. dollars, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency (principally the Euro and the British Pound Sterling) into U.S. dollars upon consolidation. Our international operations contributed approximately $619.8 million to our revenues for the year ended December 31, 2008, which compares to $372.6 million for the year ended December 31, 2007. Approximately $11.3 million of this increase is due to fluctuations in currency exchange rates. As a result, our year-over-year revenue growth in the year ended December 31, 2008, was approximately 63.3% on a local currency basis compared to approximately 66.4% after giving effect to currency fluctuations. The U.S. dollar has generally weakened since we acquired Booking.com B.V. in July 2005, and as a result, the year over year growth rates in our international results, when reported in U.S. dollars, have been positively impacted by changes in foreign exchange rates. However, the U.S. dollar has recently strengthened significantly against the Euro and the British Pound Sterling, which results in decreased net assets, revenues, operating expenses, and net income, and in October 2008, for the first time since our acquisition of Booking.com B.V., the foreign exchange impact was negative rather than positive. Accordingly, it will become increasingly difficult for us to grow our gross bookings, revenues and earnings on a U.S. dollar-denominated basis during 2009 and beyond if the U.S. dollar continues to strengthen. If the U.S. dollar weakens against the local currency, the translation of our foreign-currency-denominated balances will result in increased net assets, gross bookings, revenues, operating expenses, and net income. The impact of short-term currency fluctuations on our income for the year ended December 31, 2008 was minimized by certain derivatives we held. As of December 31, 2008, derivatives with a notional value of 25.0 million Euros were outstanding. As of December 31, 2007, derivatives with notional values of 16.0 million Euros and 3.7 million British Pounds Sterling were outstanding. Furthermore, our derivative instruments are not designed to hedge against currency fluctuation that could impact our foreign currency denominated gross bookings.

Domestic Trends. While demand for online travel services continues to experience annualized growth, we believe that the domestic market share of third-party distributors, like priceline.com, has declined over the recent past and that the growth of the domestic online market for travel services has slowed. We believe the decline in market share is attributable, in part, to a concerted initiative by travel suppliers to direct customers to their own websites in an effort to reduce distribution expenses and establish more direct control over their pricing.

In addition, recent decreases in domestic airline capacity and the emerging prospect of industry consolidation, as evidenced by the recent merger agreement between Delta Air Lines and Northwest Airlines, could further reduce the amount of airline tickets available to us. Furthermore, we have recently observed a sharp decline in passenger traffic and airfares across the airline industry, and we believe the airlines are experiencing significant year-over-year declines in yield, all of which we believe is principally due to the worldwide recession. Decreases in capacity and lower traveler demand negatively impact our domestic air business, which in turn has negative repercussions on our domestic hotel and rental car businesses. In addition, the current worldwide recession is partially responsible for a change in the arrangements between rental car companies and automobile manufacturers. Where manufacturers have historically supplied cars to rental car companies under a lease or another arrangement whereby the manufacturer would buy the car back when it is taken out of the fleet, manufacturers have begun to require the rental car companies to purchase the cars for their fleets, which shifts the burden of risk of selling the car to the rental car company. Because of the worldwide recession, rental car companies have struggled to sell such cars, and as a result, they are faced with excess supply. This, along with an intensely competitive environment, leads to lower retail rental car rates, which in turn, are beneficial to our retail rental car business, but detrimental to our *Name Your Own Price®* business. Notwithstanding these trends, we continue to believe that the market for domestic online travel services is an attractive market with continued opportunity for growth.

We also rely on fees paid to us by global distribution systems, or GDSs, for travel bookings made through GDSs for a portion of our gross profit and operating income. Connectivity to a GDS does not guarantee us access to the content of a travel supplier such as an airline or hotel company. We have agreements with a number of suppliers to obtain access to content, and are in continuing discussions with others to obtain similar access. If we were denied access to a suppliers' full content or had to incur service fees in order to access or book such content, our results could suffer.

We believe that our success will depend in large part on our ability to maintain profitability, primarily from our hotel business, to continue to promote the priceline.com brand in the United States, the Booking.com brand internationally, the Agoda brand in Asia and, over time, to offer other travel services and further expand into other international markets. Factors beyond our control, such as worldwide recession, terrorist attacks, political instability, regional hostilities, increases in fuel prices, imposition of taxes or surcharges by regulatory authorities, travel related accidents, travel related health concerns, unusual weather patterns, including natural disasters such as hurricanes, tsunamis or earthquakes; or the withdrawal from our system of a major hotel supplier or airline, could adversely affect our business and results of operations and impair our ability to effectively implement all or some of the initiatives described above. For example, recent civil unrest during the peak booking season in Thailand, a key market for our Agoda business, negatively impacted booking volumes and future civil or political unrest would further disrupt Agoda's business. We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve operating results. We also intend to broaden the scope of our business, and to that end, we explore strategic alternatives from time to time in the form of, among other things, mergers and acquisitions. Our goal is to improve volume and sustain gross margins in an effort to maintain profitability. The uncertain environment described above makes the prediction of future results of operations difficult, and accordingly, we cannot provide assurance that we will sustain revenue growth and profitability.

Seasonality. Our *Name Your Own Price®* services are generally non-refundable in nature, and accordingly, we recognize travel revenue at the time a booking is generated. However, we recognize revenue generated from our retail hotel services, including our international operations, at the time that the customer checks out of the hotel. As a result, a meaningful amount of retail hotel bookings generated earlier in the year, as customers plan and reserve their spring and summer vacations, will not be recognized as revenue until future quarters. From a cost perspective, however, we expense the substantial majority of our advertising activities as they are incurred, which is typically in the quarter in which bookings are generated. Therefore, as our retail hotel business continues to grow, we expect our quarterly results to become increasingly impacted by these seasonal factors.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Our significant accounting policies are more fully described in Note 2 to our Consolidated Financial Statements. Certain of our accounting policies are particularly important to our financial position and results of operations and require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. In applying those policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. On an on-going basis, we evaluate our estimates, including those related to the items described below. Those estimates are based on, among other things, historical experience, terms of existing contracts, our observance of trends in the travel industry and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions. A summary of our significant accounting policies that involve significant estimates and judgments of management, including the following:

- *Deferred Tax Valuation Allowance*. As required by SFAS No. 109, "Accounting for Income Taxes," we periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent cumulative earnings experience by taxing jurisdiction, expectations of future income, the carryforward periods available to us for tax reporting purposes, and other relevant factors. Based upon management's assessment of positive and negative evidence, we recorded non-cash tax benefits in 2007 and 2006 of $47.9 million and $28.1 million, respectively, resulting from a reversal of a portion of our valuation allowance on our deferred tax assets. Despite robust growth in the Company's domestic earnings during 2008, the valuation allowance has not been reduced due to inherent uncertainty and the likely negative potential impact the worldwide recession will have on our future operating results and future realization of our deferred tax assets.

- *Stock-Based Compensation.* We record stock-based compensation expense over the service period based upon the grant date fair value of equity-based grants. We estimate forfeiture rates in determining the amount of compensation to record. In addition, we record stock-based compensation expense for grants that include a performance contingency based upon the estimated probable outcome at the end of the performance period. We periodically adjust the cumulative stock-based compensation recorded when estimated forfeiture rates are adjusted, or when the probable outcome for performance-based shares is updated based upon changes in facts and circumstances.

- *Accounting for State and Local "Hotel Occupancy" Taxes*. As discussed in Note 18 to our Consolidated Financial Statements, several jurisdictions have initiated lawsuits against many on-line travel companies, including us, alleging among other things, that sales or hotel occupancy tax is applicable to the differential between the price paid by a customer for our service and the cost of the underlying room. In addition, a number of jurisdictions have initiated audit proceedings against us purportedly to determine whether taxes are owed on this differential or issued assessments claiming that we owe tax on this differential for prior periods. Additional state and local jurisdictions could assert that we are subject to sales or hotel occupancy taxes on this differential and could seek to collect such taxes, either retroactively or prospectively, or both. Historically, we have not collected taxes on this differential. To the extent that any tax authority succeeds in asserting that a tax collection responsibility applies to transactions conducted through the priceline.com service, we might have additional tax exposures. We accrue for legal contingencies where it is probable that a loss has occurred and the amount can be reasonably estimated.

- *Allowance for Doubtful Accounts.* Because we act as merchant of record in the majority of our transactions, we may be held liable for accepting fraudulent credit cards on our website as well as other payment disputes with our customers. Additionally, we are also held liable for accepting fraudulent credit cards in certain retail transactions when we do not act as merchant of record. Accordingly, we calculate and record an allowance for the resulting credit card charge-backs. In addition, in connection with hotel agency transactions, we provide an allowance for doubtful accounts based on past experience, current trends and the age of commissions receivable.

- *Valuation of Goodwill*. We have recorded goodwill related to businesses we have acquired including Booking.com B.V., Booking.com Limited, Travelweb, Agoda and priceline.com europe Ltd. Goodwill is reviewed at least annually for impairment using appropriate valuation techniques. In the event that future circumstances indicate that any portion of our goodwill is impaired, an impairment charge would be recorded.

- *Valuation of Long-Lived Assets and Intangibles.* We evaluate whether events or circumstances have occurred which indicate that the carrying amounts of long-lived assets and intangibles may be impaired or not recoverable. The significant factors that are considered that could trigger an impairment review include changes in business strategies, market conditions, or the manner of use of an asset; under performance relative to historical or expected future operating results; and negative industry or economic trends. In evaluating an asset for possible impairment, management estimates that asset's future undiscounted cash flows to measure whether the asset is recoverable. If it is determined that the asset is not recoverable, we measure the impairment based on the projected discounted cash flows of the asset over its remaining life.

- *Airline Debit Memos.* Our airline suppliers periodically send us debit memos that make claims for additional amounts due to them related to the cost of airline tickets we sold on their behalf. We process the debit memos received and, when appropriate, make payments to the airlines. Based on our historical experience and our contractual arrangements with the airlines, we establish reserves for estimated losses when appropriate resulting from these claims.

Recent Accounting Pronouncements — On January 1, 2008, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on our Consolidated Financial Statements. See Note 7 to our Consolidated Financial Statements for more information regarding fair value measurements.

In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. We do not expect a material impact on our Consolidated Financial Statements for adoption of this Statement for nonfinancial assets and nonfinancial liabilities.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133" ("SFAS 161"). SFAS 161 provides new disclosure requirements for an entity's derivative and hedging activities. SFAS 161 is effective for periods beginning after November 15, 2008. We will comply with the expanded reporting requirements beginning in the first quarter of 2009.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). In determining the useful life of acquired intangible assets, FSP FAS 142-3 removes the requirement to consider whether an intangible asset can be renewed without substantial cost of material modifications to the existing terms and conditions and, instead, requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and may impact any intangible assets we acquire in future transactions.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires cash settled convertible debt, such as our convertible senior notes, to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component is the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, is recorded as a debt discount and amortized to interest expense over the life of the bond. In addition, if our convertible debt is redeemed or converted prior to maturity and the fair value of the debt component immediately prior to extinguishment is different from the carrying value, it will result in a gain or loss on extinguishment. Although FSP APB 14-1 will have no impact on our actual past or future cash flows, it will require us to record a significant amount of non-cash interest expense as the debt discount is amortized and will result in gains or losses on extinguishment that would not have occurred under previous GAAP. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and must be applied on a retrospective basis. Accordingly, commencing with the filing of our Quarterly Report on Form 10-Q for the three months ended March 31, 2009, our historical financial statements will be adjusted to give effect to FSP APB 14-1. We estimate that the adoption of FSP APB 14-1 will increase non-cash interest expense for the years ended December 31, 2008, 2007 and 2006 by approximately $26 million ($16 million net of tax), $28 million ($17 million net of tax), and $6 million ($3.6 million net of tax), respectively. The estimated impact to fiscal year 2009 non-cash interest expense is expected to be an increase of approximately $21 million ($13 million net of tax), excluding the impact of future debt conversions, if any. The Company estimates that adoption of FSP APB 14-1 will also result in a gain on extinguishment of debt of approximately $5 million ($3 million net of tax) for the year ended December 31, 2008.

In May 2008, the FASB issued SFAS No.162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. generally accepted accounting principles. SFAS 162 is effective November 15, 2008. The adoption of the Statement did not result in a change in our current practices.

In June 2008, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock. EITF 07-5 will be effective for years beginning after December 15, 2008. We do not expect a material impact to the financial statements for adoption of this EITF.

In November 2008, the Emerging Issues Task Force reached consensus on EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets" ("EITF 08-7"). A defensive asset is an acquired intangible asset where the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it to prevent competitors from obtaining any benefit from it. The acquired defensive asset will be treated as a separate unit of accounting and the useful life assigned will be based on the period during which the asset would diminish in value. The consensus is effective in fiscal years beginning on or after December 15, 2008.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). The standard required unrealized gains and losses to be included in earnings for items reported using the fair value option. SFAS 159 permitted companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 was effective for financial statements issued for fiscal years beginning after November 15, 2007. We did not elect the fair value option described in SFAS 159 for financial instruments and certain other items.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) requires an entity to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Subsequent changes to the estimated fair value of contingent consideration will be reflected in earnings until the contingency is settled. SFAS 141(R) also requires acquisition-related costs and restructuring costs to be expensed as incurred rather than treated as part of the purchase price. The adoption of SFAS 141(R) will change our accounting treatment for business combinations on a prospective basis beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 changes the accounting and reporting for minority interests, which will be characterized as non-controlling interests and classified as a component of equity. SFAS 160 is effective for us on a prospective basis in the first quarter of fiscal year 2009, except for presentation and disclosure requirements that will be applied retrospectively.

Results of Operations

Year Ended December 31, 2008 compared to Year Ended December 31, 2007

Operating and Statistical Metrics

Our financial results are driven by certain operating metrics that encompass the booking activity generated by our travel services. Specifically, reservations of hotel room nights, rental car days and airline tickets capture the volume of units purchased by our customers. Gross bookings is an operating and statistical metric that captures the total dollar value inclusive of taxes and fees of all travel services booked by our customers, and is widely used in the travel business. International gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings for our international brands and operations, and domestic gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings by our domestic operations, in each case without regard to the location of the travel or the customer purchasing the travel.

Gross bookings resulting from hotel room nights, rental car days and airline tickets sold through our domestic and international operations for the years ended December 31, 2008 and 2007 were as follows (numbers may not total due to rounding):

	Year Ended December 31, 2008	Year Ended December 31, 2007	Change
Domestic	$ 3.082 billion	$ 2.154 billion	43.0%
International	4.318 billion	2.675 billion	61.4%
Total	$ 7.400 billion	$ 4.829 billion	53.2%

Gross bookings resulting from hotel room nights, rental car days and airline tickets sold through our agency and merchant models for the years ended December 31, 2008 and 2007 were as follows (numbers may not total due to rounding):

	Year Ended December 31, 2008	Year Ended December 31, 2007	Change
Agency	$ 5.739 billion	$ 3.585 billion	60.1%
Merchant	1.662 billion	1.244 billion	33.5%
Total	$ 7.400 billion	$ 4.829 billion	53.2%

Gross bookings increased by 53.2% for the year ended December 31, 2008, compared to the same period in 2007. The increase was primarily attributable to 61.4% growth in our international gross bookings, virtually all of which relates to retail hotel room night sales (including the $316 million favorable impact of foreign currency exchange rates). Domestic gross bookings increased by 43.0%, primarily due to growth in the sale of price-disclosed airline tickets (due in part to the elimination of booking fees in June of 2007), *Name Your Own Price®* hotel room nights, merchant price-disclosed hotel room nights and *Name Your Own Price®* airline tickets.

Agency gross bookings increased 60.1% for the year ended December 31, 2008, compared to the same period in 2007, due to growth in Booking.com hotel operations and in the sale of price-disclosed airline tickets due in part to the elimination of booking fees in June of 2007. Merchant gross bookings increased 33.5% for the year ended December 31, 2008, compared to the same period in 2007, due to an increase in the sale of *Name Your Own Price®* hotel room nights, the inclusion of room nights sold by Agoda, which we acquired in November 2007, domestic merchant price-disclosed hotel room nights and *Name Your Own Price®* airline tickets. Agoda gross bookings amounted to $118.7 million for the year ended December 31, 2008.

Year Ended	Hotel Room Nights	Rental Car Days	Airline Tickets
December 31, 2008	40.8 million	10.0 million	4.9 million
December 31, 2007	27.8 million	8.6 million	2.9 million

Hotel room nights sold increased by 46.9% for the year ended December 31, 2008, over the same period in 2007, primarily due to an increase in the sale of Booking.com agency room nights, an increase in the sale of *Name Your Own Price®* room nights, the inclusion of merchant room nights sold by Agoda, which we acquired in November 2007, and an increase in the sale of domestic, price-disclosed room nights.

Rental car days sold increased by 15.8% for the year ended December 31, 2008, over the same period in 2007, due to increases in sales of both our price-disclosed and *Name Your Own Price®* rental car services.

Airline tickets sold increased by 65.3% for the year ended December 31, 2008, over the same period in 2007, due primarily to an increase in the sale of price-disclosed airline tickets due in part to our elimination of processing fees in June 2007 and increased marketing support.

Revenues

- Merchant revenues are derived from transactions where we are the merchant of record and, among other things, select suppliers and determine the price we will accept from the customer. Merchant revenues include (1) transaction revenues representing the selling price of *Name Your Own Price®* hotel rooms, rental cars and airline tickets and price-disclosed vacation packages; (2) transaction revenues representing the amount charged to a customer, less the amount charged by suppliers in connection with the hotel rooms provided through our merchant price-disclosed hotel service; (3) customer processing fees charged in connection with the sale of *Name Your Own Price®* airline tickets, hotel rooms and rental cars and merchant price-disclosed hotels; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above.

- Agency revenues are derived from travel related transactions where we are not the merchant of record and where the prices of our services are determined by third parties. Agency revenues include travel commissions, customer processing fees and GDS reservation booking fees related to certain of the services listed above and are reported at the net amounts received, without any associated cost of revenue. In June 2007, we eliminated processing fees on the priceline.com price-disclosed airline ticket service.

- Other revenues are derived primarily from advertising on our websites.

We continue to experience a shift in the mix of our travel business from a business historically focused exclusively on the sale of domestic point-of-sale travel services to a business that includes significant sales of international point-of-sale hotel services, a significant majority of which are currently generated in Europe. Because our domestic services include merchant *Name Your Own Price®* travel services, which are reported on a "gross" basis, while both our domestic and international retail travel services are primarily recorded on a "net" basis, revenue increases and decreases are impacted by changes in the mix of the sale of merchant and retail travel services and, consequently, gross profit has become an increasingly important measure of evaluating growth in our business. Our international operations contributed approximately $619.8 million to our revenues for the year ended December 31, 2008, which compares to $372.6 million for the same period in 2007. Approximately $11.3 million of this increase is due to favorable fluctuations in currency exchange rates. Agoda, which we acquired in November 2007, accounted for approximately $17.0 million of the revenue attributable to our international operations for the year ended December 31, 2008.

	Year Ended December 31, ($000) 2008	2007	Change
Merchant Revenues	$ 1,218,162	$ 1,002,824	21.5%
Agency Revenues	648,792	398,246	62.9%
Other Revenues	17,852	8,339	114.1%
Total Revenues	$ 1,884,806	$ 1,409,409	33.7%

Merchant Revenues

Merchant revenues for the year ended December 31, 2008 increased 21.5% compared to the same period in 2007, primarily due to an increase in the sale of *Name Your Own Price®* hotel room nights and airline tickets and the inclusion of revenues generated by Agoda, which we acquired in November 2007. In addition, in the year ended December 31, 2007, merchant revenues were positively impacted by an excise tax refund of $18.6 million (see Note 18 to our Consolidated Financial Statements). Our international operations contributed approximately $21.3 million to our merchant revenues for the year ended December 31, 2008, which compares to $5.6 million for the same period in 2007. Agoda contributed approximately $17.0 million of the merchant revenue attributable to our international operations for the year ended December 31, 2008.

Agency Revenues

Agency revenues for the year ended December 31, 2008 increased 62.9% compared to the same period in 2007, primarily as a result of growth in our international operations, which contributed approximately $598 million of agency revenue for the year ended December 31, 2008, and approximately $367 million of agency revenue for the year ended December 31, 2007. Approximately $11.7 million of this increase is due to favorable fluctuations in currency exchange rates.

Other Revenues

Other revenues during the year ended December 31, 2008 consisted primarily of advertising revenues. Other revenues for the year ended December 31, 2008 increased 114.1%, compared to the same period in 2007, primarily as a result of higher online advertising revenues due primarily to new advertising partner relationships added during 2007, increased traffic due in part to the elimination of booking fees on price-disclosed airline tickets in June 2007, and the inclusion of revenue generated by an online advertising company acquired in December 2007.

Cost of Revenues and Gross Profit

	Year Ended December 31, ($000)		
	2008	2007	Change
Cost of Revenues	$ 928,835	$ 769,997	20.6%
% of Revenues	49.3%	54.6%	

Cost of Revenues

For the year ended December 31, 2008, cost of revenues consisted primarily of: (1) the cost of *Name Your Own Price®* hotel rooms from our suppliers, net of applicable taxes, (2) the cost of *Name Your Own Price®* airline tickets from our suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; and (3) the cost of *Name Your Own Price®* rental cars from our suppliers, net of applicable taxes. Cost of revenues for the year ended December 31, 2008 increased by 20.6%, compared to the same period in 2007, due primarily to the increase in merchant revenue discussed above. Merchant price-disclosed hotel revenues in the U.S. and at Agoda are recorded in merchant revenues net of the amounts paid to suppliers and therefore, there is no associated cost of revenues for merchant price-disclosed hotel revenues.

Agency revenues are recorded at their net amount, which are amounts received less amounts paid to suppliers, if any, and therefore, there are no costs of agency revenues.

Gross Profit

	Year Ended December 31, ($000) 2008	2007	Change
Gross Profit	$ 955,971	$ 639,412	49.5%
Gross Margin	50.7%	45.4%	

Total gross profit for the year ended December 31, 2008 increased by 49.5% compared to the same period in 2007, primarily as a result of increased revenue discussed above. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2008, compared to the same period in 2007, because *Name Your Own Price*® transactions, whose revenues are recorded "gross" with a corresponding cost of revenue, represented a smaller percentage of transactions compared to retail, price-disclosed transactions which are primarily recorded "net" with no corresponding cost of revenues. In the year ended December 31, 2007, gross profit and gross margin were also positively impacted by the $18.6 million excise tax refund recorded in merchant revenue in the year ended December 31, 2007 (see Note 18 to our Consolidated Financial Statements). Because *Name Your Own Price*® transactions are reported "gross" and retail transactions are primarily recorded on a "net" basis, we believe that gross profit has become an increasingly important measure of evaluating growth in our business. Our international operations accounted for approximately $616 million of our gross profit for the year ended December 31, 2008, which compares to $369.0 million for the same period in 2007. Approximately $11.6 million of this increase is due to fluctuations in currency exchange rates. Agoda, which we acquired in November 2007, accounted for approximately $17.0 million of the gross profit attributable to our international operations for the year ended December 31, 2008.

Operating Expenses

Advertising

	Year Ended December 31, ($000) 2008	2007	Change
Offline Advertising	$ 38,032	$ 35,963	5.8%
% of Total Gross Profit	4.0%	5.6%	
Online Advertising	270,713	172,676	56.8%
% of Total Gross Profit	28.3%	27.0%	

Offline advertising expenses consist primarily of: (1) the expenses associated with domestic television, print and radio advertising; and (2) the cost for creative talent, production costs and agency fees for television, radio and print advertising. For the year ended December 31, 2008, offline advertising expenses were higher than in the same period in 2007 primarily as a result of increased costs related to creative talent, television production and increased print and radio advertising, partially offset by decreased television advertising during the period. Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) affiliate programs; (3) banner and pop-up advertisements; and (4) e-mail campaigns. For the year ended December 31, 2008, online advertising expenses increased over the same period in 2007, primarily due to an increase in online advertising expenses to support significantly increased price-disclosed agency hotel room nights booked by

Booking.com as well as increased U.S. travel bookings. The increase also reflects the inclusion of online advertising expenses related to price-disclosed merchant hotel room nights booked through Agoda, which we acquired in November 2007. Both Booking.com and Agoda rely primarily on online advertising, in particular keyword purchases and payments to affiliate advertisers, to support their businesses.

Sales and Marketing

	Year Ended December 31, ($000)				
	2008		2007		Change
Sales and Marketing	$	77,948	$	47,158	65.3%
% of Total Gross Profit		8.2%		7.4%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third-party service providers that operate the call centers for our priceline.com business; (3) provisions for credit card chargebacks; and (4) provisions for bad debt primarily related to agency hotel commission receivables. For the year ended December 31, 2008, sales and marketing expenses, which are substantially variable in nature, increased over the same period in 2007, primarily due to (1) increased gross booking volumes; (2) increased bad debt provision due to slower payment of agency commissions by hotels and to reflect the potential for increased losses resulting from the worldwide recession and the related impact on the financial health of our hotel partners; (3) increased credit card chargeback activity (including chargeback activity aggregating approximately $1.5 million in the first six months of 2008 associated with the bankruptcies of two of our airline suppliers); and (4) the inclusion of sales and marketing expenses related to Agoda, which we acquired in November 2007 and which has experienced higher customer chargeback activity than our other merchant services.

Personnel

	Year Ended December 31, ($000)				
	2008		2007		Change
Personnel	$	163,785	$	102,992	59.0%
% of Total Gross Profit		17.1%		16.1%	

Personnel expenses consist of compensation to our personnel, including salaries, bonuses, taxes, employee health benefits and stock-based compensation. For the year ended December 31, 2008, personnel expenses increased over the same period in 2007, primarily due to increased stock-based compensation expense, personnel expenses associated with head count growth of Booking.com, the acquisition of Agoda in November 2007, and increased employee performance bonus expense. Stock-based compensation expense was approximately $40.5 million for the year ended December 31, 2008 and $16.3 million, for the year ended December 31, 2007. Stock-based compensation expense increased over the year ended December 31, 2008, as compared to the same period in 2007, due to headcount increases, higher stock prices at grant date and increases in the estimated probable number of shares to be issued upon completion of specified performance periods for our performance-based grants (see Note 4 to our Consolidated Financial Statements).

General and Administrative

	Year Ended December 31, ($000) 2008	2007	Change
General and Administrative	$ 55,267	$ 91,837	(39.8)%
% of Total Gross Profit	5.8%	14.4%	

General and administrative expenses consist primarily of: (1) fees for outside professionals, including litigation expenses; (2) occupancy expenses; and (3) personnel related expenses such as recruiting, training and travel expenses. General and administrative expenses decreased during the year ended December 31, 2008, over the same period in 2007, due to a $55.4 million expense related to a litigation settlement in 2007. Excluding the litigation settlement, general and administrative expenses increased during the year ended December 31, 2008, over the same period during 2007, due to additional fees for outside professionals, including litigation expenses and expenses related to the evaluation of acquisition opportunities, increased occupancy expenses associated with new Booking.com offices, and the inclusion of general and administrative expenses related to Agoda, which we acquired in November 2007.

Information Technology

	Year Ended December 31, ($000) 2008	2007	Change
Information Technology	$ 17,956	$ 13,779	30.3%
% of Total Gross Profit	1.9%	2.2%	

Information technology expenses consist primarily of: (1) system maintenance and software license fees; (2) outsourced data center costs relating to our domestic and international data centers; (3) data communications and other expenses associated with operating our Internet sites; and (4) payments to outside consultants. For the year ended December 31, 2008, the increase in information technology expenses compared to the same period in 2007 was primarily associated with the growth of Booking.com, and the inclusion of Agoda, which we acquired in November 2007.

Depreciation and Amortization

	Year Ended December 31, ($000) 2008	2007	Change
Depreciation and Amortization	$ 42,796	$ 37,072	15.4%
% of Total Gross Profit	4.5%	5.8%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) amortization of internally developed and purchased software, (3) depreciation of computer equipment; and (4) depreciation of leasehold improvements, office equipment and furniture and fixtures. For the year ended December 31, 2008, depreciation and amortization expense increased from the same period in 2007, primarily as a result of increased amortization of intangible assets with determinable lives, depreciation and amortization related to investment increases in Booking.com, and the inclusion of depreciation and amortization related to Agoda, which we acquired in November 2007.

Other Income (Expense)

	Year Ended December 31, ($000) 2008	2007	Change
Interest Income	$ 11,660	$ 25,776	(54.8)%
Interest Expense	(9,375)	(10,412)	(10.0)%
Foreign Currency Transactions and Other	3,810	(3,276)	(216.3)%
Total	$ 6,095	$ 12,088	(49.6)%

For the year ended December 31, 2008, interest income on cash and marketable securities decreased over the same period in 2007, due to lower prevailing interest rates and investments in higher quality, lower yielding securities. In addition, interest income for the year ended December 31, 2007 included approximately $3.3 million of interest received on our excise tax refund. Interest expense decreased for the year ended December 31, 2008, as compared to the same period in 2007 due primarily to the conversion of approximately $176.9 million principal amount of convertible notes. We estimate that the adoption of FSP APB 14-1 will increase non-cash interest expense for 2009 by $21 million (see Note 2 to our Consolidated Financial Statements). Foreign exchange gains of $4.3 million and losses of $3.3 million for the years ended December 31, 2008 and 2007, respectively, were recorded in “Foreign currency transactions and other,” and were principally related to foreign exchange derivative contracts. In addition, “Foreign currency transactions and other” includes a loss in the amount of $0.8 million recorded during the year ended December 31, 2008 to reflect an other-than-temporary impairment in the value of a corporate note included in long-term investments.

Income Taxes

	Year Ended December 31, ($000) 2008	2007	Change
Income Tax (Expense) Benefit	$ (98,408)	$ 12,059	(916.1)%

The provision for income taxes includes U.S. and international income taxes determined using an estimate of our annual effective tax rate. Income tax benefit for the year ended December 31, 2007 includes non-cash tax benefits of (1) $47.9 million, resulting from the reversal of a portion of the valuation allowance on our domestic deferred tax assets and (2) $3.6 million resulting from the recognition of foreign capital allowance carryforwards. In addition, our effective tax rate differs from the expected tax provision at the U.S. statutory tax rate of 35% principally due to lower foreign tax rates and the foreign tax benefit of interest expense on intercompany debt, partially offset by state income taxes and certain non-deductible stock-based compensation expense. Due to our significant net operating loss carryforwards, we do not expect to pay significant cash taxes on our U.S. federal taxable income for the foreseeable future. We expect to make cash payments for international income taxes, U.S. alternative minimum tax and certain U.S. state income taxes. Despite robust growth in the Company’s domestic earnings during 2008, the valuation allowance has not been reduced due to inherent uncertainty and the likely negative potential impact the current worldwide recession will have on our future operating results and future realization of our deferred tax assets.

Equity in Loss of Investees and Minority Interests

	Year Ended December 31, ($000) 2008	2007	Change
Equity in Loss of Investees and Minority Interests	$ 3,688	$ 5,000	(26.2)%

Equity in loss of investee and minority interests for the years ended December 31, 2008 and 2007, represented (1) minority interests associated with the ownership of priceline.com International that was held by former shareholders of Booking.com B.V. and Booking.com Limited, including certain European-based managers of that business; and (2) equity in loss of investee, comprised of our pro rata share of pricelinemortgage.com's net results. The change versus the prior year was primarily due to a reduction in the minority interest held by former shareholders of priceline.com International, partially offset by an increase in the earnings of priceline.com International. In September 2008, we repurchased all of the remaining outstanding shares of priceline.com International and, as a result, there is no longer any minority interest in priceline.com International.

Results of Operations

Year Ended December 31, 2007 compared to Year Ended December 31, 2006

Operating Metrics

Our financial results are driven by certain operating metrics that encompass the selling activity generated by our travel services. Specifically, sales of airline tickets, hotel room nights and rental car days capture the volume of units purchased by our customers. Gross Bookings capture the total dollar value inclusive of taxes and fees of all travel services purchased by our customers. International gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings for our international brands and operations, and domestic gross bookings reflect gross bookings generated principally by websites owned by, operated by, or dedicated to providing gross bookings by our domestic operations, in each case without regard to the location of the travel or the customer purchasing the travel.

Gross bookings resulting from airline tickets, hotel room nights and rental car days sold through our domestic and international operations in 2007 and 2006 were as follows:

	Year Ended December 31, 2007	2006	Change
Domestic	$ 2.154 billion	$ 1.973 billion	9.2%
International	2.675 billion	1.347 billion	98.6%
Total	$ 4.829 billion	$ 3.320 billion	45.5%

Gross bookings resulting from airline tickets, hotel room nights and rental car days sold through our agency and merchant models in 2007 and 2006 were as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Change
Agency	$ 3.585 billion	$ 2.182 billion	64.4%
Merchant	1.244 billion	1.138 billion	9.3%
Total	$ 4.829 billion	$ 3.320 billion	45.5%

Gross bookings increased by 45.5% for the year ended December 31, 2007, compared to the same period in 2006. The increase was primarily attributable to 98.6% growth in our international gross bookings, virtually all of which relates to retail hotel room night sales (including the $223 million favorable impact of foreign currency exchange rates). Domestic gross bookings increased by 9.2%, primarily due to growth in the sale of *Name Your Own Price®* hotel room nights, retail airline tickets due to the elimination of booking fees in June of 2007 and *Name Your Own Price®* rental car days, partially offset by a decrease in the sale of *Name Your Own Price®* airline tickets.

Agency gross bookings increased 64.4% for the year ended December 31, 2007, due to growth in our international hotel operations and in the sale of retail airline tickets due to the elimination of booking fees in June 2007. Merchant gross bookings increased 9.3% for the year ended December 31, 2007, due to an increase n the sale of *Name Your Own Price®* hotel room nights and an increase in the sale of *Name Your Own Price®* rental car days, partially offset by a decrease in the sale of *Name Your Own Price®* airline tickets.

Year Ended	Hotel Room Nights	Rental Car Days	Airline Tickets
December 31, 2007	27.8 million	8.6 million	2.9 million
December 31, 2006	18.7 million	7.5 million	2.8 million

Hotel room nights sold increased by 48.9% for the year ended December 31, 2007, over the same period in 2006, primarily due to an increase in the sale of agency room nights in connection with our international operations as well as an increase in the sale of *Name Your Own Price®* hotel room nights in the United States.

Rental car days sold increased by 15.6% for the year ended December 31, 2007, over the same period in 2006, due to increases in sales of both our *Name Your Own Price®* and retail rental car services.

Airline tickets sold increased by 4.8% for the year ended December 31, 2007, over the same period in 2006. The increase in the number of airline tickets sold in the year ended December 31, 2007, compared to the same period in 2006, was primarily attributable to an increase in the sale of retail airline tickets, partially offset by a decrease in the sale of *Name Your Own Price®* airline tickets. Retail airline ticket bookings increased primarily due to our elimination of booking fees in June 2007.

Revenues

- Merchant revenues are derived from transactions where we are the merchant of record and, among other things, select suppliers and determine the price we will accept from the customer. Merchant revenues include (1) transaction revenues representing the selling price of *Name Your Own Price®* airline tickets, hotel rooms, rental cars and price-disclosed vacation packages; (2) transaction revenues representing the amount charged to a customer, less the amount charged by suppliers in connection with the hotel rooms provided through our merchant price-disclosed hotel service; (3) customer processing fees charged in connection with the sale of *Name Your Own Price®* airline tickets, hotel rooms and rental cars and merchant price-disclosed hotels; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above.

- Agency revenues are derived from travel related transactions where we are not the merchant of record and where the prices of our services are determined by third parties. Agency revenues include travel commissions, customer processing fees and GDS reservation booking fees related to certain of the services listed above and are reported at the net amounts received, without any associated cost of revenue. In June 2007, we eliminated processing fees on the priceline.com price-disclosed airline ticket service.

- Other revenues are derived primarily from advertising on our websites.

We continue to experience a shift in the mix of our travel business from a business historically focused exclusively on the sale of domestic point-of-sale travel services to a business that includes significant sales of international point-of-sale hotel services, a significant majority of which are currently generated in Europe. Because our domestic services include merchant *Name Your Own Price®* travel services, which are reported on a "gross" basis, while both our domestic and international retail travel services are primarily recorded on a "net" basis, revenue increases and decreases are impacted by changes in the mix of the sale of merchant and retail travel services and, consequently, gross profit has become an increasingly important measure of evaluating growth in our business. Our international operations contributed approximately $372.6 million to our revenues for the year ended December 31, 2007, which compares to $182.7 million for the same period in 2006. Approximately $30.3 million of this increase is due to fluctuations in currency exchange rates.

	Year Ended December 31, ($000)		
	2007	2006	Change
Merchant Revenues	$ 1,002,824	$ 904,169	10.9%
Agency Revenues	398,246	213,900	86.2%
Other Revenues	8,339	5,034	65.7%
Total Revenues	$ 1,409,409	$ 1,123,103	25.5%

Merchant Revenues

Merchant revenues for the year ended December 31, 2007 increased 10.9% compared to the same period in 2006, primarily due to an increase in the sale of *Name Your Own Price®* and merchant price-disclosed hotel room nights and *Name Your Own Price®* rental car days, partially offset by a decrease in the sale of *Name Your Own Price®* airline tickets. In addition, as more fully discussed in Note 18 to our Consolidated Financial Statements, we recorded excise tax refunds of $18.6 million in merchant revenues in the year ended December 31, 2007.

Agency Revenues

Agency revenues for the year ended December 31, 2007 increased 86.2% compared to the same period in 2006, primarily as a result of growth in our international operations, which contributed $367 million of agency revenue for the year ended December 31, 2007, and $179 million of agency revenue for the year ended December 31, 2006. Approximately $30.0 million of this increase is due to fluctuations in currency exchange rates. These increases were partially offset by declines in agency revenue related to the sale of price-disclosed airline tickets, for which priceline.com ceased charging processing fees in June 2007.

Other Revenues

Other revenues during the year ended December 31, 2007 consisted primarily of: (1) advertising revenues; and (2) fees for referring customers to pricelinemortgage.com for home financing services. Other revenues for the year ended December 31, 2007 increased 65.7%, compared to the same period in 2006, primarily as a result of higher online advertising revenues due to new advertising partner relationships in 2007.

Cost of Revenues and Gross Profit

	Year Ended December 31, ($000) 2007	2006	Change
Cost of Revenues	$ 769,997	$ 722,004	6.6%
% of Revenues	54.6%	64.3%	

Cost of Revenues

During the year ended December 31, 2007, cost of revenues entirely reflect merchant *Name Your Own Price®* transactions, whose revenues are recorded "gross" with a corresponding cost of revenue while retail transactions are recorded "net" with no corresponding cost of revenues.

Cost of Revenues

For the year ended December 31, 2007, cost of revenues consisted primarily of: (1) the cost of opaque hotel rooms from our suppliers, net of applicable taxes, (2) the cost of opaque airline tickets from our suppliers, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; and (3) the cost of opaque rental cars from our suppliers, net of applicable taxes. Cost of revenues for the year ended December 31, 2007 increased 6.6%, compared to the same period in 2006, due primarily to the increase in merchant revenue discussed above. Merchant price-disclosed hotel revenues are recorded at their net amounts, which are amounts received less amounts paid to suppliers and therefore, there are no associated costs of merchant price-disclosed hotel revenues.

Gross Profit

	Year Ended December 31, ($000) 2007	2006	Change
Gross Profit	$ 639,412	$ 401,099	59.4%
Gross Margin	45.4%	35.7%	

Total gross profit for the year ended December 31, 2007 increased by 59.4% compared to the same period in 2006, primarily as a result of increased revenue. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2007, compared to the same period in 2006, because *Name Your Own Price*® transactions, whose revenues are recorded "gross" with a corresponding cost of revenue, represented a smaller percentage of transactions compared to retail, price-disclosed transactions which are primarily recorded "net" with no corresponding cost of revenues. Gross profit and gross margin were also positively impacted by the $18.6 million excise tax refund recorded in merchant revenue in the year ended December 31, 2007 (see Note 18 to our Consolidated Financial Statements). Because *Name Your Own Price*® transactions are reported "gross" and retail transactions are primarily recorded on a "net" basis, we believe that gross profit has become an increasingly important measure of evaluating growth in our business.

Operating Expenses

Advertising

	Year Ended December 31, ($000) 2007	2006	Change
Offline Advertising	$ 35,963	$ 31,831	13.0%
% of Total Gross Profit	5.6%	7.9%	
Online Advertising	$ 172,676	$ 113,822	51.7%
% of Total Gross Profit	27.0%	28.4%	

Offline advertising expenses consist primarily of: (1) the expenses associated with domestic television, radio and print advertising; and (2) agency fees, the cost for creative talent and production costs for television, radio and print advertising. For the year ended December 31, 2007, offline advertising expenses were higher than in the same period in 2006 primarily as a result of increased television and print advertising related to our "Negotiator" advertising campaign, partially offset by a decrease in radio advertising. Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) affiliate programs; (3) banner and pop-up advertisements; and (4) e-mail campaigns. For the year ended December 31, 2007, online advertising expenses increased over the same period in 2006, primarily due to an increase in online advertising expenses to support significantly increased retail agency hotel room nights booked by our international operations, which rely primarily on online advertising, in particular keyword purchases and payments to affiliate advertisers, to drive their businesses, partially offset by the elimination of advertising fees paid under our agreement with Orbitz, which expired on December 31, 2006, and the impact of higher efficiency requirements (i.e., higher internal "return on investment" criteria) on other online spend.

Sales and Marketing

	Year Ended December 31, ($000) 2007	2006	Change
Sales and Marketing	$ 47,158	$ 42,119	12.0%
% of Total Gross Profit	7.4%	10.5%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third-party service providers that operate our call centers for our priceline.com business; and (3) provisions for credit card chargebacks. For the year ended December 31, 2007, sales and marketing expenses, which are substantially variable in nature, increased over the same period in 2006, primarily due to increased gross booking volumes.

Personnel

	Year Ended December 31, ($000) 2007	2006	Change
Personnel	$ 102,992	$ 79,421	29.7%
% of Total Gross Profit	16.1%	19.8%	

Personnel expenses consist of compensation to our personnel, including salaries, bonuses, taxes, employee health benefits and stock-based compensation. For the year ended December 31, 2007, personnel expenses increased over the same period in 2006, primarily due to increased personnel expenses associated with head count growth of our international operations and increased employee performance bonus expense. Stock-based compensation expense was approximately $16.3 million for the year ended December 31, 2007 and $14.9 million, for the year ended December 31, 2006.

General and Administrative

	Year Ended December 31, ($000) 2007	2006	Change
General and Administrative	$ 91,837	$ 28,587	221.3%
% of Total Gross Profit	14.4%	7.1%	

General and administrative expenses consist primarily of: (1) fees for outside professionals, including litigation expenses; (2) occupancy expenses; and (3) personnel related expenses. General and administrative expenses increased during the year ended December 31, 2007, over the same period during 2006, due to (1) a $55.4 million expense related to our net cost of a litigation settlement, including related legal fees (see Note 18 to our Consolidated Financial Statements), (2) a $1.7 million one-time receipt of certain franchise tax credits in the third quarter 2006, (3) additional fees for outside professionals and expenses related to pending litigation, and (4) increased general and administrative expenses, particularly occupancy and personnel related expenses, associated with the growth of our international operations.

Information Technology

	Year Ended December 31, ($000)		
	2007	2006	Change
Information Technology	$ 13,779	$ 9,749	41.3%
% of Total Gross Profit	2.2%	2.4%	

Information technology expenses consist primarily of: (1) outsourced data center costs relating to our domestic and international data centers; (2) system maintenance and software license fees; (3) data communications and other expenses associated with operating our Internet sites; and (4) payments to outside consultants. For the year ended December 31, 2007, the increase in information technology expenses compared to the same period in 2006, was primarily associated with the growth of our international operations.

Depreciation and Amortization

	Year Ended December 31, ($000)		
	2007	2006	Change
Depreciation and Amortization	$ 37,072	$ 33,449	10.8%
% of Total Gross Profit	5.8%	8.3%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) amortization of internally developed and purchased software, (3) depreciation of computer equipment; and (4) depreciation of leasehold improvements, office equipment and furniture and fixtures. For the year ended December 31, 2007, depreciation and amortization expense increased from the same period in 2006, primarily as a result of increased depreciation and amortization related to investment in our international operations.

Restructuring Charge, net

	Year Ended December 31, ($000)		
	2007	2006	Change
Restructuring Charge, net	$ —	$ 135	(100.0)%

In the year ended December 31, 2006, we recorded a net restructuring charge of approximately $135,000 related to vacated leased property.

Other Income (Expense)

	Year Ended December 31, ($000) 2007	2006	Change
Interest Income	$ 25,776	$ 11,312	127.9%
Interest Expense	(10,412)	(7,060)	47.5%
Foreign Currency Transactions and Other	(3,276)	(606)	(540.6)%
Total	$ 12,088	$ 3,646	231.5%

For the year ended December 31, 2007, interest income on cash and marketable securities increased over the same period in 2006, primarily due to higher prevailing interest rates and significantly higher cash balances throughout 2007, and including approximately $3.3 million of interest received on our excise tax refund. Interest expense increased for the year ended December 31, 2007 over the same period in 2006, due primarily to increased average debt balances in 2007, as well as an increase in prevailing interest rates on the variable portion of the interest rate swap agreement related to our 1% Convertible Senior Notes. Foreign exchange losses of $3.3 million and $0.6 million for the years ended December 31, 2007 and 2006, respectively, were recorded in "Foreign currency transactions and other."

Income Taxes

	Year Ended December 31, ($000) 2007	2006	Change
Income Tax Benefit	$ 12,059	$ 12,388	(2.7)%

Income tax benefit for the years ended December 31, 2007 and 2006 differs from the expected tax expense at the U.S. statutory rate of 35% primarily because it includes benefits amounting to $47.9 and $28.1 million, respectively, resulting from a reversal of a portion of the valuation allowance on our deferred tax assets. Other items resulting in a difference between our effective tax rate and the statutory rate include a tax benefit of approximately $3.6 million resulting from the recognition of foreign capital allowance carryforwards in 2007, the foreign tax benefit of interest expense on intercompany debt and lower foreign tax rates, partly offset by state income taxes in 2007 and 2006. In the fourth quarter of 2006, the Netherlands enacted a reduction in its statutory tax rate from 29.6% to 25.5%, effective January 1, 2007. In the third quarter of 2007, the United Kingdom enacted a reduction in its statutory tax rate from 30% to 28%, effective April 1, 2008. We recognized benefits of $1.3 million and $3.0 million in the years ended December 31, 2007 and 2006, respectively, resulting from the impact on deferred taxes of these enacted statutory tax rate reductions. Due to our significant net operating loss carryforwards, we do not expect to pay significant U.S. federal income taxes for the foreseeable future. We expect to make cash payments for U.S. alternative minimum tax and for certain international taxes.

Equity in Loss of Investees and Minority Interests

	Year Ended December 31, ($000) 2007	2006	Change
Equity in Loss of Investees and Minority Interests	$ 5,000	$ 3,554	40.7%

Equity in loss of investees and minority interests for the years ended December 31, 2007 and 2006, represented (1) minority interests associated with the ownership of priceline.com International that is held by former shareholders of Booking.com B.V. and Booking.com Limited, including certain European-based managers of that business; and (2) equity in income (loss) of investees, principally comprised of our pro rata share of pricelinemortgage.com's net results. The change in equity in income of investees and minority interests versus the prior year was primarily due to an increase in the minority interest in the earnings of priceline.com International. Also, the prior year includes a $1.1 million impairment charge to reduce the carrying value of our investment in pricelinemortgage.com to its estimated fair value.

Liquidity and Capital Resources

As of December 31, 2008, we had $463.4 million in cash, cash equivalents and short-term investments. Approximately $181.6 million of our cash and cash equivalents and short-term investments are held by our international subsidiaries and are denominated primarily in Euros and, to a lesser extent, in British Pounds Sterling. Cash equivalents are primarily comprised of U.S. Treasury money market accounts and foreign government securities. Short-term investments are primarily comprised of U.S. and foreign government securities, highly liquid, investment grade corporate debt instruments and certificates of deposit.

All of our merchant transactions are structured such that we collect cash up front from our customers and then we pay most of our suppliers at a subsequent date. We therefore tend to experience significant swings in supplier payables depending on the absolute level of our cost of revenue during the last few weeks of every quarter. This can cause volatility in working capital levels and impact cash balances more or less than our operating income would indicate.

Net cash provided by operating activities for the year ended December 31, 2008 was $315.6 million, resulting from net income of $193.5 million, non-cash items not affecting cash flows of $133.1 million and partially offset by $11.0 million of changes in working capital. The changes in working capital for the year ended December 31, 2008, were primarily related to a $48.0 million increase in accounts receivable, prepaid expenses and other current assets, partially offset by a $37.0 million increase in accounts payable, accrued expenses and other liabilities. The increase in accounts receivable is primarily due to growth in revenues, partially offset by an increase in the allowance for doubtful accounts. The increase in allowance for doubtful accounts results primarily from recently experienced slower payment of agency commissions by hotels and to reflect the potential for increased losses resulting from the worldwide recession and the related impact on the financial health of our hotel partners. A majority of the increase in accounts payable, accrued expenses and other liabilities is related to increases in accrued affiliate commissions, deferred merchant bookings related to our merchant business and bonus accrual. Non-cash items were primarily associated with deferred income taxes, stock-based compensation expense, depreciation and amortization, primarily related to intangible assets acquired in our acquisitions of Travelweb, Booking.com Limited, Booking.com B.V., and Agoda. Net cash provided by operating activities for the year ended December 31, 2007, was $156.0 million, resulting from net income of $157.1

million and non-cash items not affecting cash flows of $18.9 million, partially offset by $19.9 million of changes in working capital. Net income included $55.4 million paid to settle litigation and $21.9 million received in excise tax refunds (see Note 18 to our Consolidated Financial Statements for further information regarding the litigation settlement and excise tax refund) and a $1.2 million favorable litigation settlement related to credit card processing fees. The changes in working capital for the year ended December 31, 2007, were primarily related to a $33.4 million increase in accounts receivable, prepaid expenses and other current assets, partially offset by a $9.8 million increase in accounts payable, accrued expenses and other current liabilities. The increases in accounts receivable and accounts payable are primarily due to significant revenue growth for our international operations. Accrued expenses and other current liabilities increased primarily due to a $5.3 million increase in bonus accruals and a $3.6 million increase in online advertising accruals. Non-cash items were primarily associated with deferred income tax benefit, stock-based compensation expense, depreciation and amortization, primarily related to acquisition-related intangible assets. The deferred income tax benefit resulted primarily from the $47.9 million non-cash reversal of a portion of our deferred income tax valuation allowance, as well as a $3.6 million non-recurring income tax benefit resulting from the recognition of foreign capital allowance carry forwards in the fourth quarter of 2007.

Net cash used in investing activities was $151.9 million for the year ended December 31, 2008. Investing activities were affected by the purchase of $154.0 million of stock in priceline.com International held by minority interest shareholders, $1.2 million increase in restricted cash and acquisitions and other equity investments of $0.6 million. Investing activities were also affected by $22.2 million of net maturities of investments for the year ended December 31, 2008. Net cash used in investing activities was $221.5 million for the year ended December 31, 2007. Investing activities were affected by $116.1 million of net purchases of investments for the year ended December 31, 2007, and the purchase of $76.1 million of stock in priceline.com International held by minority interest shareholders. Cash invested in purchases of property and equipment was $18.3 million and $15.9 million in the years ended December 31, 2008 and 2007, respectively.

Net cash used in financing activities was approximately $168.8 million for the year ended December 31, 2008. The cash used in financing activities during the year ended December 31, 2008 was primarily related to $176.9 million of principal paid upon the conversion of senior notes, $4.4 million of treasury stock purchases, partially offset by $5.5 million of proceeds from the exercise of employee stock options and $7.0 million of excess tax benefits from stock-based compensation. Net cash provided by financing activities was approximately $19.4 million for the year ended December 31, 2007. The cash provided by financing activities during the year ended December 31, 2007 was primarily related to $19.8 million of proceeds from the exercise of employee stock options and $3.6 million of excess tax benefits from stock-based compensation, partially offset by $2.6 million of treasury stock purchases and $1.3 million of debt issuance costs.

The following table represents the Company's material contractual obligations and commitments as of December 31, 2008 (see Note 18 to our Consolidated Financial Statements):

	Payments due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
Operating lease obligations	$ 101,872	$ 19,458	$ 35,929	$ 34,738	$ 11,747
Convertible debt(1)	397,095	397,095	—	—	—
Total	$ 498,967	$ 416,553	$ 35,929	$ 34,738	$ 11,747

(1) At December 31, 2008 the Company's convertible debt is a current liability because the contingent conversion thresholds on each of the Notes were exceeded. As a result, the Notes are convertible at the option of the holder. See Note 13 to our Consolidated Financial Statements. Also includes interest payable on the Notes through 2009.

Based upon the closing price of our common stock for the prescribed measurement periods during the three months ended December 31, 2008, the contingent conversion thresholds on each of our convertible senior note issues were exceeded. As a result, the notes (aggregate principal amount $393 million) are convertible at the option of the holder as of December 31, 2008 and, accordingly, have been classified as a current liability on our Consolidated Balance Sheet as of that date. Worldwide recession has increased the likelihood that certain holders, such as investment funds seeking liquidity to fund investor withdrawals, will elect to convert our convertible senior notes prior to maturity. In the year ended December 31, 2008, approximately $125.0 million aggregate principal amount of the 1% Notes, $37.9 million aggregate principal amount of 2011 Notes, $14.0 million aggregate principal amount of 2013 Notes and $30,000 of the 2.25% Notes were converted. We also received notices of conversion from the holders of approximately $8.0 million of the 2.225% Notes, which are expected to be settled in the first quarter of 2009. If holders elect to convert, we would be required to settle the principal amount of the notes in cash and intend to satisfy any conversion premium in shares of common stock. We would likely fund the repayment of the principal amount with existing cash and cash equivalents, short-term investments (totaling approximately $463.4 million at December 31, 2008) and borrowings under our revolving credit facility.

In September 2007, we entered into a $175 million five-year committed revolving credit facility with a group of lenders, which is secured, subject to certain exceptions, by a first-priority security interest on substantially all of our assets and related intangible assets located in the United States. In addition, our obligations under the revolving credit facility are guaranteed by substantially all of the assets and related intangible assets of our material direct and indirect domestic and foreign subsidiaries. Borrowings under the revolving credit facility will bear interest, at our option, at a rate per annum equal to the greater of (a) JPMorgan Chase Bank, National Association's prime lending rate and (b) the federal funds rate plus ½ of 1%, plus an applicable margin ranging from 0.25% to 0.75%; or at an adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.25% to 1.75%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.25% to 0.375%.

The revolving credit facility provides for the issuance of up to $50.0 million of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, which are available in U.S. dollars, Euros, Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility will be used for working capital and general corporate purposes. As of December 31, 2008, there were no borrowings outstanding under the facility and we have issued approximately $2.3 million of letters of credit under the revolving credit facility.

We believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, capital expenditures and other obligations through at least the next twelve months. However, if during that period or thereafter, we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned capital expenditures and scale back the scope of our business plan, either of which could have a material adverse effect on our future financial condition or results of operations. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then current stockholders would be diluted. There are no assurances that we will generate sufficient cash flow from operations in the future, that revenue growth or sustained profitability will be realized or that future borrowings or equity sales will be available in amounts sufficient to make anticipated capital expenditures, finance our strategies or repay our indebtedness.

Off-Balance Sheet Arrangements.

As of December 31, 2008, 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.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We manage our exposure to interest rate risk and foreign currency risk through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We use foreign exchange derivative contracts to manage short-term foreign currency risk.

The objective of our policies is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in rates. We evaluate our exposure to market risk by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign exchange rates. This evaluation includes the review of leading market indicators, discussions with financial analysts and investment bankers regarding current and future economic conditions and the review of market projections as to expected future rates. We utilize this information to determine our own investment strategies as well as to determine if the use of derivative financial instruments is appropriate to mitigate any potential future market exposure that we may face. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives.

We did not experience any material changes in interest rate exposures during the year ended December 31, 2008. Based upon economic conditions and leading market indicators at December 31, 2008, we do not foresee a significant adverse change in interest rates in the near future.

As of December 31, 2008, the carrying value of our debt is approximately $393 million. We estimate that the market value of such debt was approximately $742 million as of December 31, 2008. Substantially all of the market value of our debt in excess of the carrying value is related to the conversion premium on the bonds.

As a result of the acquisitions of our European and Asian operations, we are conducting a significant and growing portion of our business outside the United States through subsidiaries with functional currencies other than the U.S. dollar (primarily Euros and British Pounds Sterling). As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency into U.S. dollars upon consolidation. If the U.S. dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, net revenues, operating expenses, and net income or loss. Similarly, our net assets, net revenues, operating expenses, and net income or loss will decrease if the U.S. dollar strengthens against local currency. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in our Consolidated Statement of Operations. Our international operations are subject to risks typical of international business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility.

From time to time, we enter into foreign exchange derivative contracts to minimize the impact of short-term foreign currency fluctuations on our consolidated operating results. As of December 31, 2008, derivatives with a notional value of 25.0 million Euros were outstanding. As of December 31, 2007, derivatives with notional values of 16.0 million Euros and 3.7 million British Pounds Sterling were outstanding. Foreign exchange gains of $4.3 million and losses of $3.3 million and $0.8 million for the years ended December 31, 2008, 2007 and 2006, respectively, were recorded in “Foreign currency transactions and other," and were principally related to foreign exchange derivative contracts. We may enter into additional foreign exchange derivative contracts or other economic hedges in the future.

Additionally, fixed rate investments are subject to unrealized gains and losses due to interest rate volatility. To the extent that changes in interest rates and currency exchange rates affect general economic conditions, priceline.com would also be affected by such changes.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K (See Item 15).

Consolidated Balance Sheets as of December 31, 2008 and 2007; Consolidated Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the years ended December 31, 2008, 2007 and 2006; Notes to Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

Deloitte & Touche LLP, the independent registered public accounting firm that also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, audited the effectiveness of internal control over financial reporting as of December 31, 2008, and issued their related attestation report which is included herein.

Changes in Internal Controls. No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the quarter ended December 31, 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In November 2007, we acquired Agoda, and as a result of that acquisition, we have undertaken a review of their internal controls and intend to make changes, if necessary, that we believe to be appropriate to those internal controls as we integrate its business with ours. As we further integrate Agoda's business, we will continue to review its internal controls and may take further steps to ensure that its internal controls are effective and integrated appropriately.

In March 2008, we initiated the implementation of an enterprise resource planning ("ERP") system for our domestic operations. The implementation is expected to be completed over the next year and involves changes in systems that include internal controls. We expect to review each system as it is being implemented and the controls affected by the implementation of the new systems, and are making appropriate changes to affected internal controls as we implement the new systems. However, the possibility exists that our migration to the new ERP system could adversely affect our internal controls over financial reporting and procedures.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10, will be included in our Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2008, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11, will be included in our Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2008, and is incorporated herein by reference.

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

Information required by Part III, Item 12, will be included in our Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2008, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by Part III, Item 13, will be included in our Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2008, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by Part III, Item 14, will be included in or Proxy Statement relating to our 2009 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2008, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of Documents Filed as a Part of this Annual Report on Form 10-K:

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K.

Consolidated Balance Sheets as of December 31, 2008 and 2007; and the related Consolidated Statements of Operations, Changes in Stockholders' Equity and Cash Flows for the years ended December 31, 2008, 2007 and 2006; Notes to Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

(b) Exhibits

The exhibits listed below are filed as a part of this Annual Report on Form 10-K. In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

Exhibit Number	Description
2.1(m)	Share Sale and Purchase Agreement, dated July 14, 2005 by and between the Registrant, ACME Limited and Blue Sky Investments B.V.
2.2(o)	Articles of Association of priceline.com International Limited, as amended.
3.1(a)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2(b)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant
3.3(a)	By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1, 3.2 and 3.3.
4.2(a)	Specimen Certificate for Registrant's Common Stock.

4.3(a)	Amended and Restated Registration Rights Agreement, dated as of December 8, 1998, among the Registrant and certain stockholders of the Registrant.
4.4(b)	Registration Rights Agreement, dated as of August 1, 2003, among the Registrant and the initial purchasers named therein.
4.5(b)	Indenture, dated as of August 1, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.6(b)	Supplemental Indenture, dated as of October 22, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.7(d)	Second Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.8(c)	Registration Rights Agreement, dated as of June 28, 2004, among priceline.com Incorporated and the initial purchasers named therein.
4.9(c)	Indenture, dated as of June 28, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.10(d)	First Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.11(b)	Certificate of Designation, Preferences and Rights of Series A Convertible Redeemable PIK Preferred Stock of the Registrant.
4.12(b)	Certificate of Designation, Preferences and Rights of Series B Redeemable Preferred Stock of the Registrant.
4.13(u)	Indenture, dated as of September 27, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.14(u)	Registration Rights Agreement, dated as of September 27, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
4.15(w)	Indenture relating to New 1.00% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.16(w)	Indenture relating to New 2.25% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
10.1(a)+	1997 Omnibus Plan of the Registrant.
10.2(e)+	1999 Omnibus Plan of the Registrant, as amended.
10.3(f)+	Priceline.com 2000 Employee Stock Option Plan.
10.4(e)+	Form of Stock Option Grant Agreement.
10.5(e)+	Form of Restricted Stock Agreement for restricted stock grants to Board of Directors.
10.6(g)+	Form of Base Restricted Stock Agreement (U.S.).
10.7(g)+	Form of Base Restricted Stock Agreement (U.K.).
10.8(g)+	Form of Restricted Stock Agreement with covenants (U.S.).
10.9(g)+	Restricted Stock Agreement, dated February 1, 2005, between Jeffery H. Boyd and the Registrant.
10.10(h)+	Stock Option and Restricted Stock Agreement, dated November 20, 2000, by and between the Registrant and Robert Mylod Jr.
10.11(g)+	Restricted Stock Agreement, dated February 1, 2005, between Robert J. Mylod Jr. and the Registrant.
10.12(i)+	Employment Agreement, dated February 8, 2006, by and between the Registrant and Peter J. Millones.
10.13(i)+	Form of priceline.com Incorporated 1999 Omnibus Plan Restricted Stock Agreement for Non-Employee Directors.
10.14(j)*	Formation and Funding Agreement, dated as of March 17, 2000, by and between the Registrant and Alliance Partners, L.P.
10.15(k)	Restructuring Agreement, dated as of October 3, 2003, between Hutchison-Priceline Limited, Trio Happiness Limited and PCLN Asia, Inc.
10.16(k)	Amended and Restated Securityholders' Agreement, dated as of October 3, 2003, among Hutchison-Priceline Limited, PCLN Asia, Inc. and Trio Happiness Limited.
10.17(k)	Master Agreement, dated as of November 20, 2003, between Credit Suisse First Boston International and the Registrant.
10.18(k)	Schedule to the Master Agreement, dated as of November 20, 2003 between Credit Suisse First Boston International and the Registrant.
10.19(k)	Letter Agreement, dated November 26, 2003, between Credit Suisse First Boston International and priceline.com Incorporated.
10.20(k)	Securities Purchase Agreement dated as of May 3, 2004, between Lowestfare.com Incorporated, Hilton Electronic Distribution Systems, LLC, HT-HDS, Inc., MI Distribution, LLC, Starwood Resventure LLC, Pegasus Business Intelligence, LP and Travelweb LLC.
10.21(l)	Sale and Purchase Agreement dated September 21, 2004 by and among Priceline.com Holdco U.K. Limited and the security holders of Active Hotels Limited listed therein.
10.22(n)+	Stock Option Grant Agreement with Ralph M. Bahna.
10.23(n)+	Indemnification Agreement, dated June 2, 2005, by and between the Registrant and Marshall Loeb.
10.24(p)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.25(p)+	Restricted Stock Grant Agreement, dated October 19, 2005, reflecting grant of restricted stock to Daniel J. Finnegan.

10.26(q)+	Form of Registrant's 1999 Omnibus Plan Award Agreement — Restricted Stock Units for Employees in the Netherlands.
10.27(r)+	Form of Performance Share Agreement under the priceline.com Incorporated 1999 Omnibus Plan.
10.28(s)	Underwriting Agreement, dated September 5, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.29(t)	Purchase Agreement, dated as of September 21, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
10.30(t)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.31(t)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.32(t)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.33(t)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.34(v)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.35(v)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.36(x)	Underwriting Agreement, dated December 4, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.37(y)+	Priceline.com Incorporated Annual Bonus Plan, dated as of February 20, 2007.
10.38(z)	Stipulation and Agreement of Settlement between P. Warren Ross, Thomas Linton, and John Anderson and the class and priceline.com Incorporated, dated as of May 3, 2007.
10.39(aa)	Credit Agreement dated as of September 26, 2007 among priceline.com Incorporated, RBC citizens, National Association, and Bank of Scotland plc as co-documentation Agents, bank of America, N.A. as syndication Agent and JPMorgan Chase Bank, National Association as Administrative Agent.
10.40(aa)	Pledge and Security Agreement dated as of September 26, 2007 by and among priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.41(aa)	Guaranty dated as of September 26, 2007 by each of the subsidiaries of priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.42(bb)*	Equity Purchase Agreement by and among priceline.com Mauritius Co. Ltd, priceline.com Incorporated and the shareholders of Agoda Company Ltd. and members of AGIP LLC dated November 6, 2007.
10.43(cc)+	Performance share unit agreement dated December 1, 2007.
10.44(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of the Company's consolidated operations.
10.45(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of the Company's domestic operations on an unconsolidated basis.
10.46(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of Agoda Company Ltd., Agoda Company Pte. Ltd. and Agoda Services Co. Ltd.
10.47(ee)+	priceline.com Incorporated 1999 Omnibus Plan (As Amended and Restated Effective June 4, 2008).
10.48(ff)+	Form of Restricted Stock Unit Agreement for awards to non-U.S. participants under the 1999 Omnibus Plan, as amended.
10.49(gg)+	Separation Agreement, by and between Booking.com B.V. and Stef Norden.
10.50(gg)+	Amended and Restated Employment Agreement, dated August 22, 2008, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.51(gg)+	Performance share unit agreement, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.52+	Letter amendment, dated December 18, 2008, to Amended and Restated Employment Agreement, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.53+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Robert J. Mylod.
10.54+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Peter J. Millones.
10.55+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Chris Soder.
10.56+	Letter amendment, dated December 16, 2008, to Letter agreement, dated October 19, 2005 by and between priceline.com and Daniel J. Finnegan.
10.57+	Amended and Restated Employment Contract, by and between Booking.com B.V. and Cornelis Petrus Henricus Maria Koolen.
12.1	Ratio of Earnings to Fixed Charges.

14(k)	Priceline.com Incorporated Code of Business Conduct and Ethics.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certificate of Jeffery H. Boyd, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Daniel J. Finnegan, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(hh)	Certification of Jeffery H. Boyd, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2(hh)	Certification of Daniel J. Finnegan, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

(a)	Previously filed as an exhibit to the Form S-1 (Registration No. 333-69657) filed in connection with priceline.com's initial public offering.
(b)	Previously filed as an exhibit to the Form S-3 (Registration Statement No. 333-190029) filed in connection with priceline.com's registration of 1.00% Convertible Senior Notes due 2010 and Shares of Common Stock Issuable Upon Conversion of the Notes.
(c)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2003.
(d)	Previously filed as an exhibit to the Form 8-K filed on December 13, 2004.
(e)	Previously filed as an exhibit to the Form S-8 (Registration No. 333-122414) filed on January 31, 2005.
(f)	Previously filed as an exhibit to the Form S-8 (Registration No. 333-55578) filed on February 14, 2001.
(g)	Previously filed as an exhibit to the Form 8-K filed on February 7, 2005.
(h)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2000.
(i)	Previously filed as an exhibit to the Form 8-K filed on February 8, 2006.
(j)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2000.
(k)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2003.
(l)	Previously filed as an exhibit to the Form 8-K filed on September 23, 2004.
(m)	Previously filed as an exhibit to the Form 8-K filed on July 20, 2005.
(n)	Previously filed as an exhibit to the Form 8-K filed on June 3, 2005.
(o)	Previously filed as an exhibit to the Form 8-K filed on September 29, 2005.
(p)	Previously filed as an exhibit to the Form 8-K filed on October 21, 2005.
(q)	Previously filed as an exhibit to the Form 8-K filed on November 8, 2005.
(r)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2006.
(s)	Previously filed as an exhibit to the Form 8-K filed on September 7, 2006.
(t)	Previously filed as an exhibit to the Form 8-K filed on September 27, 2006.
(u)	Previously filed as an exhibit to the Form 8-K filed on September 28, 2006.
(v)	Previously filed as an exhibit to the Form 8-K filed on October 16, 2006.
(w)	Previously filed as an exhibit to the Form 8-K filed on November 9, 2006.
(x)	Previously filed as an exhibit to the Form 8-K filed on December 8, 2006.
(y)	Previously filed as an exhibit to the form 8-K filed on February 23, 2007.
(z)	Previously filed as an exhibit to the Form 8-K filed on May 4, 2007.
(aa)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007.
(bb)	Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2007
(cc)	Previously filed as an exhibit to the Form 8-K filed on December 5, 2007.
(dd)	Previously filed as an exhibit to the Form 8-K filed on March 11, 2008.
(ee)	Previously filed as an exhibit to the Form 8-K filed on June 6, 2008.
(ff)	Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007.
(gg)	Previously filed as an exhibit to the Form 8-K filed on August 6, 2008.
(hh)	This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

*	Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Commission pursuant to Rule 24b-2. The omitted confidential material has been filed separately with the Commission.
+	Indicates a management contract or compensatory plan or arrangement.

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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.

PRICELINE.COM INCORPORATED

By: /s/ Jeffery H. Boyd
Name: Jeffery H. Boyd
Title: Chief Executive Officer
Date: February 20, 2009

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffery H. Boyd, Daniel J. Finnegan and Peter J. Millones, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully and for all intents and purposes as he or she might do or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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 and on the dates indicated.

Signature	Title	Date
/s/ Ralph M. Bahna Ralph M. Bahna	Chairman and Director	February 20, 2009
/s/ Jeffery H. Boyd Jeffery H. Boyd	President, Chief Executive Officer and Director (Principal Executive Officer)	February 20, 2009
/s/ Daniel J. Finnegan Daniel J. Finnegan	Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 20, 2009

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Signature	Title	Date
/s/ Howard W. Barker, Jr. Howard W. Barker, Jr.	Director	February 20, 2009
/s/ Jeffrey E. Epstein Jeffrey E. Epstein	Director	February 20, 2009
/s/ James M. Guyette James M. Guyette	Director	February 20, 2009
/s/ Nancy B. Peretsman Nancy B. Peretsman	Director	February 20, 2009
/s/ Craig W. Rydin Craig W. Rydin	Director	February 20, 2009
Jan L. Docter	Director	February 20, 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
priceline.com Incorporated
Norwalk, Connecticut

We have audited the accompanying consolidated balance sheets of priceline.com Incorporated and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. We also have audited the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in "Management's Report on Internal Control Over Financial Reporting" appearing in Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the priceline.com Incorporated and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 20, 2009

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priceline.com Incorporated
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 364,550	$ 385,359
Restricted cash	2,528	1,350
Short-term investments	98,888	122,499
Accounts receivable, net of allowance for doubtful accounts of $8,429 and $2,309, respectively	92,328	70,712
Prepaid expenses and other current assets	23,463	19,048
Deferred income taxes	42,082	14,032
Total current assets	623,839	613,000
Property and equipment, net	29,404	27,088
Intangible assets, net	193,231	182,748
Goodwill	326,863	287,159
Deferred income taxes	153,955	218,519
Other assets	16,685	22,342
Total assets	$ 1,343,977	$ 1,350,856
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 46,290	$ 47,708
Accrued expenses and other current liabilities	77,713	59,589
Deferred merchant bookings	29,664	17,750
Convertible debt	392,985	569,796
Total current liabilities	546,652	694,843
Deferred income taxes	48,933	46,502
Other long-term liabilities	18,010	13,368
Total liabilities	613,595	754,713
Commitments and Contingencies (see Note 18)		
Minority interest	—	17,036
Stockholders' equity:		
Common stock, $0.008 par value, authorized 1,000,000,000 shares, 47,664,766 and 45,117,685 shares issued, respectively	367	346
Treasury stock, 6,685,048 and 6,646,408 shares, respectively	(493,555)	(489,106)
Additional paid-in capital	2,177,000	2,124,029
Accumulated deficit	(913,033)	(1,106,506)
Accumulated other comprehensive (loss) income	(40,397)	50,344
Total stockholders' equity	730,382	579,107
Total liabilities and stockholders' equity	$ 1,343,977	$ 1,350,856

See Notes to Consolidated Financial Statements.

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priceline.com Incorporated
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31, 2008	2007	2006
Merchant revenues, including $18,592 excise tax refund in 2007	$ 1,218,162	$ 1,002,824	$ 904,169
Agency revenues	648,792	398,246	213,900
Other revenues	17,852	8,339	5,034
Total revenues	1,884,806	1,409,409	1,123,103
Cost of revenues	928,835	769,997	722,004
Gross profit	955,971	639,412	401,099
Operating expenses:			
Advertising — Offline	38,032	35,963	31,831
Advertising — Online	270,713	172,676	113,822
Sales and marketing	77,948	47,158	42,119
Personnel, including stock-based compensation of $40,522, $16,253 and $14,928, respectively	163,785	102,992	79,421
General and administrative, including net cost of litigation settlement of $55,350 in 2007	55,267	91,837	28,587
Information technology	17,956	13,779	9,749
Depreciation and amortization	42,796	37,072	33,449
Restructuring charge, net	—	—	135
Total operating expenses	666,497	501,477	339,113
Operating income	289,474	137,935	61,986
Other income (expense):			
Interest income, including $3,346 of interest on tax excise refund in 2007	11,660	25,776	11,312
Interest expense	(9,375)	(10,412)	(7,060)
Foreign currency transactions and other	3,810	(3,276)	(606)
Total other income	6,095	12,088	3,646
Earnings before income taxes, equity in loss of investees and minority interests	295,569	150,023	65,632
Income tax (expense) benefit	(98,408)	12,059	12,388
Equity in loss of investees and minority interests	(3,688)	(5,000)	(3,554)
Net income	193,473	157,082	74,466
Preferred stock dividend	—	(1,555)	(1,927)
Net income applicable to common stockholders	$ 193,473	$ 155,527	$ 72,539
Net income applicable to common stockholders per basic common share	$ 4.92	$ 4.13	$ 1.88
Weighted average number of basic common shares outstanding	39,299	37,671	38,650
Net income applicable to common stockholders per diluted common share	$ 3.98	$ 3.42	$ 1.68
Weighted average number of diluted common shares outstanding	48,671	45,504	44,722

See Notes to Consolidated Financial Statements.

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priceline.com Incorporated
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 and 2006 (In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Deferred Compensation	Total
	Shares	Amount				Shares	Amount		
Balance, December 31, 2005	42,195	$ 323	$2,069,165	$(1,334,572)	$ (8,407)	(2,496)	$(350,628)	$ (6,810)	$369,071
Net income applicable to common stockholders	—	—	—	72,539	—	—	—	—	72,539
Unrealized gain on marketable securities	—	—	—	—	131	—	—	—	131
Currency translation adjustment	—	—	—	—	34,623	—	—	—	34,623
Comprehensive income									107,293
Issuance of restricted stock under deferred compensation plans, net of forfeitures	113	1	(1)	—	—	—	—	—	—
Reversal of deferred compensation upon adoption of SFAS 123(R)	—	—	(6,810)	—	—	—	—	6,810	—
Issuance of preferred stock dividend	81	1	1,926	—	—	—	—	—	1,927
Exercise of stock options and vesting of restricted stock units	827	6	14,128	—	—	—	—	—	14,134
Repurchase of common stock	—	—	—	—	—	(4,107)	(135,840)	—	(135,840)
Purchase of conversion spread hedges (see note 13)	—	—	(37,398)	—	—	—	—	—	(37,398)
Stock-based compensation	—	—	13,389	—	—	—	—	—	13,389
Tax benefit on equity-related transactions	—	—	15,577	—	—	—	—	—	15,577
Excess tax benefit from stock-based compensation and other	—	—	403	—	—	—	—	—	403
Balance, December 31, 2006	43,216	$ 331	$2,070,379	$(1,262,033)	$ 26,347	(6,603)	$(486,468)	$ —	$348,556
Net income applicable to common stockholders	—	—	—	155,527	—	—	—	—	155,527
Unrealized loss on marketable securities	—	—	—	—	(187)	—	—	—	(187)
Currency translation adjustment	—	—	—	—	24,184	—	—	—	24,184
Comprehensive income									179,524
Issuance of restricted stock under deferred compensation plans, net of forfeitures	122	1	(1)	—	—	—	—	—	—
Issuance of preferred stock dividend	35	1	1,554	—	—	—	—	—	1,555
Exercise of stock options and vesting of restricted stock units and/or performance shares	988	7	19,813	—	—	—	—	—	19,820
Repurchase of common stock	—	—	—	—	—	(43)	(2,638)	—	(2,638)
Stock-based compensation	—	—	15,200	—	—	—	—	—	15,200
Exercise of warrants	756	6	13,464	—	—	—	—	—	13,470
Issuance of shares related to convertible debt	1	—	23	—	—	—	—	—	23
Excess tax benefit from stock-based compensation	—	—	3,597	—	—	—	—	—	3,597
Balance, December 31, 2007	45,118	$ 346	$2,124,029	$(1,106,506)	$ 50,344	(6,646)	$(489,106)	$ —	$579,107
Net income applicable to common stockholders	—	—	—	193,473	—	—	—	—	193,473
Unrealized gain on marketable securities	—	—	—	—	260	—	—	—	260
Currency translation adjustment	—	—	—	—	(91,001)	—	—	—	(91,001)
Comprehensive income									102,732
Exercise of stock options and vesting of restricted stock units and/or performance shares	283	2	5,505	—	—	—	—	—	5,507
Repurchase of common stock	—	—	—	—	—	(39)	(4,449)	—	(4,449)
Stock-based compensation	—	—	40,448	—	—	—	—	—	40,448
Issuance of shares related to convertible debt	2,264	19	(19)	—	—	—	—	—	—
Excess tax benefit from stock-based compensation	—	—	7,037	—	—	—	—	—	7,037
Balance, December 31, 2008	47,665	$ 367	$2,177,000	$ (913,033)	$ (40,397)	(6,685)	$(493,555)	$ —	$730,382

See Notes to Consolidated Financial Statements.

priceline.com Incorporated
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2008	2007	2006
OPERATING ACTIVITIES:			
Net income	$ 193,473	$ 157,082	$ 74,466
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,388	11,814	10,124
Amortization	28,680	25,686	24,782
Provision for uncollectible accounts, net	13,113	4,886	5,071
Deferred income taxes	28,136	(47,963)	(27,805)
Stock-based compensation expense	40,522	16,253	14,928
Amortization of debt issuance costs	3,716	3,201	1,925
Equity in loss of investee, net and minority interests	3,688	5,000	3,554
Restructuring charge, net	—	—	135
Loss on impairment of investment	843	—	—
Changes in assets and liabilities:			
Accounts receivable	(42,888)	(24,227)	(21,178)
Prepaid expenses and other current assets	(5,153)	(9,166)	(2,562)
Accounts payable, accrued expenses and other current liabilities	32,245	9,778	27,372
Other	4,790	3,671	1,269
Net cash provided by operating activities	315,553	156,015	112,081
INVESTING ACTIVITIES:			
Purchase of investments	(196,308)	(173,904)	(111,953)
Maturity of investments	218,555	57,854	176,845
Purchase of shares held by minority interest	(154,034)	(76,058)	(19,830)
Additions to property and equipment	(18,322)	(15,949)	(12,851)
Acquisitions and other equity investments, net of cash acquired	(599)	(14,580)	(3,104)
Change in restricted cash	(1,197)	1,138	19,884
Net cash (used in) provided by investing activities	(151,905)	(221,499)	48,991
FINANCING ACTIVITIES:			
Payments related to conversion of senior notes	(176,943)	—	—
Proceeds from issuance of convertible senior notes	—	—	345,000
Repurchase of common stock	(4,449)	(2,638)	(135,840)
Proceeds from exercise of stock options	5,507	19,820	14,134
Payment of debt issuance costs	—	(1,334)	(9,053)
Purchase of conversion spread hedges	—	—	(37,398)
Excess tax benefit from stock-based compensation	7,037	3,597	280
Net cash (used in) provided by financing activities	(168,848)	19,445	177,123
Effect of exchange rate changes on cash and cash equivalents	(15,609)	7,821	5,041
Net increase/(decrease) in cash and cash equivalents	(20,809)	(38,218)	343,236
Cash and cash equivalents, beginning of period	385,359	423,577	80,341
Cash and cash equivalents, end of period	$ 364,550	$ 385,359	$ 423,577
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for income taxes	$ 66,948	$ 31,550	$ 16,463
Cash paid during the period for interest	$ 6,353	$ 7,542	$ 3,552

See Notes to Consolidated Financial Statements.

priceline.com Incorporated
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

Priceline.com Incorporated ("priceline.com," or the "Company") is a leading global online travel company that offers its customers a broad range of travel services, including the opportunity to purchase hotel rooms, car rentals, airline tickets, vacation packages, cruises and destination services in a traditional price-disclosed manner. The Company also offers its unique *Name Your Own Price*® service that enables its customers to use the Internet to save money by allowing them to make offers for travel services at prices they set, while enabling sellers, which include many of the major domestic hotel, airline and rental car companies, to generate revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The Company's Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, including without limitation, priceline.com International Ltd. ("priceline.com International"), Booking.com B.V., Booking.com Limited, priceline.com Europe Ltd, and priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.) ("Agoda"). All intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates in which the Company does not have control, but has the ability to exercise significant influence, are accounted for by the equity method.

Reclassification — Certain prior year amounts in the Company's Consolidated Financial Statements have been reclassified to conform to the current year presentation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Fair Value of Financial Instruments — The Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings, are carried at cost which approximates their fair value because of the short-term nature of these financial instruments. As of December 31, 2008 and 2007, the estimated fair value of the Company's outstanding Convertible Senior Notes was approximately $742 million and $1.66 billion, respectively.

Cash and Cash Equivalents — The Company invests excess cash primarily in U.S. Treasury money market accounts and foreign government securities. All highly liquid instruments with an original maturity of three months or less are considered cash equivalents.

Investments — The Company also invests excess cash in short-term investment grade fixed income securities. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company has classified its investments as available-for-sale. These securities are carried at estimated fair value with the aggregate unrealized gains and losses related to these investments, net of taxes, reflected as a part of accumulated other comprehensive income within stockholders' equity.

The fair value of the investments is based on the specific quoted market price of the securities at the Consolidated Balance Sheet dates. Investments are considered to be impaired when a decline in fair value is judged to be other than temporary. 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. The marketable securities are presented as current assets on the Company's Consolidated Balance Sheets, if they are available to meet the short-term working capital needs of the Company. Investments with a maturity date greater than one year from the balance sheet date are classified as long-term investments.

Restricted Cash — Restricted cash at December 31, 2008 and 2007 collateralizes office leases and supplier obligations, and, at December 31, 2007, the counterparty to the interest rate hedge agreement in connection with the Company's 1% Convertible Senior Notes.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter.

Goodwill — The Company accounts 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, including related transaction costs, over the estimated fair values of the net assets acquired is recorded as goodwill. The Company's Consolidated Financial Statements reflect an acquired business starting at the date of the acquisition.

Goodwill is reviewed at least annually for impairment, or earlier if there is indication of impairment, in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 also requires the Company to compare the fair value of the reporting units to its carrying amount on an annual basis to determine if there is potential goodwill impairment. If the fair value of the reporting units is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill is less than its carrying value. Fair values for acquired businesses are determined based on discounted cash flows, market multiples or appraised values.

Impairment of Long-Lived Assets and Intangible Assets — The Company reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition exceeds its carrying amount. The amount of impairment loss, if any, is measured as the excess of the carrying value of the asset over the present value of estimated future cash flows using a discount rate commensurate with the risks involved.

Software Capitalization — Certain direct development costs associated with internal-use software are capitalized and include external direct costs of services and payroll costs for employees devoting time to the software projects principally related to software coding, designing system interfaces and installation and testing of the software. These costs are recorded as property and equipment and are generally amortized over a period not to exceed three years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Merchant Revenues and Cost of Merchant Revenues

Name Your Own Price® Services: Merchant revenues and related cost of revenues are derived from transactions where priceline.com is the merchant of record and, among other things, selects suppliers and determines the price it will accept from the customer. The Company recognizes such revenues and costs if and when it fulfills the customer's non-refundable offer. Merchant revenues and cost of merchant revenues include the selling price and cost, respectively, of the travel services and are reported on a gross basis. In very limited circumstances, priceline.com makes certain customer accommodations to satisfy disputes and complaints. The Company accrues for such estimated losses and classifies the resulting expense as adjustments to merchant revenue and cost of merchant revenues. Pursuant to the terms of the Company's hotel service, its hotel suppliers are permitted to bill the Company for the underlying cost of the service during a specified period of time. In the event that the Company is not billed by its hotel supplier within the specified time period, the Company reduces its cost of revenues by the unbilled amounts.

Merchant Price-Disclosed Hotel Service: Merchant revenues for the Company's merchant price-disclosed hotel service are derived from transactions where its customers purchase hotel rooms from hotel suppliers at disclosed rates which are subject to contractual arrangements. Charges are billed to customers at the time of booking and are included in deferred merchant bookings until the customer completes the stay. Such amounts are generally refundable upon cancellation prior to stay, subject to cancellation penalties in certain cases. Merchant revenues and accounts payable to the hotel supplier are recognized at the conclusion of the customer's stay at the hotel. The Company records the difference between the selling price and the cost of the hotel room as merchant revenue.

Agency Revenues

Agency revenues are derived from travel related transactions where the Company is not the merchant of record and where the prices of the services sold are determined by third parties. Agency revenues include travel commissions, customer processing fees and global distribution system ("GDS") reservation booking fees and are reported at the net amounts received, without any associated cost of revenue. Such revenues are generally recognized by the Company when the customers complete their travel.

Advertising-Offline — Advertising-offline expenses are comprised primarily of costs of television, radio and newspaper advertising, agency fees, creative talent and production cost for television and radio commercials. The Company expenses the production costs of advertising the first time the advertising takes place.

Advertising-Online — Advertising-online expenses consist primarily of keyword searches, affiliate programs, banners, pop-ups, and email advertisements and are recognized as expense as the advertisements take place.

Sales and Marketing — Sales and marketing expenses are comprised primarily of credit card processing fees associated with merchant transactions, fees paid to third-party service providers that operate the Company's call centers for its priceline.com business, provisions for credit card charge-backs and provisions for bad debt primarily related to agency hotel commission receivables, all of which are expensed as incurred.

Personnel — Personnel expenses consist of compensation to the Company's personnel, including salaries, bonuses, payroll taxes, employee health insurance and stock based compensation. Included in accrued expenses were accrued compensation expenses of $29.4 million and $19.8 million at December 31, 2008 and 2007, respectively.

Information Technology — Information technology expenses are comprised primarily of outsourced data center costs, system maintenance and software license fees, data communications and other expenses associated with operating the Company's Internet sites and payments to outside contractors. Such costs are expensed as incurred.

Stock-Based Compensation — The Company records stock-based compensation in accordance with Statement of Financial Accounting Standard No. 123 (Revised 2004), Share-Based Payment ("SFAS 123(R)"). Effective January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective method. Under this transition method, compensation cost recognized in the year ended December 31, 2006, includes amounts of:
(a) compensation cost of all share-based awards granted to employees prior to, but unvested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, net of estimated forfeitures, and (b) compensation cost for all stock-

based awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the new provisions of SFAS 123(R). The Company determined the excess tax benefits available as of the adoption date for use in offsetting future tax shortfalls using the alternative transition method of FASB Staff Position 123(R)-3. The adoption of SFAS 123(R) resulted in an increase in net earnings attributable to the cumulative effect of this accounting change caused by SFAS 123(R)'s requirement to apply an estimated forfeiture rate to unvested awards. The Company previously recorded forfeitures when they occurred. The cumulative effect of accounting change as of January 1, 2006 totaled approximately $0.2 million ($0.1 million net of related tax effect) and was recorded in personnel expense for the year ended December 31, 2006 since its impact on net income and net income per share was not significant. Prior to the adoption of SFAS 123(R), deferred compensation related to restricted stock and restricted stock unit awards was classified as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123(R), on January 1, 2006, the balance in deferred compensation was reclassified to additional paid-in capital.

SFAS 123(R) requires that the cost resulting from all share-based payment transactions be recognized in financial statements based upon fair value. The fair value of restricted stock, performance share units and restricted stock units is determined based on the number of units or shares, as applicable, granted and the quoted price of the Company's common stock as of the grant date. Stock-based compensation related to performance share units reflects the estimated probable outcome at the end of the performance period. The fair value of stock options is determined as of the grant date using the Black-Scholes valuation model. Such value is recognized as expense over the service period, net of estimated forfeitures, using the straight line method under SFAS 123(R).

SFAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation costs to be reported as financing cash flows, rather than as operating cash flows, but only when such excess tax benefits are realized.

Income Taxes — The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the temporary difference between the financial statement and tax basis of assets and liabilities using presently enacted tax rates in effect. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Segment Reporting — The Company operates and manages its business as a single reportable unit. Operating segments that have similar economic characteristics are aggregated. For geographic related information, see Note 20 to the Company's Consolidated Financial Statements.

Foreign Currency Translation — The functional currency of the Company's foreign subsidiaries is generally their respective local currency. Assets and liabilities are translated into U.S. dollars at the rate of exchange existing at the balance sheet date. Income statement amounts are translated at the average exchange rates for the period. Translation gains and losses are included as a component of accumulated other comprehensive income on the Company's Consolidated Balance Sheets. Foreign currency transaction gains and (losses) are included in the Company's Consolidated Statement of Operations, principally in "Foreign currency transactions and other," and were not significant for any period.

Derivative Financial Instruments — The Company recognizes all derivative instruments on the balance sheet at fair value. The Company uses derivative instruments principally in the management of interest rate and foreign currency exposure. On the date on which the Company enters into a derivative transaction, the derivative is designated as a hedge of the identified exposure. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction. In this documentation, the Company specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Company measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis. The Company's derivative instruments do not contain leverage features. Gains and losses on a derivative designated as a cash flow hedge are reported as a component of accumulated other comprehensive income (loss). Gains and losses on a derivative designated as a fair value hedge are offset by the loss or gain of the hedged item. Hedge ineffectiveness is recorded in the statement of operations as incurred, and was not significant for any period.

From time to time, the Company enters into derivative contracts with counterparties to minimize the impact of short-term foreign currency fluctuations on consolidated operating results. Realized and unrealized gains and losses resulting from the derivatives are recognized in the period in which they occur. As of December 31, 2008, derivatives with a notional value of 25.0 million Euros were outstanding. As of December 31, 2007, derivatives with notional values of 16.0 million Euros and 3.7 million British Pounds Sterling were outstanding. Foreign exchange gains (losses) from forward contracts in the amount of \$4.0 million, \$(3.0) million and \$(1.5) million were recorded in "Foreign currency transactions and other" for the years ended December 31, 2008, 2007 and 2006, respectively.

Recent Accounting Pronouncements — On January 1, 2008, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on the Company's Consolidated Financial Statements. See Note 7 for more information regarding fair value measurements.

In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008. The Company does not expect a material impact on the Company's Consolidated Financial Statements for adoption of this Statement for nonfinancial assets and nonfinancial liabilities.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement 133" ("SFAS 161"). SFAS 161 provides new disclosure requirements for an entity's derivative and hedging activities. SFAS 161 is effective for periods beginning after November 15, 2008. The Company will comply with the expanded reporting requirements beginning in the first quarter of 2009.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). In determining the useful life of acquired intangible assets, FSP FAS 142-3 removes the requirement to consider whether an intangible asset can be renewed without substantial cost of material modifications to the existing terms and conditions and, instead, requires an entity to consider its own historical experience in renewing similar arrangements. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and may impact any intangible assets the Company acquires in future transactions.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires cash settled convertible debt, such as the Company's convertible senior notes, to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component is the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, is recorded as a debt discount and amortized to interest expense over the life of the bond. In addition, if the Company's convertible debt is redeemed or converted prior to maturity and the fair value of the debt component immediately prior to extinguishment is different from the carrying value, it will result in a gain or loss on extinguishment. Although FSP APB 14-1 will have no impact on the Company's actual past or future cash flows, it will require the Company to record a significant amount of non-cash interest expense as the debt discount is amortized and will result in gains or losses on extinguishment that would not have occurred under previous GAAP. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and must be applied on a retrospective basis. Accordingly, commencing with the filing of the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2009, the Company's historical financial statements will be adjusted to give effect to FSP APB 14-1. The Company estimates that the adoption of FSP APB 14-1 will increase non-cash interest expense for the years ended December 31, 2008, 2007 and 2006 by approximately $26 million ($16 million net of tax), $28 million ($17 million net of tax), and $6 million ($3.6 million net of tax), respectively. The estimated impact to fiscal year 2009 non-cash interest expense is expected to be an increase of approximately $21 million ($13 million net of tax), excluding the impact of future debt conversions, if any. The Company estimates that adoption of FSP APB 14-1 will also result in a gain on extinguishment of debt of approximately $5 million ($3 million net of tax) for the year ended December 31, 2008.

In May 2008, the FASB issued SFAS No.162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. generally accepted accounting principles. SFAS 162 is effective November 15, 2008. The adoption of the Statement did not result in a change in the Company's current practices.

In June 2008, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock. EITF 07-5 will be effective for years beginning after December 15, 2008. The Company does not expect a material impact to the financial statements for adoption of this EITF.

In November 2008, the Emerging Issues Task Force reached consensus on EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets" ("EITF 08-7"). A defensive asset is an acquired intangible asset where the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it to prevent competitors from obtaining any benefit from it. The acquired defensive asset will be treated as a separate unit of accounting and the useful life assigned will be based on the period during which the asset would diminish in value. The consensus is effective in fiscal years beginning on or after December 15, 2008.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). The standard required unrealized gains and losses to be included in earnings for items reported using the fair value option. SFAS 159 permitted companies to choose to measure many financial instruments and certain other items at fair value. SFAS 159 was effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company did not elect the fair value option described in SFAS 159 for financial instruments and certain other items.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) requires an entity to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Subsequent changes to the estimated fair value of contingent consideration will be reflected in earnings until the contingency is settled. SFAS 141(R) also requires acquisition-related costs and restructuring costs to be expensed as incurred rather than treated as part of the purchase price. The adoption of SFAS 141(R) will change the Company's accounting treatment for business combinations on a prospective basis beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 changes the accounting and reporting for minority interests, which will be characterized as non-controlling interests and classified as a component of equity. SFAS 160 is effective for the Company on a prospective basis in the first quarter of fiscal year 2009, except for presentation and disclosure requirements that will be applied retrospectively.

3. BUSINESS ACQUISITIONS

On November 6, 2007, the Company and a newly-formed, indirect wholly-owned subsidiary of the Company, acquired 100% of the total issued share capital of priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.) ("Agoda") and AGIP LLC. The purchase price for the acquisition, including acquisition costs, consists of an initial purchase price payable by the Company in cash of approximately $16 million and up to an additional $141.6 million in cash, which is payable by the Company if Agoda achieve the maximum "gross bookings" and earnings targets from January 1, 2008 through December 31, 2010. Assets acquired totaled $13.7 million and consisted principally of cash, accounts receivable and intangible assets. Liabilities assumed totaled approximately $13.1 million and consisted of accounts payable, accrued expenses, deferred merchant bookings and deferred taxes. Goodwill resulting from the acquisition amounted to approximately $16.0 million. The contingent consideration, if any, will be recorded to goodwill as an additional purchase price adjustment when the contingency is resolved.

On December 21, 2007, the Company acquired 100% of the total issued share capital of an online advertising company for approximately $4.1 million in cash, including acquisition costs. Assets acquired totaled $2.6 million and consisted principally of cash, accounts receivable and intangible assets. Liabilities assumed totaled approximately $0.6 million and consisted of accounts payable, accrued expenses, and deferred taxes. Goodwill resulting from the acquisition amounted to approximately $3.9 million. The Company could be required to pay additional cash if the online advertising company achieves certain specified financial targets in each year over a three year period commencing January 1, 2008. The contingent cash consideration is calculated based on a formula applied to operating results and can range from zero to $3.8 million in each year. Based upon 2008 results, the Company recorded a liability and increased goodwill by $1.5 million in December 2008 to reflect this purchase price adjustment.

The acquisitions have been accounted for as purchase business combinations. The Company's Consolidated Financial Statements include the results of operations of the acquired companies since their respective acquisitions.

4. STOCK-BASED EMPLOYEE COMPENSATION

The Company has adopted the following stock compensation plans from which broad-based employee grants may be made: the priceline.com Incorporated 1997 Omnibus Plan (the "1997 Plan"), the priceline.com Incorporated 1999 Omnibus Plan (the "1999 Plan") and the priceline.com Incorporated 2000 Employee Stock Option Plan (the "2000 Plan"), each of which provides for grants of share-based compensation as incentives and rewards to encourage employees, officers, consultants and directors in the long-term success of the Company. The 1997 Plan, 1999 Plan and 2000 Plan provide for grants of share-based compensation to purchase up to 3,979,166, 9,195,833 and 1,000,000 shares of priceline.com common stock, respectively, at a purchase price equal to the fair value on the date of grant.

Stock-based compensation issued under the plans generally consists of non-qualified stock options, restricted stock, performance share units and restricted stock units. Stock options are granted to employees at exercise prices equal to the fair value of the common stock at the date of grant and have a term of 10 years. Generally, stock option grants to employees vest over three years from the grant date. Restricted stock, performance share units and restricted stock units generally vest over periods from 1 to 4 years. The Company issues new shares of common stock upon the issuance of restricted stock, the exercise of stock options and the vesting of restricted stock units and performance share units.

In addition, the Company has granted restricted stock and restricted stock units in shares of priceline.com International to certain managers of its European operations. These awards generally vested over two to three years.

Stock-based compensation cost was approximately $40.5 million, $16.3 million and $14.9 million for the years ended December 31, 2008, 2007 and 2006, respectively. The related tax benefit was $6.3 million, $5.3 million and $5.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. Included in the above amounts are stock-based compensation and related tax benefit for restricted stock and restricted stock units related to shares of priceline.com International ("PIL Share-Based Awards").

The following table summarizes stock option activity during the year ended December 31, 2008:

Stock Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value (000's)**
Outstanding at December 31, 2007	1,905,000	$ 76.41	4.5	$ 127,641
Exercised	(257,977)	$ 21.35		$ 23,184
Forfeited/Expired	(21,279)	$ 45.35		
Outstanding at December 31, 2008	1,625,744	$ 85.55	3.2	$ 55,753

No stock options were granted during the years ended December 31, 2008, 2007 or 2006. The intrinsic value of stock options exercised was approximately $23.2 million, $46.5 million and $12.6 million for the years ended December 31, 2008, 2007 and 2006, respectively. As of December 31, 2008, all stock options were fully vested and exercisable so there is no future compensation cost to be recognized.

The following table summarizes the activity of unvested restricted stock, restricted stock units and performance share units ("Share-Based Awards") during the year ended December 31, 2008:

Share-Based Awards	**Shares**	**Weighted Average Grant Date Fair Value**
Unvested at December 31, 2007	1,597,156	$ 60.37
Granted	292,812	$ 109.44
Vested	(164,893)	$ 28.23
Performance Shares Adjustment	211,337	$ 114.67
Forfeited	(134,262)	$ 105.00
Unvested at December 31, 2008	1,802,150	$ 74.33

The Company granted 292,812, 520,090 and 322,620 restricted shares, performance share units and restricted stock units during the years ended December 31, 2008, 2007 and 2006, respectively, with an aggregate grant-date fair value of approximately $32.0 million, $40.7 million and $8.1 million, respectively. During the years ended December 31, 2008, 2007 and 2006, respectively, 164,893, 151,992 and 157,542 shares of restricted stock vested with a total grant date fair value of $4.7 million, $3.6 million and $3.5 million.

As of December 31, 2008, there was $74.5 million of total future compensation cost related to unvested Share-Based Awards to be recognized over a weighted-average period of 2.1 years.

The Share-Based Awards include 183,067 performance share units granted in 2008 to certain employees, with a weighted average grant date fair value of approximately $114.11 per share. At December 31, 2008, there were 176,459 unvested performance share units outstanding, net of actual forfeitures, related to this 2008 grant. The 176,459 units represent the current "target" number of shares of priceline.com common stock that may be issued to employees if the Company, and, with respect to certain grants, its subsidiaries, priceline.com International and Agoda, achieve certain financial performance goals. The actual number of shares to be issued will be determined upon completion of the performance period, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances, or a change in control, and could range from 74,426 to an additional 478,840 shares over the "target" number of shares if the maximum performance threshold associated with the performance share units is met by the Company and/or its subsidiaries, as applicable. Stock-based compensation related to the performance share units is recorded based upon the estimated probable outcome at the end of the performance period. During the year ended December 31, 2008, the estimated probable number of shares to be issued at the end of the performance period was increased by 120,027 shares. At December 31, 2008, the estimated number of probable shares to be issued, net of forfeitures, increased by 119,526 shares to a total of 295,985 shares.

In 2007, the Share-Based Awards granted included 276,110 performance share unit awards at a weighted average grant date fair value of approximately $96.73 per share. At December 31, 2008, there were 240,082 unvested performance share units outstanding, net of actual forfeitures, related to this 2007 grant. The 240,082 units represent the current "target" number of shares of priceline.com common stock that may be issued to employees if the Company, and, with respect to certain grants, its subsidiaries, priceline.com International and Agoda, achieve certain financial performance goals. The actual number of shares to be issued will be determined upon completion of the performance period, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances, or a change in control, and could range from 98,832 to an additional 659,188 shares over the "target" number of shares if the maximum performance threshold associated with the performance share units is met by the Company and/or its subsidiaries, as applicable. Stock-based compensation related to the performance share units is recorded based upon the estimated probable outcome at the end of the performance period. During the years ended December 31, 2008 and 2007, the estimated probable number of shares to be issued at the end of the performance period was increased by 91,310 shares and 381,440 shares, respectively. At December 31, 2008, the estimated number of probable shares to be issued, net of forfeitures, increased by 401,750 shares to a total of 641,832 shares.

In 2006, the Share-Based Awards granted included 164,095 performance awards at a weighted average grant date fair value of approximately $25.39 per share. At December 31, 2008, there were 157,195 unvested performance share units outstanding, net of actual forfeitures, related to this 2006 grant. The 157,195 units represent the current "target" number of shares of priceline.com common stock that may be issued to employees if the Company achieves certain financial performance versus a peer group of companies. During the year ended December 31, 2006, the estimated probable number of shares to be issued at the end of the performance period was increased by 328,190 shares. Based upon results achieved during the performance period which ended as of December 31, 2008, the Company estimates that 471,585 shares will be issued in the first quarter 2009 related to these performance share units.

At December 31, 2007, 46,459 shares were unvested for the PIL Share Based Awards. All shares vested during 2008. The weighted average grant date fair value of priceline.com International restricted stock based on exchange rates as of December 31, 2008 was $26.45 per share. During the years ended December 31, 2007 and 2006, 20,228 and 23,382 shares of priceline.com International restricted stock vested with a total grant date fair value of approximately $0.7 million and $0.8 million, respectively.

5. RESTRUCTURING

At December 31, 2008 and 2007, the Company had a restructuring liability of $1.0 million and $1.2 million, respectively, for the estimated remaining costs related to leased property vacated by the Company in 2000. During the first quarter of 2006, the Company recorded a $0.1 million restructuring charge based upon a re-evaluation of the estimated disposal costs related to the vacated leased property. The Company estimates that, based on current available information, the remaining net cash outflows associated with its restructuring related commitments will be paid in 2009-2011. The current portion of the restructuring accrual in the amount of $0.7 million at December 31, 2008 and 2007 is recorded in "Accrued expenses and other current liabilities" and the non-current portion of $0.3 million and $0.5 million at December 31, 2008 and 2007, respectively, is recorded in "Other long-term liabilities" on the Company's Consolidated Balance Sheet.

6. INVESTMENTS

The following table summarizes, by major security type, the Company's short-term investments as of December 31, 2008 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Foreign government securities	$ 64,027	$ —	$ (23)	$ 64,004
U.S. government securities	33,391	102	—	33,493
Corporate debt securities	1,392	—	(1)	1,391
Total	$ 98,810	$ 102	$ (24)	$ 98,888

Long-term investments amounting to $0.2 million and $2.5 million as of December 31, 2008 and 2007, respectively, were comprised of corporate notes with a maturity date greater than one year and are included in "Other assets" on the Company's Consolidated Balance Sheet. During the year ended December 31, 2008, the Company recorded an other-than-temporary impairment in the value of a corporate note included in long-term investments in the amount of $0.8 million. The loss is recorded in "Foreign currency transactions and other" in the Company's Consolidated Statement of Operations. The long-term investments are recorded net of unrealized losses of approximately $0.2 million as of December 31, 2007. There were no material realized gains or losses related to investments for the years ended December 31, 2008, 2007 and 2006.

The Company's short-term investments as of December 31, 2007 were as follow (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Corporate debt securities	$ 31,080	$ 21	$ (18)	$ 31,083
State government and agency securities	79,020	—	—	79,020
U.S. government and agency securities	9,461	49	—	9,510
Foreign government securities	2,898	—	(12)	2,886
Total	$ 122,459	$ 70	$ (30)	$ 122,499

7. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted SFAS 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets that are accessible by the Company at the measurement date for identical assets and liabilities.
Level 2: These prices are not directly accessible by the Company. Such prices may be based upon quoted prices in active markets or inputs not quoted on active markets, but corroborated by market data.
Level 3: Unobservable inputs are used when little or no market data is available.

Financial assets and liabilities carried at fair value as of December 31, 2008 are classified in the table below in the categories described above:

Dollars in Thousands	Level 1	Level 2	Total
Short-term investments	$ 97,497	$ 1,391	$ 98,888
Long-term investments	—	206	206
Foreign exchange derivative assets	—	7,490	7,490
Total assets at fair value	$ 97,497	$ 9,087	$ 106,584

Fair values for investments in U.S. Treasury and foreign government securities are considered "level 1" valuations because the Company has access to quoted prices in active markets as of the measurement date. Fair values for other investments are considered "level 2" instrument valuations because they are obtained from professional pricing sources for these or comparable instruments, rather than direct observation of quoted prices in active markets. As of December 31, 2008, the Company did not have any "level 3" assets or liabilities without observable market values that would require a high level of judgment to determine fair value. The Company's derivative instruments are valued using pricing models. Pricing models take into account the contract terms as well as multiple inputs where applicable, such as interest rate yield curve, option volatility and currency rates. The Company's derivative instruments are typically short-term in nature.

As of December 31, 2008, the carrying value of the Company's cash and cash equivalents approximated their fair value and consisted primarily of AAA-rated U.S. Treasury money market funds, foreign government securities and bank deposits.

8. ACCOUNTS RECEIVABLE RESERVES

The Company accrues for costs associated with purchases made on its websites by individuals using fraudulent credit cards and for other amounts "charged back" as a result of payment disputes. The Company also records a provision for uncollectible agency commissions principally receivable from hotels related to agency reservations. Changes in accounts receivable reserves consisted of the following (in thousands):

	For the Year Ended December 31,		
	2008	2007	2006
Balance, beginning of year	$ 2,309	$ 1,651	$ 1,377
Provision charged to expense	13,113	4,886	5,071
Charge-offs and adjustments	(6,695)	(4,343)	(4,904)
Currency translation adjustment	(298)	115	107
Balance, end of year	$ 8,429	$ 2,309	$ 1,651

The increased bad debt provision in 2008 was due to slower payment of agency commissions by hotels and to reflect the potential for increased losses resulting from the worldwide recession and the related impact on the financial health of our hotel partners. In addition, the Company incurred $1.5 million of credit card chargebacks associated with the bankruptcy of two airline suppliers and a higher level of chargeback activity at Agoda, which the Company acquired in November 2007.

9. NET INCOME PER SHARE

The Company computes basic and diluted net income per share in accordance with SFAS No. 128, "Earnings per Share." Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is based upon the weighted average number of common and common equivalent shares outstanding during the period.

Common equivalent shares related to stock options, restricted stock, restricted stock units, performance share units and warrants are calculated using the treasury stock method. Performance share units are included in the weighted average common equivalent shares based on the number of shares that would be issued if the end of the reporting period were the end of the performance period, if the result would be dilutive. The warrants underlying Series B Preferred Stock were considered for inclusion in fully diluted net income per share using the "if-converted" method.

The Company's convertible debt issues have net share settlement features requiring the Company upon conversion to settle the principal amount of the debt for cash and the conversion premium for cash or shares of the Company's common stock. Pursuant to EITF 90-19, "Convertible Bonds with Issuer Options to Settle for Cash upon Conversion," the convertible notes are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury stock method.

Prior to the Company executing an exchange offer in November 2006 that modified certain terms in the 1% Notes and 2.25% Notes, such notes were convertible into a fixed amount of common stock if certain specified conditions were met. Pursuant to EITF 04-08 "Effect of Contingently Convertible Debt on Diluted Earnings per Share", these convertible notes were included in the calculation of diluted earnings per share if their inclusion was dilutive to earnings per share under the "if-converted" method for the year ended December 31, 2006.

A reconciliation of net income and the weighted average number of shares outstanding used in calculating diluted earnings per share is as follows (in thousands):

	For the Year Ended December 31, 2008	2007	2006
Net income applicable to common stockholders	$ 193,473	$ 155,527	$ 72,539
Interest expense on Convertible Senior Notes	—	—	2,668
	$ 193,473	$ 155,527	$ 75,207
Weighted average number of basic common shares outstanding	39,299	37,671	38,650
Weighted average dilutive stock options, restricted stock, restricted stock units and performance share units	1,689	1,478	1,101
Assumed conversion of Convertible Senior Notes	7,683	6,355	4,971
Weighted average number of diluted common and common equivalent shares outstanding	48,671	45,504	44,722
Anti-dilutive potential common shares	5,905	9,969	12,780

Anti-dilutive potential common shares for the years ended December 31, 2008, 2007 and 2006 includes approximately 4.0 million shares, 7.9 million shares and 9.3 million shares, respectively, that could be issued under the Company's convertible debt if the Company experiences substantial increases in its common stock price. Under the treasury stock method, the convertible notes will generally have a dilutive impact on net income per share if the Company's average stock price for the period exceeds the conversion price for the convertible notes. As an example, at stock prices of $40 per share, $60 per share, $80 per share and $100 per share, common equivalent shares would include approximately 0.1 million, 3.3 million, 5.0 million and 6.0 million equivalent shares, respectively, related to the convertible notes (excluding the offsetting impact of the Convertible Spread Hedges — see Note 13). The Conversion Spread Hedges increase the effective conversion price of the Company's Convertible Senior Notes due September 30, 2011 and September 30, 2013 from $40.38 to $50.47 per share from the Company's perspective and are designed to reduce potential dilution upon conversion of the Convertible Senior Notes at maturity. Since the beneficial impact of the Conversion Spread Hedges is anti-dilutive it is excluded from the calculation of net income per share.

10. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 and 2007 consists of the following (in thousands):

	2008	2007	Estimated Useful Lives (years)
Computer equipment and software	$ 94,580	$ 76,343	Up to 3
Office equipment, furniture and fixtures and leasehold improvements	11,523	10,178	3 to 7
Total	106,103	86,521	
Less: accumulated depreciation and amortization	(76,699)	(59,433)	
Property and equipment, net	$ 29,404	$ 27,088	

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Fixed asset depreciation and amortization expense was approximately $14.4 million, $11.8 million and $10.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

11. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets consist of the following (in thousands):

	December 31, 2008			December 31, 2007				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period	Weighted Average Useful Life
Supply and distribution agreements	$ 197,414	$ (42,217)	$ 155,197	$ 191,612	$ (34,684)	$ 156,928	13 years	13 years
Technology	23,099	(17,784)	5,315	27,865	(21,191)	6,674	3 years	3 years
Patents	1,489	(1,170)	319	1,489	(1,133)	356	15 years	15 years
Customer lists	17,801	(11,662)	6,139	12,280	(10,546)	1,734	2 – 3 years	2 years
Internet domain names	6,453	(1,988)	4,465	6,453	(1,343)	5,110	10 years	10 years
Trade names	27,071	(5,454)	21,617	15,317	(4,007)	11,310	5-20 years	17 years
Other	1,459	(1,280)	179	1,725	(1,089)	636	1 – 15 years	7 years
Total intangible assets	$ 274,786	$ (81,555)	$ 193,231	$ 256,741	$ (73,993)	$ 182,748		

Intangible assets with determinable lives are amortized on a straight-line basis. Intangible assets amortization expense was approximately $28.8 million, $25.7 million and $24.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

The annual estimated amortization expense for intangible assets for the next five years and thereafter is expected to be as follows (in thousands):

2009	$ 24,586
2010	21,699
2011	18,399
2012	17,411
2013	17,038
Thereafter	94,098
	$ 193,231

A substantial majority of the Company's goodwill relates to its acquisitions of Booking.com Limited in 2004, Booking.com B.V. in 2005 and subsequent purchases of the minority interest in their parent company, priceline.com International.

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A roll forward of goodwill for the years ended December 31, 2008 and 2007 consists of the following (in thousands):

	2008	2007
Balance, beginning of year	$ 287,159	$ 226,707
Acquisitions	—	17,773
Purchase of minority interest	84,686	33,220
Additional purchase price under earn-out	1,500	—
Adjustment to pre-acquisition liabilities	599	—
Currency translation adjustments	(47,081)	9,459
Balance, end of year	$ 326,863	$ 287,159

Impairment tests performed in 2008 and 2007 did not result in any adjustments to the carrying value of goodwill or intangible assets.

12. OTHER ASSETS

Other assets at December 31, 2008 and 2007 consist of the following (in thousands):

	2008	2007
Investment in pricelinemortgage.com	$ 8,918	$ 9,229
Deferred debt issuance costs	6,316	10,032
Long-term investments	206	2,451
Other	1,245	630
Total	$ 16,685	$ 22,342

Investment in pricelinemortgage.com represents the Company's 49% equity investment in pricelinemortgage.com and, accordingly, the Company recognizes its pro rata share of pricelinemortgage.com's operating results, not to exceed an amount that the Company believes represents the investment's estimated fair value. The Company recognized approximately $311,000, $321,000 and $80,000 of losses from its investment in pricelinemortgage.com for the years ended December 31, 2008, 2007 and 2006, respectively. The Company earned an insignificant amount of advertising fees from pricelinemortgage.com for the years ended December 31, 2008, 2007 and 2006.

Deferred debt issuance costs arose from the Company's issuance of $125 million aggregate principal amount of 1% Notes in August 2003, $100 million aggregate principal amount of 2.25% Notes in September 2004, $172.5 million aggregate principal amount of 0.5% Notes in September 2006, $172.5 million of aggregate principal amount 0.75% Notes in September 2006 and a $175 million revolving credit facility in September 2007. Deferred debt issuance costs are being amortized using the effective interest rate method over the term of approximately five years, except for the 0.75% Notes, which are amortized over their term of seven years. The period of amortization for the Company's debt issue costs was determined at inception of the related debt agreements to be the stated maturity date or the first stated put date, if earlier. Debt issuance costs written off in the year ended December 31, 2008 related to early conversion of convertible debt amounted to $0.9 million.

Long-term investments amounting to $0.2 million and $2.5 million as of December 31, 2008 and 2007, respectively, were comprised of corporate notes and U.S. government securities with a maturity date greater than one year.

13. DEBT

Revolving Credit Facility

In September 2007, the Company entered into a $175 million five-year committed revolving credit facility with a group of lenders, which is secured, subject to certain exceptions, by a first-priority security interest on substantially all of the Company's assets and related intangible assets located in the United States. In addition, the Company's obligations under the revolving credit facility are guaranteed by substantially all of the assets and related intangible assets of the Company's material direct and indirect domestic and foreign subsidiaries. Borrowings under the revolving credit facility will bear interest, at the Company's option, at a rate per annum equal to the greater of (a) JPMorgan Chase Bank, National Association's prime lending rate and (b) the federal funds rate plus ½ of 1%, plus an applicable margin ranging from 0.25% to 0.75%; or at an adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.25% to 1.75%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.25% to 0.375%.

The revolving credit facility provides for the issuance of up to $50.0 million of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, which are available in U.S. dollars, Euros, Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility will be used for working capital and general corporate purposes. As of December 31, 2008, there were no borrowings outstanding under the facility and the Company has issued approximately $2.3 million of letters of credit under the revolving credit facility.

Convertible Debt

The Company's convertible debt is convertible into the Company's common stock subject to certain conditions. Based upon the closing price of the Company's common stock for the prescribed measurement periods during the three months ended December 31, 2008 and 2007, the contingent conversion thresholds on each of the Company's convertible senior note issues were exceeded. As a result, the notes are convertible at the option of the holder as of December 31, 2008 and 2007 and, accordingly, have been classified as a current liability on the Company's Consolidated Balance Sheet as of those dates. However, contingencies continue to exist regarding the holders' ability to convert such notes in future quarters. The determination of whether or not the notes are convertible must continue to be performed on a quarterly basis. Consequently, the convertible debt may not be convertible in future quarters, and therefore may again be classified as long-term debt, if the contingent conversion thresholds are not met in such quarters. In cases where holders decide to convert prior to the maturity date or first stated put date, the Company writes off the proportionate amount of remaining debt issue costs. If the note holders exercise their option to convert, the Company would deliver cash to repay the principal amount of the notes and would deliver cash or shares of common stock, at its option, to satisfy the conversion value in excess of the principal amount.

In the year ended December 31, 2008, approximately $125.0 million aggregate principal amount of the 1% Notes, $37.9 million aggregate principal amount of 2011 Notes, $14.0 million aggregate principal amount of 2013 Notes and $30,000 of the 2.25% Notes were converted. The Company delivered cash of $176.9 million to repay the principal amount and issued 2,264,136 shares in satisfaction of the conversion value in excess of the principal amount. The Company also received notices of conversion from the holders of approximately $8.0 million of the 2.225% Notes, which are expected to be settled in the first quarter of 2009. In August 2008, the Company exercised its right to redeem the 1% Notes, however, the holders of all of the then-outstanding 1% Notes tendered their notes for conversion prior to the redemption date. Debt issuance costs written off in the year ended December 31, 2008 related to converted debt amounted to approximately $0.9 million. As of December 31, 2008, the estimated market value of the outstanding senior notes was approximately $742 million. Substantially all of the market value of the Company's debt in excess of the carrying value relates to the conversion premium on the bonds.

Convertible debt consists of the following as of December 31, 2008 and 2007 (in thousands):

	December 31, 2008	December 31, 2007
$125 million aggregate principal amount of 1.00% Convertible Senior Notes due August 2010	$ —	$ 124,846
$172.5 million aggregate principal amount of 0.50% Convertible Senior Notes due September 2011	134,565	172,500
$172.5 million aggregate principal amount of 0.75% Convertible Senior Notes due September 2013	158,500	172,500
$100 million aggregate principal amount of 2.25% Convertible Senior Notes due January 2025	99,920	99,950
	$ 392,985	$ 569,796

The $125 million aggregate principal amount of Convertible Senior Notes due August 1, 2010, with an interest rate of 1.00% (the "1% Notes") were convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately $40.00 per share. Prior to August 1, 2008, the 1% Notes were convertible if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the first day of a conversion period was more than 110% of the then current conversion price of the 1% Notes, or after August 1, 2008, if the closing price of the Company's common stock is more than 110% of the then current conversion price of the 1% Notes. Both of these conditions have been met and, as discussed above, holders of all the outstanding 1% Notes have tendered their 1% Notes for conversion during 2008.

In November 2003, the Company entered into an interest rate swap agreement whereby it swapped the fixed 1% interest on its 1% Notes for a floating interest rate based on the 3-month U.S. Dollar LIBOR, minus the applicable margin of 221 basis points, on $45 million notional value of debt. In May 2008, the Company terminated the swap agreement and received a payment in the amount of $0.1 million representing the estimated fair value, including net accrued interest. Hedge ineffectiveness was not significant in the years ended December 31, 2008, 2007 and 2006. The fair value of the swap as of December 31, 2007 was a liability of approximately $0.1 million and was recorded in accrued expenses and other current liabilities with a related adjustment to the carrying value of debt.

In 2006, the Company issued in a private placement $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2011, with an interest rate of 0.50% (the "2011 Notes"), and $172.5 million aggregate principal amount of Convertible Senior Notes due September 30, 2013, with an interest rate of 0.75% (the "2013 Notes"). The 2011 Notes and the 2013 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately $40.38 per share. The 2011 Notes and the 2013 Notes are convertible, at the option of the holder, prior to June 30, 2011 in the case of the 2011 Notes, and prior to June 30, 2013 in the case of the 2013 Notes, upon the occurrence of specified events, including, but not limited to a change in control, or if the closing sale price of the Company's common stock for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 120% of the applicable conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2011 Notes or the 2013 Notes, in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2011 Notes and the 2013 Notes, collectively, in aggregate value ranging from $0 to approximately $45.2 million depending upon the date of the transaction and the then current stock price of the Company. No additional payments are due at stock prices in excess of $100 per share. As of June 30, 2011, with respect to the 2011 Notes, and as of June 30, 2013, with respect to the 2013 Notes, holders shall have the right to convert all or any portion of such security. Neither the 2011 Notes nor the 2013 Notes may be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2011 Notes and the 2013 Notes for cash in certain circumstances. Interest on the 2011 Notes and the 2013 Notes is payable on March 30 and September 30 of each year.

In 2006, the Company entered into hedge transactions relating to potential dilution of the Company's common stock upon conversion of the 2011 Notes and the 2013 Notes (the "Conversion Spread Hedges"). Under the Conversion Spread Hedges, the Company is entitled to purchase from Goldman Sachs and Merrill Lynch approximately 8.5 million shares of the Company's common stock (the number of shares underlying the 2011 Notes and the 2013 Notes) at a strike price of $40.38 per share (subject to adjustment in certain circumstances) in 2011 and 2013, and the counterparties are entitled to purchase from the Company approximately 8.5 million shares of the Company's common stock at a strike price of $50.47 per share (subject to adjustment in certain circumstances) in 2011 and 2013. The Conversion Spread Hedges increase the effective conversion price of the 2011 Notes and the 2013 Notes to $50.47 per share from the Company's perspective and are designed to reduce the potential dilution upon conversion of the 2011 Notes and the 2013 Notes. If the market value per share of the Company's common stock at maturity is above $40.38, the Conversion Spread Hedge will entitle the Company to receive from the counterparties net shares of the Company's common stock based on the excess of the then current market price of the Company's common stock over the strike price of the hedge (up to $50.47). Holders of the 2011 Notes and the 2013 Notes do not have any rights with respect to the Conversion Spread Hedges. The Conversion Spread Hedges are separate transactions entered into by the Company with the counterparties, are not part of the terms of the Notes and will not affect the holders' rights under the 2011 Notes and the 2013 Notes. The Conversion Spread Hedges are exercisable at dates coinciding with the scheduled maturities of the 2011 Notes and 2013 Notes. The Conversion Spread Hedges do not immediately hedge against the associated dilution from conversions of the Notes prior to their stated maturities. Therefore, if the holders of the 2011 Notes or the 2013 Notes elect to convert all or a portion of their notes prior to maturity, the Company will be obligated to immediately deliver any related conversion premium in shares of common stock or a combination of cash and shares. However, the hedging counterparties will not be obligated to deliver the Company shares or cash that would offset the dilution associated with the early conversion activity until 2011 and 2013. Because of this potential timing difference, it is possible that the number of shares, if any, that the Company receives from its Conversion Hedge Spread could differ materially from the number of shares, if any, that it is required to deliver to holders of the Notes upon their early conversion. This potential difference in timing potentially makes the hedges ineffective, which could negatively impact the Company's future diluted shares outstanding and diluted earnings per share.

The $100 million aggregate principal amount of Convertible Senior Notes due January 15, 2025, with an interest rate of 2.25% (the "2.25% Notes") are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately $37.95 per share. The 2.25% Notes will be convertible if, on or prior to January 15, 2020, the closing sale price of the Company's common stock for at least 20 consecutive trading days in the period of 30 consecutive trading days ending on the first day of a conversion period is more than 120% of the then current conversion price of the 2.25% Notes. The 2.25% Notes are also convertible in certain other circumstances, such as a change in control of the Company. In the event that all or substantially all of the Company's common stock is acquired on or prior to January 15, 2010, in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of common shares to the holders of the 2.25% Notes of amounts ranging from $0 to $10.5 million depending upon the date of the transaction and the then current stock price of the Company. Based on the stock price at December 31, 2008, the Company would be required to make $2.5 million in additional payments. In addition, the 2.25% Notes will be redeemable at the Company's option beginning January 20, 2010, and the holders may require the Company to repurchase the 2.25% Notes on

January 15, 2010, 2015 or 2020, or in certain other circumstances. Interest on the 2.25% Notes is payable on January 15 and July 15 of each year.

14. TREASURY STOCK

In the fourth quarter of 2005, the Company's Board of Directors authorized the repurchase of up to $50 million of the Company's common stock from time to time in the open market or in privately negotiated transactions. In addition, in the third quarter of 2006, the Company's Board of Directors authorized the repurchase of up to an additional $150 million of the Company's common stock with a portion of the proceeds from the issuance of the 2011 Notes and the 2013 Notes. The Company's Board of Directors has also given the Company the general authorization to repurchase shares of its common stock to satisfy employee withholding tax obligations related to stock-based compensation.

Under these programs, the Company repurchased approximately 4.1 million shares of its common stock at an aggregate cost of $134.7 million in the year ended December 31, 2006, at prevailing market prices. Repurchases of 38,640, 43,358 and 40,496 shares at an aggregate cost of approximately $4.4 million, $2.6 million and $1.1 million were made in the years ended December 31, 2008, 2007 and 2006, respectively, to satisfy employee withholding taxes related to stock-based compensation.

The Company may make additional repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. Whether and when to initiate and/or complete any purchase of common stock and the amount of common stock purchased will be determined in the Company's complete discretion. As of December 31, 2008, there were approximately 6.7 million shares of the Company's common stock held in treasury.

15. REDEEMABLE PREFERRED STOCK

There were 13,470 shares of Series B Preferred Stock outstanding as of December 31, 2006, with an aggregate liquidation preference of approximately $13.5 million and a semi-annual dividend requirement of 40,240 shares of common stock. In the first quarter of 2007, Delta Air Lines, Inc. exercised warrants to purchase 756,199 shares of the Company's common stock by surrendering 13,470 shares of Series B Preferred Stock, representing all of the remaining outstanding shares of Series B Preferred Stock. In the three months ended March 31, 2007, the Company issued a final pro-rated dividend to Delta Airlines, Inc. in the amount of 34,874 shares of common stock. The exercise of the warrant was a non-cash transaction. The Company recorded non-cash dividends of approximately $1.6 million and $1.9 million for the years ended December 31, 2007 and 2006, respectively.

16. MINORITY INTERESTS

In connection with the Company's acquisitions of Booking.com B.V. in July 2005 and Booking.com Limited in September 2004 and the reorganization of its European operations, key managers of Booking.com B.V. and Booking.com Limited purchased shares of priceline.com International. In addition, these key managers were granted restricted stock and restricted stock units in priceline.com International shares that vested over time.

The holders of the minority interest in priceline.com International had the right to put their shares to the Company and the Company had the right to call their shares at a purchase price reflecting the fair value of the shares at the time of the exercise of the put or call right. Subject to certain exceptions, the shares were subject to the put and call options in March and August 2008. In April 2008, in connection with the March 2008 put and call options, the Company repurchased 62,020 shares underlying minority interest with a carrying value of $3.6 million for an aggregate purchase price of approximately $30.9 million based upon fair value. In September 2008, in connection with the August 2008 put and call options, the Company repurchased all of the remaining outstanding 253,693 shares underlying minority interest with a carrying value of $17.4 million for an aggregate purchase price of approximately $123.2 million based upon fair value. In 2007 and 2006, the Company repurchased shares underlying minority interest with a carrying value of $13.6 million and $7.9 million, respectively, for an aggregate purchase price of $76.0 million and $19.8 million, respectively, based upon fair value. As a result of the September 2008 purchase, there is no longer any minority interest in priceline.com International. The purchases have been accounted for as step acquisitions and accordingly, the excess of the purchase price over the carrying value is recorded as an increase of intangible assets, deferred income taxes and goodwill based upon preliminary estimated values.

17. INCOME TAXES

Domestic pre-tax income was $85.6 million, $25.9 million and $27.6 million for the years ended December 31, 2008, 2007 and 2006, respectively. Foreign pre-tax income was $210 million, $119.1 million and $34.5 million for the years ended December 31, 2008, 2007 and 2006, respectively.

The income tax expense (benefit) for the year ended December 31, 2008 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 2,155	$ 29,308	$ 31,463
State	401	6,819	7,220
Foreign	67,716	(7,991)	59,725
Total:	$ 70,272	$ 28,136	$ 98,408

The income tax expense (benefit) for the year ended December 31, 2007 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 762	$ (38,820)	$ (38,058)
State	—	2,042	2,042
Foreign	35,142	(11,185)	23,957
Total:	$ 35,904	$ (47,963)	$ (12,059)

The income tax expense (benefit) for the year ended December 31, 2006 is as follows (in thousands):

	Current	Deferred	Total
Federal	$ 571	$ (8,363)	$ (7,792)
State	(48)	(9,164)	(9,212)
Foreign	14,894	(10,278)	4,616
Total:	$ 15,417	$ (27,805)	$ (12,388)

At December 31, 2008, the Company had approximately $3 billion of net operating loss carryforwards ("NOLs") for U.S. federal income tax purposes mainly expiring from December 31, 2019 to 2021. The utilization of these NOL's is subject to limitation under Section 382 of the Internal Revenue Code and is also dependent upon the Company's ability to generate sufficient future taxable income.

Section 382 imposes limitations on the availability of a company's net operating losses after a more than 50 percentage point ownership change occurs. The Section 382 limitation is based upon certain conclusions pertaining to the dates of ownership changes and the value of the Company on the dates of the ownership changes. As a result of a study, it was determined that ownership changes, as defined in Section 382, occurred in 2000 and 2002. The amount of the Company's net operating losses incurred prior to each ownership change is limited based on the value of the Company on the respective dates of ownership change. It is estimated that the effect of Section 382 will generally limit the total cumulative amount of net operating loss available to offset future taxable income to approximately $1.5 billion. Pursuant to Section 382, subsequent ownership changes could further limit this amount.

As required by SFAS No. 109, "Accounting for Income Taxes," the Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of these deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future income, the carryforward periods available for tax reporting purposes, and other relevant factors. Based upon such assessments, in the years ended December 31, 2007 and 2006, the Company recorded non-cash income tax benefits in the amount of $47.9 million and $28.1 million, respectively, resulting from a reversal of a portion of its valuation allowance on its domestic deferred tax assets. In addition, the Company recognized $3.6 million of deferred tax assets in 2007 related to foreign capital allowance deductions that are considered more likely than not to be realized. Despite robust growth in the Company's domestic earnings during 2008, the valuation allowance has not been reduced due to the inherent uncertainty and the likely negative potential impact the worldwide recession will have on our future operating results and future realization of our deferred tax assets. The deferred tax asset at December 31, 2008 and 2007 amounted to $196.0 million and $232.6 million, respectively. It is more likely than not that the remaining deferred tax assets will not be realized and, accordingly, a valuation allowance remains against those assets. The valuation allowance may need to be adjusted in the future if facts and circumstances change, causing a reassessment of the amount of deferred tax assets more likely than not to be realized.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2008 and 2007 are as follows (in thousands):

	2008	2007
Deferred tax assets/(liabilities):		
Net operating loss carryforward — U.S.	$ 1,005,356	$ 1,048,647
IRC 382 Disallowance	(485,192)	(485,192)
	520,164	563,455
Net operating loss carryforward — Foreign	22,808	27,177
Fixed assets	3,368	4,113
Investments	5,170	5,158
Accrued expenses	6,298	4,206
Stock-based compensation	9,205	6,207
Other	6,899	5,016
Subtotal	573,912	615,332
Intangible assets and other	(48,933)	(46,502)
Deferred tax assets	524,979	568,830
Less valuation allowance on deferred tax assets	(377,875)	(382,781)
Net deferred tax assets	$ 147,104	$ 186,049

The Company has recorded a deferred tax liability in the amount of $48.9 million and $46.5 million at December 31, 2008 and 2007, respectively, primarily related to the assignment of estimated fair value to certain purchased identifiable intangible assets associated with the acquisitions of Booking.com Limited, Booking.com B.V. and priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.). Income tax benefits in the amount of $1.3 million and $3.0 million, respectively, were recorded in 2007 and 2006 resulting from the impact on deferred taxes of enacted reductions in certain foreign statutory tax rates. At December 31, 2008, no provision had been made for U.S. taxes on approximately $268.0 million of foreign earnings that are expected to be reinvested indefinitely. Estimating the tax liability that would arise if these earnings were repatriated is not practicable at this time.

The valuation allowance decreased by approximately $5 million for the year ended December 31, 2008, primarily as a result of foreign currency exchange rate fluctuations of $7 million on the Company's foreign net operating loss carryforwards, partially offset by $2 million additional valuation allowance recognized on a foreign net operating loss. The valuation allowance decreased by approximately $62 million and $38 million for the years ended December 31, 2007 and 2006, respectively, resulting primarily from a reversal of a portion of its valuation allowance to adjust the estimated amount of deferred tax assets more likely than not to be realized.

At December 31, 2008, the Company has approximately $667.2 million of state net operating loss carryforwards that expire mainly between 2020 and 2021, 3.4 million of foreign net operating loss carryforwards that expire in 2028, and approximately $76.1 million of foreign net operating loss carryforwards and $5.8 million of foreign capital allowance carryforwards that do not expire. At December 31, 2008, the Company also had approximately $1.4 million of U.S. research credit carryforwards that expire from December 31, 2019 to December 31, 2020 and are also subject to annual limitation. Approximately $1.9 billion of the federal NOL tax benefits were generated through equity-related transactions, including equity-based compensation and stock warrants and would be a recorded as an increase to additional paid-in capital if subsequently utilized.

The effective income tax rate of the Company is different from the amount computed using the expected U.S. statutory federal rate of 35% as a result of the following items (in thousands):

	2008	2007	2006
Income tax expense (benefit) at federal statutory rate	$ 102,158	$ 50,758	$ 21,727
Adjustment due to:			
State taxes	4,652	1,327	1,347
Intercompany interest expense	(2,134)	(3,534)	(3,384)
Foreign statutory rate reduction	12	(1,260)	(3,006)
Foreign rate differential	(18,947)	(11,059)	(2,059)
Other	10,830	3,174	1,091
Increase (decrease) in valuation allowance	1,837	(51,465)	(28,104)
Income tax expense (benefit)	$ 98,408	$ (12,059)	$ (12,388)

The Company accounts for uncertain tax positions pursuant to the provisions of FASB issued Interpretation No. 48, "Uncertainty in Income Taxes" ("FIN 48"). FIN 48 applies to all income tax positions and provides for a two-step approach of recognition and measurement. The first step involves assessing whether the tax position is more likely than not to be sustained upon examination based upon its technical merits. The second step involves measurement of the amount to recognize. Tax positions that meet the more likely than not threshold are measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate finalization with the taxing authority. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on the Company's financial condition, results of operations or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48.

The Company's U.K., Netherlands, U.S. Federal and Connecticut income tax returns, constituting the returns of the major taxing jurisdictions, are subject to examination by the taxing authorities for all open years as prescribed by applicable statute. No income tax waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute.

18. COMMITMENTS AND CONTINGENCIES

Litigation Related to Hotel Occupancy and Other Taxes

Statewide Class Actions and Putative Class Actions

A number of cities and counties have filed class actions or putative class actions on behalf of themselves and other allegedly similarly situated cities and counties within the same respective state against the Company and other defendants, including, but not in all cases, Lowestfare.com LLC and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Travelport, Inc. (f/k/a Cendant Travel Distribution Services Group, Inc.); Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. Each complaint alleges, among other things, that the defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Los Angeles v. Hotels.com, Inc., et al.: On December 30, 2004, a putative class action complaint was filed in the Superior Court for the County of Los Angeles by the City of Los Angeles on behalf of itself and an alleged class of California cities, counties and other municipalities that have enacted occupancy taxes. In addition to the tax claims, the complaint also asserts unfair competition claims under California Business and Professions Code § 17200, et seq. ("Section 17200"). On August 31, 2005, the City of Los Angeles filed an amended complaint adding a claim for a declaratory judgment. On September 26, 2005, the court sustained the defendants' demurrers on grounds of improper joinder of defendants and claims, and therefore, dismissed the amended complaint, with leave to file a second amended complaint. On February 8, 2006, the City of Los Angeles filed a second amended complaint that asserts the same claims but includes additional allegations of fact. On March 27, 2006, at the direction of the court, the defendants filed renewed demurrers to the second amended complaint on grounds of improper joinder of defendants and claims. On March 31, 2006, the defendants filed a petition to coordinate this matter with the City of San Diego case (discussed below). On July 12, 2006, that petition was granted, and, as a result, this case and the City of San Diego case will now proceed in the Superior Court of Los Angeles. On January 17, 2007, the defendants filed demurrers to the City of Los Angeles' second amended complaint on all issues other than misjoinder of defendants and claims. On March 1, 2007, the court denied defendants' previously-filed demurrers on grounds of improper joinder of defendants and claims. On March 2, 2007, the City of Los Angeles filed a third amended complaint. On April 11, 2007, the defendants filed renewed demurrers to the third amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's third amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City has not yet completed those administrative procedures.

City of Rome, Georgia, et al., v. Hotels.com, L.P., et al.: On November 18, 2005, a putative class action complaint was filed in the United States District Court for the Northern District of Georgia by the City of Rome, Hart County and the City of Cartersville on behalf of themselves and a putative class of Georgia cities, counties and governments which have enacted transient occupancy taxes and/or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of Georgia's Uniform Deceptive and Unfair Trade Practices Act, conversion, unjust enrichment, a constructive trust and a declaratory judgment. On February 6, 2006, the Company and certain other defendants moved to dismiss the complaint. On May 8, 2006, the court granted defendants' motion to dismiss all claims relating to the Georgia sales and use tax and denied defendants' motion to dismiss the excise tax claims. The plaintiffs filed an amended complaint on June 7, 2006 naming additional plaintiffs. On February 9, 2007, the defendants moved for summary judgment on the plaintiffs' claims for plaintiffs' failure to exhaust the administrative procedures required by Georgia law and plaintiffs' respective ordinances. On May 10, 2007, the court denied the defendants' motion but concluding that plaintiffs were required to estimate, assess and attempt to collect the taxes at issue. The court stayed further litigation to permit plaintiffs to comply with those administrative procedures. On March 26, 2008, certain of the plaintiffs in the *City of Rome* action sent the defendants, including the Company and its subsidiaries, proposed assessments of hotel occupancy tax. The Company and its subsidiaries promptly responded on March 31, 2008. Certain of the plaintiffs in the *City of Rome* action sent the defendants, including the Company and its subsidiaries, renewed assessments. The administrative process of those plaintiffs remains ongoing and the action remains stayed pending the decision of the Georgia Supreme Court in *City of Atlanta, Georgia v. Hotels.com L.P., et al*. (described below).

Pitt County v. Hotels.com, L.P., et al.: On December 1, 2005, a putative class action complaint was filed in the North Carolina General Court of Justice, Superior Court Division by Pitt County on behalf of itself and a putative class of North Carolina political subdivisions that impose occupancy taxes. In addition to the tax claims, the complaint also asserts claims for violation of North Carolina General Statute § 75-1, et seq., conversion, a constructive trust and a declaratory judgment. On February 13, 2006, the defendants removed this action to the United States District Court for the Eastern District of North Carolina. On March 13, 2006, the defendants moved to dismiss the complaint. On March 29, 2007, the court denied defendants' motion to dismiss the complaint. On April 13, 2007, the defendants moved for reconsideration of that decision or, in the alternative, interlocutory appeal. On August 13, 2007, the court granted defendants' motion for reconsideration of the court's prior order denying the defendants' motion to dismiss, and dismissed the action in its entirety. On September 6, 2007, Pitt County filed a notice of appeal of that decision to the United States Court of Appeals for the Fourth Circuit. On January 14, 2009, the United States Court of Appeals for the Fourth Circuit affirmed the district court's decision rejecting Pitt County's tax claims. On January 27, 2009, the County filed a petition for re-hearing en banc. On February 10, 2009, the petition for re-hearing en banc was denied.

City of San Antonio, Texas v. Hotels.com, L.P., et al.: On May 8, 2006, a putative class action complaint was filed in the United States District Court for the Western District of Texas, San Antonio Division, by the City of San Antonio on behalf of itself and putative classes of Texas municipalities. In addition to the tax claims, the complaint also asserts claim for conversion and a declaratory judgment. On June 30, 2006, the Company and other defendants moved to dismiss the complaint. On August 28, 2006, the plaintiff moved for class certification. Following briefing of the motion to dismiss and motion for class certification, on October 30, 2006, the plaintiff filed a first amended complaint that limited the putative classes of Texas municipalities to 175 specifically enumerated municipalities that plaintiff alleges to have hotel occupancy tax ordinances similar to that of the plaintiff. On March 21, 2007, the court denied defendants' motion to dismiss the City of San Antonio's amended complaint. On September 7, 2007, the defendants filed a motion for reconsideration of the court's March 21, 2007 order denying the defendants' motion to dismiss, and that motion was denied on October 1, 2007. On May 27, 2008, the court granted the City of San Antonio's motion to certify a class of 175 specifically enumerated Texas municipalities that the City alleges to have hotel occupancy tax ordinances similar to it. On June 10, 2008, the defendants petitioned the United States Court of Appeals for the Fifth Circuit for interlocutory review of the class certification decision, which petition was denied on July 3, 2008. On August 12, 2008, the court granted plaintiff's motion for leave to amend its complaint to add equitable claims of unjust enrichment, money had and received, and for a constructive trust. Plaintiff amended its complaint on August 13, 2008 and the defendants answered the amended complaint on August 27, 2008. The parties are presently conducting discovery.

Lake County Convention and Visitors Bureau, Inc. and Marshall County v. Hotels.com, L.P., et al.: On June 12, 2006, a putative class action was filed in the United States District Court for the Northern District of Indiana, Hammond Division, by the Lake County Convention and Visitors Bureau and Marshall County on behalf of themselves and a putative class of Indiana counties, convention and visitors bureaus and any other local governments which have enacted or benefit from taxes on innkeepers. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, and breach of fiduciary duties. On November 3, 2006, the Company and other defendants moved to dismiss the complaint. On July 14, 2008, the court denied the defendants' motion to dismiss the complaint. On July 28, 2008, the defendants answered the complaint. The parties are presently conducting discovery.

Louisville/Jefferson County Metro Government v. Hotels.com, L.P., et al.: On September 21, 2006, a putative class action was filed in the United States District Court for the Western District of Kentucky by the Louisville/Jefferson County Metro Government on behalf of itself and a putative class of Kentucky cities, counties and townships that have enacted transient room taxes. In addition to the tax claims, the complaint also asserts claims for conversion, money had and received, unjust enrichment, a constructive trust, and a declaratory judgment. On December 15, 2006, the plaintiff moved to amend the complaint to make certain changes to the identity of the defendants. That motion was granted, and, on January 8, 2007, plaintiff filed its amended complaint. On December 22, 2006, the defendants moved to dismiss the original complaint, and, on January 17, 2007, renewed their motion to dismiss with respect to the amended complaint. On August 10, 2007, the court denied the defendants' motion to dismiss. On September 13, 2007, the defendants answered. On October 26, 2007, the defendants filed a motion for reconsideration of the court's order denying the defendants' motion to dismiss, or, in the alternative, certification of interlocutory appeal to the Kentucky Supreme Court or the United States Court of Appeals for the Sixth Circuit. On November 9, 2007, the plaintiff moved to strike the defendants' motion for reconsideration. On February 20, 2008, the Lexington-Fayette Urban County Government ("Lexington") filed a motion to intervene in this action as an additional plaintiff, which the defendants did not oppose. On March 20, 2008, Lexington's motion was granted, and its intervening complaint was filed on April 16, 2008. Lexington's intervening complaint makes substantially the same claims asserted by the Louisville/Jefferson County Metro Government, except it does not seek to represent a class. On March 21, 2008, the Louisville/Jefferson County Metro Government filed an unopposed motion to amend its complaint to withdraw its allegations relating to the proposed certification of a class of Kentucky cities, counties and townships that have enacted transient room taxes, and to make certain other changes to the alleged facts. That motion was granted on June 6, 2008 and the Louisville/Jefferson County Metro Government was ordered to file an amended complaint. On May 16, 2008, the defendants moved to dismiss the intervening complaint filed by the Lexington-Fayette Urban County Government. On September 30, 2008, the court granted the defendants' motion for reconsideration of its prior order denying the defendants' motion to dismiss the claims brought by the Louisville/Jefferson County Metro Government, and dismissed all of that plaintiff's claims. The court also granted the defendants' motion to dismiss the claims brought by the Lexington-Fayette Urban County Government. The court dismissed all claims against the defendants with prejudice. Both plaintiffs have filed notices of appeal to the U.S. Court of Appeals for the Sixth Circuit.

County of Nassau, New York v. Hotels.com, LP, et al.: On October 24, 2006, a putative class action was filed in the United States District Court for the Eastern District of New York by Nassau County on behalf of itself and a putative class of New York cities, counties and other local governmental entities that have imposed hotel taxes since March 1, 1995. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment and a constructive trust. On January 31, 2007, the defendants moved to dismiss the complaint. On August 17, 2007, the court granted the defendants' motion to dismiss the complaint for the County of Nassau's failure to exhaust its mandatory administrative procedures for tax collection. On September 12, 2007, the County of Nassau filed a notice of appeal of that order to the United States Court of Appeals for the Second Circuit. On January 22, 2009, the United States Court of Appeals for the Second Circuit, heard oral argument on the County's appeal of the lower court's order dismissing the action and ordered further briefing on certain issues.

City of Jefferson, Missouri v. Hotels.com, LP, et al.: On June 27, 2007, a putative class action complaint was filed in the Circuit Court of Cole County, Missouri by the City of Jefferson, Missouri on behalf of itself and a putative class of Missouri cities, counties and governments that have enacted taxes on lodging. In addition to the claim for hotel taxes, the complaint also asserted claims for violation of the Missouri Merchandising Practices Act, conversion, unjust enrichment, declaratory judgment, breach of fiduciary duties and a constructive trust. On November 5, 2007, the defendants moved to dismiss the complaint. On June 19, 2008, the court granted the defendants' motion to dismiss in part and denied it in part. The court dismissed the claim for violation of the Missouri Merchandising Practices Act, but did not dismiss the remaining claims. On July 21, 2008, the defendants answered the complaint.

City of Gallup, New Mexico v. Hotels.com, L.P., et al.: On July 6, 2007, a putative class action was filed in the United States District Court for the District of New Mexico by the City of Gallup on behalf of itself and a putative class of New Mexico taxing authorities that have enacted lodgers' taxes. The complaint asserts claims for violation of the New Mexico Lodger's Tax Act and municipal ordinances. On August 27, 2007, the defendants answered the City of Gallup's complaint. On January 8, 2009, the City filed an unopposed motion to amend its complaint to narrow its class allegations and to seek injunctive relief. On February 2, 2009 the defendants answered the amended complaint. The parties are currently conducting discovery.

City of Jacksonville v. Hotels.com, L.P., et al.: In July 2006, a putative class action was filed in the Circuit Court, Fourth Judicial Circuit, in and for Duval County, Florida, by the City of Jacksonville on behalf of itself and a putative class of Florida counties that collect tourist development taxes and/or convention development taxes and that have elected self administration of such taxes. In addition to the tax claims, the complaint also asserts claims for conversion, unjust enrichment, a constructive trust, and a declaratory judgment. On August 21, 2007, the court granted defendants' motion to dismiss the complaint for the City of Jacksonville's failure to exhaust its mandatory administrative procedures for tax collection. On September 10, 2007, the City of Jacksonville moved for a stay of proceedings pending the outcome of that administrative process. That motion was denied on October 31, 2007 and the case was closed. No appeal was taken by the City of Jacksonville. On July 1, 2008, the City of Jacksonville filed a first amended complaint. The proposed first amended complaint asserts only a declaratory judgment claim related to the defendants' alleged liability for tourist development taxes and/or convention development taxes. On July 15, 2008, the defendants moved to dismiss and to strike the amended complaint. On July 30, 2008, the plaintiff filed a motion to amend its complaint. Those motions are pending.

The City of Goodlettsville, Tennessee, et al. v. priceline.com Incorporated, et al.: On June 2, 2008, a putative class action was filed in the United States District Court for the Middle District of Tennessee by the City of Goodlettsville and the City of Brentwood, Tennessee on behalf of themselves and a putative class of Tennessee political subdivisions that impose a tax on the privilege of occupancy of a hotel or other lodging establishment. In addition to the tax claims, the complaint also asserts claims for unjust enrichment and conversion. On August 7, 2008, the defendants moved to dismiss the complaint. That motion is pending. On Oct. 2, 2008, the City of Brentwood, Tennessee voluntarily dismissed its claims, and the case will proceed with the City of Goodlettsville as the sole plaintiff.

The Township of Lyndhurst, New Jersey v. priceline.com Incorporated, et al.: On June 18, 2008, a putative class action was filed in the United States District Court for the District of New Jersey by the Township of Lyndhurst on behalf of itself and a putative class of New Jersey political subdivisions that impose hotel occupancy taxes. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, conversion, a constructive trust, and a declaratory judgment. On August 19, 2008, the defendants moved to dismiss the complaint. That motion is pending.

County of Monroe, Florida v. Priceline.com, Inc. et al: On January 12, 2009, the County filed a purported class action complaint in the United States District Court for the Southern District of Florida. In addition to claims with respect to the application of the Tourist Development Tax, the complaint also asserted claims for conversion and unjust enrichment. The defendants have not yet answered the complaint.

The Company intends to defend vigorously against the claims in all of the proceedings described above.

Actions Filed on Behalf of Individual Cities and Counties

Several cities, counties, municipalities and other political subdivisions across the country have filed actions relating to the collection of hotel occupancy taxes against the Company and other defendants, including, but not in all cases, Lowestfare.com LLC and Travelweb LLC, both of which are subsidiaries of the Company, and Hotels.com, L.P.; Hotels.com GP, LLC; Hotwire, Inc.; Cheaptickets, Inc.; Cendant Travel Distribution Services Group, Inc.; Expedia, Inc.; Internetwork Publishing Corp. (d/b/a Lodging.com); Maupintour Holding LLC; Orbitz, Inc.; Orbitz, LLC; Site59.com, LLC; Travelocity.com, Inc.; Travelocity.com LP; and Travelnow.com, Inc. In each, the complaint alleges, among other things, that each of these defendants violated each jurisdiction's respective hotel occupancy tax ordinance with respect to the charges and remittance of amounts to cover taxes under each ordinance. Each complaint typically seeks compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. Such actions include:

City of Findlay v. Hotels.com, L.P., et al and City of Columbus, et al. v. Hotels.com, L.P., et al.: On October 25, 2005, a putative class action complaint was filed in the Common Pleas Court of Hancock County, Ohio by the City of Findlay on behalf of itself and a putative class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. In addition to the tax claims, the complaint also asserts claims for violation of the Ohio Consumer Sales Practices Act, conversion, a constructive trust and a declaratory judgment. On November 22, 2005, the Company and certain other defendants removed this action to the United States District Court for the Northern District of Ohio. On July 26, 2006, the court granted defendants' motion to dismiss the Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 8, 2006, a putative class action complaint was filed in the United States District Court for the Southern District of Ohio by the cities of Columbus and Dayton on behalf of themselves and a putative class of Ohio cities, counties and townships. In addition to the tax claims, the complaint also asserts claims for unjust enrichment, money had and received, conversion, a constructive trust and a declaratory judgment. On July 10, 2007, defendants' motion to transfer the case to the United States District Court for the Northern District of Ohio, where the *City of Findlay* case is pending was granted. On July 23, 2007, the court granted defendants' motion to dismiss the plaintiffs' Consumer Sales Practices Act claims and denied defendants' motion to dismiss the remaining claims. On August 2, 2007, the City of Findlay filed a motion seeking leave to amend its complaint to withdraw its allegations seeking to assert claims on behalf of a state-wide class of Ohio cities, counties and townships that have enacted occupancy or excise taxes on lodging. On August 15, 2007, the court granted that motion and an amended complaint withdrawing those class allegations was filed. On August 31, 2007, the defendants answered the *City of Columbus c*omplaint. On September 4, 2007, the defendants answered the *City of Findlay* amended complaint. On November 6, 2007, the parties' joint motion to consolidate the *City of Findlay* action with the *City of Columbus* action for pre-trial purposes was granted. On February 19, 2008, the cities of Columbus, Dayton and Findlay moved to amend their respective complaints to drop all class action allegations and to add nine additional Ohio municipalities as plaintiffs. That motion was granted on February 27, 2008, and the plaintiffs' first amended consolidated complaint was filed that day. On March 26, 2008, the defendants moved to dismiss the first amended consolidated complaint. On June 19, 2008, the court denied the defendants' motion. On July 3, 2008, the defendants answered the first amended consolidated complaint. The parties are presently conducting discovery.

City of Chicago, Illinois v. Hotels.com, L.P., et al.: On November 1, 2005, the City of Chicago, Illinois filed a complaint in the Circuit Court of Cook County, Illinois. In addition to the tax claims, the complaint also asserts claims for conversion, imposition of a constructive trust, and a demand for a legal accounting. On January 31, 2006, the defendants moved to dismiss the complaint. On September 27, 2007, the court denied the defendants' motion to dismiss. On November 2, 2007, the defendants answered the complaint. The parties are currently conducting discovery.

City of San Diego, California v. Hotels.com L.P., et al.: On February 9, 2006, the City of San Diego, California filed a complaint in Superior Court for the County of San Diego, California. In addition to the tax claims, the complaint also asserts unfair competition claims under Section 17200. On March 31, 2006, the defendants filed with a petition to coordinate this matter with the *City of Los Angeles* case (discussed above). On July 12, 2006, that petition was granted, and, as a result, this case was coordinated with the *City of Los Angeles* action and will proceed in the Superior Court of Los Angeles. As discussed above, on March 1, 2007, the court denied defendants' previously-filed demurrers to the City of Los Angeles' Second Amended Complaint on misjoinder grounds, which the parties deemed applicable to the City of San Diego's complaint. On January 17, 2007, the defendants filed demurrers to the City of San Diego's complaint on all issues other than misjoinder of defendants and claims. On March 8, 2007, the City of San Diego filed an amended complaint. On April 11, 2007, the defendants filed a renewed motion to dismiss the amended complaint. On July 27, 2007, the court sustained the defendants' demurrers and dismissed the City's amended complaint without prejudice to re-filing upon the exhaustion of the City's mandatory administrative procedures for tax collection, and stayed the action pending such exhaustion. The City is presently conducting those administrative procedures.

City of Atlanta, Georgia v. Hotels.com L.P., et al.: On March 29, 2006, the City of Atlanta, Georgia filed a complaint in the Superior Court of Fulton County, Georgia. In addition to the tax claims, the complaint also asserts claims for a declaratory judgment, conversion, unjust enrichment, a constructive trust and a demand for an equitable accounting. On June 5, 2006, certain defendants, including the Company and its subsidiaries, answered the complaint. The parties proceeded to conduct discovery. On October 12, 2006, as directed by the court, the defendants submitted briefs regarding the City of Atlanta's failure to exhaust the administrative remedies dictated by Georgia law and its own ordinance. On December 12, 2006, the court dismissed the City of Atlanta's action for lack of jurisdiction because the City of Atlanta failed to exhaust mandatory administrative remedies prior to bringing suit. On January 10, 2007, the City of Atlanta filed a notice of appeal to the court's order deciding it lacked jurisdiction. On October 26, 2007, the Georgia Court of Appeals affirmed the order of the Georgia Superior Court. On November 5, 2007, the City moved for reconsideration of the October 26, 2007 opinion, and that motion was denied on November 13, 2007. On December 10, 2007, the City filed a petition for certiorari with the Georgia Supreme Court. On May 20, 2008, the Georgia Supreme Court granted certiorari to certain questions raised by plaintiff from the October 26, 2007 decision of the Georgia Court of Appeals affirming the dismissal of this action. On September 8, 2008, the Georgia Supreme Court heard the plaintiff's appeal from the October 26, 2007 decision of the Georgia Court of Appeals affirming the dismissal of this action. The Company is awaiting the decision of the Georgia Supreme Court.

City of Charleston, South Carolina v. Hotel.com, et al.: On April 26, 2006, the City of Charleston, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. In addition to the tax claims, the complaint also asserts claims for conversion, a constructive trust and a demand for a legal accounting. On May 31, 2006, defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On July 7, 2006, the defendants answered the complaint. On January 23, 2007, the City of Charleston moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *Town of Mount Pleasant* (discussed below). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. The parties are currently conducting discovery.

Town of Mount Pleasant, South Carolina v. Hotels.com, et al.: On May 23, 2006, the Town of Mount Pleasant, South Carolina filed a complaint in the Court of Common Pleas, Ninth Judicial Circuit of South Carolina. On July 21, 2006, the defendants removed the case to the United States District Court for the District of South Carolina, Charleston Division. On September 15, 2006, the defendants answered the complaint. On January 22, 2007, the Town of Mount Pleasant moved to amend the complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On April 23, 2007, the court granted plaintiff's motion for leave to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act, and plaintiff amended its complaint to assert such claims on May 14, 2007. On April 26, 2007, the court granted defendants' unopposed motion to consolidate this case with *City of Charleston* (discussed above). On June 4, 2007, the defendants moved to dismiss the amended complaint. On November 5, 2007, the court denied that motion. On November 30, 2007, the defendants answered the amended complaint. The parties are currently conducting discovery.

City of North Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On August 28, 2006, the City of North Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Fifteenth Judicial Circuit of South Carolina. On October 27, 2006, the Company and certain other defendants removed the case to the United States District Court for the District of South Carolina, Florence Division. On December 1, 2006, the defendants filed their motion to dismiss the complaint. On September 30, 2007, the court denied that motion. On January 29, 2008, the City of North Myrtle Beach moved to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On June 25, 2008, the court granted the plaintiff's motion to amend its complaint to assert claims arising under the South Carolina Unfair Trade Practices Act. On August 1, 2008, the plaintiff filed an amended complaint asserting claims arising under the South Carolina Unfair Trade Practices Act. On August 15, 2008, the defendants answered the amended complaint. The parties are currently conducting discovery.

Wake County v. Hotels.com, LP, et al.; Dare County v. Hotels.com, LP, et al and Buncombe County v. Hotels.com, LP, et al: On November 3, 2006, Wake County, North Carolina filed a complaint in the General Court of Justice, Superior Court Division, Wake County, North Carolina. In addition to the claim for Room Occupancy Taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, *et seq*., and breach of agency duties and statutory penalties. On January 31, 2007, the defendants moved to dismiss this action. On February 1, 2007, the defendants moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court, to which plaintiff consented and the case was transferred to the Business Court. On January 26, 2007, Dare County, North Carolina filed a complaint in the same court alleging the same claim. On February 1, 2007, Buncombe County, North Carolina filed a complaint in the same court. The Buncombe complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes, as well as supplemental relief including, without limitation, an accounting and a determination of the amount of taxes due but unpaid. On April 4, 2007, the *Wake County, Buncombe County and Dare County* actions were consolidated for pre-trial purposes, and the following discussion applies to all four actions. On May 7, 2007, the defendants moved to dismiss the *Dare County and Buncombe County* actions. On November 19, 2007, the court granted in part and denied in part the motions to dismiss the three actions. The court dismissed all claims for conversion, all claim for violation of North Carolina General Statute § 75-1, et seq. The remaining claims brought by the other three plaintiffs survived the defendants' motions. The parties are currently conducting discovery.

City of Branson v. Hotels.com, LP., et al.: On December 28, 2006, the City of Branson, Missouri filed a complaint in the Circuit Court of Greene County, Missouri. In addition to the claim for Tourism Taxes, the complaint also asserted claims for a declaratory judgment, conversion and a legal accounting. On April 23, 2007, the defendants moved to dismiss the complaint, and that motion was denied on

November 26, 2007. The defendants answered the complaint on December 20, 2007. The parties are presently conducting discovery.

Horry County, et al. v. Hotels.com, LP, et al.: On February 2, 2007, Horry County, South Carolina and the Horry County Administrator filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiffs are entitled to other relief, including penalties and interest. On April 30, 2007, the defendants moved to dismiss the complaint. On March 18, 2008, the court denied the defendants' motion to dismiss. On May 9, 2008, the defendants answered the complaint. On August 14, 2008, the defendants moved to dismiss the plaintiff's declaratory judgment claims, and that motion was denied on September 17, 2008. The parties are presently conducting discovery.

City of Myrtle Beach, South Carolina v. Hotels.com, LP, et al.: On February 2, 2007, the City of Myrtle Beach, South Carolina filed a complaint in the Court of Common Pleas, Horry County. The complaint seeks a declaratory judgment that the defendants are liable for occupancy taxes and that the plaintiff is entitled to other relief, including penalties and interest. On April 23, 2007, the defendants moved to dismiss the complaint. On December 11, 2007, the court heard argument on that motion, along with the motion in the Horry County action (discussed above). On August 14, 2008, the defendants moved to dismiss the plaintiff's declaratory judgment claims, and that motion was denied on September 17, 2008. The parties are presently conducting discovery.

City of Houston, Texas v. Hotels.com, LP., et al.: On March 5, 2007, the City of Houston, Texas filed a petition (i.e., a complaint) in the District Court of Harris County, Texas. In addition to the claim for violation of the Houston hotel occupancy tax ordinance, the petition also asserted claims for conversion, constructive trust, civil conspiracy, and a legal accounting. On April 30, 2007, the defendants filed special exceptions, seeking to dismiss the petition. On July 5, 2007, the court denied in part and granted in part the defendants' special exceptions. The court denied the special exceptions relating to the adequacy of the plaintiff's allegations, but granted the special exceptions requiring the plaintiff to state with specificity the maximum amount of damages claimed. On October 2, 2007, the City of Houston filed an amended petition adding the Harris County Sports Authority as a plaintiff. On October 15, 2007, the Company and the other defendants filed renewed special exceptions to the complaint and affirmative defenses. On November 19, 2007, the court granted those special exceptions. On January 22, 2008, the plaintiffs filed a second amended petition. On February 4, 2008, the Company and the defendants filed renewed special exceptions to the petition and moved to dismiss the action. On March 13, 2008, the court granted the defendants' special exceptions and dismissed the action. On April 14, 2008, the plaintiffs filed a motion seeking to have their petition reinstated, which was granted on May 27, 2008.

City of Oakland, California v. Hotels.com, L.P., et al.: On June 29, 2007, the City of Oakland, California filed a complaint in the United States District Court for the Northern District of California. In addition to the claim for violation of the City of Oakland's Transient Tax Ordinance, the complaint also asserted unfair competition claims under California Business and Professions Code § 17200, *et seq*., and claims for conversion, unjust enrichment, punitive damages, a constructive trust and a declaratory judgment. On September 18, 2007, the defendants moved to dismiss the complaint. On November 6, 2007, the court granted the defendants' motion and dismissed the City of Oakland's complaint with prejudice for the City's failure to exhaust its mandatory administrative procedures for tax collection. On December 5, 2007, the City of Oakland filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. The plaintiff's appeal to the U.S. Court of Appeals for the Ninth Circuit remains pending. On July 16, 2008, the Company and Lowestfare.com LLC received audit notices from the City. On August 4, 2008, the Company and Lowestfare.com LLC responded and requested a hearing before the City's Business Tax Board of Review. That hearing request remains pending.

Mecklenburg County v. Hotels.com LP, et al.: On January 14, 2008, Mecklenburg County filed a complaint in the General Court of Justice, Superior Court Division, Mecklenburg County, North Carolina. In addition to the claim for room occupancy taxes, the complaint also asserted claims for a declaratory judgment, an injunction, conversion, imposition of a constructive trust, an accounting, violation of North Carolina General Statute § 75-1, et seq., and breach of agency duties and statutory penalties. At the time it filed the complaint, Mecklenburg also moved to designate the case as a complex business case subject to the jurisdiction of the North Carolina Business Court. On February 19, 2008, this action was consolidated with *Wake County*, which is discussed in further detail above. On May 15, 2008, the court granted in part and denied in part the defendants' motion to dismiss the complaint, adopting the reasoning of the court's prior opinion on the motion to dismiss in the *Wake County* action.

City of Baltimore, Maryland v. Priceline.com, Inc., et al.: On December 10, 2008, the City filed a complaint in the United States District Court for the District of Maryland. In addition to claims for declaratory and injunctive relief with respect to the application of the City's Hotel Room Tax, the complaint also asserted claims for conversion, unjust enrichment, assumpsit, constructive trust, and punitive damages. The defendants have not yet answered the complaint.

County Commissioners of Worcester, Maryland v. Priceline.com, Inc., et al.: On January 6, 2009, the County filed a complaint in the United States District Court for the District of Maryland. In addition to the claim for violation of the County's Hotel Room Tax, the complaint also asserted claims for conversion, unjust enrichment, and assumpsit. The defendants have not yet answered the complaint.

The Company has also been informed by counsel to the plaintiffs in certain of the aforementioned actions that various, undisclosed municipalities or taxing jurisdictions may file additional cases against the Company, Lowestfare.com LLC and Travelweb LLC in the future. Some municipalities or taxing jurisdictions have sent the Company and/or its subsidiaries tax notices or demands, including Brunswick County and Stanly County, North Carolina; Jefferson County, Arkansas; City of North Little Rock, Arkansas; and the Pine Bluff Advertising and Promotion Commission.

The Company intends to defend vigorously against the claims in all of the proceedings described above.

Judicial Actions Relating to Assessments Issued by Individual Cities and Counties

After administrative remedies have been exhausted, the Company may seek judicial review of assessments issued by an individual city or county.

Priceline.com, Inc. et al. v. Broward County, Florida: In May 2008, the Company and Travelweb LLC received assessments from the County. On June 19, 2008, the Company and Travelweb LLC submitted formal protests of the assessments. In July 2008, the Company and Travelweb LLC received additional audit requests from the County. On November 13, 2008, the Company's and Travelweb LLC's protests were denied. On January 13, 2009, the Company and Travelweb LLC filed suit in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida, against the County and the Florida Department of Revenue challenging the assessments. The County and the Department of Revenue answered and filed a counterclaim on February 2, 2009. In addition to claims for injunctive relief with respect to the County's tourist development tax, the counterclaim also asserted claims for breach of fiduciary duty, conversion and statutory civil theft. The counterclaim defendants have not yet answered the counterclaim.

Priceline.com Inc. et al. v. City of Anaheim et al.: In May 2008, the Company, Travelweb LLC and Lowestfare.com LLC received assessments from the City. On June 2, 2008, the companies submitted formal protests of the assessments. On February 6, 2009, the City-appointed hearing officer issued a ruling upholding the determination that the companies were liable for the Transient Occupancy Tax, but reducing the amounts of the assessments issued. On February 11, 2009, the Company and Travelweb LLC filed suit in Superior Court of the State of California, County of Orange, against the City and the hearing officer challenging the assessments and the liability determination. On February 18, 2009, the Company and Travelweb LLC joined a motion filed by Expedia, Inc. seeking a ruling that the Company does not have to pay the amount assessed by the City until resolution of the matter by the courts.

The Company intends to prosecute vigorously its claims in these actions.

Consumer Class Actions

Two purported class actions brought by consumers were pending against the Company:

Marshall, et al. v. priceline.com, Inc.: On February 17, 2005, a putative class action complaint was filed in the Superior Court of the State of Delaware for New Castle County by Jeanne Marshall and three other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against the Company. The complaint alleged that the Company violated the Delaware Consumer Fraud Act, Del. Code Ann. Tit. 6, § 2511, *et seq*., relating to its disclosures and charges to customers to cover taxes under city hotel occupancy tax ordinances nationwide, and service fees. The Company moved to dismiss the complaint on April 21, 2005. On June 10, 2005, plaintiffs filed an amended complaint that asserts claims under the Delaware Consumer Fraud Act and for breach of contract and the implied duty of good faith and fair dealing. On October 31, 2006, the court granted in part and denied in part the Company's motion to dismiss. The court dismissed all claims arising under the Delaware Consumer Fraud Act. The court also dismissed all claims for breach of contract and the implied duty of good faith and fair dealing that relate to the Company's charges for service fees. The court denied the Company's motion to dismiss the breach of contract and implied duty of good faith and fair dealing claims as they relate to the Company's charges to consumers to cover taxes under city hotel occupancy tax ordinances. On February 1, 2008, two of the four plaintiffs voluntarily dismissed their claims against the Company. On February 29, 2008, the remaining plaintiffs moved for leave to amend their complaint to assert additional claims for breach of contract and the implied duty of good faith and fair dealing alleging that the Company included a hidden fee within its room rate charge. On August 28, 2008, the court granted plaintiffs' motion for leave to amend. The plaintiffs filed their second amended complaint on September 12, 2008, and the Company answered that complaint on September 26, 2008. The parties' summary judgment motions have been submitted and a hearing was held in January 2009; the Company is awaiting the court's ruling.

Chiste, et al. v. priceline.com Inc., et al.: On December 11, 2008, a putative class action was filed by plaintiff Matthew R. Chiste and two other individuals on behalf of themselves and a putative class of allegedly similarly situated consumers nationwide against the Company, Lowestfare.com, Inc. and Travelweb, LLC. The complaint alleges the defendants overcharge consumers by collecting Hotel Occupancy and sales taxes over and above that necessary to pay the actual taxes on the hotel room reserved by the customer. The complaint asserts claims for deceptive business practices, declaratory and injunctive relief, conversion, breach of fiduciary duty, and breach of contract. Defendants have not yet answered the complaint.

The Company intends to defend vigorously against the claims in all of the proceedings described above.

Administrative Proceedings and Other Possible Actions

At various times the Company has also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to its charges and remittance of amounts to cover state and local hotel occupancy and other related taxes. Among others, the City of Philadelphia, Pennsylvania; Miami-Dade County, Florida; the City of Anaheim, California; the City of Phoenix, Arizona; the City of San Francisco, California; and state tax officials from Wisconsin, Pennsylvania, and Indiana, have begun formal or informal administrative procedures or stated that they may assert claims against the Company relating to allegedly unpaid state or local hotel occupancy or related taxes. The City of San Francisco, California, and the Indiana Department of Revenue have each issued assessments from which the Company intends to appeal to a court of competent jurisdiction.

Litigation Related to Securities Matters

On March 16, March 26, April 27, and June 5, 2001, respectively, four putative class action complaints were filed in the U.S. District Court for the Southern District of New York naming priceline.com, Inc., Richard S. Braddock, Jay Walker, Paul Francis, Morgan Stanley Dean Witter & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., BancBoston Robertson Stephens, Inc. and Salomon Smith Barney, Inc. as defendants (01 Civ. 2261, 01 Civ. 2576, 01 Civ. 3590 and 01 Civ. 4956). Shives *et al*. v. Bank of America Securities LLC *et al*., 01 Civ. 4956, also names other defendants and states claims unrelated to the Company. The complaints allege, among other things, that priceline.com and the individual defendants violated the federal securities laws by issuing and selling priceline.com common stock in priceline.com's March 1999 initial public offering without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had allegedly solicited and received excessive and undisclosed commissions from certain investors. By Orders of Judge Mukasey and Judge Scheindlin dated August 8, 2001, these cases were consolidated for pre-trial purposes with hundreds of other cases, which contain allegations concerning the allocation of shares in the initial public offerings of companies other than priceline.com, Inc. By Order of Judge Scheindlin dated August 14, 2001, the following cases were consolidated for all purposes: 01 Civ. 2261; 01 Civ. 2576; and 01 Civ. 3590. On April 19, 2002, plaintiffs filed a Consolidated Amended Class Action Complaint in these cases. This Consolidated Amended Class Action Complaint makes similar allegations to those described above but with respect to both the Company's March 1999 initial public offering and the Company's August 1999 second public offering of common stock. The named defendants are priceline.com, Inc., Richard S. Braddock, Jay S. Walker, Paul E. Francis, Nancy B. Peretsman, Timothy G. Brier, Morgan Stanley Dean Witter & Co., Goldman Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith, Inc., Robertson Stephens, Inc. (as successor-in-interest to BancBoston), Credit Suisse First Boston Corp. (as successor-in-interest to Donaldson Lufkin & Jenrette Securities Corp.), Allen & Co., Inc. and Salomon Smith Barney, Inc. Priceline.com, Richard Braddock, Jay Walker, Paul Francis, Nancy Peretsman, and Timothy Brier, together with other issuer defendants in the consolidated litigation, filed a joint motion to dismiss on July 15, 2002. On November 18, 2002, the cases against the individual defendants were dismissed without prejudice and without costs. In addition, counsel for plaintiffs and the individual defendants executed Reservation of Rights and Tolling Agreements, which toll the statutes of limitations on plaintiffs' claims against those individuals. On February 19, 2003, Judge Scheindlin issued an Opinion and Order granting in part and denying in part the issuer's motion. None of the claims against the Company were dismissed. On June 26, 2003, counsel for the plaintiff class announced that they and counsel for the issuers had agreed to the form of a Memorandum of Understanding (the "Memorandum") to settle claims against the issuers. The terms of that Memorandum provide that class members will be guaranteed $1 billion in recoveries by the insurers of the issuers and that settling issuer defendants will assign to the class members certain claims that they may have against the underwriters. Issuers also agree to limit their abilities to bring certain claims against the underwriters. If recoveries in excess of $1 billion are obtained by the class from any non-settling defendants, the settling defendants' monetary obligations to the class plaintiffs will be satisfied; any amount recovered from the underwriters that is less than $1 billion will be paid by the insurers on behalf of the issuers. The Memorandum, which is subject to the approval of each issuer, was approved by a special committee of the priceline.com Board of Directors on Thursday, July 3, 2003. Thereafter, counsel for the plaintiff class and counsel for the issuers agreed to the form of a Stipulation and Agreement of Settlement with Defendant Issuers and Individuals ("Settlement Agreement"). The Settlement Agreement implements the Memorandum and contains the same material provisions. On June 11, 2004, a special committee of the priceline.com Board of Directors authorized the Company's counsel to execute the Settlement Agreement on behalf of the Company. The Settlement Agreement was submitted to the Court for approval. Subsequently, the Second Circuit reversed the District Court's granting of class certification in certain of the related class actions. As a result, the parties entered into a stipulation and order dated June 25, 2007 which terminated the Settlement Agreement. The Company intends to defend vigorously against the claims in all of these proceedings.

On May 3, 2007, the Company entered into a Stipulation and Agreement of Settlement ("Settlement Agreement") to settle a class action lawsuit brought after its announcement that third quarter 2000 revenues would not meet expectations. Under the terms of the Settlement Agreement, the class received $80 million in return for a release, with prejudice, of all claims against the Company and the individual defendants (the "Settling Defendants") that are related to the purchase of the Company's securities by class members during the class period. The Company's insurance carriers funded $30 million of the settlement. As a result, the Company recorded a net charge in the year ended 2007 of approximately $55.4 million representing its share of the cost to settle the litigation and cover related expenses.

The Company intends to defend vigorously against the claims in all of the proceedings described in this Note 18. The Company has accrued for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Except as disclosed, such amounts accrued are not material to the Company's consolidated balance sheets and provisions recorded have not been material to the consolidated results of operations. The Company is unable to estimate the potential maximum range of loss.

From time to time, the Company has been and expects to continue to be subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives and could adversely affect the Company's business, results of operations, financial condition and cash flows.

Employment Contracts

The Company has employment agreements with certain members of senior management that provide for cash severance payments of up to approximately $19 million, accelerated vesting of equity instruments, including without limitation, restricted stock, restricted stock units and performance share units upon, among other things, death or a termination without "cause" or "good reason", as those terms are defined in the agreements, and a gross-up for the payment of "golden parachute" excise taxes. In addition, certain of the agreements provide for the extension of health and insurance benefits after termination for periods of up to three years.

Operating Leases

The Company leases certain facilities and equipment through operating leases. Rental expense for operating leases was approximately $6.4 million, $4.4 million and $3.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. The Company's executive, administrative, operating offices and network operations center are located in approximately 92,000 square feet of leased office space located in Norwalk, Connecticut. The Company also leases approximately 45,670 of office space in Grand Rapids, Michigan. Booking.com Limited leases approximately 11,000 square feet of office space primarily in Cambridge, England. Booking.com B.V. leases approximately 102,000 square feet of office space primarily in Amsterdam, Netherlands. Agoda leases approximately 20,000 square feet of office space primarily in Bangkok, Thailand. The Company also leases office space in 13 other countries in support of its international operations. Minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year are as follows (in thousands):

2009	2010	2011	2012	2013	After 2013	Total
$ 19,458	$ 18,979	$ 16,950	$ 17,447	$ 17,291	$ 11,747	$ 101,872

Airline Excise Tax Refund

The online travel industry received guidance in the fourth quarter of 2006 in the form of a ruling from the Internal Revenue Service that the fee earned by online intermediaries in connection with the facilitation of the purchase of airline tickets is not subject to Federal Excise Tax. Due to the prior lack of clear guidance related to the application of federal excise taxes to amounts earned by online travel intermediaries, the Company historically remitted such taxes on the amounts it earned for facilitating the purchase of airline tickets. The tax at issue was on the amounts earned by the Company and was not added to the ticket price paid by its customers. Accordingly, the Company sought refunds of the taxes it paid while the on-line travel industry pursued clarification on the issue. The Company recorded refunds received in the amount of $18.6 million in revenue, plus $3.3 million of interest income during the year ended December 31, 2007.

Contingent Purchase Price

On November 6, 2007, the Company and a newly-formed, indirect wholly-owned subsidiary of the Company, acquired 100% of the total share capital of priceline.com Mauritius Company Limited (formerly known as the Agoda Company, Ltd.) (“Agoda”) and AGIP LLC. The purchase price for the acquisition, including acquisition costs, consists of an initial purchase price payable by the Company in cash of approximately $16 million and up to an additional $141.6 million in cash, which is payable by the Company if Agoda achieves the maximum “gross bookings” and earnings targets from January 1, 2008 through December 31, 2010. The contingent consideration, if any, related to this acquisition will be recorded to goodwill as an additional purchase price adjustment when the contingency is resolved.

On December 21, 2007, the Company acquired 100% of the total issued share capital of an online advertising company for approximately $4.1 million in cash, including acquisition costs. The Company could be required to pay an additional amount of up to $3.8 million in cash each year from 2008 through 2010, if the acquired company achieves certain performance targets. Based upon 2008 results, the Company recorded a liability and increased goodwill by $1.5 million in December 2008 to reflect this purchase price adjustment.

19. BENEFIT PLAN

Priceline.com has a defined contribution 401(k) savings plan (the “Plan”) covering all U.S. employees who are at least 21 years old. The Plan allows eligible employees to contribute up to 75% of their eligible earnings, subject to a statutorily prescribed annual limit. All participants are fully vested in their contributions and investment earnings. As of January 1, 2007, the Company instituted a 50% match of employee contributions up to 6% of qualified compensation. The Company also maintains certain other defined contribution plans outside of the United States for which it provides 50% of the contributions for participating employees. The Company’s matching contributions during the years ended December 31, 2008, 2007 and 2006 were approximately $1.1 million, $0.9 million and $0.1 million, respectively.

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20. GEOGRAPHIC INFORMATION

The geographic information is based upon the location of Company's subsidiaries (in thousands).

	United States	The Netherlands	United Kingdom and Other	Total Company
2008				
Revenues	$ 1,265,020	$ 406,230	$ 213,556	$ 1,884,806
Intangible assets, net	5,903	126,222	61,106	193,231
Goodwill	33,306	149,327	144,230	326,863
Other long-lived assets	183,011	7,794	9,239	200,044
2007				
Revenues	$ 1,036,830	$ 242,476	$ 130,103	$ 1,409,409
Intangible assets, net	6,091	88,566	88,091	182,748
Goodwill	29,427	91,806	165,926	287,159
Other long-lived assets	247,644	9,051	11,254	267,949
2006				
Revenues	$ 940,437	$ 118,113	$ 64,553	$ 1,123,103
Intangible assets, net	7,408	73,607	71,910	152,925
Goodwill	29,427	82,967	114,313	226,707
Other long-lived assets	214,935	2,747	5,245	222,927

21. SELECTED QUARTERLY FINANCIAL DATA (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2008				
Total revenues	$ 403,179	$ 513,976	$ 561,609	$ 406,041
Gross profit	181,103	253,725	316,078	205,065
Net income	18,154	54,096	87,968	33,255
Net income applicable to common stockholders	18,154	54,096	87,968	33,255
Net income applicable to common stockholders per basic common share	$ 0.47	$ 1.40	$ 2.22	$ 0.82
Net income applicable to common stockholders per diluted common share	$ 0.37	$ 1.08	$ 1.81	$ 0.73

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2007				
Total revenues	$ 301,389	$ 355,880	$ 417,287	$ 334,853
Gross profit	119,717	157,211	202,331	160,152
Net income (loss) (1)(2)	(14,716)	34,572	104,365	32,862
Preferred stock dividend	(1,555)	—	—	—
Net income (loss) applicable to common stockholders	(16,271)	34,572	104,365	32,862
Net income (loss) applicable to common stockholders per basic common share (1)(2)	$ (0.44)	$ 0.92	$ 2.76	$ 0.86
Net income (loss) applicable to common stockholders per diluted common share (1)(2)	$ (0.44)	$ 0.79	$ 2.27	$ 0.68

(1) The Company recorded charges of $54.9 million, $0.4 million and $0.1 million in the first, second and third quarters of 2007, respectively, related to a litigation settlement.

(2) The Company recorded an income tax benefit in the third quarter of 2007 of $47.9 million resulting from a reversal of a portion of the valuation allowance on its deferred tax asset.

INDEX TO EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

Exhibit Number	Description
2.1(m)	Share Sale and Purchase Agreement, dated July 14, 2005 by and between the Registrant, ACME Limited and Blue Sky Investments B.V.
2.2(o)	Articles of Association of priceline.com International Limited, as amended.
3.1(a)	Amended and Restated Certificate of Incorporation of the Registrant.
3.2(b)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant
3.3(a)	By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1, 3.2 and 3.3.
4.2(a)	Specimen Certificate for Registrant's Common Stock.
4.3(a)	Amended and Restated Registration Rights Agreement, dated as of December 8, 1998, among the Registrant and certain stockholders of the Registrant.
4.4(b)	Registration Rights Agreement, dated as of August 1, 2003, among the Registrant and the initial purchasers named therein.
4.5(b)	Indenture, dated as of August 1, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.6(b)	Supplemental Indenture, dated as of October 22, 2003, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.7(d)	Second Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.8(c)	Registration Rights Agreement, dated as of June 28, 2004, among priceline.com Incorporated and the initial purchasers named therein.
4.9(c)	Indenture, dated as of June 28, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee (including the form of note contained therein).
4.10(d)	First Supplemental Indenture, dated as of December 13, 2004, between the Registrant and American Stock Transfer & Trust Company, as Trustee.
4.11(b)	Certificate of Designation, Preferences and Rights of Series A Convertible Redeemable PIK Preferred Stock of the Registrant.
4.12(b)	Certificate of Designation, Preferences and Rights of Series B Redeemable Preferred Stock of the Registrant.

4.13(u)	Indenture, dated as of September 27, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.14(u)	Registration Rights Agreement, dated as of September 27, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
4.15(w)	Indenture relating to New 1.00% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
4.16(w)	Indenture relating to New 2.25% Notes, dated as of November 6, 2006, between priceline.com Incorporated and American Stock Transfer and Trust Company, as Trustee.
10.1(a)+	1997 Omnibus Plan of the Registrant.
10.2(e)+	1999 Omnibus Plan of the Registrant, as amended.
10.3(f)+	Priceline.com 2000 Employee Stock Option Plan.
10.4(e)+	Form of Stock Option Grant Agreement.
10.5(e)+	Form of Restricted Stock Agreement for restricted stock grants to Board of Directors.
10.6(g)+	Form of Base Restricted Stock Agreement (U.S.).
10.7(g)+	Form of Base Restricted Stock Agreement (U.K.).
10.8(g)+	Form of Restricted Stock Agreement with covenants (U.S.).
10.9(g)+	Restricted Stock Agreement, dated February 1, 2005, between Jeffery H. Boyd and the Registrant.
10.10(h)+	Stock Option and Restricted Stock Agreement, dated November 20, 2000, by and between the Registrant and Robert Mylod Jr.
10.11(g)+	Restricted Stock Agreement, dated February 1, 2005, between Robert J. Mylod Jr. and the Registrant.
10.12(i)+	Employment Agreement, dated February 8, 2006, by and between the Registrant and Peter J. Millones.
10.13(i)+	Form of priceline.com Incorporated 1999 Omnibus Plan Restricted Stock Agreement for Non-Employee Directors.
10.14(j)*	Formation and Funding Agreement, dated as of March 17, 2000, by and between the Registrant and Alliance Partners, L.P.
10.15(k)	Restructuring Agreement, dated as of October 3, 2003, between Hutchison-Priceline Limited, Trio Happiness Limited and PCLN Asia, Inc.
10.16(k)	Amended and Restated Securityholders' Agreement, dated as of October 3, 2003, among Hutchison-Priceline Limited, PCLN Asia, Inc. and Trio Happiness Limited.
10.17(k)	Master Agreement, dated as of November 20, 2003, between Credit Suisse First Boston International and the Registrant.
10.18(k)	Schedule to the Master Agreement, dated as of November 20, 2003 between Credit Suisse First Boston International and the Registrant.
10.19(k)	Letter Agreement, dated November 26, 2003, between Credit Suisse First Boston International and priceline.com Incorporated.
10.20(k)	Securities Purchase Agreement dated as of May 3, 2004, between Lowestfare.com Incorporated, Hilton Electronic Distribution Systems, LLC, HT-HDS, Inc., MI Distribution, LLC, Starwood Resventure LLC, Pegasus Business Intelligence, LP and Travelweb LLC.
10.21(l)	Sale and Purchase Agreement dated September 21, 2004 by and among Priceline.com Holdco U.K. Limited and the security holders of Active Hotels Limited listed therein.
10.22(n)+	Stock Option Grant Agreement with Ralph M. Bahna.
10.23(n)+	Indemnification Agreement, dated June 2, 2005, by and between the Registrant and Marshall Loeb.
10.24(p)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.25(p)+	Restricted Stock Grant Agreement, dated October 19, 2005, reflecting grant of restricted stock to Daniel J. Finnegan.
10.26(q)+	Form of Registrant's 1999 Omnibus Plan Award Agreement — Restricted Stock Units for Employees in the Netherlands.
10.27(r)+	Form of Performance Share Agreement under the priceline.com Incorporated 1999 Omnibus Plan.
10.28(s)	Underwriting Agreement, dated September 5, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.29(t)	Purchase Agreement, dated as of September 21, 2006, between priceline.com Incorporated and Goldman Sachs & Co., as representative of the Initial Purchasers.
10.30(t)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.31(t)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.32(t)	Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.33(t)	Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.34(v)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Goldman, Sachs & Co. and priceline.com Incorporated, dated as of September 21, 2006.
10.35(v)	Amendment dated October 11, 2006, to Confirmation of 5-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com

	Incorporated, dated as of September 21, 2006 and Confirmation of 7-Year Issuer Capped Share Call Option Transaction between Merrill Lynch, Pierce, Fenner & Smith Incorporated and priceline.com Incorporated, dated as of September 21, 2006.
10.36(x)	Underwriting Agreement, dated December 4, 2006, among priceline.com Incorporated, the selling stockholders listed on Schedule II thereto and Goldman, Sachs & Co.
10.37(y)+	Priceline.com Incorporated Annual Bonus Plan, dated as of February 20, 2007.
10.38(z)	Stipulation and Agreement of Settlement between P. Warren Ross, Thomas Linton, and John Anderson and the class and priceline.com Incorporated, dated as of May 3, 2007.
10.39(aa)	Credit Agreement dated as of September 26, 2007 among priceline.com Incorporated, RBC citizens, National Association, and Bank of Scotland plc as co-documentation Agents, bank of America, N.A. as syndication Agent and JPMorgan Chase Bank, National Association as Administrative Agent.
10.40(aa)	Pledge and Security Agreement dated as of September 26, 2007 by and among priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.41(aa)	Guaranty dated as of September 26, 2007 by each of the subsidiaries of priceline.com Incorporated and JPMorgan Chase Bank, National Association.
10.42(bb)*	Equity Purchase Agreement by and among priceline.com Mauritius Co. Ltd, priceline.com Incorporated and the shareholders of Agoda Company Ltd. and members of AGIP LLC dated November 6, 2007.
10.43(cc)+	Performance share unit agreement dated December 1, 2007.
10.44(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of the Company's consolidated operations.
10.45(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of the Company's domestic operations on an unconsolidated basis.
10.46(dd)*+	Form of 2007 Performance Share Unit Agreement for awards under the 1999 Omnibus Plan, as amended, based on the performance of Agoda Company Ltd., Agoda Company Pte. Ltd. and Agoda Services Co. Ltd.
10.47(ee)+	priceline.com Incorporated 1999 Omnibus Plan (As Amended and Restated Effective June 4, 2008).
10.48(ff)+	Form of Restricted Stock Unit Agreement for awards to non-U.S. participants under the 1999 Omnibus Plan, as amended.
10.49(gg)+	Separation Agreement, by and between Booking.com B.V. and Stef Norden.
10.50(gg)+	Amended and Restated Employment Agreement, dated August 22, 2008, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.51(gg)+	Performance share unit agreement, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.52+	Letter amendment, dated December 18, 2008, to Amended and Restated Employment Agreement, by and between priceline.com Incorporated and Jeffery H. Boyd.
10.53+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Robert J. Mylod.
10.54+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Peter J. Millones.
10.55+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between priceline.com Incorporated and Chris Soder.
10.56+	Letter amendment, dated December 16, 2008, to Letter agreement, dated October 19, 2005 by and between priceline.com and Daniel J. Finnegan.
10.57+	Amended and Restated Employment Contract, by and between Booking.com B.V. and Cornelis Petrus Henricus Maria Koolen.
12.1	Ratio of Earnings to Fixed Charges.
14(k)	Priceline.com Incorporated Code of Business Conduct and Ethics.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certificate of Jeffery H. Boyd, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Daniel J. Finnegan, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(hh)	Certification of Jeffery H. Boyd, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2(hh)	Certification of Daniel J. Finnegan, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

(a) Previously filed as an exhibit to the Form S-1 (Registration No. 333-69657) filed in connection with priceline.com's initial public offering.
(b) Previously filed as an exhibit to the Form S-3 (Registration Statement No. 333-190029) filed in connection with priceline.com's registration of 1.00% Convertible Senior Notes due 2010 and Shares of Common Stock Issuable Upon Conversion of the Notes.
(c) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2003.
(d) Previously filed as an exhibit to the Form 8-K filed on December 13, 2004.
(e) Previously filed as an exhibit to the Form S-8 (Registration No. 333-122414) filed on January 31, 2005.
(f) Previously filed as an exhibit to the Form S-8 (Registration No. 333-55578) filed on February 14, 2001.
(g) Previously filed as an exhibit to the Form 8-K filed on February 7, 2005.
(h) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2000.

(i) Previously filed as an exhibit to the Form 8-K filed on February 8, 2006.
(j) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2000.
(k) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2003.
(l) Previously filed as an exhibit to the Form 8-K filed on September 23, 2004.
(m) Previously filed as an exhibit to the Form 8-K filed on July 20, 2005.
(n) Previously filed as an exhibit to the Form 8-K filed on June 3, 2005.
(o) Previously filed as an exhibit to the Form 8-K filed on September 29, 2005.
(p) Previously filed as an exhibit to the Form 8-K filed on October 21, 2005.
(q) Previously filed as an exhibit to the Form 8-K filed on November 8, 2005.
(r) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended March 31, 2006.
(s) Previously filed as an exhibit to the Form 8-K filed on September 7, 2006.
(t) Previously filed as an exhibit to the Form 8-K filed on September 27, 2006.
(u) Previously filed as an exhibit to the Form 8-K filed on September 28, 2006.
(v) Previously filed as an exhibit to the Form 8-K filed on October 16, 2006.
(w) Previously filed as an exhibit to the Form 8-K filed on November 9, 2006.
(x) Previously filed as an exhibit to the Form 8-K filed on December 8, 2006.
(y) Previously filed as an exhibit to the form 8-K filed on February 23, 2007.
(z) Previously filed as an exhibit to the Form 8-K filed on May 4, 2007.
(aa) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007.
(bb) Previously filed as an exhibit to the Form 10-K for the year ended December 31, 2007
(cc) Previously filed as an exhibit to the Form 8-K filed on December 5, 2007.
(dd) Previously filed as an exhibit to the Form 8-K filed on March 11, 2008.
(ee) Previously filed as an exhibit to the Form 8-K filed on June 6, 2008.
(ff) Previously filed as an exhibit to the Form 10-Q for the quarterly period ended September 30, 2007.
(gg) Previously filed as an exhibit to the Form 8-K filed on August 6, 2008.
(hh) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

* Certain portions of this document have been omitted pursuant to a confidential treatment request filed with the Commission pursuant to Rule 24b-2. The omitted confidential material has been filed separately with the Commission.
+ Indicates a management contract or compensatory plan or arrangement.

Exhibit 10.52

December 18, 2008

Jeffery H. Boyd
c/o priceline.com Incorporated
800 Connecticut Avenue
Norwalk, CT 06854

Dear Jeff:

This letter serves to amend an incorrect cross-reference in Section 16 of the amended and restated employment agreement between you and priceline.com Incorporated (the "***Company***"), dated August 22, 2008 (the "***Employment Agreement***"). Capitalized terms that are used herein shall have the same meaning as those terms used in the Employment Agreement.

Effective as of the date hereof, the second sentence of the second paragraph of Section 16(a) shall be amended in its entirety to read as follows:

"The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments under Section 9(c)(i) or Section 9(c)(ii), as applicable, in the following order: first, the payments under clause (A), second, the payments under clause (E), and third, all other payments ratably."

Except as otherwise provided herein, the Employment Agreement shall continue in full force and effect in accordance with its terms.

Warm Regards,

/s/ Craig Rydin

Craig Rydin
Chairman
Compensation Committee

Acknowledged and Agreed:

/s/ Jeffery H. Boyd

Jeffery H. Boyd

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of December 18, 2008 (the "*Effective Date*"), by and between Priceline.com Incorporated, a Delaware corporation, with its principal office at 800 Connecticut Avenue, Norwalk, Connecticut 06854 (the "*Company*"), and Robert Mylod ("*Executive*").

W I T N E S S E T H:

WHEREAS, the Company and Executive entered into an employment agreement, dated November 20, 2000 (the "*Prior Employment Agreement*");

WHEREAS, the Company desires that Executive be employed as Vice Chairman and Head of Worldwide Strategy and Planning of the Company, and the Company and Executive desire to amend the Prior Employment Agreement to account for the effect of Section 409A of the Internal Revenue Code of 1986, as amended ("*Section 409A of the Code*") on the agreement; and

WHEREAS, the Company and Executive desire to replace and supersede the Prior Employment Agreement in its entirety and enter into this Amended and Restated Employment Agreement (the "*Agreement*") providing for the terms of Executive's employment by the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Except for earlier termination as provided in Section 8 hereof, Executive's employment under this Agreement shall continue on the same basis as set forth in the Prior Employment Agreement and, as a result, shall end on November 20, 2009 (the "*Initial Employment Term*"), provided that the Initial Employment Term shall be automatically extended for additional terms of successive one (1) year periods (each, an "*Additional Employment Term*") unless the Company or Executive gives written notice to the other at least ninety (90) days prior to the expiration of the Initial Employment Term or then-current Additional Employment Term that Executive's employment hereunder shall not be so extended. The Initial Employment Term and each Additional Employment Term shall be referred to herein as the "*Employment Term.*"

2. Positions. (a) Executive shall serve as the Vice Chairman and Head of Worldwide Strategy and Planning of the Company. Executive shall also serve, if requested by the Chief Executive Officer of the Company, as an executive officer and director of subsidiaries and a director of associated companies of the Company and shall comply with the policy of the Compensation Committee of the Company's Board of Directors (the "*Compensation Committee*") with regard to retention or forfeiture of director's fees.

(b) Executive shall report directly to the Chief Executive Officer of the Company and, shall have such duties and authority, consistent with his then position as shall be assigned to him from time to time by the Board of Directors of the Company (the "*Board*") or the Chief Executive Officer of the Company.

(c) During the Employment Term, Executive shall devote substantially all of his business time and efforts to the performance of his duties hereunder; *provided, however*, that Executive shall be allowed, to the extent that such activities do not materially interfere with the performance of his duties and responsibilities hereunder, to manage his personal financial and legal affairs and to serve on corporate, civic, charitable and industry boards or committees. Notwithstanding the foregoing, Executive

shall only serve on corporate boards of directors if approved in advance by the Chief Executive Officer of the Company.

3. Base Salary. Commencing on the Effective Date and continuing during the remainder of the Employment Term, the Company shall pay Executive a base salary at the annual rate of not less than $420,000. Base salary shall be payable in accordance with the usual payroll practices of the Company. Executive's Base Salary shall be subject to annual review by the Board or the Compensation Committee during the Employment Term and may be increased, but not decreased, from time to time by the Board or the Compensation Committee. The base salary as determined as aforesaid from time to time shall constitute "*Base Salary*" for purposes of this Agreement.

4. Incentive Compensation. (a) Bonus. Executive shall be eligible to participate in any annual bonus plan the Company may implement at any time during Executive's Employment Term for senior executives at a level commensurate with his position.

(b) Long Term Compensation. For each fiscal year or portion thereof during the Employment Term, Executive shall be eligible to participate in any long-term incentive compensation plan generally made available to senior executives of the Company at a level commensurate with his position in accordance with and subject to the terms of such plan.

(c) Other Compensation. The Company may, upon recommendation of the Compensation Committee, award to Executive such other bonuses and compensation as it deems appropriate and reasonable.

5. Employee Benefits and Vacation. (a) During the Employment Term, Executive shall be entitled to participate in all benefit plans and arrangements and fringe benefits and perquisite programs generally provided to comparable senior executives of the Company.

(b) During the Employment Term, Executive shall be entitled to vacation each year in accordance with the Company's policies in effect from time to time, but in no event less than four (4) weeks paid vacation per calendar year. Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees.

6. Business Expenses. The Company shall reimburse Executive for the travel, entertainment and other business expenses incurred by Executive in the performance of his duties hereunder, in accordance with the Company's policies as in effect from time to time; *provided*, *however*, that such expenses must be paid no later than the last day of the calendar year following the calendar year in which such expenses were incurred and *further provided* that in no event will the amount of expenses so reimbursed in one taxable year affect the amount of expenses eligible for reimbursement in any other taxable year.

7. Termination. (a) The employment of Executive under this Agreement shall terminate upon the earliest to occur of any of the following events:

(i) the death of Executive;

(ii) the termination of Executive's employment by the Company due to Executive's Disability pursuant to Section 7(b) hereof;

(iii) the termination of Executive's employment by Executive for Good Reason pursuant to Section 7(c) hereof;

(iv) the termination of Executive's employment by the Company without Cause;

(v) the termination of employment by Executive without Good Reason upon sixty (60) days prior written notice; or

(vi) the termination of Executive's employment by the Company for Cause pursuant to Section 7(e).

(b) Disability. If by reason of the same or related physical or mental illness or incapacity, Executive is unable to carry out his material duties pursuant to this Agreement for more than six (6) consecutive months, the Company may terminate Executive's employment for disability ("*Disability*"). Such termination shall be upon thirty (30) days written notice by a Notice of Disability Termination, at any time thereafter while Executive consecutively continues to be unable to carry out his duties as a result of the same or related physical or mental illness or incapacity. A Termination for Disability hereunder shall not be effective if Executive returns to the full time performance of his material duties within such thirty (30) day period.

(c) Termination for Good Reason. A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully corrected prior to the date of termination specified in the Notice of Termination for Good Reason (as defined in Section 7(d) hereof). For purposes of this Agreement, "*Good Reason*" shall mean the occurrence or failure to cause the occurrence, as the case may be, without Executive's express written consent, of any of the following circumstances: (i) any material diminution of Executive's positions, duties or responsibilities hereunder (except in each case in connection with the termination of Executive's employment for Cause or Disability or as a result of Executive's death, or temporarily as a result of Executive's illness or other absence), or, the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; (ii) removal of, or the non-reelection of, Executive from officer positions with the Company specified herein without election to a higher position or removal of Executive from any of his then officer positions; (iii) a relocation of the Company's executive office in Connecticut to a location more than thirty-five (35) miles from its current location or more than thirty-five (35) miles further from Executive's residence at the time of relocation; (iv) a failure by the Company (A) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "*Bonus Plans*"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("*Substitute Plans*"), or (B) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (v) any material breach by the Company of any provision of this Agreement, including, without limitation, Section 12 hereof; or (vi) failure of any successor to the Company (whether direct or indirect and whether by merger, acquisition, consolidation or otherwise) to assume in a writing delivered to Executive upon the assignee becoming such, the obligations of the Company hereunder.

(d) Notice of Termination for Good Reason. A Notice of Termination for Good Reason shall mean a notice that shall indicate the specific termination provision in Section 7(c) relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination not less than ten (10) nor more than sixty (60) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Sections 7(c)(i) or (ii), the date may be five (5) days after the giving of such notice.

(e) Cause. Subject to the notification provisions of Section 7(f) below, Executive's employment hereunder may be terminated by the Company for Cause. For purposes of this Agreement, the term "Cause" shall be limited to (i) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (ii) the willful refusal of Executive to attempt to follow the proper written direction of the Board or a more senior officer of the Company, provided that the foregoing refusal shall not be "Cause" if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board or the more senior officer (whichever is applicable); (iii) substantial and continuing willful refusal by Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Board or a more senior officer of the Company which specifically identifies the manner in which it is believed that Executive has substantially and continually refused to attempt to perform his duties hereunder; or (iv) Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company. A notice by the Company of a non-renewal of the Employment Term pursuant to Section 1 hereof shall be deemed an involuntary termination of Executive by the Company without Cause as of the end of the then Employment Term, but Executive may terminate at any time after the receipt of such notice and shall be treated as if he was terminated without Cause as of such date.

(f) Notice of Termination for Cause. A Notice of Termination for Cause shall mean a notice that shall indicate the specific termination provision in Section 7(e) relied upon and shall set forth in reasonable detail the facts and circumstances which provide for a basis for Termination for Cause. Further, a Notification for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a Termination for Cause shall be the date indicated in the Notice of Termination. Any purported Termination for Cause which is held by a court not to have been based on the grounds set forth in this Agreement or not to have followed the procedures set forth in this Agreement shall be deemed a Termination by the Company without Cause.

8. Consequences of Termination of Employment.

(a) Death. If, Executive's employment is terminated by reason of Executive's death, the employment period under this Agreement shall terminate without further obligations to Executive's legal representatives under this Agreement except for: (i) any compensation earned but not yet paid, including and without limitation, any bonus if declared or earned but not yet paid for a completed fiscal year, any amount of Base Salary earned but unpaid, any accrued vacation pay payable pursuant to the Company's policies, and any unreimbursed business expenses payable pursuant to Section 6 (collectively "*Accrued Amounts*"), which amounts shall be promptly paid in a lump sum to Executive's estate; (ii) any other amounts or benefits owing to Executive under the then applicable employee benefit plans, long term incentive plans or equity plans and programs of the Company which shall be paid or treated in accordance with the terms of such plans and programs; (iii) continuation of Executive's health benefits for Executive's dependents at the same level and cost as if Executive were an employee of the Company for twelve (12) months; and (iv) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's death, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(b) Disability. Subject to Section 8(e), if Executive's employment is terminated by reason of Executive's Disability, Executive shall be entitled to receive the payments and benefits to which his representatives would be entitled in the event of a termination of employment by reason of his death plus, to the extent not duplicative of the foregoing, Executive shall be entitled to the continuation of benefits (including, without limitation, health, life, disability and pension) for a period of twelve (12) months following such termination of employment as if Executive had been an employee of the Company.

(c) Termination by Executive for Good Reason or Termination by the Company without Cause. (i) Subject to Section 8(e), if Executive terminates his employment hereunder for Good Reason during the Employment Term or Executive's employment with the Company is terminated by the Company without Cause, Executive shall be entitled to receive (A) in equal installments paid in accordance with the Company's normal payroll practices commencing with the first pay period after such termination over a period of twelve (12) months after such termination an amount equal to two (2) times the sum of his Base Salary and target bonus, if any, for the year in which such termination occurs (provided, however, in the event that the Base Salary or target bonus, if any, has been decreased in the twelve (12) months prior to the termination, the amount to be used shall be the highest Base Salary and target bonus, if any, during such twelve (12) month period); (B) any Accrued Amounts at the date of termination; (C) any other amounts or benefits owing to Executive under the then applicable employee benefit, long term incentive or equity plans and programs of the Company, which shall be paid or treated in accordance with the terms of such plans and programs; (D) continuation of benefits (including, without limitation, health, life, disability and pension) as if Executive were an employee of the Company for twelve (12) months, provided that, if such termination is after a Change in Control, the period of benefit continuation shall be twenty-four (24) months, subject to the terms set forth in Section 8(c)(ii); and (E) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's termination, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(ii) With respect to the continuation of group health benefits to Executive in connection with Executive's termination of employment after a Change in Control pursuant to Section 8(c)(i)(D), Executive shall pay the full cost for such group health coverage on an after-tax basis for each month that Executive elects to retain such coverage by payment of the monthly cost of such coverage as determined for purposes of health care continuation under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*COBRA Premium*"). Within five (5) business days of the date of Executive's termination of employment, the Company shall make a payment to Executive equal to the number of full and partial months remaining in the calendar year in which Executive's employment is terminated, multiplied by the difference between the COBRA Premium for such year and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment. On each January 2 thereafter until the end of the twenty-four (24) month period, if Executive has maintained group health coverage through the last day of the preceding calendar year, the Company shall make a payment to Executive equal to the difference between the COBRA Premium and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment, multiplied by 12, or, if the period of coverage is for less than a year, by the number of full and partial months remaining in the year until the end of the twenty-four (24) month period. Notwithstanding the foregoing, the first 18 months following the date of Executive's termination of employment shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*Code*").

(d) Termination with Cause or Voluntary Resignation without Good Reason or Retirement. If, Executive's employment hereunder is terminated (i) by the Company for Cause or (ii) by Executive without Good Reason, Executive shall be entitled to receive only his Base Salary through the date of termination, and any unreimbursed business expenses payable pursuant to Section 6 and, if such termination is by Executive without Good Reason, any bonus that has been declared or earned but not yet paid for a completed fiscal year. Executive's rights under all benefits plans and equity grants shall be determined in accordance with the Company's plans, programs and grants.

(e) Separation from Service. Notwithstanding anything in this Agreement to the contrary, if Executive is a "specified employee" (within the meaning of Section 409A of the Code) and any payment made pursuant to this Section 8 is considered to be a "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon Executive's "separation from service" (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the first day of the seventh month after the date of Executive's "separation from service" with the Company (determined in accordance with Section 409A of the Code). In addition, if the event triggering Executive's right to benefits or payments hereunder is Executive's termination of employment, but such termination of employment does not constitute a "separation from service" with the Company within the meaning of Section 409A of the Code, then the benefits or payments hereunder payable by reason of such termination of employment that are considered to be a "deferral of compensation" under Section 409A of the Code shall not be paid upon such termination of employment, but instead, shall remain an obligation of the Company to Executive and shall be paid or provided to Executive upon the first to occur of the following events: (i) Executive's "separation from service" (within the meaning of Section 409A of the Code) (any amount payable upon such "separation from service" being subject to the first sentence of this Section 8(e)); (ii) Executive's disability (within the meaning of Section 409A of the Code); (iii) a "change of control" of the Company (within the meaning of Section 409A of the Code); or (iv) Executive's death.

9. No Mitigation; No Set-Off. In the event of any termination of employment hereunder, Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due Executive under this Agreement on account of any remuneration attributable to any subsequent employment that Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against Executive or others, except upon obtaining by the Company of a final unappealable judgment against Executive.

10. Change in Control. (a) For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of any one of the following events:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); *provided*, *however*, that the event described in this paragraph (i) shall not be deemed to be a Change in Control if such event results from the acquisition of Company Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii) below);

(ii) individuals who, on the Effective Date, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; *provided*, *further*, that no individual initially appointed, elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (A) the Company or (B) any of its wholly owned subsidiaries pursuant to which, in the case of this clause (B), Company Voting Securities are issued or issuable (any event described in the immediately preceding clause (A) or (B), a "Reorganization") or the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate of the Company (a "Sale"), unless immediately following such Reorganization or Sale: (1) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the Company (or, if the Company ceases to exist, the entity resulting from such Reorganization), or, in the case of a Sale, the entity which has acquired all or substantially all of the assets of the Company (in either case, the "Surviving Entity"), or (y) if applicable, the ultimate parent entity that directly or indirectly has Beneficial Ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity"), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), (2) no Person is or becomes the Beneficial Owner, directly or indirectly, of 35% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (1), (2) and (3) above being deemed to be a "Non-Qualifying Transaction"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if any Person becomes the Beneficial Owner, directly or indirectly, of 35% or more of the combined voting power of Company Voting Securities solely as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding, such increased amount shall be deemed not to result in a Change in Control; *provided*, *however*, that if such Person subsequently becomes the Beneficial Owner, directly or indirectly, of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities Beneficially Owned by such Person to a percentage equal to or greater than 35, a Change in Control of the Company shall then be deemed to occur.

(b) For purposes of this Section 10, the following terms shall have the following meanings:

(i) "*Affiliate*" shall mean an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended from time to time (the "*Exchange Act*");

(ii) "*Beneficial Owner*" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(iii) "*Person*" shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of Common Stock or (5) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive).

11. Confidential Information. (a) Executive acknowledges that as a result of his employment by the Company, Executive will obtain Confidential Information as to the Company and its Affiliates and the Company and its Affiliates will suffer substantial damage, which would be difficult to ascertain, if Executive should use such Confidential Information and that because of the nature of the information that will be known to Executive it is necessary for the Company and its Affiliates to be protected by the confidentiality restrictions set forth herein. For purposes of this Agreement, "*Confidential Information*" means information, observations and data concerning the business or affairs of the Company and its subsidiaries and Affiliates, including, without limitation, all business information (whether or not in written form) which relates to the Company, its subsidiaries or Affiliates, or their customers, suppliers or contractors or any other third parties in respect of which the Company or its subsidiaries or Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: technical information or reports; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; long-range plans; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation or other personnel-related information; contracts; and supplier lists. Confidential Information will not include (i) such information known to Executive prior to Executive's involvement with the Company or its subsidiaries or Affiliates or information obtained from a third party (other than pursuant to a breach by Executive of this Agreement) or (ii) contact information contained in Executive's personal rolodex or electronic address book.

(b) During and for a period of five (5) years after the Employment Term, Executive shall not use for his own benefit or disclose Confidential Information obtained by Executive during his employment by the Company and its Affiliates and not (i) otherwise public knowledge or known within the applicable industry or (ii) in connection with performance of his duties hereunder as he deems in good faith to be necessary or desirable. Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other governmental or legal body having jurisdiction over such matter, communicate or divulge any such Confidential Information to anyone other than the Company and those designated by it. In the event Executive is compelled by order of a court or other governmental or legal body to communicate or divulge any such Confidential Information to anyone other than the foregoing, he shall promptly notify the Company of any such order so it may seek a protective order.

(c) Upon termination of his employment with the Company and its affiliates, or at any time as the Company may request, Executive will promptly deliver to the Company, as requested, all documents (whether prepared by the Company, an affiliate, Executive or a third party) relating to the Company, an affiliate or any of their businesses or property which he may possess or have under his direction or control other than documents provided to Executive in his capacity as a participant in any employee benefit plan, policy or program of the Company or any agreement by and between Executive and the Company with regard to Executive's employment or severance.

(d) In the event of a breach or potential breach of this Section 11, Executive acknowledges that the Company and its affiliates will or could be caused irreparable injury and that money damages may not be an adequate remedy and agree that the Company and its Affiliates shall be entitled to injunctive relief (in addition to its other remedies at law) to have the provisions of this Section 11 enforced. It is hereby acknowledged that the provisions of this Section 11 are for the benefit of the Company and all of the affiliates of the Company and each such entity may enforce the provisions of this Section 11 and only the applicable entity can waive the rights hereunder with respect to its Confidential Information and employees.

12. Indemnification. The Company shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction of Executive while serving as an officer and director of the Company or, at the Company's request, as an officer or director of any other entity or as a fiduciary of any benefit plan. The Company shall cover Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term in the same amount and to the same extent as the Company covers its other officers and directors.

13. Legal Fees.

(a) The Company shall pay Executive's reasonable legal fees and costs associated with entering into this Agreement. All payments by the Company of the legal fees of Executive under this Section 13(a) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(b) All disputes and controversies arising under or in connection with this Agreement, other than the seeking of injunctive or other equitable relief pursuant to Section 11 hereof, shall be settled by arbitration conducted before a panel of three (3) arbitrators sitting in New York City, New York, or such other location agreed by the parties hereto, in accordance with the rules for expedited resolution of commercial disputes of the American Arbitration Association then in effect. The determination of the majority of the arbitrators shall be final and binding on the parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. The Company shall promptly pay all expenses of such arbitration, including the fees and expenses of the counsel of Executive. If the arbitrators determine that Executive's position was overall frivolous or otherwise taken in bad faith, the arbitrators may determine that Executive be required to reimburse the Company for his own legal fees. All reimbursements or payments by the Company of the legal fees of Executive under this Section 13(b) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(c) In the event after a Change in Control either party files for arbitration to resolve any dispute as to whether a termination is for Cause or Good Reason, until such dispute is determined by the arbitrators, Executive shall continue to be treated economically and benefit wise in the manner asserted by him in the arbitration effective as of the date of the filing of the arbitration, subject to Executive promptly refunding any amounts paid to him, paying the cost of any benefits provided to him and paying to the Company the profits in any stock option or other equity awards exercised or otherwise realized by him during the pendency of the arbitration which he is ultimately held not to be entitled to; provided the arbitrators may terminate such payments and benefits in the event that they determine at any point that Executive is intentionally delaying conclusion of the arbitration.

14. Non-Solicitation/Non-Disparagement. Commencing on the date of Executive's cessation of employment with the Company and continuing for twelve (12) months thereafter, (a) Executive shall not (whether for Executive's own account or on behalf of any person, corporation, partnership, or other business entity, and whether directly or indirectly) solicit or endeavor to entice away from the Company or any subsidiary or affiliate, any employee or group of employees thereof provided, however, that the general advertisement for employees or the general solicitation of employees by a recruiter shall not be deemed a violation of this Section 14 neither Executive nor the Company shall publicly or with the intent to become public make any statements, written or oral, which disparage or defame the goodwill or reputation of, in Executive's case, the Company formally or, its directors or senior officers or, in the Company's case, Executive.

15. Certain Additional Payments by the Company.

(a) Subject to Section 8(e), anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its Affiliates) or any entity which effectuates a Change in Control (or any of its Affiliates) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 15) (the "*Payments*") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "*Excise Tax*"), then the Company shall pay to Executive an additional payment (a "*Gross-Up Payment*") in an amount such that after payment by Executive of all taxes (including any Excise Tax) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the sum of (x) the Excise Tax imposed upon the Payments and (y) the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in Executive's adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to (i) pay federal income taxes at the highest actual marginal rates of federal income taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, and (ii) pay applicable state and local income taxes at the highest actual marginal rate of taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Notwithstanding the foregoing provisions of this Section 15(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that the Payments would not be subject to the Excise Tax if the Payments were reduced by an amount that is less than 5% of the portion of the Payments that would be treated as "parachute payments" under Section 280G of the Code, then the amounts payable to Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the "*Safe Harbor Cap*"), and no Gross-Up Payment shall be made to Executive. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments under Section 8(c)(i) in the following order: first, the payments under clause (A), second, the payments under clause (E), and third, all other payments ratably. For purposes of reducing the Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) Subject to the provisions of Section 15(a), all determinations required to be made under this Section 15, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment, the reduction of the Payments to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "*Accounting Firm*") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "*Determination*"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive may appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish Executive with a written opinion to such effect. The Determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("*Underpayment*") or Gross-Up Payments are made by the Company which should not have been made ("*Overpayment*"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by Executive (to the extent he has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company; provided, however, that such repayment obligation shall not apply to the extent it would be treated as a prohibited personal loan from the Company to Executive for purposes of the Sarbanes-Oxley Act of 2002. Executive shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax. Notwithstanding any other provision of this Section 15 to the contrary, all taxes and expenses described in this Section 15 shall be paid or reimbursed within fifteen (15) days after the determination thereof pursuant to the terms of this Section 15 or after Executive submits evidence of the incurrence of such taxes and/or expenses. Executive shall be required to submit all requests for reimbursements no later than ninety (90) days prior to the last day of the calendar year following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation with respect to which there is no remittance of taxes, the last day of the calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation in accordance with Treasury Regulation Section 1.409A-3(i)(v). Any expenses, including interest and penalties assessed on the taxes described in this Section 15, incurred by Executive shall be reimbursed promptly after Executive submits evidence of the incurrence of such expenses, which reimbursement in no event will be later than the last day of the calendar year following the calendar year in which Executive incurs the expense.

16. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(b) Entire Agreement/Amendments. This Agreement and the instruments contemplated herein, contain the entire understanding of the parties with respect to the employment of Executive by the Company from and after the Effective Date and supersedes any prior agreements between the Company and Executive, including the Prior Employment Agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein and therein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

(c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any such waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

(d) Assignment. This Agreement shall not be assignable by Executive. This Agreement shall be assignable by the Company only to an acquirer of all or substantially all of the assets of the Company, provided such acquirer promptly assumes all of the obligations hereunder of the Company in a writing delivered to Executive and otherwise complies with the provisions hereof with regard to such assumption.

(e) Successors; Binding Agreement; Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees legatees and permitted assignees of the parties hereto.

(f) Communications. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) when faxed or delivered, or (ii) two (2) business days after being mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the initial page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company, or to such other address as any party may have furnished to the other in writing in accordance herewith. Notice of change of address shall be effective only upon receipt.

(g) Withholding Taxes. The Company may withhold from any and all amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(h) Survivorship. The respective rights and obligations of the parties hereunder, including without limitation Section 11 hereof, shall survive any termination of Executive's employment to the extent necessary to the agreed preservation of such rights and obligations.

(i) Counterparts. This Agreement may be signed in counterparts (including via facsimile), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(j) Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

(k) Section 409A of the Code. Each payment or reimbursement and the provision of each benefit under this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code. Furthermore, in the event that any payment made hereunder is subject to payment during a specified time frame (*e.g.*, within 90 days of a termination of employment) as opposed to payment on a specific payment date (*e.g.*, January 1, 2010), the Company, in its sole discretion, shall determine the exact date upon which such payment will be made during the specified payment period. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code so that the income inclusion provisions of Section 409A(a)(1) do not apply to Executive. This Agreement shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations, or any other formal guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

priceline.com Incorporated

By: /s/ Jeffery H. Boyd
Jeffery H. Boyd
Chief Executive Officer
priceline.com Incorporated

/s/ Robert Mylod
Robert Mylod

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BY AND BETWEEN

PRICELINE.COM INCORPORATED

AND

ROBERT MYLOD

DECEMBER 18, 2008

Exhibit 10.54

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of December 18, 2008 (the "*Effective Date*"), by and between Priceline.com Incorporated, a Delaware corporation, with its principal office at 800 Connecticut Avenue, Norwalk, Connecticut 06854 (the "*Company*"), and Peter J. Millones ("*Executive*").

W I T N E S S E T H:

WHEREAS, the Company and Executive entered into an employment agreement, dated February 8, 2006 (the "*Prior Employment Agreement*");

WHEREAS, the Company desires that Executive continue to be employed as Executive Vice President, General Counsel and Corporate Secretary of the Company, and the Company and Executive desire to amend the Prior Employment Agreement to account for the effect of Section 409A of the Internal Revenue Code of 1986, as amended ("*Section 409A of the Code*") on the agreement; and

WHEREAS, the Company and Executive desire to replace and supersede the Prior Employment Agreement in its entirety and enter into this Amended and Restated Employment Agreement (the "*Agreement*") providing for the terms of Executive's employment by the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Except for earlier termination as provided in Section 7 hereof, Executive's employment under this Agreement shall continue on the same basis as set forth in the Prior Employment Agreement and, as a result, shall end on February 8, 2009 (the "*Initial Employment Term*"), provided that the Initial Employment Term shall be automatically extended for additional terms of successive one (1) year periods (each, an "*Additional Employment Term*") unless the Company or Executive gives written notice to the other at least ninety (90) days prior to the expiration of the Initial Employment Term or then-current Additional Employment Term that Executive's employment shall not be so extended. The Initial Employment Term and each Additional Employment Term shall be referred to herein as the "*Employment Term.*"

2. Positions. (a) Executive shall serve as Executive Vice President, General Counsel and Corporate Secretary of the Company's Board of Directors. Executive shall also serve, if requested by the Chief Executive Officer of the Company, as an executive officer and director of subsidiaries and a director of Affiliates of the Company and shall comply with the policy of the Compensation Committee of the Company's Board of Directors (the "*Compensation Committee*") with regard to retention or forfeiture of director's fees.

(b) Executive shall report directly to the Chief Executive Officer of the Company and shall have such duties and authority, consistent with his then position, as shall be assigned to him from time to time by the Board of Directors of the Company (the "*Board*") or the Chief Executive Officer of the Company.

(c) During the Employment Term, Executive shall devote substantially all of his business time and efforts to the performance of his duties hereunder; *provided, however*, that Executive shall be allowed, to the extent that such activities do not materially interfere with the performance of his duties and responsibilities hereunder, to manage his personal financial and legal affairs and to serve on corporate, civic, charitable and industry boards or committees. Notwithstanding the foregoing, Executive

shall only serve on corporate boards of directors if approved in advance by the Chief Executive Officer of the Company.

3. Base Salary. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of not less than $330,000. Base salary shall be payable in accordance with the usual payroll practices of the Company. Executive's base salary shall be subject to annual review by the Board or the Compensation Committee during the Employment Term and may be increased, but not decreased, from time to time by the Board or the Compensation Committee. The base salary as determined as aforesaid from time to time shall constitute "*Base Salary*" for purposes of this Agreement.

4. Incentive Compensation. (a) Bonus. Executive shall be eligible to participate in any annual bonus plan the Company may implement at any time during Executive's Employment Term for senior executives at a level commensurate with his position.

(b) Long Term Compensation. For each fiscal year or portion thereof during the Employment Term, Executive shall be eligible to participate in any long-term incentive compensation plan generally made available to senior executives of the Company at a level commensurate with his position in accordance with and subject to the terms of such plan.

(c) Other Compensation. The Company may, upon recommendation of the Compensation Committee, award to Executive such other bonuses and compensation as it deems appropriate and reasonable.

5. Employee Benefits and Vacation. (a) During the Employment Term, Executive shall be entitled to participate in all benefit plans and arrangements and fringe benefits and perquisite programs generally provided to comparable senior executives of the Company.

(b) During the Employment Term, Executive shall be entitled to vacation each year in accordance with the Company's policies in effect from time to time, but in no event less than four (4) weeks paid vacation per calendar year. Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees.

6. Business Expenses. The Company shall reimburse Executive for the travel, entertainment and other business expenses incurred by Executive in the performance of his duties hereunder, in accordance with the Company's policies as in effect from time to time; *provided*, *however*, that such expenses must be paid no later than the last day of the calendar year following the calendar year in which such expenses were incurred and *further provided* that in no event will the amount of expenses so reimbursed in one taxable year affect the amount of expenses eligible for reimbursement in any other taxable year. .

7. Termination. (a) The employment of Executive under this Agreement shall terminate upon the earliest to occur of any of the following events:

(i) the death of Executive;

(ii) the termination of Executive's employment by the Company due to Executive's Disability pursuant to Section 7(b) hereof;

(iii) the termination of Executive's employment by Executive for Good Reason pursuant to Section 7(c) hereof;

(iv) the termination of Executive's employment by the Company without Cause;

(v) the termination of employment by Executive without Good Reason upon sixty (60) days prior written notice; or

(vi) the termination of Executive's employment by the Company for Cause pursuant to Section 7(e).

(b) Disability. If by reason of the same or related physical or mental illness or incapacity, Executive is unable to carry out his material duties pursuant to this Agreement for more than six (6) consecutive months, the Company may terminate Executive's employment for disability ("*Disability*"). Such termination shall be upon thirty (30) days written notice by a Notice of Disability Termination, at any time thereafter while Executive consecutively continues to be unable to carry out his duties as a result of the same or related physical or mental illness or incapacity. A Termination for Disability hereunder shall not be effective if Executive returns to the full time performance of his material duties within such thirty (30) day period.

(c) Termination for Good Reason. A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully corrected prior to the date of termination specified in the Notice of Termination for Good Reason (as defined in Section 7(d) hereof). For purposes of this Agreement, "*Good Reason*" shall mean the occurrence or failure to cause the occurrence, as the case may be, without Executive's express written consent, of any of the following circumstances: (i) any material diminution of Executive's positions, duties or responsibilities hereunder (except in each case in connection with the termination of Executive's employment for Cause or Disability or as a result of Executive's death, or temporarily as a result of Executive's illness or other absence), or, the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; (ii) removal of, or the non-reelection of, Executive from officer positions with the Company specified herein without election to a higher position or removal of Executive from any of his then officer positions; (iii) a relocation of the Company's executive office in Connecticut to a location more than thirty-five (35) miles from its current location or more than thirty-five (35) miles further from Executive's residence at the time of relocation; (iv) a failure by the Company (A) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "*Bonus Plans*"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("*Substitute Plans*"), or (B) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (v) any material breach by the Company of any provision of this Agreement, including, without limitation, Section 12 hereof; or (vi) failure of any successor to the Company (whether direct or indirect and whether by merger, acquisition, consolidation or otherwise) to assume in a writing delivered to Executive upon the assignee becoming such, the obligations of the Company hereunder.

(d) Notice of Termination for Good Reason. A Notice of Termination for Good Reason shall mean a notice that shall indicate the specific termination provision in Section 7(c) relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination not less than ten (10) nor more than sixty (60) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Sections 7(c)(i) or (ii), the date may be five (5) days after the giving of such notice.

(e) Cause. Subject to the notification provisions of Section 7(f) below, Executive's employment hereunder may be terminated by the Company for Cause. For purposes of this Agreement, the term "Cause" shall be limited to (i) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (ii) the willful refusal of Executive to attempt to follow the proper written direction of the Board or a more senior officer of the Company, provided that the foregoing refusal shall not be "Cause" if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board or the more senior officer (whichever is applicable); (iii) substantial and continuing willful refusal by Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Board or a more senior officer of the Company which specifically identifies the manner in which it is believed that Executive has substantially and continually refused to attempt to perform his duties hereunder; or (iv) Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company. A notice by the Company of a non-renewal of the Employment Term pursuant to Section 1 hereof shall be deemed an involuntary termination of Executive by the Company without Cause as of the end of the then Employment Term, but Executive may terminate at any time after the receipt of such notice and shall be treated as if he was terminated without Cause as of such date.

(f) Notice of Termination for Cause. A Notice of Termination for Cause shall mean a notice that shall indicate the specific termination provision in Section 7(e) relied upon and shall set forth in reasonable detail the facts and circumstances which provide for a basis for Termination for Cause. Further, a Notice of Termination for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a Termination for Cause shall be the date indicated in the Notice of Termination. Any purported Termination for Cause which is held by a court not to have been based on the grounds set forth in this Agreement or not to have followed the procedures set forth in this Agreement shall be deemed a Termination by the Company without Cause.

8. Consequences of Termination of Employment.

(a) Death. If Executive's employment is terminated by reason of Executive's death, the employment period under this Agreement shall terminate without further obligations to Executive's legal representatives under this Agreement except for: (i) any compensation earned but not yet paid, including and without limitation, any bonus if declared or earned but not yet paid for a completed fiscal year, any amount of Base Salary earned but unpaid, any accrued vacation pay payable pursuant to the Company's policies, and any unreimbursed business expenses payable pursuant to Section 6 (collectively "*Accrued Amounts*"), which amounts shall be promptly paid in a lump sum to Executive's estate; (ii) any other amounts or benefits owing to Executive under the then applicable employee benefit plans, long term incentive plans or equity plans and programs of the Company which shall be paid or treated in accordance with the terms of such plans and programs; (iii) continuation, for twelve (12) months following the date of death, of Executive's health benefits for Executive's dependents at the same level and cost as if Executive were an employee of the Company; and (iv) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's death, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(b) Disability. Subject to Section 8(f), if Executive's employment is terminated by reason of Executive's Disability, Executive shall be entitled to receive the payments and benefits to which his representatives would be entitled in the event of a termination of employment by reason of his death plus Executive shall be entitled to continuation, for twelve (12) months following such termination of employment, of group life and disability insurance benefits as if Executive were an active employee of the Company.

(c) Termination by Executive for Good Reason or Termination by the Company without Cause. (i) Subject to Section 8(f), if Executive terminates his employment hereunder for Good Reason during the Employment Term or Executive's employment with the Company is terminated by the Company without Cause, then Executive shall be entitled to receive, (A) in equal installments paid in accordance with the Company's normal payroll practices commencing with the first pay period after such termination over a period of twelve (12) months after such termination (except as provided below), an amount equal to two (2) times the sum of his Base Salary and target bonus, if any, for the year in which such termination occurs (provided, however, in the event that the Base Salary or target bonus, if any, has been decreased in the twelve (12) months prior to the termination, the amount to be used shall be the highest Base Salary and target bonus, if any, during such twelve (12) month period); (B) any Accrued Amounts at the date of termination; (C) any other amounts or benefits owing to Executive under the then applicable employee benefit, long term incentive or equity plans and programs of the Company, which shall be paid or treated in accordance with the terms of such plans and programs; (D) continuation of benefits (including, without limitation, health, life and disability) for a period of twelve (12) months as if Executive were an employee of the Company, provided that, if such termination is after a Change in Control, the period of benefit continuation shall be twenty-four (24) months, subject to the terms set forth in Section 8(c)(ii); and (E) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's termination, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(ii) With respect to the continuation of group health benefits to Executive in connection with Executive's termination of employment after a Change in Control pursuant to Section 8(c)(i)(D), Executive shall pay the full cost for such group health coverage on an after-tax basis for each month that Executive elects to retain such coverage by payment of the monthly cost of such coverage as determined for purposes of health care continuation under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*COBRA Premium*"). Within five (5) business days of the date of Executive's termination of employment, the Company shall make a payment to Executive equal to the number of full and partial months remaining in the calendar year in which Executive's employment is terminated, multiplied by the difference between the COBRA Premium for such year and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment. On each January 2 thereafter until the end of the twenty-four (24) month period, if Executive has maintained group health coverage through the last day of the preceding calendar year, the Company shall make a payment to Executive equal to the difference between the COBRA Premium and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment, multiplied by 12, or, if the period of coverage is for less than a year, by the number of full and partial months remaining in the year until the end of the twenty-four (24) month period. Notwithstanding the foregoing, the first 18 months following the date of Executive's termination of employment shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*Code*").

(d) Termination with Cause or Voluntary Resignation without Good Reason. If, Executive's employment hereunder is terminated (i) by the Company for Cause or (ii) by Executive without Good Reason, Executive shall be entitled to receive only his Base Salary through the date of termination, and any unreimbursed business expenses payable pursuant to Section 6 and, if such termination is by Executive without Good Reason, any bonus that has been declared or earned but not yet paid for a completed fiscal year. Executive's rights under all benefits plans and equity grants shall be determined in accordance with the Company's plans, programs and grants.

(e) Determination of Earned Bonus. For purposes of this Agreement, a bonus in respect of services performed in a fiscal year shall not be considered to be earned until after the Committee and/or the Board, as applicable, has reviewed the Company's performance and Executive's performance in respect of such year and has determined the amount of the bonus, if any, to be payable to Executive in respect of such year's performance; provided, however, that if Executive is still employed by the Company as of December 31 of any year, Executive shall be considered to have earned the bonus in respect of services performed in such year (to the extent that the Committee and/or the Board determine that such bonus would otherwise have been payable to Executive had Executive remained employed through the relevant payment date for such bonus) unless Executive's employment is subsequently terminated by the Company for Cause or by Executive without Good Reason.

(f) Separation from Service. Notwithstanding anything in this Agreement to the contrary, if Executive is a "specified employee" (within the meaning of Section 409A of the Code) and any payment made pursuant to this Section 8 is considered to be a "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon Executive's "separation from service" (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the first day of the seventh month after the date of Executive's "separation from service" with the Company (determined in accordance with Section 409A of the Code). In addition, if the event triggering Executive's right to benefits or payments hereunder is Executive's termination of employment, but such termination of employment does not constitute a "separation from service" with the Company within the meaning of Section 409A of the Code, then the benefits or payments hereunder payable by reason of such termination of employment that are considered to be a "deferral of compensation" under Section 409A of the Code shall not be paid upon such termination of employment, but instead, shall remain an obligation of the Company to Executive and shall be paid or provided to Executive upon the first to occur of the following events: (i) Executive's "separation from service" (within the meaning of Section 409A of the Code) (any amount payable upon such "separation from service" being subject to the first sentence of this Section 8(f)); (ii) Executive's disability (within the meaning of Section 409A of the Code); (iii) a "change of control" of the Company (within the meaning of Section 409A of the Code); or (iv) Executive's death.

9. No Mitigation; No Set-Off. In the event of any termination of employment hereunder, Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due Executive under this Agreement on account of any remuneration attributable to any subsequent employment that Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against Executive or others, except upon the Company's obtaining a final unappealable judgment against Executive.

10. Change in Control. (a) For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of any one of the following events:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this paragraph (i) shall not be deemed to be a Change in Control if such event results from the acquisition of Company Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii) below);

(ii) individuals who, on the Effective Date, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; *provided*, *further*, that no individual initially appointed, elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (A) the Company or (B) any of its wholly owned subsidiaries pursuant to which, in the case of this clause (B), Company Voting Securities are issued or issuable (any event described in the immediately preceding clause (A) or (B), a "*Reorganization*") or the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate of the Company (a "*Sale*"), unless immediately following such Reorganization or Sale: (1) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the Company (or, if the Company ceases to exist, the entity resulting from such Reorganization), or, in the case of a Sale, the entity which has acquired all or substantially all of the assets of the Company (in either case, the "*Surviving Entity*"), or (y) if applicable, the ultimate parent entity that directly or indirectly has Beneficial Ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "*Parent Entity*"), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), (2) no Person is or becomes the Beneficial Owner, directly or indirectly, of 35% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (1), (2) and (3) above being deemed to be a "*Non-Qualifying Transaction*"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if any Person becomes the Beneficial Owner, directly or indirectly, of 35% or more of the combined voting power of Company Voting Securities solely as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding, such increased amount shall be deemed not to result in a Change in Control; provided, however, that if such Person subsequently becomes the Beneficial Owner, directly or indirectly, of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities Beneficially Owned by such Person to a percentage equal to or greater than 35, a Change in Control of the Company shall then be deemed to occur.

(b) For purposes of this Agreement, the following terms shall have the following meanings:

(i) "*Affiliate*" shall mean an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended from time to time (the "*Exchange Act*");

(ii) "*Beneficial Owner*" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(iii) "*Person*" shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of common stock of the Company or (5) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive).

11. Confidential Information. (a) Executive acknowledges that as a result of his employment by the Company, Executive will obtain Confidential Information as to the Company and its Affiliates and the Company and its Affiliates will suffer substantial damage, which would be difficult to ascertain, if Executive should use such Confidential Information and that because of the nature of the information that will be known to Executive it is necessary for the Company and its Affiliates to be protected by the confidentiality restrictions set forth herein. For purposes of this Agreement, "*Confidential Information*" means information, observations and data concerning the business or affairs of the Company and its subsidiaries and Affiliates, including, without limitation, all business information (whether or not in written form) which relates to the Company, its subsidiaries or Affiliates, or their customers, suppliers or contractors or any other third parties in respect of which the Company or its subsidiaries or Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: technical information or reports; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; long-range plans; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation or other personnel-related information; contracts; and supplier lists. Confidential Information will not include (i) such information known to Executive prior to Executive's involvement with the Company or its subsidiaries or Affiliates or information obtained from a third party (other than pursuant to a breach by Executive of this Agreement) or (ii) contact information contained in Executive's personal rolodex or electronic address book.

(b) During and for a period of five (5) years after the Employment Term, Executive shall not use for his own benefit or disclose Confidential Information obtained by Executive during his employment by the Company and its Affiliates and not (i) otherwise public knowledge or known within the applicable industry or (ii) in connection with performance of his duties hereunder as he deems in good faith to be necessary or desirable. Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other governmental or legal body having jurisdiction over such matter, communicate or divulge any such Confidential Information to anyone other than the Company and those designated by it. In the event Executive is compelled by order of a court or other governmental or legal body to communicate or divulge any such Confidential Information to anyone other than the foregoing, he shall promptly notify the Company of any such order so it may seek a protective order.

(c) Upon termination of his employment with the Company and its affiliates, or at any time as the Company may request, Executive will promptly deliver to the Company, as requested, all documents (whether prepared by the Company, an affiliate, Executive or a third party) relating to the Company, an affiliate or any of their businesses or property which he may possess or have under his direction or control other than documents provided to Executive in his capacity as a participant in any employee benefit plan, policy or program of the Company or any agreement by and between Executive and the Company with regard to Executive's employment or severance.

(d) In the event of a breach or potential breach of this Section 11, Executive acknowledges that the Company and its affiliates will or could be caused irreparable injury and that money damages may not be an adequate remedy and agree that the Company and its Affiliates shall be entitled to injunctive relief (in addition to its other remedies at law) to have the provisions of this Section 11 enforced. It is hereby acknowledged that the provisions of this Section 11 are for the benefit of the Company and all of the affiliates of the Company and each such entity may enforce the provisions of this Section 11 and only the applicable entity can waive the rights hereunder with respect to its Confidential Information and employees.

12. Indemnification. The Company shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction of Executive while serving as an officer and director of the Company or, at the Company's request, as an officer or director of any other entity or as a fiduciary of any benefit plan. The Company shall cover Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term in the same amount and to the same extent as the Company covers its other officers and directors.

13. Legal Fees.

(a) The Company shall pay Executive's reasonable legal fees and costs associated with entering into this Agreement. All payments by the Company of the legal fees of Executive under this Section 13(a) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(b) All disputes and controversies arising under or in connection with this Agreement, other than the seeking of injunctive or other equitable relief pursuant to Section 11 hereof, shall be settled by arbitration conducted before a panel of three (3) arbitrators sitting in New York City, New York, or such other location agreed by the parties hereto, in accordance with the rules for expedited resolution of commercial disputes of the American Arbitration Association then in effect. The determination of the majority of the arbitrators shall be final and binding on the parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. The Company shall promptly pay all expenses of such arbitration, including the fees and expenses of the counsel of Executive. If the arbitrators determine that Executive's position was overall frivolous or otherwise taken in bad faith, the arbitrators may determine that Executive be required to reimburse the Company for his own legal fees. All reimbursements or payments by the Company of the legal fees of Executive under this Section 13(b) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(c) In the event after a Change in Control either party files for arbitration to resolve any dispute as to whether a termination is for Cause or Good Reason, until such dispute is determined by the arbitrators, Executive shall continue to be treated economically and benefit wise in the manner asserted by him in the arbitration effective as of the date of the filing of the arbitration, subject to Executive promptly refunding any amounts paid to him, paying the cost of any benefits provided to him and paying to the Company the profits in any stock option or other equity awards exercised or otherwise realized by him during the pendency of the arbitration which he is ultimately held not to be entitled to; provided the arbitrators may terminate such payments and benefits in the event that they determine at any point that Executive is intentionally delaying conclusion of the arbitration.

14. Reserved.

15. Certain Additional Payments by the Company.

(a) Subject to Section 8(f), anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its Affiliates) or any entity which effectuates a Change in Control (or any of its Affiliates) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 15) (the "*Payments*") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "*Excise Tax*"), then the Company shall pay to Executive an additional payment (a "*Gross-Up Payment*") in an amount such that after payment by Executive of all taxes (including any Excise Tax) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the sum of (x) the Excise Tax imposed upon the Payments and (y) the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in Executive's adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to (i) pay federal income taxes at the highest actual marginal rates of federal income taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, and (ii) pay applicable state and local income taxes at the highest actual marginal rate of taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Notwithstanding the foregoing provisions of this Section 15(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that the Payments would not be subject to the Excise Tax if the Payments were reduced by an amount that is less than 5% of the portion of the Payments that would be treated as "parachute payments" under Section 280G of the Code, then the amounts payable to Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the "*Safe Harbor Cap*"), and no Gross-Up Payment shall be made to Executive. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments under Section 8(c)(i) in the following order: first, the payments under clause (A), second, the payments under clause (E), and third, all other payments ratably. For purposes of reducing the Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) Subject to the provisions of Section 15(a), all determinations required to be made under this Section 15, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment, the reduction of the Payments to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "*Accounting Firm*") which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "*Determination*"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive may appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish Executive with a written opinion to such effect. The Determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("*Underpayment*") or Gross-Up Payments are made by the Company which should not have been made ("*Overpayment*"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by Executive (to the extent he has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company; <u>provided</u>, <u>however</u>, that such repayment obligation shall not apply to the extent it would be treated as a prohibited personal loan from the Company to Executive for purposes of the Sarbanes-Oxley Act of 2002. Executive shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise

Tax. Notwithstanding any other provision of this Section 15 to the contrary, all taxes and expenses described in this Section 15 shall be paid or reimbursed within fifteen (15) days after the determination thereof pursuant to the terms of this Section 15 or after Executive submits evidence of the incurrence of such taxes and/or expenses. Executive shall be required to submit all requests for reimbursements no later than ninety (90) days prior to the last day of the calendar year following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation with respect to which there is no remittance of taxes, the last day of the calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation in accordance with Treasury Regulation Section 1.409A-3(i)(v). Any expenses, including interest and penalties assessed on the taxes described in this Section 15, incurred by Executive shall be reimbursed promptly after Executive submits evidence of the incurrence of such expenses, which reimbursement in no event will be later than the last day of the calendar year following the calendar year in which Executive incurs the expense.

16. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(b) Entire Agreement/Amendments. This Agreement and the instruments contemplated herein, contain the entire understanding of the parties with respect to the employment of Executive by the Company from and after the Effective Date and supersedes any prior agreements between the Company and Executive (including, but not limited to, the Prior Employment Agreement). There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein and therein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

(c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any such waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

(d) Assignment. This Agreement shall not be assignable by Executive. This Agreement shall be assignable by the Company only to an acquirer of all or substantially all of the assets of the Company, provided such acquirer promptly assumes all of the obligations hereunder of the Company in a writing delivered to Executive and otherwise complies with the provisions hereof with regard to such assumption.

(e) Successors; Binding Agreement; Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees legatees and permitted assignees of the parties hereto.

(f) Communications. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) when faxed or delivered, or (ii) two (2) business days after being mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the initial page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company, or to such other address as any party may have furnished to the other in writing in accordance herewith. Notice of change of address shall be effective only upon receipt.

(g) Withholding Taxes. The Company may withhold from any and all amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(h) Survivorship. The respective rights and obligations of the parties hereunder, including, without limitation, Section 11 hereof, shall survive any termination of Executive's employment to the extent necessary to the agreed preservation of such rights and obligations.

(i) Counterparts. This Agreement may be signed in counterparts (including via facsimile), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(j) Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

(k) Section 409A of the Code. Each payment or reimbursement and the provision of each benefit under this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code. Furthermore, in the event that any payment made hereunder is subject to payment during a specified time frame (*e.g.*, within 90 days of a termination of employment) as opposed to payment on a specific payment date (*e.g.*, January 1, 2010), the Company, in its sole discretion, shall determine the exact date upon which such payment will be made during the specified payment period. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code so that the income inclusion provisions of Section 409A(a)(1) do not apply to Executive. This Agreement shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations, or any other formal guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

priceline.com Incorporated

By: /s/ Jeffery H. Boyd
Jeffery H. Boyd
Chief Executive Officer
priceline.com Incorporated

/s/ Peter J. Millones
Peter J. Millones

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BY AND BETWEEN

PRICELINE.COM INCORPORATED

AND

PETER J. MILLONES

DECEMBER 18, 2008

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT, dated as of December 18, 2008 (the "*Effective Date*"), by and between Priceline.com Incorporated, a Delaware corporation, with its principal office at 800 Connecticut Avenue, Norwalk, Connecticut 06854 (the "*Company*"), and Chris Soder ("*Executive*").

W I T N E S S E T H:

WHEREAS, the Company and Executive entered into an employment agreement, dated February 7, 2005 (the "*Prior Employment Agreement*");

WHEREAS, the Company desires that Executive be employed as President, North American Travel of the Company, and the Company and Executive desire to amend the Prior Employment Agreement to account for the effect of Section 409A of the Internal Revenue Code of 1986, as amended ("*Section 409A of the Code*") on the agreement; and

WHEREAS, the Company and Executive desire to replace and supersede the Prior Employment Agreement in its entirety and enter into this Amended and Restated Employment Agreement (the "*Agreement*") providing for the terms of Executive's employment by the Company.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Except for earlier termination as provided in Section 8 hereof, Executive's employment under this Agreement shall be on the same basis as set forth in the Prior Employment Agreement and, as a result, shall end on February 7, 2009 (the "*Initial Employment Term*"), provided that the Initial Employment Term shall be automatically extended for additional terms of successive one (1) year periods (each, an "*Additional Employment Term*") unless the Company or Executive gives written notice to the other at least ninety (90) days prior to the expiration of the Initial Employment Term or then-current Additional Employment Term that Executive's employment shall not be so extended. The Initial Employment Term and each Additional Employment Term shall be referred to herein as the "*Employment Term*."

2. Positions. (a) Executive shall serve as President, North American Travel of the Company. Executive shall also serve, if requested by the Chief Executive Officer of the Company, as an executive officer and director of subsidiaries and a director of Affiliates of the Company and shall comply with the policy of the Compensation Committee of the Company's Board of Directors (the "*Compensation Committee*") with regard to retention or forfeiture of director's fees.

(b) Executive shall report directly to the Chief Executive Officer of the Company and shall have such duties and authority, consistent with his then position, as shall be assigned to him from time to time by the Board of Directors of the Company (the "*Board*") or the Chief Executive Officer of the Company.

(c) During the Employment Term, Executive shall devote substantially all of his business time and efforts to the performance of his duties hereunder; *provided, however*, that Executive shall be allowed, to the extent that such activities do not materially interfere with the performance of his duties and responsibilities hereunder, to manage his personal financial and legal affairs and to serve on corporate, civic, charitable and industry boards or committees. Notwithstanding the foregoing, Executive

shall only serve on corporate boards of directors if approved in advance by the Chief Executive Officer of the Company.

3. Base Salary. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of not less than $330,000. Base salary shall be payable in accordance with the usual payroll practices of the Company. Executive's base salary shall be subject to annual review by the Board or the Compensation Committee during the Employment Term and may be increased, but not decreased, from time to time by the Board or the Compensation Committee. The base salary as determined as aforesaid from time to time shall constitute "*Base Salary*" for purposes of this Agreement.

4. Incentive Compensation. (a) Bonus. Executive shall be eligible to participate in any annual bonus plan the Company may implement at any time during Executive's Employment Term for senior executives at a level commensurate with his position.

(b) Long Term Compensation. For each fiscal year or portion thereof during the Employment Term, Executive shall be eligible to participate in any long-term incentive compensation plan generally made available to senior executives of the Company at a level commensurate with his position in accordance with and subject to the terms of such plan.

(c) Other Compensation. The Company may, upon recommendation of the Compensation Committee, award to Executive such other bonuses and compensation as it deems appropriate and reasonable.

5. Employee Benefits and Vacation. (a) During the Employment Term, Executive shall be entitled to participate in all benefit plans and arrangements and fringe benefits and perquisite programs generally provided to comparable senior executives of the Company.

(b) During the Employment Term, Executive shall be entitled to vacation each year in accordance with the Company's policies in effect from time to time, but in no event less than four (4) weeks paid vacation per calendar year. Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees.

6. Business Expenses. The Company shall reimburse Executive for the travel, entertainment and other business expenses incurred by Executive in the performance of his duties hereunder, in accordance with the Company's policies as in effect from time to time; *provided*, *however*, that such expenses must be paid no later than the last day of the calendar year following the calendar year in which such expenses were incurred and *further provided* that in no event will the amount of expenses so reimbursed in one taxable year affect the amount of expenses eligible for reimbursement in any other taxable year.

.7. Termination. (a) The employment of Executive under this Agreement shall terminate upon the earliest to occur of any of the following events:

(i) the death of Executive;

(ii) the termination of Executive's employment by the Company due to Executive's Disability pursuant to Section 7(b) hereof;

(iii) the termination of Executive's employment by Executive for Good Reason pursuant to Section 7(c) hereof;

(iv) the termination of Executive's employment by the Company without Cause;

(v) the termination of employment by Executive without Good Reason upon sixty (60) days prior written notice; or

(vi) the termination of Executive's employment by the Company for Cause pursuant to Section 7(e).

(b) Disability. If by reason of the same or related physical or mental illness or incapacity, Executive is unable to carry out his material duties pursuant to this Agreement for more than six (6) consecutive months, the Company may terminate Executive's employment for disability ("*Disability*"). Such termination shall be upon thirty (30) days written notice by a Notice of Disability Termination, at any time thereafter while Executive consecutively continues to be unable to carry out his duties as a result of the same or related physical or mental illness or incapacity. A Termination for Disability hereunder shall not be effective if Executive returns to the full-time performance of his material duties within such thirty (30) day period.

(c) Termination for Good Reason. A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully corrected prior to the date of termination specified in the Notice of Termination for Good Reason (as defined in Section 7(d) hereof). For purposes of this Agreement, "*Good Reason*" shall mean the occurrence or failure to cause the occurrence, as the case may be, without Executive's express written consent, of any of the following circumstances: (i) any material diminution of Executive's positions, duties or responsibilities hereunder (except in each case in connection with the termination of Executive's employment for Cause or Disability or as a result of Executive's death, or temporarily as a result of Executive's illness or other absence) or, the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; (ii) removal of, or the non-reelection of, Executive from officer positions with the Company specified herein without election to a higher position or removal of Executive from any of his then officer positions; (iii) a relocation of the Company's executive office in Connecticut to a location more than thirty-five (35) miles from its current location or more than thirty-five (35) miles further from Executive's residence at the time of relocation; (iv) a failure by the Company (A) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "*Bonus Plans*"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("*Substitute Plans*"), or (B) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (v) any material breach by the Company of any provision of this Agreement, including, without limitation, Section 12 hereof; or (vi) failure of any successor to the Company (whether direct or indirect and whether by merger, acquisition, consolidation or otherwise) to assume in a writing delivered to Executive upon the assignee becoming such, the obligations of the Company hereunder.

(d) Notice of Termination for Good Reason. A Notice of Termination for Good Reason shall mean a notice that shall indicate the specific termination provision in Section 7(c) relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination not less than ten (10) nor more than sixty (60) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Sections 7(c)(i) or (ii), the date may be five (5) days after the giving of such notice.

(e) Cause. Subject to the notification provisions of Section 7(f) below, Executive's employment hereunder may be terminated by the Company for Cause. For purposes of this Agreement, the term "Cause" shall be limited to (i) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (ii) the willful refusal of Executive to attempt to follow the proper written direction of the Board or a more senior officer of the Company, provided that the foregoing refusal shall not be 'Cause' if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board or the more senior officer (whichever is applicable); (iii) substantial and continuing willful refusal by Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Board or a more senior officer of the Company which specifically identifies the manner in which it is believed that Executive has substantially and continually refused to attempt to perform his duties hereunder; or (iv) Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered 'willful' unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company. A notice by the Company of a non-renewal of the Employment Term pursuant to Section 1 hereof shall be deemed an involuntary termination of Executive by the Company without Cause as of the end of the then Employment Term, but Executive may terminate at any time after the receipt of such notice and shall be treated as if he was terminated without Cause as of such date.

(f) Notice of Termination for Cause. A Notice of Termination for Cause shall mean a notice that shall indicate the specific termination provision in Section 7(e) relied upon and shall set forth in reasonable detail the facts and circumstances which provide for a basis for Termination for Cause. Further, a Notice of Termination for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a Termination for Cause shall be the date indicated in the Notice of Termination. Any purported Termination for Cause which is held by a court not to have been based on the grounds set forth in this Agreement or not to have followed the procedures set forth in this Agreement shall be deemed a Termination by the Company without Cause.

8. Consequences of Termination of Employment.

(a) Death. If, Executive's employment is terminated by reason of Executive's death, the employment period under this Agreement shall terminate without further obligations to Executive's legal representatives under this Agreement except for: (i) any compensation earned but not yet paid, including and without limitation, any bonus if declared or earned but not yet paid for a completed fiscal year, any amount of Base Salary earned but unpaid, any accrued vacation pay payable pursuant to the Company's policies, and any unreimbursed business expenses payable pursuant to Section 6 (collectively "*Accrued Amounts*"), which amounts shall be promptly paid in a lump sum to Executive's estate; (ii) any other amounts or benefits owing to Executive under the then applicable employee benefit plans, long term incentive plans or equity plans and programs of the Company which shall be paid or treated in accordance with the terms of such plans and programs; (iii) continuation, for twelve (12) months following the date of death, of Executive's health benefits for Executive's dependents at the same level and cost as if Executive were an employee of the Company; and (iv) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's death, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(b) Disability. Subject to Section 8(f), if Executive's employment is terminated by reason of Executive's Disability, Executive shall be entitled to receive the payments and benefits to which his representatives would be entitled in the event of a termination of employment by reason of his death plus Executive shall be entitled to continuation, for twelve (12) months following such termination of employment, of group life and disability insurance benefits as if Executive were an active employee of the Company.

(c) Termination by Executive for Good Reason or Termination by the Company without Cause. (i) Subject to Section 8(f), if Executive terminates his employment hereunder for Good Reason during the Employment Term or Executive's employment with the Company is terminated by the Company without Cause, then Executive shall be entitled to receive, (A) in equal installments paid in accordance with the Company's normal payroll practices commencing with the first pay period after such termination over a period of twelve (12) months after such termination (except as provided below), an amount equal to two (2) times the sum of his Base Salary and target bonus, if any, for the year in which such termination occurs (provided, however, in the event that the Base Salary or target bonus, if any, has been decreased in the twelve (12) months prior to the termination, the amount to be used shall be the highest Base Salary and target bonus, if any, during such twelve (12) month period); (B) any Accrued Amounts at the date of termination; (C) any other amounts or benefits owing to Executive under the then applicable employee benefit, long term incentive or equity plans and programs of the Company, which shall be paid or treated in accordance with the terms of such plans and programs; (D) continuation of benefits (including without limitation, health, life and disability) for a period of twelve (12) months as if Executive were an employee of the Company, provided that, if such termination is after a Change in Control, the period of benefit continuation shall be twenty-four (24) months, subject to the terms set forth in Section 8(c)(ii); and (E) if a bonus plan is in place, the product of (x) the target annual bonus for the fiscal year of Executive's termination, multiplied by (y) a fraction, the numerator of which is the number of days of the current fiscal year during which Executive was employed by the Company, and the denominator of which is 365, which bonus shall be paid in a lump sum when bonuses for such period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which such bonus is earned.

(ii) With respect to the continuation of group health benefits to Executive in connection with Executive's termination of employment after a Change in Control pursuant to Section 8(c)(i)(D), Executive shall pay the full cost for such group health coverage on an after-tax basis for each month that Executive elects to retain such coverage by payment of the monthly cost of such coverage as determined for purposes of health care continuation under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*COBRA Premium*"). Within five (5) business days of the date of Executive's termination of employment, the Company shall make a payment to Executive equal to the number of full and partial months remaining in the calendar year in which Executive's employment is terminated, multiplied by the difference between the COBRA Premium for such year and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment. On each January 2 thereafter until the end of the twenty-four (24) month period, if Executive has maintained group health coverage through the last day of the preceding calendar year, the Company shall make a payment to Executive equal to the difference between the COBRA Premium and the monthly amount that Executive was required to pay for group health coverage immediately prior to his termination of employment, multiplied by 12, or, if the period of coverage is for less than a year, by the number of full and partial months remaining in the year until the end of the twenty-four (24) month period. Notwithstanding the foregoing, the first 18 months following the date of Executive's termination of employment shall be considered to be the period during which Executive shall be eligible for continuation coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "*Code*").

(d) Termination with Cause or Voluntary Resignation without Good Reason. If, Executive's employment hereunder is terminated (i) by the Company for Cause or (ii) by Executive without Good Reason, Executive shall be entitled to receive only his Base Salary through the date of termination, and any unreimbursed business expenses payable pursuant to Section 6 and, if such termination is by Executive without Good Reason, any bonus that has been declared or earned but not yet paid for a completed fiscal year. Executive's rights under all benefits plans and equity grants shall be determined in accordance with the Company's plans, programs and grants.

(e) Determination of Earned Bonus. For purposes of this Agreement, a bonus in respect of services performed in a fiscal year shall not be considered to be earned until after the Committee and/or the Board, as applicable, has reviewed the Company's performance and Executive's performance in respect of such year and has determined the amount of the bonus, if any, to be payable to Executive in respect of such year's performance; provided, however, that if Executive is still employed by the Company as of December 31 of any year, Executive shall be considered to have earned the bonus in respect of services performed in such year (to the extent that the Committee and/or the Board determine that such bonus would otherwise have been payable to Executive had Executive remained employed through the relevant payment date for such bonus) unless Executive's employment is subsequently terminated by the Company for Cause or by Executive without Good Reason.

(f) Separation from Service. Notwithstanding anything in this Agreement to the contrary, if Executive is a "specified employee" (within the meaning of Section 409A of the Code) and any payment made pursuant to this Section 8 is considered to be a "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon Executive's "separation from service" (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the first day of the seventh month after the date of Executive's "separation from service" with the Company (determined in accordance with Section 409A of the Code). In addition, if the event triggering Executive's right to benefits or payments hereunder is Executive's termination of employment, but such termination of employment does not constitute a "separation from service" with the Company within the meaning of Section 409A of the Code, then the benefits or payments hereunder payable by reason of such termination of employment that are considered to be a "deferral of compensation" under Section 409A of the Code shall not be paid upon such termination of employment, but instead, shall remain an obligation of the Company to Executive and shall be paid or provided to Executive upon the first to occur of the following events: (i) Executive's "separation from service" (within the meaning of Section 409A of the Code) (any amount payable upon such "separation from service" being subject to the first sentence of this Section 8(f)); (ii) Executive's disability (within the meaning of Section 409A of the Code); (iii) a "change of control" of the Company (within the meaning of Section 409A of the Code); or (iv) Executive's death.

9. No Mitigation; No Set-Off. In the event of any termination of employment hereunder, Executive shall be under no obligation to seek other employment and there shall be no offset against any amounts due Executive under this Agreement on account of any remuneration attributable to any subsequent employment that Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against Executive or others, except upon the Company's obtaining a final unappealable judgment against Executive.

10. Change in Control. (a) For purposes of this Agreement, the term 'Change in Control' shall mean the occurrence of any one of the following events:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this paragraph (i) shall not be deemed to be a Change in Control if such event results from the acquisition of Company Voting Securities pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii) below);

(ii) individuals who, on the Effective Date, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any person becoming a director subsequent to the Effective Date, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such approval, Incumbent Directors, shall be an Incumbent Director; *provided*, *further*, that no individual initially appointed, elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (A) the Company or (B) any of its wholly owned subsidiaries pursuant to which, in the case of this clause (B), Company Voting Securities are issued or issuable (any event described in the immediately preceding clause (A) or (B), a "*Reorganization*") or the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate of the Company (a "*Sale*"), unless immediately following such Reorganization or Sale: (1) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the Company (or, if the Company ceases to exist, the entity resulting from such Reorganization), or, in the case of a Sale, the entity which has acquired all or substantially all of the assets of the Company (in either case, the "*Surviving Entity*"), or (y) if applicable, the ultimate parent entity that directly or indirectly has Beneficial Ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "*Parent Entity*"), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), (2) no Person is or becomes the Beneficial Owner, directly or indirectly, of 35% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (3) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (1), (2) and (3) above being deemed to be a "*Non-Qualifying Transaction*"); or

(iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if any Person becomes the Beneficial Owner, directly or indirectly, of 35% or more of the combined voting power of Company Voting Securities solely as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding, such increased amount shall be deemed not to result in a Change in Control; provided, however, that if such Person subsequently becomes the Beneficial Owner, directly or indirectly, of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities Beneficially Owned by such Person to a percentage equal to or greater than 35, a Change in Control of the Company shall then be deemed to occur.

(b) For purposes of this Agreement, the following terms shall have the following meanings:

(i) "*Affiliate*" shall mean an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended from time to time (the "*Exchange Act*");

(ii) "*Beneficial Owner*" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(iii) "*Person*" shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of common stock of the Company or (5) Executive or any group of persons including Executive (or any entity controlled by Executive or any group of persons including Executive).

11. Confidential Information. (a) Executive acknowledges that as a result of his employment by the Company, Executive will obtain Confidential Information as to the Company and its Affiliates and the Company and its Affiliates will suffer substantial damage, which would be difficult to ascertain, if Executive should use such Confidential Information and that because of the nature of the information that will be known to Executive it is necessary for the Company and its Affiliates to be protected by the confidentiality restrictions set forth herein. For purposes of this Agreement, "*Confidential Information*" means information, observations and data concerning the business or affairs of the Company and its subsidiaries and Affiliates, including, without limitation, all business information (whether or not in written form) which relates to the Company, its subsidiaries or Affiliates, or their customers, suppliers or contractors or any other third parties in respect of which the Company or its subsidiaries or Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: technical information or reports; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; long-range plans; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation or other personnel-related information; contracts; and supplier lists. Confidential Information will not include (i) such information known to Executive prior to Executive's involvement with the Company or its subsidiaries or Affiliates or information obtained from a third party (other than pursuant to a breach by Executive of this Agreement) or (ii) contact information contained in Executive's personal rolodex or electronic address book.

(b) During and for a period of five (5) years after the Employment Term, Executive shall not use for his own benefit or disclose Confidential Information obtained by Executive during his employment by the Company and its Affiliates and not (i) otherwise public knowledge or known within the applicable industry or (ii) in connection with performance of his duties hereunder as he deems in good faith to be necessary or desirable. Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other governmental or legal body having jurisdiction over such matter, communicate or divulge any such Confidential Information to anyone other than the Company and those designated by it. In the event Executive is compelled by order of a court or other governmental or legal body to communicate or divulge any such Confidential Information to anyone other than the foregoing, he shall promptly notify the Company of any such order so it may seek a protective order.

(c) Upon termination of his employment with the Company and its affiliates, or at any time as the Company may request, Executive will promptly deliver to the Company, as requested, all documents (whether prepared by the Company, an affiliate, Executive or a third party) relating to the Company, an affiliate or any of their businesses or property which he may possess or have under his direction or control other than documents provided to Executive in his capacity as a participant in any employee benefit plan, policy or program of the Company or any agreement by and between Executive and the Company with regard to Executive's employment or severance.

(d) In the event of a breach or potential breach of this Section 11, Executive acknowledges that the Company and its affiliates will or could be caused irreparable injury and that money damages may not be an adequate remedy and agree that the Company and its Affiliates shall be entitled to injunctive relief (in addition to its other remedies at law) to have the provisions of this Section 11 enforced. It is hereby acknowledged that the provisions of this Section 11 are for the benefit of the Company and all of the affiliates of the Company and each such entity may enforce the provisions of this Section 11 and only the applicable entity can waive the rights hereunder with respect to its Confidential Information and employees.

12. Indemnification. The Company shall indemnify and hold harmless Executive to the fullest extent permitted by law for any action or inaction of Executive while serving as an officer and director of the Company or, at the Company's request, as an officer or director of any other entity or as a fiduciary of any benefit plan. The Company shall cover Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term in the same amount and to the same extent as the Company covers its other officers and directors.

13. Legal Fees.

(a) The Company shall pay Executive's reasonable legal fees and costs associated with entering into this Agreement. All payments by the Company of the legal fees of Executive under this Section 13(a) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(b) All disputes and controversies arising under or in connection with this Agreement, other than the seeking of injunctive or other equitable relief pursuant to Section 11 hereof, shall be settled by arbitration conducted before a panel of three (3) arbitrators sitting in New York City, New York, or such other location agreed by the parties hereto, in accordance with the rules for expedited resolution of commercial disputes of the American Arbitration Association then in effect. The determination of the majority of the arbitrators shall be final and binding on the parties. Judgment may be entered on the award of the arbitrator in any court having proper jurisdiction. The Company shall promptly pay all expenses of such arbitration, including the fees and expenses of the counsel of Executive. If the arbitrators determine that Executive's position was overall frivolous or otherwise taken in bad faith, the arbitrators may determine that Executive be required to reimburse the Company for his own legal fees. All reimbursements or payments by the Company of the legal fees of Executive under this Section 13(b) shall be for expenses incurred during Executive's lifetime and shall be made within ninety (90) days following the date Executive submits evidence of the incurrence of such expenses, and in all events prior to the last day of the calendar year following the calendar year in which Executive incurs the expense. In no event will the amount of expenses reimbursed or paid in one year affect the amount of expenses eligible for reimbursement, or payment to, or for Executive in any other taxable year.

(c) In the event after a Change in Control either party files for arbitration to resolve any dispute as to whether a termination is for Cause or Good Reason, until such dispute is determined by the arbitrators, Executive shall continue to be treated economically and benefit wise in the manner asserted by him in the arbitration effective as of the date of the filing of the arbitration, subject to Executive promptly refunding any amounts paid to him, paying the cost of any benefits provided to him and paying to the Company the profits in any stock option or other equity awards exercised or otherwise realized by him during the pendency of the arbitration which he is ultimately held not to be entitled to; provided the arbitrators may terminate such payments and benefits in the event that they determine at any point that Executive is intentionally delaying conclusion of the arbitration.

14. Reserved.

15. Certain Additional Payments by the Company.

(a) Subject to Section 8(f), anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its Affiliates) or any entity which effectuates a Change in Control (or any of its Affiliates) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 15) (the "*Payments*") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "*Excise Tax*"), then the Company shall pay to Executive an additional payment (a "*Gross-Up Payment*") in an amount such that after payment by Executive of all taxes (including any Excise Tax) imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the sum of (x) the Excise Tax imposed upon the Payments and (y) the product of any deductions disallowed because of the inclusion of the Gross-Up Payment in Executive's adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made. For purposes of determining the amount of the Gross-Up Payment, Executive shall be deemed to (i) pay federal income taxes at the highest actual marginal rates of federal income taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, and (ii) pay applicable state and local income taxes at the highest actual marginal rate of taxation applicable to Executive for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Notwithstanding the foregoing provisions of this Section 15(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that the Payments would not be subject to the Excise Tax if the Payments were reduced by an amount that is less than 5% of the portion of the Payments that would be treated as 'parachute payments' under Section 280G of the Code, then the amounts payable to Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the "*Safe Harbor Cap*"), and no Gross-Up Payment shall be made to Executive. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments under Section 8(c)(i) in the following order: first, the payments under clause (A), second, the payments under clause (E), and third, all other payments ratably. For purposes of reducing the Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) Subject to the provisions of Section 15(a), all determinations required to be made under this Section 15, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment, the reduction of the Payments to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the '*Accounting Firm*') which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the '*Determination*'). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive may appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish Executive with a written opinion to such effect. The Determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("*Underpayment*") or Gross-Up Payments are made by the Company which should not have been made ("*Overpayment*"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make payment of any Excise Tax or additional Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of Executive. In the event the amount of the Gross-Up Payment exceeds the amount necessary to reimburse Executive for his Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by Executive (to the extent he has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company; provided, however, that such repayment obligation shall not apply to the extent it would be treated as a prohibited personal loan from the Company to Executive for purposes of the Sarbanes-Oxley Act of 2002. Executive shall cooperate, to the extent his expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax. Notwithstanding any other provision of this Section 15 to the contrary, all taxes and expenses described in this Section 15 shall be paid or reimbursed within fifteen (15) days after the determination thereof pursuant to the terms of this Section 15 or after Executive submits evidence of the incurrence of such taxes and/or expenses. Executive shall be required to submit all requests for reimbursements no later than ninety (90) days prior to the last day of the calendar year following the calendar year in which the applicable taxes are remitted or, in the case of reimbursement of expenses incurred due to a tax audit or litigation with respect to which there is no remittance of taxes, the last day of the calendar year following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation in accordance with Treasury Regulation Section 1.409A-3(i)(v). Any expenses, including interest and penalties assessed on the taxes described in this Section 15, incurred by Executive shall be reimbursed promptly after Executive submits evidence of the incurrence of such expenses, which reimbursement in no event will be later than the last day of the calendar year following the calendar year in which Executive incurs the expense.

16. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(b) Entire Agreement/Amendments. This Agreement and the instruments contemplated herein, contain the entire understanding of the parties with respect to the employment of Executive by the Company from and after the Effective Date and supersedes any prior agreements between the Company and Executive, including the Prior Employment Agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein and therein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

(c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any such waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

(d) Assignment. This Agreement shall not be assignable by Executive. This Agreement shall be assignable by the Company only to an acquirer of all or substantially all of the assets of the Company, provided such acquirer promptly assumes all of the obligations hereunder of the Company in a writing delivered to Executive and otherwise complies with the provisions hereof with regard to such assumption.

(e) Successors; Binding Agreement; Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees legatees and permitted assignees of the parties hereto.

(f) Communications. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (i) when faxed or delivered, or (ii) two (2) business days after being mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the initial page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company, or to such other address as any party may have furnished to the other in writing in accordance herewith. Notice of change of address shall be effective only upon receipt.

(g) Withholding Taxes. The Company may withhold from any and all amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(h) Survivorship. The respective rights and obligations of the parties hereunder, including, without limitation, Section 11 hereof, shall survive any termination of Executive's employment to the extent necessary to the agreed preservation of such rights and obligations.

(i) Counterparts. This Agreement may be signed in counterparts (including via facsimile), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(j) Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

(k) Section 409A of the Code. Each payment or reimbursement and the provision of each benefit under this Agreement shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code. Furthermore, in the event that any payment made hereunder is subject to payment during a specified time frame (*e.g.*, within 90 days of a termination of employment) as opposed to payment on a specific payment date (*e.g.*, January 1, 2010), the Company, in its sole discretion, shall determine the exact date upon which such payment will be made during the specified payment period. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Code so that the income inclusion provisions of Section 409A(a)(1) do not apply to Executive. This Agreement shall be administered in a manner consistent with this intent. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any regulations, or any other formal guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

priceline.com Incorporated

By: /s/ Jeffery H. Boyd
Jeffery H. Boyd
Chief Executive Officer
priceline.com Incorporated

/s/ Chris Soder
Chris Soder

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BY AND BETWEEN

PRICELINE.COM INCORPORATED

AND

CHRIS SODER

DECEMBER 18, 2008

Exhibit 10.56

priceline.com®

December 16, 2008

Daniel Finnegan
c/o priceline.com Incorporated
800 Connecticut Avenue
Norwalk, CT 06854

Dear Dan:

This letter serves to amend the letter agreement between you and priceline.com Incorporated (the "***Company***"), dated October 19, 2005 (the "***Severance Agreement***"), to account for the effect of Section 409A of the Internal Revenue Code of 1986, as amended ("***Section 409A of the Code***") on the Severance Agreement. Capitalized terms that are used herein shall have the same meaning as those terms used in the Severance Agreement.

First, in the event you terminate your employment with the Company for Good Reason or your employment is terminated by the Company without Cause, the Severance Agreement shall be modified to provide that any severance amount payable to you under clause (A) in the second paragraph of the Severance Agreement shall be paid in equal installments over a period of twelve (12) months after the termination of your employment in accordance with the Company's regular payroll practices.

Second, in the event you terminate your employment with the Company for Good Reason or your employment is terminated by the Company without Cause, the Severance Agreement shall be modified to provide that any bonus amounts payable to you under clause (E) in the second paragraph of the Severance Agreement shall be paid in a lump sum when bonuses for the applicable period are paid to the Company's other executives, but, in any event, in the fiscal year following the fiscal year in which the applicable bonus is earned.

Third, notwithstanding anything in the Severance Agreement to the contrary, if you are a "specified employee" (within the meaning of Section 409A of the Code) and any payment made pursuant to the Severance Agreement is considered to be a "deferral of compensation" (as such phrase is defined for purposes of Section 409A of the Code) that is payable upon your "separation from service" (within the meaning of Section 409A of the Code), then the payment date for such payment shall be the date that is the first day of the seventh month after the date of your "separation from service" with the Company (determined in accordance with Section 409A of the Code). In addition, if the event triggering your right to benefits or payments under the Severance Agreement is your termination of employment, but such termination of employment does not constitute a "separation from service" with the Company within the meaning of Section 409A of the Code, then the benefits or payments under your Severance Agreement payable by reason of such termination of employment that are considered to be a "deferral of compensation" under Section 409A of the Code shall not be paid upon such termination of employment, but instead, shall remain an obligation of the Company to you and shall be paid or provided to you upon the first to occur of the following events: (i) your "separation from service" (within the meaning of Section 409A of the Code) (any amount payable upon such "separation from service" being subject to the first sentence of this of this paragraph); (ii) your disability (within the meaning of Section 409A of the Code); (iii) a "change of control" of the Company (within the meaning of Section 409A of the Code); or (iv) your death.

Fourth, the Severance Agreement is amended to provide that each payment and the provision of each benefit under the Severance Agreement shall be considered a separate payment and not one of a series of payments for purposes of Section 409A of the Code.

To the extent applicable, it is intended that this letter and the Severance Agreement comply with the provisions of Section 409A of the Code so that the income inclusion provisions of Section 409A(a)(1) do not apply to you. This letter and the Severance Agreement shall be administered in a manner consistent with this intent. References to Section 409A of the Code also include any regulations, or any other formal guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

This letter shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws. Furthermore, the Company may, without your consent, assign its rights and obligations under this letter and the Severance Agreement, and the terms of this letter and the Severance Agreement shall be fully enforceable by any such assignee.

Except as otherwise provided herein, the Severance Agreement shall continue in full force and effect in accordance with its terms.

Warm regards,	Acknowledged and Agreed:
/s/ Jeffery H. Boyd	/s/ Daniel Finnegan
Jeffery H. Boyd	Daniel Finnegan

Exhibit 10.57

Execution Copy

AMENDED AND RESTATED
EMPLOYMENT CONTRACT

The undersigned:

BOOKING.COM B.V., a private limited liability company ('besloten vennootschap met beperkte aansprakelijheid'), having its registered office at Weteringschans 28,1017 SG Amsterdam, the Netherlands (**'Booking.com'**);

and

Cornelis Petrus Henricus Maria Koolen, residing at Hengeloseweg 11, 7251 PA Vorden (**'Employee'**);

Whereas:

- Employee has been employed by Booking.com since December 18, 2001.
- Booking.com and Employee are currently parties to an Employment Contract, dated July 14, 2005 (**'Prior Employment Contract'**).
- Booking.com has promoted Employee to the position of Chief Executive Officer of Booking.com, effective as of September 1, 2008.
- In connection with Employee's promotion, Booking.com and Employee desire to amend and restate the Prior Employment Contract.
- This Amended and Restated Employment Contract (this '**Agreement**') shall supercede and completely replace the Prior Employment Contract as of September 1, 2008 (the '**Effective Date**').

Hereby agrees as follows:

1. Commencement, Term and Notice

1.1. This Agreement is a continuation of the Prior Employment Contract and is entered into for an indefinite period of time (the **'Employment Term'**).

1.2. This Agreement may be terminated by either party with due observance of the statutory notice period. Notice may be given in writing only.

1.3. This Agreement will end in any event without notice being required at the end of the month in which Employee reaches the age of 65.

2. Reserved

3. Employee Manual

3.1. Employee acknowledges receipt of Booking.com's Employee Manual, the provisions of which form an integral part of this Agreement.

4. Position

4.1. Employee will hold the position of Chief Executive Officer of Booking.com and report to Jeff Boyd, Chief Executive Officer and President of priceline.com Incorporated.

4.2. Employee may be assigned to work for an affiliate of Booking.com and covenants that Employee, to the extent reasonable, will also perform duties other than those considered Employee's usual duties.

5. Working Hours and Work Place

5.1. The usual work week runs for 5 days and Employee is expected to work at least 40 hours per week.

5.2. Employee covenants that, at Booking.com's request, Employee will work overtime whenever a proper performance of Employee so requires. Overtime is not paid or otherwise compensated for.

6. Salary

6.1. Employee will receive a gross monthly base salary of EUR 20,061.72 on the basis of a 40 hour work week ('**Base Salary'**).

6.2. Employee will be entitled to an annual holiday allowance of 8% of the gross annual base salary, payable in May each year. If Employee was employed during only a part of the calendar year, the holiday allowance will be reduced pro rata.

6.3. During the Employment Term, Employee will be eligible to participate in any annual bonus plans that the Company may implement at any time during the Employment Term for senior executives of the Company at a level commensurate with his position. The grant of a bonus in any given year or during several years shall not create a precedent for any subsequent years. For purposes of this Agreement, a bonus in respect of services performed in a fiscal year will not be considered to be earned until after the Board of Directors of priceline.com Incorporated (the '**Board**') or a committee established thereunder has reviewed the Company's performance and Employee's performance in respect of such year and has determined the amount of the bonus, if any, to be payable to Employee in respect of such year's performance; provided, however, that if Employee is still employed by Booking.com as of December 31 of any year, Employee shall be considered to have earned the bonus in respect of services performed in such year (to the extent that the Board or applicable committee determine that such bonus would otherwise have been payable to Employee had Employee remained employed through the relevant payment date for such bonus) unless Employee's employment is subsequently terminated by Booking.com for "Cause" (as defined in Appendix A attached hereto) or by Employee without "Good Reason" (as defined in Appendix A attached hereto).

6.4. During the Employment Term, Employee will be eligible to participate in any long-term incentive compensation plan generally made available to senior executives of the Company at a level commensurate with his position in accordance with and subject to the terms of such plan.

6.5. During the Employment Term, Employee shall be entitled to participate in all fringe benefit and perquisite programs generally provided to comparable senior executives of the Company.

7. Expenses

7.1. Booking.com will reimburse Employee's reasonable expenses directly related to the performance of Employee's work, provided such reimbursement may be made tax and social security premium free and provided itemized expense statements and original receipts are submitted in accordance with company policy.

8. Travel Expenses

8.1. Travel expenses for commuting will be reimbursed in accordance with applicable tax rules up to an amount of EUR 0.19 per kilometer along the most customary route, subject to a maximum of EUR 135 per month (applicable rates in 2008).

8.2. Booking.com is entitled to unilaterally change the allowance under Article 8.1 of this Agreement in the event of an adjustment thereof under tax law.

9. Pension

9.1. During the Employment Term, Employee will be entitled to participate in Booking.com's pension plan, if and as soon as Employee meets the relevant requirements. If and insofar as tax law and/or pension law are amended, Booking.com will be entitled to unilaterally adapt the pension plan to bring it into compliance with such amendments.

10. Holidays

10.1. During the Employment Term, Employee will be entitled to 26 days of holiday each calendar year. If Employee works for only a part of the year, the number of days of holiday will be reduced pro rata.

10.2. Holidays are set by Booking.com after consultation with Employee.

10.3. To the extent possible, holidays must be taken in the year in which they are accrued. A maximum of five days may be carried forward to the next calendar year.

11. Illness or Other Incapacity to Work

11.1. If Employee is unable to perform work due to illness or any other medical incapacity, Employee is obliged to inform Booking.com thereof before 9am on the first day of illness or incapacity, stating the reasons for such illness or incapacity, the expected period of such illness or incapacity, and the address at which Employee may be reached during that period. As soon as work can be resumed, Employee will inform Booking.com thereof immediately.

11.2. If Employee is unable to perform work due to illness or other medical incapacity, Employee will remain entitled to continued payment of 85% of Employee's Base Salary, but in no case less than the statutory minimum wage, for a maximum period of 104 weeks commencing on the first day of illness or incapacity.

11.3. Periods in which Employee is unable to perform work due to illness or other medical incapacity will be aggregated if they follow one another at intervals of less than four weeks.

11.4. Employee is not entitled to continued payment under the circumstances set out in Article 7:629 of the Dutch Civil Code.

11.5. Employee's salary during illness or other medical capacity will be reduced by financial benefits that Employee receives under any contractual or statutory insurance and any other income earned by Employee.

11.6. If Employee's illness or other incapacity to work ensues from an event for which a third party is liable, Employee shall provide Booking.com with all relevant information and do everything in Employee's power to enable Booking.com to exercise its right of recourse pursuant to Article 6:107a of the Dutch Civil Code.

12. Payments Upon Termination

12.1. If the Employment Term ends due to Employee's death and if a bonus plan is in place at such time, Employee is entitled to receive the product of (a) the target annual bonus for the fiscal year in which Employee dies, multiplied by (b) a fraction, the numerator of which is the number of days that

Employee worked during the fiscal year in which Employee died, and the denominator of which is 365. Such bonus shall be paid when such bonuses are paid to other executives of Booking.com.

12.2. If the Employment Term ends due to the termination of Employee's employment with Booking.com as a result of a termination by Booking.com without "Cause" (as defined in Appendix A attached hereto) or as a result of a termination by Employee for "Good Reason" (as defined in Appendix A attached hereto), Employee shall be entitled to receive (a) over a period of 12 months after his termination, an amount equal to 2 times the sum of Employee's Base Salary and target bonus, if any, for the year in which such termination occurs (provided, however, in the event that the Base Salary or target bonus, if any, has been decreased in the twelve months prior to the termination, the amount to be used shall be the highest Base Salary and target bonus, if any, during such 12 month period); and (b) if a bonus plan is in place, Employee will be entitled to receive the product of (i) the target annual bonus for the fiscal year in which Employee is terminated, multiplied by (ii) a fraction, the numerator of which is the number of days that Employee worked during the fiscal year in which Employee is terminated, and the denominator of which is 365. Such bonus shall be paid when such bonuses are paid to other executives of Booking.com.

12.3. If the Agreement is rescinded pursuant to Article 7:685 of the Dutch Civil Code and the court awards compensation to Employee, or if a court awards any compensation as a result of proceedings on the basis of Article 7:681 of the Dutch Civil Code, the amount of such award shall be deducted from the amount of compensation to which Employee would be entitled pursuant to Article 12.1 or Article 12.2 of this Agreement, whichever is applicable, in the event of Employee's termination of employment as a result of his death, a termination without "Cause" or a termination for "Good Reason."

13. Confidentiality

13.1. Neither during the Employment Term nor upon termination thereof, may Employee inform any third party in any form, directly or indirectly, of any particulars concerning or related to the business conducted by Booking.com or its affiliated companies, regardless of whether such information includes any reference to its confidential nature or ownership and regardless of how Employee learned of the particulars.

13.2. Notwithstanding the provisions of Article 7:650(3), (4) and (5) of the Dutch Civil Code, if Employee violates Article 13.1, Employee will forfeit to Booking.com an immediately due and payable penalty of EUR 5,000 for each violation, as well as a penalty of EUR 1,000 for each day the violation continues, without prejudice to Booking.com's right to claim full compensation instead of such penalties.

14. Non Competition

14.1. For a period of 12 months after termination, Employee may not, without Booking.com's prior written consent:

(a) engage in any activities that in any way, directly or indirectly, compete with Booking.com or its affiliates (including priceline.com Incorporated) in the European Union, including, without limitation, the research into, development or provision of any online or call centre accommodation booking or reservation services, nor establish, conduct (alone or with others) or cause the conduct of any competing business, nor take any interest in or be employed in any way whatsoever by such business, whether or not for consideration;

(b) directly or indirectly induce employees of Booking.com or its affiliates to terminate their employment contracts with Booking.com or its affiliates;

(c) in relation to any contract or arrangement which Booking.com or it affiliates have with any supplier for the supply of goods and services, for the duration of such contract or arrangement, directly or indirectly, interfere with the supply of such goods or services from any supplier, nor, directly or indirectly, induce any supplier to cease or decline to supply such goods or services to Booking.com;

(d) make any statements, written or oral, which disparage or defame the goodwill or reputation of Booking.com or its affiliates, or any of their directors or senior officers, in public or in a manner that is intended to become public.

14.2 Notwithstanding the provisions of Article 7:650(3), (4) and (5) of the Dutch Civil Code, if Employee violates Article 14.1 of this Agreement, Employee will forfeit to Booking.com an immediately due and payable penalty of EUR 5,000 for each violation, as well as a penalty of EUR 1,000 for each day the violation continues, without prejudice to Booking.com's right to claim full compensation instead of such penalties.

14.3 Upon each breach of Article 14.1 of this Agreement, the period referred to therein will be extended by the duration of such breach.

15. Sidelines

15.1. Without Booking.com's prior written consent, Employee will not perform any other work for pay during the Employment Term, nor will Employee, alone or with others, directly or indirectly, establish or conduct a business that is competitive with Booking.com's business, whatever its form, or take any financial interest in or perform work for such business, whether or not for consideration.

15.2. During the Employment Term, Employee must refrain from undertaking or holding any sidelines or additional posts, such as committee work, managerial or other activities for organizations of an idealistic, cultural, sporting, political or other nature, whether or not for consideration, without Booking.com's prior written consent.

16. Return of Property

16.1. Upon the end of the Employment Term, Employee shall immediately return to Booking.com all property belonging to Booking.com, including materials, documents and information copied in any form whatsoever.

17. Intellectual and Industrial Property Rights

17.1. All intellectual property rights, including, but not limited to, patent rights, design rights, copyrights and neighbouring rights, database rights, trademark rights, chip rights, trade name rights and know how, ensuing, during or after this employment contract, in The Netherlands or abroad, from the work performed by Employee under this Agreement (collectively: **'Intellectual Property Rights'**) will exclusively vest in Booking.com.

17.2. Insofar as any Intellectual Property Rights are not vested in Booking.com by operation of law, Employee covenants that Employee, at first request of Booking.com, will transfer to Booking.com and, insofar as possible, hereby transfers those rights to Booking.com, which transfer is hereby accepted by Booking.com.

17.3. Insofar as any Intellectual Property Rights are not capable of being transferred from Employee to Booking.com, Employee hereby grants Booking.com the exclusive, royalty free, worldwide, perpetual right, with the right to grant sublicenses, to use the Intellectual Property Rights in the broadest way, which right is hereby accepted by Booking.com.

17.4. Insofar as any personal rights vest in Employee, and insofar as permitted by law, Employee hereby waives all of Employee's personal rights, including, without limitation, the right to have one's name stated pursuant to the Dutch Copyright Act 1912 ('***Auteurswet 1912***').

17.5. Employee shall promptly disclose all works, inventions, information, Intellectual Property Rights and other results from the work performed by Employee under this Agreement to Booking.com.

17.6. Employee shall upon Booking.com's request, during or after the Employment Term, perform all acts that may be necessary in order to record the Intellectual Property Rights in the name of Booking.com with any competent authority in the world. Reasonable costs thereof will be borne by Booking.com.

17.7. In case Employee, for any reason, is unable to provide the cooperation in accordance with Articles 17.2 and 17.6 of this Agreement, Employee hereby grants Booking.com irrevocable power of attorney to represent Employee with respect to the assignment and registration of Intellectual Property Rights referred to in Articles 17.2 and 17.6 of this Agreement.

17.8. Employee acknowledges that Employee's salary includes reasonable compensation for the loss of intellectual and industrial property rights.

18. Applicable Law

18.1. This Agreement and its appendix shall be governed by the laws of The Netherlands.

19. Complete Agreement

19.1. This Agreement embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and effective as of its date supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, including the Prior Employment Contract, which may have related to the subject matter hereof in any way.

Drawn up in duplicate originals and signed in Amsterdam on January 29, 2009

/s/ Rutger Prakke	/s/ Cornelis Petrus Henricus Maria Koolen
Booking.com B.V.	Cornelis Petrus Henricus Maria Koolen
Name: Ruger Prakke	
Position: Director	

APPENDIX A

For purposes of this Agreement, the following terms have the following meanings where they appear in the Agreement:

"**Cause**" shall mean (a) willful misconduct by Employee with regard to Booking.com which has a material adverse effect on Booking.com; (b) the willful refusal of Employee to attempt to follow the proper written direction of the Board or a more senior officer of the Company, provided that the foregoing refusal shall not be "Cause" if Employee in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board or the more senior officer (whichever is applicable); (c) substantial and continuing willful refusal by Employee to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Employee by the Board or a more senior officer of the Company which specifically identifies the manner in which it is believed that Employee has substantially and continually refused to attempt to perform his duties hereunder; or (d) Employee being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this definition, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, by Employee in bad faith and without reasonable belief that his action or omission was in the best interest of Booking.com.

"**Company**" shall mean priceline.com Incorporated, any of its subsidiaries or affiliates, including Booking.com.

"**Good Reason**" shall mean (a) a material diminution in Employee's authority, duties or responsibilities, (b) relocation of Booking.com's office in The Netherlands to a location more than thirty-five (35) miles from its current location or more than thirty-five (35) miles further from Employee's residence at the time of relocation, or (c) any material breach of the Agreement or any other employment agreement in effect at any time between Booking.com and Employee.

Exhibit 12.1

Ratio of Earnings to Fixed Charges

(in thousands)

	2008	2007	2006	2005	2004
Fixed Charges Computation:					
Preferred stock dividend	$ —	$ 1,555	$ 1,927	$ 1,854	$ 1,512
Interest expense	9,375	10,412	7,060	5,075	3,722
Assumed interest element included in rent expense	2,313	1,446	1,278	935	778
Total fixed charges and preferred stock dividend	$ 11,688	$ 13,413	$ 10,265	$ 7,864	$ 6,012
Earnings Computation:					
Earnings before income taxes and equity in loss of investees and minority interests	$ 295,569	$ 150,023	$ 65,632	$ 35,703	$ 31,827
Less:					
Preferred stock dividend	—	(1,555)	(1,927)	(1,854)	(1,512)
Minority interests	(4,386)	(6,083)	(2,824)	(816)	(114)
Add:					
Fixed charges	11,688	13,413	10,265	7,864	6,012
Earnings as adjusted	$ 302,871	$ 155,798	$ 71,146	$ 40,897	$ 36,213
Ratio of earning to fixed charges	25.9x	13.1x	8.5x	6.8x	8.0x
Ratio of earnings to fixed charges and preferred stock dividend	25.9x	11.6x	6.9x	5.2x	6.0x

Exhibit 21

LIST OF SUBSIDIARIES
AS OF DECEMBER 31, 2008*

	Name	Jurisdiction of Incorporation	Percent Ownership
1.	Priceline.com Europe Holdco, Inc.	Delaware	100%
2.	Priceline.com Holdco U.K. Limited	United Kingdom	100%
3.	priceline.com International Ltd.	United Kingdom	100%
4.	Booking.com Limited	United Kingdom	100%
5.	priceline.com Booking Acquisition Company Limited	United Kingdom	100%
6.	Booking.com B.V.	The Netherlands	100%
7.	Lowestfare.com LLC	Delaware	100%
8.	Travelweb LLC	Delaware	100%
9.	Priceline.com Agoda Holdco, LLC	Delaware	100%
10.	priceline.com Mauritius Company Limited	Mauritius	100%

* Subsidiaries which, when considered in the aggregate as a single subsidiary, would constitute a significant subsidiary as of December 31, 2008, have been excluded.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-122414, 333-65054, 333-55578, 333-83233 on Form S-8 and Nos. 333-119274, 333-109929, 333-115128, 333-139590 and 333-139109 on Form S-3 of our report dated February 20, 2009, relating to the Consolidated Financial Statements of priceline.com Incorporated and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2008.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 20, 2009

Exhibit 31.1

CERTIFICATIONS

I, Jeffery H. Boyd, certify that:

1. I have reviewed the Annual Report on Form 10-K of priceline.com Incorporated (the “Registrant”) for the year ended December 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: February 20, 2009

/s/ Jeffery H. Boyd

Name: Jeffery H. Boyd
Title: President & Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Daniel J. Finnegan., certify that:

1. I have reviewed the Annual Report on Form 10-K of priceline.com Incorporated (the "Registrant") for the year ended December 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 20, 2009

/s/ Daniel J. Finnegan

Name: Daniel J. Finnegan

Title: Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of priceline.com Incorporated, a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2008 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2009		/s/ Jeffery H. Boyd
	Name:	Jeffery H. Boyd
	Title:	President & Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of priceline.com Incorporated, a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2008 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2009		/s/ Daniel J. Finnegan
	Name:	Daniel J. Finnegan
	Title:	Chief Financial Officer and Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.