

CITY NATIONAL CORP
Form DEF 14A
March 24, 2003

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

SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

- // Preliminary Proxy Statement
// **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
/x/ Definitive Proxy Statement
// Definitive Additional Materials
// Soliciting Material Pursuant to §240.14a-12

City National Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- /x/ No fee required.
// Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Reg. § 240.14a-101. Notes:

- A. Where any item calls for information with respect to any matter to be acted upon and such matter involves other matters with respect to which information is called for by other items of this schedule, the information called for by such other items shall also be given. For example, where a solicitation of security holders is for the purpose of approving the authorization of additional securities which are to be used to acquire another specified company, and the registrants' security holders will not have a separate opportunity to vote upon the transaction, the solicitation to authorize the securities is also a solicitation with respect to the acquisition. Under those facts, information required by Items 11, 13 and 14.
-

CITY NATIONAL CORPORATION

City National Center

400 North Roxbury Drive

Beverly Hills, California 90210

(310) 888-6000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 23, 2003

TO THE STOCKHOLDERS:

City National Corporation (the "Corporation") will hold its Annual Meeting of Stockholders at City National Center, 400 North Roxbury Drive, Beverly Hills, California on Wednesday, April 23, 2003, at 4:30 p.m.

At the annual meeting, we will consider the following proposals:

1. *Election of Directors.* The election of directors to hold office for three years, or until their respective successors have been elected and qualified; and
2. *Other Business.* The transaction of such other business as may properly come before the annual meeting or any postponement or adjournment of the annual meeting.

The Board of Directors has fixed the close of business on February 28, 2003 as the record date for determining stockholders entitled to notice of and to vote at the annual meeting or any postponement or adjournment of the annual meeting.

You are cordially invited to attend the 2003 Annual Meeting of Stockholders of City National Corporation. **Whether you plan to attend the annual meeting or not, we urge you to sign, date and return the enclosed proxy card in the postage paid envelope provided, so that as many shares as possible may be represented at the annual meeting.** The vote of every stockholder is important and your cooperation in

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returning your executed proxy promptly will be appreciated. Each proxy is revocable and will not affect your right to vote in person if you attend the annual meeting.

We appreciate your continuing support and look forward to seeing you at City National Corporation's Annual Meeting.

Sincerely,

BRAM GOLDSMITH
Chairman of the Board

RUSSELL GOLDSMITH
*Vice Chairman and
Chief Executive Officer*

Beverly Hills, California
March 24, 2003

CITY NATIONAL CORPORATION
City National Center
400 North Roxbury Drive
Beverly Hills, California 90210
(310) 888-6000

TABLE OF CONTENTS

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING	1
ELECTION OF DIRECTORS	4
BOARD OF DIRECTORS COMMITTEES	6
PRINCIPAL HOLDERS OF COMMON STOCK	7
SECURITY OWNERSHIP OF MANAGEMENT	9
City National Corporation	9
CN Real Estate Investment Corporation	11
CN Real Estate Investment Corporation II	12
COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS	13
Summary Compensation Table	13
Employment Contracts, Change of Control Agreements and Termination Arrangements	14
Stock Option Plans	17
COMPENSATION OF DIRECTORS	19
EQUITY COMPENSATION PLAN INFORMATION	20
COMPENSATION, NOMINATING & GOVERNANCE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION	21
REPORT ON EXECUTIVE COMPENSATION BY THE COMPENSATION, NOMINATING & GOVERNANCE COMMITTEE	21
Overall Philosophy	21
Stockholder Return Graph	22
Chief Executive Officer	23
Other Executive Officers	23
Statement Regarding Deductibility	24
Additional Corporate Governance Developments	25
REPORT BY THE AUDIT COMMITTEE	26
CERTAIN TRANSACTIONS	27
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	28
INDEPENDENT AUDITORS	28
STOCKHOLDER PROPOSALS	29

CITY NATIONAL CORPORATION
City National Center
400 North Roxbury Drive
Beverly Hills, California 90210
(310) 888-6000

ANNUAL MEETING OF STOCKHOLDERS ON APRIL 23, 2003

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement is being provided in connection with the Annual Meeting of Stockholders of City National Corporation (the "Corporation"). We believe our question and answer format facilitates understanding of the general information about the annual meeting and voting procedures.

1. Q. Why did you send me this proxy statement?
A. We sent you this proxy statement because the Board of Directors of the Corporation is soliciting your proxy to vote at the 2003 Annual Meeting of Stockholders.
2. Q. When is this proxy statement being mailed to stockholders?
A. This proxy statement and the accompanying proxy card are first being mailed to stockholders on or about March 24, 2003.
3. Q. Who is paying for this solicitation?
A. The Corporation will pay the cost of preparing, assembling and mailing the notice of the annual meeting, the proxy statement and the accompanying proxy card and for the solicitation of proxies. In addition to our solicitation by mail, certain directors, officers and employees who will receive no additional compensation for their services may solicit proxies in person or by telephone, telegraph or facsimile. We will pay brokers and others who hold our common stock in their name for the expenses of forwarding the proxy materials to their principals.
4. Q. What may I vote on?
A. You are being asked to vote on the election of nominees to serve on the Corporation's Board of Directors.
5. Q. How does the Board of Directors recommend I vote?
A. The Board of Directors recommends a vote FOR each of the nominees.
6. Q. Who is entitled to vote?
A. Only stockholders of record on the Record Date, February 28, 2003, may vote at the annual meeting.
7. Q. How many shares can vote?
A. At the close of business on the Record Date, there were 48,720,375 shares of the Corporation's common stock outstanding. Each stockholder is entitled to one vote for each share of common stock owned.

8. Q. How many shares must be represented at the annual meeting to constitute a "quorum"?
- A. A majority of the outstanding shares must be present at the annual meeting, either in person or represented by proxy, to constitute a "quorum." There must be a quorum for the Annual Meeting to be held. If you return a signed proxy card, you will be counted as being present, even if you abstain from voting. Broker non-votes will also be counted as being present for purposes of determining a quorum.
9. Q. How are matters approved or disapproved?
- A. The four nominees for election as a director who receive the highest number of affirmative votes will be elected.
10. Q. What do I have to do to vote?
- A. You may vote by signing and dating each proxy card you receive and returning it in the enclosed postage paid envelope. If you mark the proxy card to show how you wish to vote, your shares will be voted as you direct. If you return a signed proxy card but do not mark the proxy card to show how you wish to vote, your shares will be voted FOR each of the Board of Directors' nominees for election as directors. You may change or revoke your vote at any time before it is counted at the annual meeting by:
- (i) notifying our Secretary at the address shown above;
 - (ii) attending the annual meeting and voting in person; or
 - (iii) submitting a later dated proxy card.
11. Q. What do I have to do to vote my shares if they are held in the name of my broker?
- A. If your shares are held by your broker, sometimes called "street name" shares, you should receive a form from your broker asking you how you want to vote your shares. If you do not give instructions to your broker, your broker will vote your shares at its discretion on your behalf.
12. Q. How will voting on any other business be conducted?
- A. We do not know of any business to be considered at the annual meeting other than the election of directors described in this proxy statement. Because we were not notified of any other business to be presented at the annual meeting on or before February 7, 2003, if any other business is presented at the annual meeting, the person named on the proxy card, your designated proxy will vote on such matter at his discretion. Any matter other than the election of directors must receive affirmative votes from at least a majority of the shares voting in order to be approved.
13. Q. Who can attend the annual meeting?
- A. Any stockholders entitled to vote at the annual meeting may attend the annual meeting. If you hold "street name" shares and would like to attend the annual meeting, please write to our Secretary at the address shown above or e-mail to Martha.Drain@cnb.com, identifying yourself as a beneficial owner of our common stock, and we will add your name to the guest list.
14. Q. How do I get more information about you?
- A. With this proxy statement, we are also sending you our 2002 Summary Annual Report and our Annual Report for the year ended December 31, 2002, which includes our financial statements. If you did not receive them, we will send them to you without charge. The Annual Report includes a list of exhibits filed with the Securities and Exchange Commission, but does not include the exhibits. If you wish to receive copies of the exhibits, we will send them to you. Expenses for copying and mailing them will be your responsibility. Please write to:

Stephen McAvoy
City National Bank
City National Center
400 North Roxbury Drive
Beverly Hills, California 90210

You may also send your request by facsimile to (213) 347-2645 or by e-mail to Steve.McAvoy@cnb.com.

In addition, we maintain a home page on the Internet at www.cnb.com. We make our web site available for information purposes only and it should not be relied upon for investment purposes, nor is it incorporated by reference into this proxy statement. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports available free of charge through our web site as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC. You can learn more about us by reviewing our SEC filings on our web site. Our SEC reports can be accessed through the investor relations page of our web site. The SEC also maintains a web site at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants.

ELECTION OF DIRECTORS

As of the date of this Proxy Statement, the Board of Directors of the Corporation currently consists of twelve members, who are divided into three classes. Directors are elected for terms ending at the third annual meeting following the directors' election. Kenneth L. Coleman was appointed by the Board of Directors as a new Class I director and commenced service as of February 28, 2003. He fills a vacancy on the Board of Directors created by the resignation of Director Bill Richardson on June 4, 2002. Bill Richardson resigned from the Board of Directors in order to dedicate his undivided time and attention to his gubernatorial campaign in New Mexico. Mr. Richardson was elected governor of New Mexico on November 5, 2002 and took office January 1, 2003. Peter M. Thomas was appointed by the Board of Directors as a new Class I director effective March 24, 2003. Kenneth L. Coleman and Peter M. Thomas are included among the directors nominated for election as Class I directors at the April 2003 annual meeting. The term of office of the current Class I directors will expire upon election and qualification of their successors. At the annual meeting, four nominees will be elected to serve as Class I directors.

The four nominees recommended by the Board of Directors for election as directors (all of whom are currently directors) are set forth below. If one or more of such nominees unexpectedly becomes unavailable to serve as a director, the proxies may be voted for one or more substitute nominees selected by the Board of Directors, or the authorized number of directors may be reduced. If the authorized number of directors is reduced for any reason, the proxies will be voted for the election of the remaining nominees named in this proxy statement. To the best of the Corporation's knowledge, all nominees are and will be available to serve as directors.

Nominations for the election of directors may be made by a stockholder entitled to vote for the election of directors by submitting a notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 60 days prior to the first anniversary of the date of the last meeting of the stockholders of the Corporation called for the election of directors. For the 2004 Annual Meeting of Stockholders, nominations must be received by February 21, 2004. The notice must include: (i) the name, age, business address and, if known, the residence address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) the number of shares of stock of the Corporation beneficially owned by the nominee and (iv) other information that would be required by federal securities laws and regulations for an individual nominated by the Board of Directors. The Corporation did not receive any such nominations for the 2003 annual meeting.

Each of the current directors is also a director of City National Bank (the "Bank"), a wholly owned subsidiary of the Corporation.

The nominees for election as Class I directors, and the Class II and Class III directors who will continue in office after the annual meeting until the expiration of their respective terms, and information about them as of March 24, 2003, are as follows:

Nominees for Election as Class I Directors

Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Class I Directors				
George H. Benter, Jr.	61	President, City National Corporation since 1993; President and Chief Operating Officer, City National Bank since 1992; Director, The Wet Seal, Inc.	1992	1993

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Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Kenneth L. Coleman	60	Founder, Chairman and Chief Executive Officer, ITM Software Corporation since May 2002; From 1987 until June 2001, held various positions including Executive Vice President of Global Sales, Servicing and Marketing with Silicon Graphics, Inc.; Director, MIPS Technologies, and United Online.	2003	2003

4

Peter M. Thomas	53	Managing Partner, Thomas & Mack Co., a commercial real estate development company; From 1992 to 1995 served as President and Chief Operating Officer of Bank of America-Nevada; from 1982 to 1992 served as President and Chief Operating Officer of Valley Bank of Nevada; Director, Coast Casinos Inc.	2003	2003
Andrea L. Van de Kamp	59	Senior Vice President and Chairman, West Coast Operations, Sotheby's, auction house, since January 1997	1994	1994

Directors Continuing in Office

Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Class II Directors				
Russell Goldsmith(1)	53	Vice Chairman and Chief Executive Officer, City National Corporation since October 1995; Chairman of the Board and Chief Executive Officer, City National Bank since October 1995.	1978	1979
Michael L. Meyer	64	Chief Executive Officer, Michael L. Meyer Company, real estate consulting and investment company, since October 1999; Managing Partner, Orange County, Ernst & Young LLP Real Estate Group, 1974 to 1998; Director, William Lyon Homes and Cornerstone Ventures	1999	1999
Ronald L. Olson	61	Partner, Munger, Tolles & Olson, law firm, for more than the past five years; Director, Edison International, Berkshire Hathaway, Inc., Pacific American Income Shares, and Western Asset Investment Trust.	2001	2001
Class III Directors				
Richard L. Bloch	73	President, Piñon Farm, Inc., for more than the past five years; real estate investor and former Chairman of the Board, Columbus Realty Trust from December 1993 through October 1997; Co-management partner CLB Partners from 1997 to present.	1974	1979
Bram Goldsmith(1)	80	Chairman of the Board, City National Corporation, for more than the past five years.	1964	1969
Bob Tuttle	59	Managing Partner, Tuttle-Click Automotive Group since 1989; formerly, Director of Arizona Bank, 1989-1999, and Assistant to the President and Director of Presidential Personnel, The White House, 1985-1989.	2002	2002
Kenneth Ziffren	62	Senior Partner, Ziffren, Brittenham, Branca, Fischer, Gilbert-Lurie & Stiffelman LLP, law firm, for more than the past five years; Director, Panavision, Inc.	1989	1989

(1)

Russell Goldsmith is the son of Bram Goldsmith.

The Board of Directors held ten meetings during 2002. All directors attended at least 75 percent of the meetings held during 2002 by the Board of Directors and the committees on which they served with the exception of Bob Tuttle who attended seven of the ten Board meetings.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors has the following committees: a Compensation, Nominating & Governance Committee; an Audit Committee; a Directors Trust Committee; and a Community Reinvestment Act Committee. By resolution of the Board of Directors on October 23, 2002, the scope of the former Compensation and Directors' Nominating Committee was expanded to include Governance issues. This action was taken by the Board of Directors consistent with the spirit of recent developments and proposals for improved governance recommended by the New York Stock Exchange ("NYSE") and because the Board believes that corporate governance and the highest standards of business ethics and practices are vital to the success of the Corporation. As a result of this action by the Board of Directors, the Compensation and Directors' Nominating Committee became the Compensation, Nominating & Governance Committee. The expansion of the scope of the Committee is reflected in the revised Charter of the Committee attached as Appendix A.

At the beginning of January 2002 the Compensation, Nominating & Governance Committee, as it is now known, was composed of Charles E. Rickershauser (Chairman), Michael L. Meyer and Ronald L. Olson. In February of 2002, Richard L. Bloch became a member of the Committee and Ronald L. Olson ceased being a member. On April 24, 2002, Charles E. Rickershauser retired, and Richard L. Bloch and Michael L. Meyer were re-appointed to the Committee and Mr. Bloch was named as Chairman. The Compensation, Nominating & Governance Committee acts upon matters of compensation, selects and recommends to the Board of Directors nominees for positions on the Corporation's Board of Directors, and is responsible for oversight of all director and officer governance matters. The Compensation, Nominating & Governance Committee of the Bank is composed of the same individuals and acts jointly as the Compensation, Nominating & Governance Committee of the Corporation. The Committees met jointly 3 times during 2002.

The Audit Committee is composed of Kenneth Ziffren (Chairman), Richard L. Bloch, Stuart D. Buchalter, and Michael L. Meyer. By action of the Board of Directors, Michael L. Meyer became a member of the Committee on October 23, 2002. The Audit Committee monitors significant accounting and financial reporting policies, approves services rendered by the Corporation's independent auditors, reviews audit and management reports and is responsible for approving the appointment of independent auditors and the fees payable for their services. The Audit Committee also functions as the audit and examining committee of the Bank. The Committee met eighteen times during 2002. The Audit Committee has identified Michael L. Meyer as the "Audit Committee Financial Expert" as defined in the Securities and Exchange Commission's (the "SEC's") rulemaking in accordance with Section 407 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Board of Directors, in its business judgment, has determined that Mr. Meyer is an "independent director" in accordance with the current and proposed listing standards of the NYSE and Section 301 of the Sarbanes-Oxley Act and proposed rules thereunder. Recent changes in the law as a result of the Sarbanes-Oxley Act, and various orders issued by the Securities and Exchange Commission, as well as proposed changes to the NYSE Listing Standards, have resulted in the need for changes to the Audit Committee Charter. The Board of Directors revised the Charter of the Audit Committee on March 19, 2003. A copy of the revised Charter is attached as Appendix B. A more complete description of the powers and responsibilities of these Committees is set forth in the revised Charters.

PRINCIPAL HOLDERS OF COMMON STOCK

The following table sets forth information as of January 31, 2003 regarding the beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock. To the Corporation's knowledge, based on the absence of filings which beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock are required to make with the Securities and Exchange Commission, there are no other beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock. Except as otherwise noted in the footnotes below, each of these persons or entities had sole voting and investment power with respect to the Common Stock beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (1)	Percent of Class (2)
---	---	----------------------------

Bram Goldsmith:

400 North Roxbury Drive Beverly Hills, CA 90210	6,745,725	13.78%
Goldsmith Family Partnership	2,920,113(3)	
Bram and Elaine Goldsmith, Trustees of the Bram and Elaine Goldsmith Family Trust	2,943,713(4)	
Elaine and Bram Goldsmith, Trustees of the Elaine Goldsmith Revocable Trust	567,989	
Bram Goldsmith	60,399(5)	
Goldsmith Family Foundation	239,780(6)	
Oak Trust A	13,731(7)	

Russell Goldsmith:

400 North Roxbury Drive Beverly Hills, CA 90210	4,999,489	10.21%
Goldsmith Family Partnership	2,920,113(3)	
The Russell Goldsmith Trust	424,293(4)	
Russell Goldsmith, Trustee of Maple Trusts I and II, Pine Trusts I and II	310,148	
Goldsmith Family Foundation	239,780(6)	
Russell Goldsmith	1,039,160(8)	
B.N. Maltz Foundation	58,495(9)	
MKB Co. Ltd.	7,500(10)	

FMR Corp:

82 Devonshire Street Boston, MA 02109	2,883,629(11)	5.89%
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- (1) Includes shares subject to options which are presently exercisable or which will become exercisable within 60 days after January 31, 2003.
- (2) Based on 48,953,498 shares of Common Stock issued and outstanding at January 31, 2003.
- (3) The Goldsmith Family Partnership is a limited partnership of which the general partners include the Bram and Elaine Goldsmith Family Trust and the Russell Goldsmith Trust, of which Russell

Goldsmith is the sole trustee. The Bram Goldsmith Group and the Russell Goldsmith Group disclaim beneficial ownership of the shares held by the Goldsmith Family Partnership except to the extent of Bram Goldsmith's and Russell Goldsmith's respective pecuniary interest in the partnership.

- (4) Excludes the 2,920,113 shares identified as being held by the Goldsmith Family Partnership which the Bram and Elaine Goldsmith Family Trust and the Russell Goldsmith Trust respectively may be deemed to beneficially own as a general partner of the Goldsmith Family Partnership.
- (5) Shares allocated to Bram Goldsmith's account under the City National Corporation Profit Sharing Plan.
- (6) The Goldsmith Family Foundation is a tax-exempt charitable foundation of which Bram Goldsmith and Russell Goldsmith are directors. Bram Goldsmith and Russell Goldsmith each disclaims beneficial ownership of these shares.

- (7) Represents shares held in a trust for the benefit of a member of the family of Bram Goldsmith for which Bram Goldsmith is the sole trustee.
- (8) Includes 2,326 shares allocated to Russell Goldsmith's account under the City National Corporation Profit Sharing Plan and 1,036,834 stock options exercisable within 60 days after January 31, 2003.
- (9) The B. N. Maltz Foundation is a tax-exempt charitable foundation of which Russell Goldsmith is a director. Russell Goldsmith disclaims beneficial ownership of these shares.
- (10) The MKB Co. Ltd., is a limited liability company of which Russell Goldsmith's spouse is the managing member. The number of shares of City National Corporation held by MKB Co. Ltd. exceeds her pecuniary interest therein. Russell Goldsmith disclaims beneficial ownership of these shares.
- (11) Based solely upon information contained in a Form 13G filing with the Securities and Exchange Commission on February 13, 2003. Of the 2,883,629 shares beneficially owned by FMR Corp, it has sole voting power only as to 1,439,129 shares. The Schedule 13G states that Fidelity Management & Research Company ("Fidelity"), a wholly owned subsidiary of FMR Corp., and an investment advisor registered under the Investment Advisors Act of 1940, is the beneficial owner of 1,444,800 shares as a result of acting as investment advisor to various companies registered under the Investment Company Act of 1940 and that FMR Corp. does not have the sole power to vote or direct the voting of shares owned directly by the Fidelity Funds. The "Percent of Class" calculation in the table was made using the 2,883,629 shares reported as beneficially owned in the Form 13G filing, and the 48,953,498 shares of Corporation stock outstanding as of January 31, 2003.

SECURITY OWNERSHIP OF MANAGEMENT

City National Corporation

The information below sets forth the number of shares of the Corporation's common stock beneficially owned as of January 31, 2003 by each of the current directors, the nominees recommended by the Board of Directors for election as directors, each of the individuals included in the "Summary Compensation Table" below and all current directors, nominees and executive officers as a group. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the Common Stock beneficially owned by him or her.

Name or Number of Persons in Group	(a) Number of Shares of Common Stock Beneficially Owned(1)	(b) Options(2)	(c) Total	Percent of Class
George H. Benter, Jr.	63,614(3)	250,628	314,242	*
Richard L. Bloch	151,805(4)		151,805	*
Stuart D. Buchalter	15,054(5)		15,054	*
Jan R. Cloyde	26,805(6)	49,562	76,367	*
Kenneth L. Coleman	(7)			
Bram Goldsmith	6,745,725(8)		6,745,725	13.78%
Russell Goldsmith	3,962,655(9)	1,036,834	4,999,489	10.21%
Michael L. Meyer	3,500	1,000	4,500	*
Ronald L. Olson	10,000(10)	1,000	11,000	*
Frank P. Pekny	73,620(11)	141,224	214,844	*
Peter M. Thomas	2,500		2,500	*
Bob Tuttle	1,000	500	1,500	*

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	(a)	(b)	(c)	
Andrea L. Van de Kamp	5,108(12)		5,108	*
Kenneth Ziffren	22,048(13)		22,048	*
All Directors, Nominees and Executive Officers as a group (18 persons)	7,969,584(1,3-15)	1,573,248(2,14)	9,542,832(1-15)	19.49%

*

Percentage information is omitted for those individuals whose beneficially owned shares represent less than one percent of the outstanding shares of the Corporation's common stock.

- (1) Excludes shares subject to options that are referred to in the adjacent column.
- (2) Represents shares subject to options which are presently exercisable or which will become exercisable within 60 days after January 31, 2003.
- (3) George Benter has shared voting and investment power in these shares that are held in a trust of which he is a co-trustee.
- (4) Richard Bloch has shared voting and investment power in these shares that are held in a trust of which he is a co-trustee.
- (5) Includes 375 shares owned by Stuart Buchalter's wife individually. Mr. Buchalter disclaims beneficial ownership of these shares.
- (6) Includes 3,505 shares allocated to Jan Cloyde's account under the City National Corporation Profit Sharing Plan.
- (7) Kenneth Coleman owned no shares as of January 31, 2003, but acquired 50 shares on February 13 2003. His service commenced on February 28, 2003.

9

- (8) Includes 13,731 shares owned by Oak Trust A, of which a member of the family of Bram Goldsmith is the beneficiary and Bram Goldsmith is the sole trustee and shared voting and investment power as follows: (i) 2,920,113 shares owned by the Goldsmith Family Partnership, (ii) 2,943,713 shares owned by the Bram and Elaine Goldsmith Family Trust, of which Bram Goldsmith is a co-trustee (excluding the 2,920,113 shares owned by the Goldsmith Family Partnership of which the Bram and Elaine Goldsmith Family Trust is a general partner), (iii) 567,989 shares owned by the Elaine Goldsmith Revocable Trust, of which Bram Goldsmith is a co-trustee, (iv) 239,780 shares owned by the Goldsmith Family Foundation, a charitable foundation of which Bram Goldsmith is a director, and (v) 60,399 shares allocated to Bram Goldsmith's account under the City National Corporation Profit Sharing Plan. Shares owned by the Goldsmith Family Partnership and the Goldsmith Family Foundation are also shown as being beneficially owned by Russell Goldsmith. Bram Goldsmith disclaims beneficial ownership of the shares owned by the Goldsmith Family Partnership except to the extent of his pecuniary interest therein, and the Goldsmith Family Foundation.
- (9) Includes 424,293 shares owned by the Russell Goldsmith Trust, of which Russell Goldsmith is the sole trustee (excluding the 2,920,113 shares owned by the Goldsmith Family Partnership of which the Russell Goldsmith Trust is a general partner) and 310,148 shares owned by other trusts of which Russell Goldsmith is the sole trustee, and shared voting and investment power as follows: (i) 2,920,113 shares owned by the Goldsmith Family Partnership, (ii) 239,780 shares owned by the Goldsmith Family Foundation, a charitable foundation of which Russell Goldsmith is a director, (iii) 58,495 shares owned by the B.N. Maltz Foundation, a charitable foundation of which Russell Goldsmith is a director, (iv) 2,326 shares allocated to Russell Goldsmith's account under the City National Corporation Profit Sharing Plan, and (v) 7,500 shares owned by MKB Co. Ltd, a limited liability company of which Russell Goldsmith's spouse is the managing member; the number of shares of City National Corporation held by MKB Co. Ltd. exceeds her

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pecuniary interest therein. Shares owned by the Goldsmith Family Partnership and the Goldsmith Family Foundation are also shown as being beneficially owned by Bram Goldsmith. Russell Goldsmith disclaims beneficial ownership of the shares owned by the Goldsmith Family Partnership except to the extent of his pecuniary interest therein, the Goldsmith Family Foundation, the B.N. Maltz Foundation and the MKB Co. Ltd.

(10) Ronald Olson has shared voting and investment power in these shares that are held in a trust of which he is a co-trustee.

(11) Frank Pekny has shared voting and investment power in 67,482 of these shares that are held in joint tenancy with his wife. Also includes 6,138 shares allocated to Frank Pekny's account under the City National Corporation Profit Sharing Plan.

(12) Andrea Van de Kamp has shared voting and investment power in 4,008 of these shares that are held in a trust of which she is a co-trustee.

(13) Kenneth Ziffren has shared voting and investment power in 15,786 of these shares that are held in joint tenancy.

(14) In addition to the ownership disclosed for the persons identified in the Security Ownership of Management table, the beneficial ownership by four additional officers of the Bank who are designated as "Executive Officers" of the Corporation is disclosed in the totals for Columns (a), (b) and (c) of the table. "Executive Officers" means those individuals designated as such for purposes of Section 16 of the Securities Exchange Act of 1934. The number of shares beneficially owned by the Executive Officers is as follows: Column (a) 43,076 solely owned shares, plus 2,967 shares allocated to the officers' accounts under the City National Corporation Profit Sharing Plan; Column (b) 92,500 shares subject to options (see footnote 2; and Column (c) the 138,543 shares included in the Column (a) and Column (b) totals for the Executive Officers.

10

(15) The sum total for this column reflects appropriate elimination of duplicates attributable to both Russell and Bram Goldsmith under the Goldsmith Family Partnership and the Goldsmith Family Foundation (See footnotes 8 and 9).

CN Real Estate Investment Corporation

In 2001, CN Real Estate Investment Corporation, an indirect wholly-owned subsidiary of the Corporation ("Subsidiary I"), sold in a private placement 33,933 shares of its 8.5% Series A Non-Cumulative Preferred Shares (the "Series A Shares") for \$100 per share. In 2002, Subsidiary I, sold in a private placement 6,828 shares of its 8.5% Series B Non-Cumulative Preferred Shares (the "Series B Shares") for \$1,000 per share. The Series A and Series B Shares vote on a share for share basis with the common shares of Subsidiary I and are not convertible into common stock of Subsidiary I. Subsidiary I intends to continue to operate as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended, by investing primarily in participation interests in a portion of the Bank's portfolio of loans secured, in whole or in part, by real estate and leasehold improvements which generate net income.

The information below sets forth the number of Series A Shares and of Series B Shares beneficially owned as of January 31, 2003 by each of the current directors, the nominees recommended by the Board of Directors for election as directors, each of the individuals included in the "Summary Compensation Table" below and all current directors, nominees and executive officers as a group. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the Series A and Series B Shares owned by him or her.

Name or Number of Persons in Group	Series A Shares Beneficially Owned	Series A Percent Of Class *	Series B Shares Beneficially Owned	Series B Percent Of Class *
Bram Goldsmith	1,100(1)	3.24%	800(2)	11.72%
Russell Goldsmith	800(3)	2.36%	250(4)	3.66%
Frank P. Pekny	30(5)	*		*

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Name or Number of Persons in Group	Series A Shares Beneficially Owned	Series A Percent Of Class *	Series B Shares Beneficially Owned	Series B Percent Of Class *
All Directors, Nominees and Executive Officers as a group (6 persons)	1,928(1,3,5,6)	5.68%	1,210(2,4)	17.72%

*

Percentage information is omitted for those individuals whose beneficially owned shares represent less than one percent of the outstanding shares of the Subsidiary's preferred stock.

(1)

Includes 500 Series A shares owned by the Goldsmith Family Foundation, a charitable foundation of which Bram Goldsmith is a director and 600 Series A shares owned by trusts of which members of the family of Bram Goldsmith are the beneficiaries and Bram Goldsmith is the sole trustee. Shares owned by the Goldsmith Family Foundation are also shown as being beneficially owned by Russell Goldsmith. Bram Goldsmith disclaims beneficial ownership of the shares owned by the Goldsmith Family Foundation.

(2)

Includes 500 Series B shares owned by the Bram and Elaine Goldsmith Trust and 300 Series B shares owned by the Elaine Goldsmith Revocable Trust, of which trusts Bram Goldsmith is a co-trustee.

(3)

Includes 500 Series A shares owned by the Goldsmith Family Foundation, a charitable foundation of which Russell Goldsmith is a director. Shares owned by the Goldsmith Family Foundation are also shown as being beneficially owned by Bram Goldsmith. Russell Goldsmith disclaims beneficial ownership of the shares owned by the Goldsmith Family Foundation. Also includes 300 Series A shares owned by trusts of which members of the family of Russell Goldsmith are the beneficiaries and Russell Goldsmith is the sole trustee.

11

(4)

Includes 150 Series B shares owned by trusts of which members of the family of Russell Goldsmith are the beneficiaries and Russell Goldsmith is the sole trustee.

(5)

The shares are jointly owned by Frank Pekny and his wife.

(6)

Includes 46 Series A shares owned by a spouse of an officer with respect to which the officer disclaims beneficial ownership. The sum total for this column reflects appropriate elimination of duplicates attributable to both Russell and Bram Goldsmith under the Goldsmith Family Foundation (See footnotes (1) and (3)).

CN Real Estate Investment Corporation II

In 2002, CN Real Estate Investment Corporation II, an indirect wholly-owned subsidiary of the Corporation ("Subsidiary II"), sold in a private placement 121,530 shares of its 8.5% Series A Non-Cumulative Preferred Shares (the "Subsidiary II Series A Shares") for \$100 per share. The Subsidiary II Series A Shares vote on a share for share basis with the common shares of Subsidiary II and are not convertible into common stock of Subsidiary II. Subsidiary II intends to continue to operate as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended, by investing primarily in participation interests in a portion of the Bank's portfolio of loans secured, in whole or in part, by real estate and leasehold improvements which generate net income.

The information below sets forth the number of Subsidiary II Series A Shares beneficially owned as of January 31, 2003 by each of the current directors, the nominees recommended by the Board of Directors for election as directors, each of the individuals included in the "Summary Compensation Table" below and all current directors, nominees and executive officers as a group. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the Preferred Shares owned by him or her.

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Name or Number of Persons in Group	Subsidiary II Series A Shares Beneficially Owned	Subsidiary II Series A Percent Of Class *
Bram Goldsmith	200(1)	*
Russell Goldsmith	500(2)	*
(1, 2,		
All Directors, Nominees and Executive Officers as a group (4 persons)	1,2453)	1.02%

* Percentage information is omitted for those individuals whose beneficially owned shares represent less than one percent of the outstanding shares of the Subsidiary's preferred stock.

- (1) Includes 100 shares owned by Bram Goldsmith's spouse. Bram Goldsmith disclaims beneficial ownership of the shares held by his spouse.
- (2) These shares are owned by trusts of which members of the family of Russell Goldsmith are the beneficiaries and Russell Goldsmith is the sole trustee.
- (3) Includes 2 shares owned by a spouse of an officer with respect to which the officer disclaims beneficial ownership.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Summary Compensation Table

The following table sets forth the compensation for services rendered in all capacities to the Corporation and its subsidiaries earned during or, in the case of bonuses, on account of, the years indicated by each of the Corporation's Chief Executive Officer and the four most highly compensated officers of the Corporation during 2002 (including, in some cases, officers of the Bank who were deemed executive officers of the Corporation) who were employed by the Corporation or the Bank at December 31, 2002 (collectively, the "Named Executive Officers").

Name and Position with the Corporation and the Bank	Year	Annual Compensation			Long Term Compensation(1)		
		Salary	Bonus	Other Annual Compensation(2)	Restricted Stock Awards	Securities Underlying Options Granted	All Other Compensation(3)(4)
Russell Goldsmith	2002	\$ 844,743	\$ 1,088,609			375,000	\$ 23,500
Vice Chairman and Chief Executive Officer, City National Corporation;	2001	\$ 807,709	\$ 895,665			125,000	\$ 20,308
Chairman of the Board and Chief Executive Officer, City National Bank	2000	\$ 751,526	\$ 1,017,359			83,000	\$ 20,955
Bram Goldsmith	2002	\$ 540,000	\$ 385,000				\$ 83,500
Chairman of the Board, City National Corporation	2001	\$ 540,000	\$ 385,000				\$ 80,308
	2000	\$ 540,000	\$ 385,000				\$ 80,955

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				Long Term Compensation⁽¹⁾	
George H. Benter, Jr. President, City National Corporation; President and Chief Operating Officer, City National Bank	2002	\$ 471,733	\$ 302,343	50,000	\$ 23,500
	2001	\$ 460,000	\$ 244,800	50,000	\$ 20,308
	2000	\$ 435,003	\$ 280,000	50,000	\$ 20,955
Frank P. Pekny Executive Vice President and Chief Financial Officer/Treasurer, City National Corporation; Vice Chairman and Chief Financial Officer, City National Bank	2002	\$ 426,187	\$ 285,028	50,000	\$ 23,500
	2001	\$ 416,000	\$ 221,400	50,000	\$ 20,308
	2000	\$ 395,669	\$ 242,500	50,000	\$ 20,955
Jan R. Cloyde Executive Vice President and Manager, Banking Services, City National Bank	2002	\$ 362,543	\$ 242,465	25,000	\$ 23,500
	2001	\$ 353,000	\$ 188,300	17,500	\$ 20,308
	2000	\$ 327,503	\$ 210,000	12,700	\$ 19,582

- (1) The Corporation did not award restricted stock to any of the Named Executive Officers during the periods shown.
- (2) There were no perquisites or other personal benefits which, in the aggregate, exceeded the lesser of \$50,000 or 10% of total salary and bonus for any of the Named Executive Officers.
- (3) Reflects the contribution to the Profit Sharing Plan allocable to the Named Executive Officer, including any matching contribution to the Section 401(k) deferred compensation feature of that Plan.
- (4) For Bram Goldsmith, also includes \$60,000 in each of 2000, 2001 and 2002 for the premium paid on a life insurance policy originally purchased in 1980 which policy is owned by a trust of which Russell Goldsmith is one of the beneficiaries. See " Employment Contracts, Change of Control Agreements and Termination Arrangements Bram Goldsmith Agreement".

Employment Contracts, Change of Control Agreements and Termination Arrangements

Russell Goldsmith Agreement. Effective July 15, 1998, the Corporation and the Bank entered into an Employment Agreement (the "1998 Russell Goldsmith Agreement") with Russell Goldsmith pursuant to which he has served as Chairman of the Board and Chief Executive Officer of the Bank and Vice Chairman and Chief Executive Officer of the Corporation. The 1998 Russell Goldsmith Agreement remained in effect until July 15, 2002. The 1998 Russell Goldsmith Agreement provided for an annual salary of \$675,000 for the first year, increasing each successive year by the lesser of (i) five percent (5%) plus a cost of living index and (ii) 10%. Russell Goldsmith was also entitled to an annual bonus equal to not less than 125% of his base compensation if plan goals for the year were achieved, scaled up ratably, to 200% of his base compensation, if 130% of plan goals were achieved, and scaled down ratably to 35% if 85% of plan goals were achieved.

At their July and September 2002 meetings, the Board of Directors approved a new employment agreement for Russell Goldsmith (the "2002 Russell Goldsmith Agreement"), which was executed on March 20, 2003, with all terms and conditions effective as of July 15, 2002 and pursuant to which Russell Goldsmith has served and will continue to serve as Chairman of the Board and Chief Executive Officer of the Bank and Vice Chairman and Chief Executive Officer of the Corporation. The 2002 Russell Goldsmith Agreement, which will remain in effect until July 15, 2006, provides for an annual salary of \$853,811 from July 15, 2002 until February 28, 2003, at which time the Agreement provides for a two percent (2%) increase in annual salary, effective until the next review date which is March 1, 2004. Thereafter, annual salary increases for each successive year will increase by a minimum of six percent (6%) per year on each of the following March 1 review dates, subject to voluntary reduction by Russell Goldsmith. Consistent with benefits provided to all Executive Committee members, Russell Goldsmith will receive an automobile allowance of \$1,000 per month. Annual bonus incentive remained unchanged from the prior agreement. Russell Goldsmith is entitled to an annual bonus equal to not less than 125% of his base compensation if plan goals for the year are achieved, scaled up

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ratably, to 200% of his base compensation, if 130% of plan goals are achieved, and scaled down ratably to 35% if 85% of plan goals are achieved.

The 2002 Russell Goldsmith Agreement also provides for the implementation of a Supplemental Executive Retirement Plan for Russell Goldsmith (the "SERP Benefits"). The SERP Benefits equal approximately 1.54% of his final average pay (the average of the highest three years of Russell Goldsmith's final five years salary and bonus) per year of service, up to a 25.2% maximum after 16.33 years of service, on February 14, 2012. The projected benefit after 16.33 years of service at age sixty-two (the normal retirement date) is \$650,000. The SERP Benefits include provisions for (i) actuarial reduction for early retirement; (ii) actuarially increased benefit for delayed retirement; (iii) payment of vested benefits upon retirement, death or disability (lump sum option); (iv) elective provision for joint and survivor annuity for his spouse, with actuarially reduced pension; (v) death benefits for his spouse; and (vi) five years extra service credit, but no change in maximum benefit, in event of a change of control. The SERP Benefit becomes fully vested upon eight years of service, on October 16, 2003.

The 2002 Russell Goldsmith Agreement also provided for the grant to Russell Goldsmith on July 24, 2002 of 250,000 non-qualified stock options to acquire the Corporation's common stock at an exercise price of \$47.12 per share (the fair market value on that date) pursuant to the Corporation's 2002 Omnibus Plan. The option was immediately exercisable as to 83,334 shares; exercisable as to 83,333 shares on July 24, 2003; and exercisable as to the remaining 83,333 shares on July 24, 2004. The options will expire on July 23, 2012.

The 2002 Russell Goldsmith Agreement provides that in the event the Corporation or the Bank terminates Russell Goldsmith's employment without good cause, Russell Goldsmith will be entitled to receive an amount equal to (i) the base compensation and bonus he would have received during the three years following the date of termination (assuming for purposes of the calculation that the term of the 2002 Russell Goldsmith Agreement had extended for a period of three years from the date of termination) and

14

(ii) the cost of all other employee benefits Russell Goldsmith would have received had he remained employed for three years following the date of termination. In addition, the stock options granted pursuant to the 2002 Russell Goldsmith Agreement, if not then exercisable in full, will become fully exercisable. For purposes of the 2002 Russell Goldsmith Agreement, "good cause" is defined as (i) conviction of a crime directly related to Russell Goldsmith's employment, (ii) conviction of a felony involving moral turpitude, (iii) willful and gross mismanagement of the Corporation's or the Bank's business and affairs or (iv) breach of a material provision of the 2002 Russell Goldsmith Agreement.

If Russell Goldsmith's employment is terminated because of injury or physical or mental illness or due to Russell Goldsmith's death, he (or, in the event of his death, his beneficiary or estate) will be entitled to receive the same amounts and benefits as if his employment had been terminated without cause.

Any dispute relating to the 2002 Russell Goldsmith Agreement will be resolved by binding arbitration. See "Change of Control Agreements" below, for information relating to change of control arrangements for Russell Goldsmith.

Bram Goldsmith Agreement. In March 1998, the Corporation and the Bank entered into an Employment Agreement (the "1998 Agreement") with Bram Goldsmith pursuant to which he served as Chairman of the Board of the Corporation and an officer of the Bank from May 15, 1998, to May 14, 2001. In March 2001, the Corporation and the Bank entered into an Employment Agreement (the "2001 Agreement") with Bram Goldsmith which provided for him to serve as Chairman of the Board of the Corporation and an officer of the Bank from May 15, 2001, to May 14, 2003. Both the 1998 Agreement and the 2001 Agreement provided for an annual salary of \$540,000, as well as an annual incentive bonus, which bonus shall be no less a percentage of Bram Goldsmith's annual salary than the mean between the high and low percentage of annual salary paid as a bonus to any other member of the Corporation's or the Bank's Strategy and Planning Committee (both of which currently consist of Russell Goldsmith, Bram Goldsmith, George Benter, Frank Pekny and Jan Cloyde). The 1998 Agreement and the 2001 Agreement also provided that in no event shall the total employee remuneration (as that term is defined in Section 162(m) of the Internal Revenue Code) paid to Bram Goldsmith with regard to any one tax year of the Corporation total more than \$925,000.

On March 19, 2003, the Board of Directors of the Corporation and the Bank approved entering into a new employment agreement with Bram Goldsmith, who has agreed to the following terms (the "2003 Bram Goldsmith Agreement"). Under this new agreement, he will continue to serve as Chairman of the Board of the Corporation and in all current officer capacities until May 14, 2005. The 2003 Bram Goldsmith Agreement will provide that he will receive an annual salary of \$350,000 commencing May 15, 2003. He will also receive an annual bonus for the performance year 2003 and each year thereafter, in an amount not to exceed \$150,000. Like all other Executive Committee members, Bram Goldsmith will also receive a monthly automobile allowance of \$1,000. He will receive title to a 1987 Mercedes valued at \$6,000 which has been his Company car for the past fifteen years. All other provisions of the 2001 Agreement will remain in effect for the term of the 2003 Bram Goldsmith Agreement. The 2003 Bram Goldsmith Agreement was not yet executed as of the date of this Proxy Statement and is expected to be executed prior to the 2003 Annual Meeting of Stockholders. All other provisions of the 2001 Agreement remain in effect for the term of the

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2003 Bram Goldsmith Agreement.

Since 1980, employment arrangements between the Corporation and Bram Goldsmith have provided for various policies of life insurance. Since 1990, and continuing under the 1998 Agreement and the 2001 Agreement, an insurance policy on the joint lives of Bram and Elaine Goldsmith in the amount of \$7,000,000 has been p0% ">

reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;

reviewing and approving the following for our Chief Executive Officer and our other executive officers: annual base salaries, annual incentive bonuses, including the specific goals and amount, equity compensation, employment agreements, severance arrangements, change of control arrangements and any other benefits, compensation or arrangements;

reviewing and recommending compensation goals and bonus and stock compensation criteria for our employees;

reviewing and recommending compensation programs for outside directors;

preparing the compensation discussion and analysis and compensation committee report required in our annual proxy statement;

administering, reviewing and making recommendations with respect to our equity compensation plans; and

reviewing and evaluating, at least annually, its own performance and that of its members, including compliance with the committee charter.

Our compensation committee is currently composed of Jeffrey D. Brody, Todd C. Chaffee and Susan D. Wojcicki, each of whom is a non-employee member of the Board. Mr. Brody has been appointed to serve as the chairperson of our compensation committee. In April 2012, our Board determined that each member of our compensation committee is independent under the applicable requirements of the NASDAQ and SEC rules and regulations, is a non-employee director, as defined by Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code. The compensation committee met a total of three times during 2011.

Nominating and Governance Committee

Our nominating and governance committee will be responsible for, among other things:

assisting the Board in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders;

Table of Contents

reviewing developments in corporate governance practices and developing and recommending governance principles applicable to the Board;

overseeing the evaluation of the Board and management;

recommending members for each Board committee to the Board;

reviewing and monitoring our code of conduct and actual and potential conflicts of interest of members of our Board and officers; and

reviewing and evaluating, at least annually, its own performance and that of its members, including compliance with the committee charter.

Our nominating and governance committee is currently composed of Woody Marshall, Philip S. Siegel and Robert Solomon. Mr. Marshall has been appointed the chairperson of our nominating and governance committee. In April 2012, our Board determined that each member of our nominating and governance committee is independent under the applicable requirements of the NASDAQ and SEC rules and regulations. The nominating and governance committee met once during 2011.

The audit committee, compensation committee and nominating and governance committee operate under written charters adopted by the Board. These charters are available on the investor relations portion of our website at <http://investors.homeaway.com> in the Corporate Governance section and will be available without charge, upon request in writing to HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703, Attn: Legal Department.

Risk Oversight

Our business is subject to various types of risk, including business risks relating to our strategy, competitive position, operations and financial structure, technological risks, legal and compliance risks and others. Our Board oversees our risk management processes implemented by management and regularly reviews reports from members of senior management on areas of material risk. The committees of the Board are charged with overseeing certain types of risks. The audit committee is responsible for overseeing the management of financial and operational risks. The compensation committee is responsible for overseeing the management of risks relating to executive compensation. The nominating and governance committee is responsible for overseeing the management of risks relating to corporate governance. The full Board regularly receives reports from each committee on the management of these risks and is charged with the management of all other risks.

Director Independence

Our Corporate Governance Guidelines, which may be found at the investor relations portion of our website at <http://investors.homeaway.com> in the Corporate Governance section, state that our Board shall have a majority of directors who meet the criteria for independence established by applicable law. In March 2012, our Board, following consultation with our nominating and governance committee, undertook a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise judgment in carrying out his or her responsibilities. As a result of this review, our Board determined that Lanny Baker, Jeffrey D. Brody, Todd C. Chaffee, Woody Marshall, Philip S. Siegel, Robert Solomon and Susan D. Wojcicki are independent directors as defined under the applicable NASDAQ and SEC rules and regulations. However, Woody Marshall is an affiliated person and, as such, is not independent under the standard applicable to audit committee members under the requirements of the NASDAQ and SEC rules and regulations. We are currently relying on an exemption from the independence standards set out in Exchange Act Rule 10A-3(b)(1)(iv)(A)(2) and do not believe that our reliance on such exemption will materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of the SEC and the NASDAQ.

There are no family relationships among our executive officers and directors.

Table of Contents

Communications with the Board of Directors

Any matter intended for the Board, or for any individual member or members of the Board, should be directed to our General Counsel at 1011 W. Fifth Street, Suite 300, Austin, Texas 78703, with a request to forward the communication to the intended recipient or recipients. In general, any stockholder communication delivered to our General Counsel for forwarding to the Board or specified Board member or members will be forwarded in accordance with the stockholder's instructions. However, our General Counsel reserves the right not to forward to Board members any abusive, threatening or otherwise inappropriate materials.

Director Nomination Procedures

The nominating and governance committee has the responsibility for reviewing and recommending to the Board candidates for director positions. The nominating and governance committee will consider nominations made by stockholders. There are no differences in the manner in which the nomination and governance committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. To have a candidate considered by the nominating and governance committee, a stockholder must submit its recommendation in writing in accordance with the procedures described in the section of this Proxy Statement titled "Other Matters 2013 Stockholder Proposals or Nominations" and must include the information specified in our Bylaws, including information concerning the nominee and information about the stockholder's ownership of and agreements related to our stock.

The nominating and governance committee, in evaluating Board candidates, considers issues such as character, integrity, judgment, diversity, age, independence, skills, education, expertise, business acumen, business experience, length of service, understanding of our business and other commitments and the like, all in the context of an assessment of the needs of the Board at the time. The committee's objective is to maintain a Board of individuals of the highest personal character, integrity and ethical standards, and that reflects a range of professional backgrounds and skills relevant to our business. The nominating and governance committee does not have a formal policy with respect to diversity; however, the committee considers diversity in identifying nominees for director, including personal characteristics such as race and gender, as well as diversity in the experience and skills that contribute to the Board's performance of its responsibilities in the oversight of a global technology business.

The nominating and governance committee believes that the minimum qualifications for serving as a director are that a nominee demonstrate knowledge of our industry, accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of our business and affairs, independence under NASDAQ rules, lack of conflicts of interest, and a record and reputation for integrity and ethical conduct in both his or her professional and personal activities. In addition, the nominating and governance committee examines a candidate's specific experiences and skills, time availability in light of other commitments, interpersonal skills and compatibility with the Board, and ability to complement the competency and skills of the other Board members.

The nominating and governance committee annually reviews with the Board the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment includes a consideration of independence, diversity, age, skills, and experience and industry backgrounds in the context of the needs of the Board and the Company, as well as the ability of current and prospective directors to devote sufficient time to performing their duties in an effective manner. Directors are expected to exemplify the highest standards of personal and professional integrity, and to constructively challenge management through their active participation and questioning. In particular, the nominating and governance committee seeks directors with established strong professional reputations and expertise in areas relevant to the strategy and operations of our business.

Table of Contents**Board Meetings and Attendance**

The Board held ten meetings in 2011. During 2011, each member of the Board attended 75% or more of the aggregate of (i) the total number of Board meetings held during the period of such member's service and (ii) the total number of meetings held by all Board committees on which such member served during the period of such member's service.

Director Attendance at Annual Meetings of Stockholders

Directors are encouraged, but not required, to attend our annual stockholder meetings. Our 2012 annual stockholder meeting is our first annual stockholder meeting as a publicly traded company.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of HomeAway. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or compensation committee.

Director Compensation

Our non-employee directors are entitled to receive an annual fee of \$25,000 for their services as directors. The non-employee directors receive an additional annual fee for their service on committees of the Board in accordance with the following table:

Committee	Chairperson Fee	Member Fee
Audit Committee	\$ 20,000	\$ 12,000
Compensation Committee	\$ 10,000	\$ 5,000
Nominating and Governance Committee	\$ 7,500	\$ 3,000

Non-employee directors will generally receive an initial option grant entitling the director to purchase that number of shares of our common stock equal to \$375,000 divided by the then current Black-Scholes value of our common stock. These options will vest monthly over three years, provided that the non-employee director continues to serve as a director through each such vesting date. Except for Lanny Baker and Susan D. Wojcicki, who received these initial option grants in April 2011, and Robert Solomon, who received an initial option grant when he joined the Board in 2009, our non-employee directors received these grants in the first quarter of 2012. In addition, beginning in 2012, non-employee directors will receive an annual option grant entitling each director to purchase that number of shares of our common stock equal to \$150,000 divided by the then current Black-Scholes value of our common stock. These options will vest monthly over one year, provided that the non-employee director continues to serve as a director through each such vesting date. We do not pay meeting fees to our directors. We reimburse the directors for their travel and related expenses in connection with attending Board meetings and Board-related activities, such as HomeAway site visits, as well as continuing education programs.

Table of Contents**Director Compensation 2011**

The following table presents information regarding the compensation paid during 2011 to non-employee directors who served on the Board during the year. Mr. Baker and Ms. Wojcicki were appointed to the Board in April 2011 in anticipation of our initial public offering and only these two non-employee directors received compensation for their services as directors during 2011. The other non-employee directors began receiving compensation in 2012 in accordance with our director compensation policy described above. Neither Mr. Sharples nor Mr. Shepherd, our two employee directors, receives any compensation for their services as members of the Board.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$ (1))	All Other Compensation (\$)	Total (\$)
Lanny Baker (2)	30,000	375,000		405,000
Jeffrey D. Brody				
Todd C. Chaffee				
Woody Marshall				
Philip S. Siegel				
Robert Solomon				
Susan D. Wojcicki (3)	20,000	375,000		395,000

- (1) In accordance with SEC rules, the amounts reported in this column reflect the aggregate grant date fair value of option awards granted to non-employee directors during 2011 and computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of option awards in the section titled Accounting for Stock-Based Compensation in Note 9 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.
- (2) Mr. Baker was appointed to the Board in April 2011. In connection with his appointment, Mr. Baker received an initial stock option grant of 34,850 shares, which vests in 36 equal monthly installments beginning on May 29, 2011. The fees paid to Mr. Baker in 2011 reflect a pro-rated \$16,650 annual retainer for his service as a non-employee director during 2011 and \$13,350 for his services as the chairperson of the audit committee.
- (3) Ms. Wojcicki was appointed to the Board in April 2011. In connection with her appointment, Ms. Wojcicki received an initial stock option grant of 34,850 shares, which vests in 36 equal monthly installments beginning on May 29, 2011. The fees paid to Ms. Wojcicki in 2011 reflect a pro-rated \$16,650 annual retainer for her service as a non-employee director during 2011 and \$3,350 for her service as a member of our compensation committee.

Table of Contents**EXECUTIVE OFFICERS**

The following sets forth certain information regarding our executive officers. Information pertaining to Messrs. Sharples and Shepherd, each of whom is both an officer and a director of HomeAway, may be found in the section of this Proxy Statement titled "Proposal One: Election of Directors - Directors."

Name	Position with HomeAway	Age as of the Annual Meeting
Brian H. Sharples	Co-Founder, Chief Executive Officer, President and Chairman	51
Lynn Atchison	Chief Financial Officer and Secretary	52
Brent Bellm	Chief Operating Officer	40
Ross A. Buhrdorf	Chief Technology Officer	48
Thomas Hale	Chief Product Officer	43
Carl G. Shepherd	Co-Founder, Chief Strategy and Development Officer and Director	59

Lynn Atchison has served as our Chief Financial Officer since August 2006. Prior to joining us, Ms. Atchison was Chief Financial Officer of Infoglide Software Corporation, an enterprise software provider, from February 2004 to August 2006. From October 2003 to January 2004, Ms. Atchison worked as a business consultant for Range Online Media, an Internet marketing firm. From May 1996 to April 2003, Ms. Atchison served as Chief Financial Officer and Vice President of Finance and Administration of Hoover's, Inc., a provider of online business information. From November 1994 to April 1996, Ms. Atchison served as Chief Financial Officer of Travelogix, Inc., a provider of travel ticketing systems software. From May 1990 to November 1994, Ms. Atchison worked as a consultant providing controller functions for software, technology and non-profit organizations, including Trilogy Development, a provider of sales automation software, and Austin American Technology. Prior to that, Ms. Atchison worked for eight years as an accountant with Ernst & Young LLP. Ms. Atchison holds a B.B.A. in accounting from Stephen F. Austin State University.

Brent Bellm has served as our Chief Operating Officer since June 2010. From October 2009 to June 2010, Mr. Bellm served as Vice President of Global Product and Experience of PayPal, Inc., an online payment services provider and subsidiary of eBay Inc., and as Chief Executive Officer of PayPal (Europe) Ltd. from October 2005 to September 2009. Before joining PayPal, Mr. Bellm served as Director of Corporate Strategy of eBay from April 2001 to December 2002. Previously, Mr. Bellm held positions at McKinsey & Company, focusing on the retail, e-commerce and payment industries, and at Goldman, Sachs & Co. Mr. Bellm holds a B.A. in economics and international relations from Stanford University and an M.B.A. from Harvard Business School.

Ross A. Buhrdorf has served as our Chief Technology Officer since July 2005. Prior to joining us, Mr. Buhrdorf served as Vice President of Engineering of BetweenMarkets, Inc., a platform for ensuring business-to-business information quality, from June 2004 to June 2005. From 2000 to 2004, Mr. Buhrdorf served as Vice President of Engineering of Salion, Inc., an enterprise CRM solution for supply-side manufacturing, and from 1997 to 2000 he served as Vice President of Engineering of Excite.com, a search engine company. Since 1993, Mr. Buhrdorf also has owned and consulted with a variety of software companies. Mr. Buhrdorf holds a B.S. in computer science from the University of Texas at Austin.

Thomas Hale has served as our Chief Product Officer since June 2010. Prior to joining us, Mr. Hale served as Chief Product Officer of Linden Research, Inc., an online game and virtual community provider, from October 2008 to May 2010. From December 2007 to October 2008, Mr. Hale served as an Entrepreneur in Residence at Redpoint Ventures, a venture capital firm. From September 1995 to October 2007, Mr. Hale held various positions, including Senior Vice President of the Knowledge Worker Business Unit at Adobe Systems Incorporated and Macromedia, Inc. Mr. Hale has served on the board of directors of IntraLinks, Inc., a provider of Software-as-a-Service solutions, since May 2008. Mr. Hale holds a B.A. in history and literature from Harvard University.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of April 13, 2012 for each person known by us to beneficially own more than 5% of our outstanding shares of common stock, each of our named executive officers, each of the members of our Board and all of the members of our Board and executive officers as a group.

We have determined beneficial ownership in accordance with SEC rules. The information does not necessarily indicate beneficial ownership for any other purpose. Except as indicated in the footnotes to this table, and pursuant to state community property laws, we believe, based on the information furnished to us, that the persons named in the table have sole voting and investment power with respect to all shares reflected as beneficially owned by them. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock that could be issued upon the exercise of outstanding options held by that person are currently exercisable or exercisable within 60 days of April 13, 2012 are considered outstanding. These shares, however, are not considered outstanding when computing the percentage ownership of any other person.

Percentage of ownership is based on 82,105,930 shares of our common stock outstanding on April 13, 2012.

Unless otherwise indicated, the address for each of the stockholders in the table below is c/o HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703.

Name of Beneficial Owner	Shares Beneficially Owned	Percent of Common Stock Outstanding
5% Stockholders:		
Entities affiliated with Austin Ventures (1)	17,987,628	21.91%
Entities affiliated with Redpoint Ventures (2)	12,431,720	15.14%
Entities affiliated with Technology Crossover Ventures (3)	10,413,507	12.68%
Entities affiliated with Institutional Venture Partners (4)	6,558,910	7.99%
Tiger Global Management, LLC (5)	4,691,881	5.71%
Named Executive Officers, Directors and Nominees:		
Brian H. Sharples (6)	2,179,660	2.63%
Lynn Atchison (7)	400,719	*
Brent Bellm (8)	338,750	*
Ross A. Buhrdorf (9)	450,615	*
Thomas Hale (10)	246,726	*
Carl G. Shepherd (11)	680,295	*
Lanny Baker (12)	12,584	*
Jeffrey D. Brody (13)	12,483,135	15.20%
Todd C. Chaffee (14)	6,560,396	7.99%
Woody Marshall (15)	7,441,001	9.06%
Philip S. Siegel (16)	1,105,604	1.35%
Robert Solomon (17)	25,000	*
Susan D. Wojcicki (18)	12,584	*
All directors and executive officers as a group (13 people) (19).	31,937,069	37.92%

* Represents less than one percent.

- (1) Includes 17,140,072 shares held by Austin Ventures VIII, L.P. and 847,556 shares held by Austin Ventures X, L.P. The sole general partner of Austin Ventures VIII, L.P. is AV Partners VIII, L.P., Joseph C. Aragona, Kenneth P. DeAngelis, John D. Thornton and Christopher A. Pacitti are the general partners of AV Partners VIII, L.P. and share voting and/or dispositive power over the shares held by Austin Ventures VIII, L.P. The general partner of Austin Ventures X, L.P. is AV Partners X, L.P. and the general partner of

Table of Contents

- AV Partners X, L.P. is AV Partners X, LLC. Joseph C. Aragona, Kenneth P. DeAngelis, John D. Thornton, Christopher A. Pacitti and Philip S. Siegel are members of AV Partners X, LLC and share voting and/or dispositive power over the shares held by Austin Ventures X, L.P. The address of Austin Ventures VIII, L.P. and Austin Ventures X, L.P., or the Austin Ventures Funds, is 300 West 6th Street, Suite 2300, Austin, Texas 78701, Attention: Kenneth P. DeAngelis.
- (2) Includes 5,741,961 shares held by Redpoint Ventures I, L.P., 5,076,186 shares held by Redpoint Ventures II, L.P., 670,214 shares held by Redpoint Technology Partners Q-1, L.P., 555,926 shares held by Redpoint Omega, L.P., 147,230 shares held by Redpoint Associates I, LLC, 117,375 shares held by Redpoint Associates II, LLC, 107,107 shares held by Redpoint Technology Partners A-1, L.P. and 15,721 shares held by Redpoint Omega Associates, LLC. Redpoint Ventures I, LLC is the general partner of each of Redpoint Ventures I, L.P., Redpoint Technology Partners A-1, L.P., and Redpoint Technology Partners Q-1, L.P., and the manager of Redpoint Associates I, LLC. Redpoint Ventures II, LLC is the general partner of Redpoint Ventures II, L.P. Voting and dispositive decisions with respect to shares held by each of Redpoint Ventures I, L.P., Redpoint Technology Partners A-1, L.P., Redpoint Technology Partners Q-1, L.P., Redpoint Ventures II, L.P., Redpoint Associates I, LLC and Redpoint Associates II, LLC are shared by Jeffrey D. Brody, R. Thomas Dyal, Timothy M. Haley, G. Bradford Jones, John L. Walecka and Geoffrey Y. Yang in their capacities as managing members of each of Redpoint Ventures I, LLC, Redpoint Ventures II, LLC, and Redpoint Associates II, LLC. Redpoint Omega, LLC is the general partner of Redpoint Omega, L.P. Voting and dispositive decisions with respect to shares held by Redpoint Omega, L.P. and Redpoint Omega Associates, LLC are shared by Jeffrey D. Brody, R. Thomas Dyal, Timothy M. Haley, John L. Walecka, Geoffrey Y. Yang, Christopher B. Moore and W. Allen Beasley in their capacities as managing members of each of Redpoint Omega, LLC and Redpoint Omega Associates, LLC. The address of the entities affiliated with Redpoint Ventures, or the Redpoint Ventures Funds, is 3000 Sand Hill Road, Building 2, Suite 290, Menlo Park, California 94025, Attention: Jeffrey D. Brody.
- (3) Includes 4,867,308 shares held by TCV VII, L.P., 2,952,049 shares held by TCV VI, L.P., 2,527,648 shares held by TCV VII (A), L.P., and 66,502 shares held by TCV Member Fund, L.P. Technology Crossover Management VI, L.L.C., or TCM VI, as the general partner of TCV VI, L.P. and a general partner of TCV Member Fund, L.P., may be deemed to have the sole voting and dispositive power over the shares held by TCV VI, L.P. and certain of the shares held by TCV Member Fund, L.P. Jay C. Hoag, Richard H. Kimball, John L. Drew, Jon Q. Reynolds Jr. and Robert W. Trudeau, or the TCM VI Members, are Class A Members of TCM VI and limited partners of TCV Member Fund, L.P. and may be deemed to share voting and dispositive power over the shares held by TCV VI, L.P. and certain of the shares held by TCV Member Fund, L.P. Christopher P. Marshall, John C. Rosenberg and David L. Yuan are Assignees of TCM VI. Technology Crossover Management VII, Ltd., or Management VII, as a general partner of TCV Member Fund, L.P. and the general partner of Technology Crossover Management VII, L.P., or TCM VII, which is the direct general partner of each of TCV VII, L.P. and TCV VII (A), L.P. may be deemed to have the sole voting and dispositive power over the shares held by TCV VII, L.P. and TCV VII (A), L.P. and certain of the shares held by TCV Member Fund, L.P. The TCM VI Members, Christopher P. Marshall, Timothy P. McAdam, John C. Rosenberg and David L. Yuan, collectively the Management VII Members, are the Class A Directors of Management VII and limited partners of TCM VII and TCV Member Fund, L.P. and share voting and dispositive power over the shares held by TCV VII, L.P. and TCV VII (A), L.P. and certain of the shares held by TCV Member Fund, L.P. The address of the entities affiliated with Technology Crossover Ventures, or TCV, is 528 Ramona Street, Palo Alto, California 94301.
- (4) Includes 3,058,910 shares held by Institutional Venture Partners XII, L.P. or IVP XII, 3,017,000 shares held by Institutional Venture Partners XI, L.P., or IVP XI, and 483,000 shares held by Institutional Venture Partners XI GmbH & Co Beteiligungs KG, or IVP XI KG. The general partner of IVP XII is Institutional Venture Management XII, LLC. The general partner of IVP XI and the managing limited partner of IVP XI KG is Institutional Venture Management XI, LLC. Todd C. Chaffee, Norman A. Fogelsong, Stephen J. Harrick, J. Sanford Miller and Dennis B. Phelps are the managing directors of Institutional Venture Management XII, LLC and share voting and dispositive power over the shares held by IVP XII. Todd C. Chaffee, Norman A. Fogelsong, Stephen J. Harrick, J. Sanford Miller and Dennis B. Phelps are

Table of Contents

- the managing directors of Institutional Venture Management XI, LLC and share voting or dispositive power over the shares held by each of IVP XI and IVP XI KG. The address of entities affiliated with Institutional Venture Partners, or IVP Funds, is 3000 Sand Hill Road, Building 2, Suite 250, Menlo Park, California 94025, Attention: Melanie Chladek.
- (5) Information based on Schedule 13G filed by Tiger Global Management, LLC. All of such securities are owned by advisory clients of Tiger Global Management, LLC, or Tiger Global, none of which owns more than 5% of the class. The address of Tiger Global is 101 Park Avenue, 48th Floor, New York, New York 10178.
 - (6) Includes 1,137,513 shares held by Moose Pond Investments, LP, 200,000 shares held by Sharples Venture Partners, LP, 57,346 shares held by Brian H. Sharples, 11,403 shares held by Brian H. Sharples as Trustee of The Hawken Drake Sharples 2009 Trust, or the Hawken Sharples Trust, 11,402 shares held by Brian H. Sharples as Trustee of The Chloe Marie Sharples 1998 Trust, or the Chloe Sharples Trust, 11,402 shares held by Brian H. Sharples as Trustee of The Emma Jette Sharples 2002 Trust, or the Emma Sharples Trust and 750,594 shares issuable upon exercise of options held by Mr. Sharples that are exercisable within 60 days of April 13, 2012. Mr. Sharples is the limited partner of Moose Pond Investments, LP and the sole manager of Moose Pond Mgt., LC, which is the general partner of Moose Pond Investments, LP, the general partner of Sharples Venture Partners, LP and the trustee of the Hawken Sharples Trust, the Chloe Sharples Trust and the Emma Sharples Trust. Mr. Sharples has voting and dispositive power over the shares held by Moose Pond Investments, LP, Sharples Venture Partners, LP, the Hawken Sharples Trust, the Chloe Sharples Trust and the Emma Sharples Trust.
 - (7) Includes 291,016 shares issuable upon the exercise of options held by Ms. Atchison that are exercisable within 60 days of April 13, 2012.
 - (8) Includes 56,250 shares that are subject to forfeiture to us, which forfeiture restriction lapses as to 2,083 shares each month and 259,582 shares issuable upon the exercise of options held by Mr. Bellm that are exercisable within 60 days of April 13, 2012.
 - (9) Includes 342,352 shares issuable upon the exercise of options held by Mr. Buhrdorf that are exercisable within 60 days of April 13, 2012.
 - (10) Includes 28,125 shares that are subject to forfeiture to us, which forfeiture restriction lapses as to 1,042 shares each month and 197,821 shares issuable upon the exercise of options held by Mr. Hale that are exercisable within 60 days of April 13, 2012.
 - (11) Includes 202,771 shares issuable upon the exercise of options held by Mr. Shepherd that are exercisable within 60 days of April 13, 2012.
 - (12) Represents shares issuable upon the exercise of options held by Mr. Baker that are exercisable within 60 days of April 13, 2012.
 - (13) Includes all of the shares referred to in footnote number 2 above. Also includes 43,030 shares held by the Brody Family Trust U/D/T dated July 1, 1994, or the Family Trust, 6,199 shares held by the Brody Children's Partnership, or the Children's Partnership, 700 shares held by Koga Partners, L.P., or Koga, and 1,486 shares issuable upon the exercise of options held by Mr. Brody that are exercisable within 60 days of April 13, 2012. Mr. Brody is a trustee and beneficiary of the Family Trust, a general partner of the Children's Partnership and a general partner of Koga has voting and dispositive power over the shares held by the Family Trust, the Children's Partnership and Koga.
 - (14) Includes all of the shares referred to in footnote number 4 above, except for 2,952,049 shares held by TCV VI, L.P. and 23,238 shares held by TCV Member Fund, L.P. Also includes 1,486 shares issuable upon the exercise of options held by Mr. Chaffee that are exercisable within 60 days of April 13, 2012.
 - (15) Includes all of the shares referred to in footnote number 3 above. Also includes 1,295 shares held by the Marshall Carroll 2000 Trust and 1,486 shares issuable upon the exercise of options held by Mr. Marshall that are exercisable within 60 days of April 13, 2012. Mr. Marshall is a trustee of the Marshall Carroll 2000 Trust and has voting and dispositive power over the shares held by the Marshall Carroll 2000 Trust.
 - (16) Includes 847,556 shares held by Austin Ventures X, L.P., 6,562 shares issuable upon the exercise of warrants held by the Entrepreneurs Foundation & Idea Network, or the Entrepreneurs Foundation, and 1,486 shares issuable upon the exercise of options held by Mr. Siegel that are exercisable within 60 days of April 13, 2012. The general partner of Austin Ventures X, L.P. is AV Partners X, L.P., and the general

Table of Contents

partner of AV Partners X, L.P. is AV Partners X, LLC. Joseph C. Aragona, Kenneth P. DeAngelis, John D. Thornton, Christopher A. Pacitti and Philip S. Siegel are members of AV Partners X, LLC and share voting and/or dispositive power over the shares held by Austin Ventures X, L.P. Bill Bock Jeff Browning, Scott Collier, Elizabeth Davis, David Hood, Paul Hurdlow, David Lee, Jan Lindelow, Eugene Sepulveda, Philip S. Siegel and Ellen Wood are members of the board of directors of the Entrepreneurs Foundation and share voting and dispositive power over the shares held by the Entrepreneurs Foundation. The address of the Entrepreneurs Foundation is P.O. Box 684826, Austin, Texas 78768. Mr. Siegel's address is 300 West 6th Street, Suite 2300, Austin, Texas 78701.

- (17) Represents shares issuable upon the exercise of options held by Mr. Solomon that are exercisable within 60 days of April 13, 2012.
- (18) Represents shares issuable upon the exercise of options held by Ms. Wojcicki that are exercisable within 60 days of April 13, 2012.
- (19) Includes 1,130,909 shares held of record by our directors and executive officers, 2,100,248 shares issuable upon the exercise of options held by our directors and executive officers that are exercisable within 60 days of April 13, 2012, 28,699,350 shares held by entities over which our directors and executive officers may be deemed to have voting and dispositive power and 6,562 shares issuable upon the exercise of warrants held by entities over which our directors and executive officers may be deemed to have voting and dispositive power that are exercisable within 60 days of April 13, 2012.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of securities ownership and changes in such ownership with the SEC. Officers, directors and greater than ten percent stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to us or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements were timely met during 2011, except that Robert Solomon filed a Form 3 one day after the filing deadline.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have been a party to the following transactions since January 1, 2011, in which the amount involved exceeded or will exceed \$120,000, and in which any director, executive officer or holder of more than 5.0% of any class of our voting stock, or any member of the immediate family of or entities affiliated with any of them, each a related party, had or will have a material interest.

Investors Rights Agreement

In March 2011, we entered into an amended and restated investors rights agreement with certain of our stockholders, including individuals and entities affiliated with Austin Ventures, Redpoint Ventures, Institutional Venture Partners, Technology Crossover Ventures, Tiger Global, Brian H. Sharples, Carl G. Shepherd and Philip S. Siegel. The amended and restated investors rights agreement, among other things grants such stockholders certain registration rights with respect to shares of our common stock.

Stock Option and Restricted Stock Grants

Certain stock option and restricted stock grants to our directors and named executive officers and related stock option and restricted stock grant policies are described in the sections of this Proxy Statement titled Corporate Governance Director Compensation 2011 and Executive Compensation Grants of Plan-Based Awards, respectively.

Employment and Change of Control Agreements

We have entered into employment and change of control arrangements with certain of our executive officers as described in the section of this Proxy Statement titled Executive Compensation Employment Agreements.

Director Compensation

In April 2011, our Board approved the director compensation program described in the section of this Proxy Statement titled Corporate Governance Director Compensation. As part of the director compensation program, in April 2011, Lanny Baker and Susan D. Wojcicki received the initial option grants described above in Stock Option and Restricted Stock Grants and became eligible to receive the annual fees payable for their service on our Board and committees of our Board.

Indemnification of Officers and Directors

Our amended and restated bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we have entered into indemnification

Table of Contents

agreements with each of our directors and officers. These agreements provide for the indemnification of our directors, officers and some employees for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents. We believe that these indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance. For further information, see the section of this Proxy Statement titled "Executive Compensation - Limitation on Liability and Indemnification Matters."

Policies and Procedures for Related Party Transactions

As provided by our audit committee charter, our audit committee must review and approve in advance any related party transaction. All of our directors, officers and employees are required to report to our audit committee any such related party transaction prior to its completion. Prior to the creation of our audit committee, our full Board reviewed related party transactions. Each of the related party transactions described above that was submitted to our Board was approved by disinterested members of our Board after disclosure of the interest of the related party in the transaction.

Code of Business Ethics and Conduct

Our Board adopted a code of business ethics and conduct for all employees, including our executive officers, and directors. The code of business ethics and conduct is available without charge upon request in writing to HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703, Attn: General Counsel or on the investor relations portion of our website at investors.homeaway.com. We will disclose on our website at www.homeaway.com, to the extent and in the manner permitted by Item 5.05 of Form 8-K, the nature of any amendment to this code of business ethics and conduct (other than technical, administrative, or other non-substantive amendments), our approval of any material departure from a provision of this code of business ethics and conduct, and our failure to take action within a reasonable period of time regarding any material departure from a provision of this code of business ethics and conduct that has been made known to any of our executive officers.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section explains how our executive compensation programs are designed and operate with respect to our named executive officers listed in the Summary Compensation Table below. Our named executive officers in 2011 were:

Brian H. Sharples, our Chief Executive Officer, or CEO;

Lynn Atchison, our Chief Financial Officer, or CFO;

Brent Bellm, our Chief Operating Officer;

Ross A. Buhrdorf, our Chief Technical Officer; and

Carl G. Shepherd, our Chief Strategy and Development Officer.

The officers included as named executive officers changed from those included in 2010. In 2010, Thomas Hale, our Chief Product Officer, was included and Ross Buhrdorf, our Chief Technical Officer, was not included. This change is primarily because the value of stock options granted to Mr. Hale in 2011 was less than in 2010 as our compensation committee determined that a larger refresh grant was not necessary since he received larger equity grants upon hire in 2010.

This Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each compensation component that we provide. In addition, we explain how and why the compensation committee of our Board arrived at specific compensation policies and decisions involving our named executive officers for the fiscal year ended December 31, 2011.

This Compensation Discussion and Analysis contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual compensation programs that we adopt in the future may differ materially from currently planned programs as summarized in this discussion.

Executive Compensation Philosophy and Objectives

We operate the world's largest online marketplace for the vacation rental industry. As of December 31, 2011, we operated our online marketplace through 35 websites in 12 languages and provided listings for vacation rentals located in 168 countries. To effectively operate our company in this dynamic and rapidly changing market and to continue to grow our business, we need a highly talented and seasoned team of executives and business professionals.

We compete with many other companies in seeking to attract and retain a skilled management team. To meet this challenge, we have adopted a compensation philosophy designed to offer our named executive officers compensation and benefits that are competitive and that meet our goals of attracting, retaining and motivating highly skilled individuals to help us achieve our financial and strategic objectives.

Our executive compensation program is designed to achieve the following main objectives:

attract and retain talented and experienced individuals;

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offer total compensation opportunities that take into consideration the practices of other comparably positioned Internet and high technology companies;

directly and substantially link total compensation to measurable corporate and individual performance;

Table of Contents

create and sustain a sense of urgency surrounding strategy execution and the achievement of key business objectives; and

strengthen the alignment of the interests of our named executive officers and stockholders through equity-based long-term incentives and reward our named executive officers for creating long-term stockholder value.

Compensation Program Design

Our compensation program for our named executive officers during 2011 reflected our transition to a publicly traded company. For the first half of 2011 we were a privately held company and we became publicly traded on June 28, 2011, the effective date of our initial public offering. Our compensation program for our named executive officers was planned under the assumption that we would be publicly traded during 2011. In designing our program, we emphasized the use of equity to incent our named executive officers to focus on the growth of our overall enterprise value and, correspondingly, to create sustainable long-term value for our stockholders. We believe that stock options offer our named executive officers a valuable long-term incentive that aligns their interests with the interests of our stockholders.

We also offer cash compensation to our named executive officers in the form of base salaries and annual bonus opportunities at levels that we believe are sufficient to constitute competitive compensation packages. To emphasize our goal-related compensation objectives, we have total cash compensation opportunity at or above the 50th percentile while keeping base salary compensation at the median of the competitive market. Generally, we have structured our annual cash bonus opportunities to focus on the achievement of specific near-term financial and strategic objectives that will further our longer-term growth objectives.

In 2011, the compensation committee used industry data to assist it in establishing cash compensation levels for our executive team. The data was compiled by Compensia, Inc., a national compensation consulting firm providing executive advising services (Compensia) engaged by the compensation committee, and it consisted of data from our peer group of companies, which is discussed below in the section titled

Compensation-Setting Process Use of Competitive Data. Our peer group consists of publicly traded companies with business models and financial and size characteristics similar to ours, with an emphasis on technology companies. Using this information as a guideline, we placed an emphasis on remaining competitive in our market and differentiating total cash compensation through the use of an annual incentive plan. Equity compensation has been delivered on a discretionary basis with the goal to retain top talent and align employees with long-term goals.

Compensation-Setting Process

Role of the Compensation Committee

The compensation committee is responsible for overseeing our executive compensation philosophy and administering our executive compensation program, as well as determining and approving the compensation for our named executive officers. The compensation committee regularly reports to our full Board on its deliberations, but is ultimately responsible for compensation decisions, as described in the compensation committee charter. See the summary description of the compensation committee charter in the section of this Proxy Statement titled Corporate Governance Committees of the Board of Directors.

The compensation committee reviews on a periodic basis, at least annually, our executive compensation programs, including any incentive compensation plans, to determine whether they are appropriate, properly coordinated, and achieve their intended purposes and recommends to our Board any modifications or new plans or programs.

Table of Contents

Role of Management

In carrying out its responsibilities, the compensation committee works with members of our management team, including our CEO. Typically, our management team assists the compensation committee by providing information on our Company and individual performance, market data, and management's perspective and recommendations on compensation matters.

Typically, our CEO makes recommendations to the compensation committee regarding the compensation of our employees, including our named executive officers (except with respect to his own compensation), and attends compensation committee meetings (except with respect to discussions involving his own compensation).

While the compensation committee solicits and reviews our CEO's recommendations and proposals with respect to compensation-related matters, the compensation committee only uses these recommendations and proposals as one factor in making compensation decisions.

Role of Compensation Consultant

The compensation committee is authorized to retain the services of compensation consultants and other advisors from time to time, as it sees fit, in connection with the establishment of cash and equity compensation plans and arrangements and related policies.

In November 2010, the compensation committee engaged Compensia to assist it in developing a set of executive compensation guiding principles, to evaluate the competitiveness of our named executive officers' compensation and to assist the compensation committee in developing a public company-oriented executive compensation program. Compensia serves at the discretion of the compensation committee. Except as described above in the section titled "Compensation Program Design," Compensia did not provide any other services to us in 2011.

Use of Competitive Data

To assess the competitiveness of our executive compensation program and compensation levels, the compensation committee instructed Compensia to examine the executive compensation practices of a peer group of software and Internet companies. Compensation data for the peer group companies were gathered from public filings and from Compensia's proprietary compensation databases. Peer group data are used to assess compensation levels and to assist the compensation committee in setting compensation levels for 2011 and thereafter.

The companies comprising the peer group have been selected on the basis of their similarity to us in size (as determined by revenue and market capitalization, when available) and product or service similarity. The peer group determination was comprised of technology companies. The compensation committee believed that, for purposes of executive compensation, the comparable peer group would be larger and broader than the comparable company peer group used for other valuation purposes, including the valuation of our common stock when we were a private company. In some cases the comparable peer group includes companies that may compete with us for talent or may otherwise influence the market compensation for our employees.

Table of Contents

This peer group is comprised of the following companies:

Ancestry.com Inc.	Logmein, Inc.
Blackbaud, Inc.	OpenTable, Inc.
comScore, Inc.	QLIK Technologies Inc.
Constant Contact, Inc.	QuinStreet, Inc.
Demand Media, Inc.	RealPage, Inc.
Digital River, Inc.	Shutterfly, Inc.
Fortinet, Inc.	Solarwinds, Inc.
Internet Brands, Inc.	SuccessFactors, Inc.
Intralinks Holdings, Inc.	Taleo Corporation
Kayak Software Corporation	WebMD Health Corp.

The compensation committee intends to review our peer group at least annually and make adjustments to its composition as necessary.

In addition, as part of the assessment of current market practices for executive compensation, Compensia examined relevant data from the most recent Radford Executive Survey and the IPAS High Technology Survey, with an emphasis on companies with revenues comparable to ours.

Executive Compensation Program Components

The following describes each component of our executive compensation program, the rationale for each component, and how awards are determined.

Base Salary

Base salary represents the fixed portion of our named executive officers' compensation and is an important element to attract, retain and motivate highly talented executives. Base salaries represent a modest portion of the total compensation opportunity for our named executive officers.

In 2011, while planning for our initial public offering, the compensation committee conducted a review of each named executive officer's base salary in consultation with Compensia and with input from our CEO. The committee then considered and made adjustments as it determined to be reasonable and necessary to reflect the scope of a named executive officer's performance, individual contributions, responsibilities, experience, prior salary level, position (in the case of a promotion) and market conditions. The compensation committee also made adjustments to bring base salaries to approximately the median of the range of the companies in its peer group. The actual base salaries paid to the named executive officers during 2011 are set forth below in the section titled "Summary Compensation Table For Years Ended December 31, 2011 and 2010."

Annual Cash Bonuses

We use annual cash bonuses to motivate our named executive officers to achieve both short-term financial and strategic objectives and longer-term growth and other goals. The compensation committee determines cash bonus amounts for our CEO and other named executive officers based on achievement of corporate financial targets established in our annual operating plan and individual performance requirements, as described further below. The maximum amount for each named executive officer is determined as a percentage of such officer's base salary.

The compensation committee did not retain any discretion in 2011 to adjust the corporate financial targets. Both the corporate financial targets and individual performance requirements are based on our annual operating plan and are meant to be challenging to achieve but within reach. In 2011, the corporate financial targets were achieved at 106%. In addition, the named executive officers achieved their individual performance requirements as described below.

Table of Contents*2011 Target Bonus Opportunities*

Under our 2011 Executive Officer Performance Bonus Plan, our annual cash bonus opportunities were designed to reward our named executive officers based on our performance and, for all named executive officers other than our CEO, the individual named executive officer's contribution to that performance. The compensation committee determined that the bonus opportunities for each of our named executive officers should be determined as a percentage of such officer's base salary. The target annual cash bonus opportunities for the named executive officers were as follows:

Named Executive Officer	Target Annual Cash Bonus Opportunity
Brian H. Sharples	100.0%
Lynn Atchison	50.0%
Brent Bellm	50.0%
Ross A. Buhrdorf	50.0%
Carl G. Shepherd	50.0%

With respect to each named executive officer, the maximum amount of his or her target annual cash bonus opportunity was established by the compensation committee in consultation with our CEO (except with respect to himself) and was based on a variety of factors, including his or her past performance, anticipated future contributions, position, responsibilities and experience. In the same process, the compensation committee further determined to measure each bonus opportunity based 80% on corporate performance measures and based 20% on individual performance measures as described in more detail below.

Corporate Performance Measures

For 2011, the compensation committee established the following corporate financial objectives that supported our annual operating plan and enhanced long-term value creation as the principal performance measures for making annual cash bonus awards. These corporate financial objectives were as follows:

Corporate Objective	Description
Global GAAP Revenue	Our total revenues as determined under Generally Accepted Accounting Principles (GAAP)
Global Adjusted EBITDA	Our total net income (loss) plus depreciation; amortization of intangible assets; interest expense, net; income tax expense (benefit); stock based compensation expense; and net of any foreign exchange income or expense

The compensation committee chose global GAAP revenue as a measure because it is a key measure of our overall performance. Global Adjusted EBITDA was chosen by the compensation committee because it is used by management, together with GAAP measures, to track the underlying operating profitability and efficiency of the business. They are weighted equally, at 40% each, because both measures were deemed important for operational efficiency and the long-term success of the organization.

Individual Performance Measures

To achieve our compensation objective of rewarding individual performance, our CEO developed individual performance objectives, which we refer to as management by objective bonuses, or MBOs, for each of our other named executive officers, which were then recommended to and approved by our compensation committee. Our compensation committee established the MBOs for our CEO. Achievement of each named executive officer's individual performance measures represented up to 20% of such officer's total bonus opportunity, based on their performance rating.

Table of Contents

Our CEO evaluated the achievement of Ms. Atchison and Messrs. Bellm and Shepherd against his or her MBOs and formulated recommendations for the individual performance portion of such officer's annual cash bonus awards for consideration by the compensation committee. Thomas Hale, our Chief Product Officer, made such evaluation (in consultation with our CEO) with respect to Mr. Buhrdorf because Mr. Buhrdorf reports to Mr. Hale. Our CEO's and Mr. Hale's recommendations were based on their subjective assessments of the individual's contributions during the year and internal equity between named executive officers. In the case of our CEO, the compensation committee evaluated his performance against his MBOs and formulated a recommendation for his annual cash bonus award for consideration by the independent members of our Board.

The possible performance scores were as follows:

MBO Performance Score	Weighting
5: Exceeds most expectations	30%
4: Exceeds some expectations	25%
3: Meets high expectations	20%
2: Meets some expectations	15%
1: Doesn't meet expectations	0%

The performance objectives varied among these individuals according to the functional role and responsibility of each named executive officer. The following summarizes the MBOs (and the related performance assessment) for the named executive officers for 2011:

Brian H. Sharples, Chief Executive Officer Mr. Sharples' key goals were to achieve operational targets for our overall business and, together with our CFO, successfully lead us to an initial public offering of our common stock in 2011. Based on the compensation committee's assessment of these objectives, Mr. Sharples was given a performance score of 4 for his annual cash bonus.

Lynn Atchison, Chief Financial Officer Ms. Atchison's key goals were to, together with our CEO, successfully lead us to an initial public offering of our common stock in 2011, enhance internal controls in preparation for compliance with the requirements of the Sarbanes-Oxley Act, establish formal and efficient systems for public company reporting and establish a global restructuring plan. Based on our compensation committee's assessment of these objectives (in consultation with our CEO), Ms. Atchison was given a performance score of 5 for her annual cash bonus.

Brent Bellm, Chief Operating Officer Mr. Bellm's key goals were to execute on operations plans to enable us to achieve our financial goals, drive all business units to achieve operational excellence, inspire, coach and lead teams to high levels of teamwork, develop a strategic plan for 2012 and performance and assist in the preparation for and execution of our initial public offering of our common stock. Based on our compensation committee's assessment of these objectives (in consultation with our CEO), Mr. Bellm was given a performance rating of 4 for his annual cash bonus.

Ross A. Buhrdorf, Chief Technology Officer Mr. Buhrdorf's key goals were to successfully achieve critical technology and development milestones, drive performance and accountability and create an innovative and results-driven culture for the development team. Based on our compensation committee's assessment of these objectives (in consultation with Mr. Hale and our CEO), Mr. Buhrdorf was given a performance rating of 4 for his annual cash bonus.

Carl G. Shepherd, Chief Strategy and Development Officer Mr. Shepherd's key goals were to provide ongoing assessment and execution of worldwide merger and acquisition and strategic partnership opportunities, support the preparation and execution of our initial public offering of our common stock and provide leadership in identifying and mitigating key risks to the Company. Based on our compensation committee's assessment of these objectives (in consultation with our CEO), Mr. Shepherd was given a performance rating of 4 for his annual cash bonus.

Table of Contents

Award Decisions and Analysis

In February 2012, the compensation committee determined the amount of the annual cash bonus awards to be paid to our named executive officers for 2011. In making these awards, the compensation committee consulted with our CEO with respect to the named executive officers other than himself and evaluated our financial performance and the level of achievement of corporate financial objectives for the year.

With respect to the corporate performance measures, the compensation committee reviewed our performance against the performance matrix of our 2011 Executive Officer Performance Bonus Plan and determined that we had met the objectives established for the year at 106%. In addition, the compensation committee, in consultation with the CEO (other than with respect to assessing the CEO's achievements), determined that each of the individual performance objectives were met and they all achieved a score of 4, with the exception of Ms. Atchison, who received a score of 5. These results together supported the compensation committee's determination to set the size of the overall cash bonus pool for our named executive officers at \$1,346,697. The bonus payments are set forth below in the section titled "Summary Compensation Table for Years Ended December 31, 2011 and 2010."

Equity Compensation

We use equity awards to motivate and reward our named executive officers, to encourage long-term corporate performance based on the value of our common stock and to align the interests of our named executive officers with those of our stockholders. We believe that stock options, when granted with exercise prices equal to the fair market value of our common stock on the date of grant, provide an appropriate long-term incentive for our named executive officers, since the stock options reward our officers only to the extent that our stock price grows and stockholders realize value following their grant date.

We do not apply a rigid formula to determine the size of the stock option awards that are granted to our named executive officers. Instead, these awards are determined in the judgment of the compensation committee, taking into consideration, among other things, our performance and that of the named executive officer during the past year, the prospective role and responsibility of the named executive officer, competitive factors, the amount of equity-based compensation held by the named executive officer and the cash compensation received by the named executive officer. Based upon these factors, the compensation committee sets the size of each stock option award at levels it considers appropriate to create a meaningful opportunity for reward predicated on the creation of long-term stockholder value.

We have not granted any equity awards to our named executive officers other than stock options and, on a more limited basis, restricted stock. Typically, our named executive officers have received an initial stock option grant at the time of hire, with only discretionary additional awards thereafter. Based on the compensation committee's recommendation, the Board has adopted a long-term equity incentive plan.

In 2011, stock options were granted to the named executive officers to align them at above the 50th percentile of our peer group. In February 2011, Mr. Sharples was granted a one-time special retention award of an option for 1,000,000 shares. The committee determined that by the end of 2011, Mr. Sharples would have been vested in a substantial portion of his equity. The committee does not anticipate making another large equity grant to Mr. Sharples in the near future. The stock option grants are set forth below in section titled "Grants of Plan-Based Awards."

Retirement and Other Benefits

Our named executive officers are eligible to participate in our tax-qualified Section 401(k) retirement savings plan on the same basis as our other employees who satisfy the plan's eligibility requirements, including requirements relating to age and length of service. Under this plan, participants may elect to make pre-tax contributions of up to 80.0% of their current compensation, not to exceed the applicable statutory income tax limitation, which was \$16,500 in 2011. In addition, we may make discretionary contributions to the plan in any year, up to certain limits.

Table of Contents

Additional benefits received by our named executive officers include medical, dental and vision benefits, medical and dependent care flexible spending accounts, short-term and long-term disability insurance, accidental death and dismemberment insurance, and basic life insurance. These benefits are provided on the same basis as to all of our full-time employees.

Historically we have not provided perquisites or other personal benefits to our named executive officers. Currently, we do not view perquisites or other personal benefits as a component of our executive compensation program. All future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by the compensation committee.

Employment Arrangements

In connection with our initial public offering, on May 27, 2011, we entered into employment agreements with each of our named executive officers. With the exception of the agreement with Mr. Sharples, each of these agreements was negotiated on our behalf by our CEO, with the oversight and approval of the compensation committee. Mr. Sharples' agreement was negotiated directly with the compensation committee. We believe that the employment agreements were necessary to retain these individuals and induce them to lead us in achieving our goals as a public company. Prior to entering into these employment agreements, the initial terms and conditions of employment were set forth in offer letters for each of the named executive officers other than our CEO, who had an employment agreement.

The terms of the employment agreements are described below in the section titled **Employment Agreements**.

Post-Employment Compensation Arrangements

The employment agreements provide each of the named executive officers with certain protection in the event of their termination of employment under specified circumstances, including following a change of control of our Company. We believe that these protections serve our executive retention objectives by helping our named executive officers maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event that there is a potential transaction that could involve a change in control of our Company. The terms of these agreements were determined after review by the compensation committee of our retention goals for each executive and an analysis of market data.

For a summary of the material terms and conditions of these severance and change in control arrangements, see the section titled **Potential Payments upon Termination or Change in Control**.

Other Compensation Policies

Stock Ownership Guidelines

Currently, we have not implemented a policy regarding minimum stock ownership requirements for our named executive officers. The compensation committee will consider whether to adopt such a policy in the future.

Compensation Recovery Policy

We have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our named executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. The compensation committee will consider adopting such a policy in the future.

Table of Contents

Tax and Accounting Considerations

Deductibility of Executive Compensation

Generally, Section 162(m) of the Internal Revenue Code disallows a tax deduction to any publicly-held corporation for any remuneration in excess of \$1.0 million paid in any taxable year to its chief named executive officer and each of its three next most highly-compensated named executive officers (other than its chief financial officer). Remuneration in excess of \$1.0 million may be deducted if, among other things, it qualifies as performance-based compensation within the meaning of the Internal Revenue Code. Additionally, under a Section 162(m) exception for private companies that become publicly held, any compensation paid pursuant to a compensation plan in existence before the effective date of our public offering will not be subject to the \$1.0 million limitation until the earliest of: (i) the expiration of the compensation plan, (ii) a material modification of the compensation plan (as determined under Section 162(m)), (iii) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (iv) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the public offering occurred.

Where reasonably practicable, the compensation committee may seek to qualify the variable compensation paid to our named executive officers for the performance-based compensation exemption from this deductibility limit. As such, in approving the amount and form of compensation for our named executive officers in the future, the compensation committee will consider all elements of the cost to us of providing such compensation, including the potential impact of Section 162(m). The compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Taxation of Parachute Payments and Deferred Compensation

Sections 280G and 4999 of the Internal Revenue Code provide that named executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change of control of our Company that exceeds certain prescribed limits, and that we (or a successor) may forfeit a deduction on the amounts subject to this additional tax.

Section 409A of the Internal Revenue Code imposes significant additional taxes in the event that a named executive officer, director, or service provider receives nonqualified deferred compensation that does not satisfy the conditions of Section 409A.

We did not provide any named executive officer with a gross-up or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999 or 409A of the Internal Revenue Code during 2011 and we have not agreed and are not otherwise obligated to provide any named executive officer with such a gross-up or other reimbursement.

Accounting for Stock-Based Compensation

We follow the FASB ASC Topic 718 for our stock-based compensation awards. ASC 718 requires companies to calculate the grant date fair value of their stock-based awards using a variety of assumptions. This calculation is performed for accounting purposes and reported in the compensation tables that accompany this Compensation Discussion and Analysis, even though recipients may never realize any value from their awards. ASC 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an employee is required to render service in exchange for the award.

Table of Contents**Report of the Compensation Committee**

During fiscal year 2011, the compensation committee consisted of three non-employee directors: Messrs. Brody, Chaffee and Ms. Wojcicki, each of whom the Board has determined is independent under applicable NASDAQ rules. The compensation committee has duties and powers as described in its written charter adopted by the Board. A copy of the charter can be found on our website at <http://investors.homeaway.com>.

The compensation committee has reviewed and discussed with management the disclosures contained in the section of this Proxy Statement titled "Executive Compensation Compensation Discussion and Analysis." Based on this review and discussion, the compensation committee recommended to the Board that the section titled "Executive Compensation Compensation Discussion and Analysis" be included in this Proxy Statement for the Annual Meeting.

SUBMITTED BY THE COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS

Jeffrey D. Brody, Chairperson
Todd C. Chaffee
Susan D. Wojcicki

Summary Compensation Table for Years Ended December 31, 2011 and 2010

The following table provides information regarding the compensation awarded to or earned during our fiscal years ended December 31, 2011 and 2010 by our named executive officers.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Awards \$(3)	Option Awards \$(4)	Non-Equity Incentive	All Other Compensation \$(6)	Total (\$)
						Plan Compensation \$(5)		
Brian H. Sharples, <i>President and Chief Executive Officer</i>	2011	420,833			10,769,000	501,480	4,047	11,695,360
	2010	328,146	220,000	1,761,351		193,533	1,040	2,504,070
Lynn Atchison, <i>Chief Financial Officer</i>	2011	281,350			1,076,900	179,900	1,112	1,539,262
	2010	214,200	60,000			105,494	1,040	380,734
Brent Bellm, <i>Chief Operating Officer</i>	2011	337,013			646,140	189,392	1,112	1,173,657
	2010	161,157		1,192,185	3,969,241	77,772	38,529	5,438,884
Ross A. Buhrdorf, <i>Chief Technical Officer</i>	2011	242,708			807,675	139,300	1,112	1,190,795
	2010	225,000				110,813	1,040	336,853
Carl G. Shepherd <i>Chief Strategy and Development Officer</i>	2011	284,325			1,076,900	172,175	1,112	1,534,512
	2010	224,400	60,000			110,517	1,040	395,957

- (1) Mr. Bellm was hired on June 21, 2010. His annual salary as of December 31, 2010 was \$330,000.
- (2) Consists of discretionary retention bonuses.
- (3) Amounts represent the aggregate grant date fair value of restricted stock grants during the year computed in accordance with FASB ASC Topic 718. Assumptions used in the calculations of these amounts are described in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K.
- (4) Amounts represent the aggregate grant date fair value of stock options granted during the year computed in accordance with FASB ASC Topic 718. Assumptions used in calculating these are described in Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K.

Table of Contents

- (5) Includes amounts earned under the 2010 Executive Officer Performance Bonus Plan and the 2011 Executive Officer Performance Bonus Plan. Payments due under the 2010 Executive Officer Performance Bonus Plan were made in February 2011 and payments due under the 2011 Executive Officer Performance Bonus Plan were made in March 2012.
- (6) Consists of premiums paid for short-term disability, long-term disability, life, and accidental death and dismemberment insurance. In addition, for Mr. Bellm, the amount reported for 2010 includes \$37,973 in relocation benefits.

Grants of Plan-Based Awards

The following table sets forth certain information concerning grants of plan-based awards to named executive officers in 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Option Awards: No. of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (2)
		Threshold	Target	Maximum			
Brian H. Sharples	02/10/11	\$ 211,500	\$ 450,000	\$ 627,750	1,000,000	\$ 19.97	\$ 10,769,000
Lynn Atchison	02/10/11	72,615	154,500	215,528	100,000	19.97	1,076,900
Brent Bellm	02/10/11	79,877	169,950	237,080	60,000	19.97	646,140
Ross A. Buhrdorf	02/10/11	58,750	125,000	174,375	75,000	19.97	807,675
Carl G. Shepherd	02/10/11	72,615	154,500	215,528	100,000	19.97	1,076,900

- (1) Amounts represent amounts payable under the 2011 Executive Officer Performance Bonus Plan. The target column assumes the achievement of target goals approved by our Board. Actual amounts paid to our named executive officers are set forth in the section titled Summary Compensation Table for Years Ended December 31, 2011 and 2010.
- (2) Amounts represent the aggregate grant date fair value of awards or equity plan compensation computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are described in the section titled Accounting for Stock-Based Compensation in Note 9 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.

Table of Contents**Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table sets forth outstanding equity awards held by the named executive officers as of December 31, 2011.

Name	Date of Grant	Option Awards		Option Exercise Price	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable			Number of Unvested Shares of Stock	Market Value of Unvested Shares of Stock
Brian H. Sharples	01/30/07 (1)	290,000		\$ 2.06	01/30/17		
	01/29/08 (2)	162,262		8.10	01/28/18		
	02/10/11 (1)	208,333	791,667	19.97	02/09/21		
Lynn Atchison	10/04/06 (3)	39,703		0.25	10/04/16		
	01/30/07 (1)	61,200		2.06	01/30/17		
	01/29/08 (4)	96,483		8.10	01/28/18		
	11/13/09 (5)	26,000		13.49	11/12/19		
	11/13/09 (6)	74,000		13.49	11/12/19		
	02/10/11 (1)	20,833	79,167	19.97	02/09/21		
Brent Bellm	06/28/10 (7)	187,500	437,500	13.93	06/27/20	62,500 (10)	\$ 1,453,125
	02/10/11 (1)	12,500	47,500	19.97	02/09/21		
Ross A. Buhrdorf	07/22/05 (3)	125,000		0.01	07/21/15		
	01/30/07 (1)	32,500		2.06	01/29/17		
	01/29/08 (8)	138,542		8.10	01/28/18		
	11/13/09 (6)	74,000		13.49	11/12/19		
Carl G. Shepherd	02/10/11 (1)	15,625	59,375	19.97	02/10/21		
	01/29/08 (9)	98,438		8.10	01/29/18		
	11/13/09 (6)	71,000		13.49	11/12/19		
	02/10/11 (1)	20,833	79,167	19.97	02/09/21		

- (1) Vested as to 6.25% of the shares subject to option three months following the vesting commencement date and an additional 1/48th of the shares subject to the option each month thereafter.
- (2) Vested as to 5,397 shares each month beginning January 29, 2009 through December 29, 2009 and as to 8,125 shares each month beginning January 29, 2010 through December 29, 2010.
- (3) Vested as to 25% of the total number of shares underlying the option on the first anniversary of the vesting commencement date for the option and as to an additional 1/48th of the total number of shares underlying the option vest on the corresponding day of each month

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thereafter.

- (4) Vested as to 3,413 shares each month beginning January 29, 2009 through December 29, 2009 and as to 4,628 shares each month beginning January 29, 2010 through December 29, 2010.
- (5) All of the shares underlying the option vested on December 31, 2010.
- (6) All of the shares underlying the option vested on December 31, 2011.
- (7) Vested as to 20% of the total number of shares underlying the option on the first anniversary of the vesting commencement date for the option and as to an additional 1/60th of the total number of shares underlying the option vest on the corresponding day of each month thereafter.
- (8) Vested as to 4,253 shares each month beginning January 29, 2009 through December 29, 2009 and as to 7,292 shares each month beginning January 29, 2010 through December 29, 2010.
- (9) Vested 3,776 shares each month beginning January 29, 2009 through December 29, 2009 and as to 4,427 shares each month beginning January 29, 2010 through December 31, 2010.
- (10) Vested as to 25% of the shares subject to the award on the first anniversary of the vesting commencement date and an additional 1/48th of the shares subject to the award each month thereafter.

Table of Contents**Option Exercises and Stock Vested in 2011**

The following table sets forth exercises of options by our named executive officers during 2011.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired Upon Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Brian H. Sharples	60,000	1,113,600	143,000	3,324,750
Lynn Atchison	105,000	2,138,850		
Brent Bellm			37,500	933,928
Ross A. Buhrdorf	17,500	331,226		
Carl G. Shepherd	187,500	3,358,125		

Employment Agreements

On May 27, 2011, we entered into an amended and restated employment agreement with Brian H. Sharples. The amended and restated agreement entitles Mr. Sharples to an annual base salary of \$450,000 and provides that he is eligible to earn an annual bonus of up to 100% of his base salary pursuant to a bonus plan adopted by the compensation committee of our Board. In addition, the amended and restated agreement provides that (i) in the event of a change of control (as defined in the amended and restated agreement), 50% of the unvested portion of all equity awards granted to him would become fully vested; (ii) in the event of a termination of Mr. Sharples' employment by us without cause or if he resigned for good reason (as such terms are defined in the amended and restated agreement), other than in connection with a change of control, then Mr. Sharples would receive (a) a lump sum cash payment equal to 12 months' base salary and (b) reimbursement of COBRA payments for up to 12 months; and (iii) in the event of a termination of Mr. Sharples' employment by us without cause or if he resigned for good reason within three months prior to, or 18 months following, a change of control, then Mr. Sharples would receive (a) a lump-sum cash payment equal to 24 months' base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to him by us, and (c) reimbursement of COBRA payments for up to 18 months. Any severance benefits would be contingent on Mr. Sharples executing a full general release of claims in our favor. The amended and restated agreement provides for at-will employment and has a term of three years.

On May 27, 2011, we entered into an employment agreement with Lynn Atchison. The agreement entitles Ms. Atchison to an annual base salary of \$309,000 and provides that she is eligible to earn an annual bonus of up to 50% of her base salary pursuant to a bonus plan adopted by the compensation committee of our Board. In addition, the agreement provides that (i) in the event of a termination of Ms. Atchison's employment by us without cause (as defined in the agreement), other than in connection with a change of control, then Ms. Atchison would receive (a) a lump-sum cash payment equal to six months' base salary and (b) reimbursement of COBRA payments for up to six months and (ii) in the event of a termination of Ms. Atchison's employment by us without cause or if she resigned for good reason within three months prior to, or 18 months following, a change of control, then Ms. Atchison would receive (a) a lump-sum cash payment equal to 12 months' base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to her by us, and (c) reimbursement of COBRA payments for up to 12 months. Any severance benefits would be contingent on Ms. Atchison executing a full general release of claims in our favor. The agreement provides for at-will employment and has a term of three years.

On May 27, 2011, we entered into an employment agreement with Brent Bellm. The agreement entitles Mr. Bellm to an annual base salary of \$339,000 and provides that he is eligible to earn an annual bonus of up to 50% of his base salary pursuant to a bonus plan adopted by the compensation committee of our Board. In addition, the agreement provides that (i) in the event of a termination of Mr. Bellm's employment by us without cause (as defined in the agreement), other than in connection with a change of control, at any time on or prior to June 21, 2013, then Mr. Bellm would receive (a) a lump-sum cash payment equal to 12 months' base

Table of Contents

salary, and (b) 12 months accelerated vesting of all equity awards granted to him, and (c) reimbursement of COBRA payments for up to six months; (ii) in the event of a termination of Mr. Bellm's employment by us without cause, other than in connection with a change of control, at any time after June 21, 2013, then Mr. Bellm would receive (a) a lump-sum cash payment equal to six months base salary, (b) six months accelerated vesting of all equity awards granted to him, and (c) reimbursement of COBRA payments for up to six months; and (iii) in the event of a termination of Mr. Bellm's employment by us without cause or if he resigned for good reason within three months prior to, or 18 months following, a change of control, then Mr. Bellm would receive (a) a lump-sum cash payment equal to 12 months base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to him by us, and (c) reimbursement of COBRA payments for up to 12 months. Any severance benefits would be contingent on Mr. Bellm executing a full general release of claims in our favor. The agreement provides for at-will employment and has a term of three years.

On May 27, 2011, we entered into an employment agreement with Mr. Hale. The agreement entitles Mr. Hale to an annual base salary of \$309,000 and provides that he is eligible to earn an annual bonus of up to 50% of his base salary pursuant to a bonus plan adopted by the compensation committee of our board of directors. In addition, the agreement provides that (i) in the event of a termination of Mr. Hale's employment by us without cause (as defined in the agreement), other than in connection with a change of control, at any time on or prior to June 18, 2011, then Mr. Hale would receive (a) a lump-sum cash payment equal to 12 months base salary, (b) 12 months accelerated vesting of all equity awards granted to him, and (c) reimbursement of COBRA payments for up to six months; (ii) in the event of a termination of Mr. Hale's employment by us without cause, other than in connection with a change of control, at any time after June 18, 2011 but on or before June 18, 2012, then Mr. Hale would receive (a) a lump-sum cash payment equal to six months base salary, (b) six months accelerated vesting of all equity awards granted to him, and (c) reimbursement of COBRA payments for up to six months; (iii) in the event of a termination of Mr. Hale's employment by us without cause, other than in connection with a change of control, at any time after June 18, 2012, then Mr. Hale would receive (a) a lump-sum cash payment equal to six months base salary and (b) reimbursement of COBRA payments for up to six months; and (iv) in the event of a termination of Mr. Hale's employment by us without cause or if he resigned for good reason within three months prior to, or 18 months following, a change of control, then Mr. Hale would receive (a) a lump-sum cash payment equal to 12 months base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to him by us, and (c) reimbursement of COBRA payments for up to 12 months. Any severance benefits would be contingent on Mr. Hale executing a full general release of claims in our favor. The agreement provides for at-will employment and has a term of three years.

On May 27, 2011, we entered into an employment agreement with Mr. Shepherd. The agreement entitles Mr. Shepherd to an annual base salary of \$309,000 and provides that he is entitled to an annual bonus of up to 50% of his base salary pursuant to a bonus plan adopted by the compensation committee of our Board. The agreement provides that (i) in the event of a termination of Mr. Shepherd's employment by us without cause (as defined in the agreement), other than in connection with a change of control, then Mr. Shepherd would receive (a) a lump-sum cash payment equal to six months base salary and (b) reimbursement of COBRA payments for up to six months and (ii) in the event of a termination of Mr. Shepherd's employment by us without cause or if he resigned for good reason within three months prior to, or 18 months following, a change of control, then Mr. Shepherd would receive (a) a lump-sum cash payment equal to 12 months base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to him by us, and (c) reimbursement of COBRA payments for up to 12 months. Any severance benefits would be contingent on Mr. Shepherd executing a full general release of claims in our favor. The agreement provides for at-will employment and has a term of three years.

On May 27, 2011, we entered into an employment agreement with Ross A. Buhrdorf. The agreement entitles Mr. Buhrdorf to an annual base salary of \$250,000 and provides that he is eligible to earn an annual bonus of up to 50% of his base salary pursuant to a bonus plan adopted by the compensation committee of our Board. The agreement provides that (i) in the event of a termination of Mr. Buhrdorf's employment by us without cause (as defined in the agreement), other than in connection with a change of control, then Mr. Buhrdorf would receive (a) a lump-sum cash payment equal to six months base salary and (b) reimbursement of COBRA

Table of Contents

payments for up to six months and (ii) in the event of a termination of Mr. Buhrdorf's employment by us without cause or if he resigned for good reason within three months prior to, or 18 months following, a change of control, then Mr. Buhrdorf would receive (a) a lump-sum cash payment equal to 12 months' base salary, (b) vesting of 100% of the unvested portion of all equity awards granted to him by us, and (c) reimbursement of COBRA payments for up to 12 months. Any severance benefits would be contingent on Mr. Buhrdorf executing a full general release of claims in our favor. The agreement provides for at-will employment and has a term of three years.

Potential Payments upon Termination or Change in Control

As of December 31, 2011, we were parties to agreements with each of our named executive officers that provide for certain severance or vesting benefits or both if they are involuntarily terminated, in connection with a change of control, or if in connection with or during the 12-month period following a change of control they are involuntarily terminated under certain circumstances. The key terms of our arrangements upon an involuntary termination or a change of control for these named executive officers are as follows:

Name	Without a Change of Control Event		Following a Change of Control Event	
	Cash and Benefit Payments	Equity Acceleration	Cash and Benefit Payments	Equity Acceleration
Brian H. Sharples	One-time payment equal to 12 months' base salary	None	One-time payment equal to 24 months' base salary.	100% of the unvested portion of all equity awards granted to him would become fully vested.
	Reimbursement of COBRA payments for up to 12 months.		Reimbursement of COBRA payments for up to 18 months.	
Lynn Atchison	One-time payment equal to 6 months' base salary	None	One-time payment equal to 12 months' base salary.	100% of the unvested portion of all equity awards granted to her would become fully vested.
	Reimbursement of COBRA payments for up to six months		Reimbursement of COBRA payments for up to 12 months.	
Brent Bellm	Continuing severance pay at a rate equal to 100.0% of base salary for 12 months if terminated on or prior to June 21, 2013, or six months if terminated thereafter.	Unvested equity grants receive vesting credit for 12 months following termination if terminated on or prior to June 21, 2013, or six months credit if terminated thereafter.	One-time payment equal to 12 months' base salary.	100% of the unvested portion of all equity awards granted to him would become fully vested.
	Reimbursement of COBRA payments for up to six months.		Reimbursement of COBRA payments for up to 12 months.	
Ross A. Buhrdorf	One-time payment equal to 6 months' base salary	None	One-time payment equal to 12 months' base salary.	100% of the unvested portion of all equity awards granted to him would become fully vested.
	Reimbursement of COBRA payments for up to six		Reimbursement of COBRA payments for up to 12	

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Carl G. Shepherd	months	months.
	One-time payment equal to 6 months base salary	One-time payment equal to 12 months base salary.
	None	100% of the unvested portion of all equity awards granted to him would become fully vested.
	Reimbursement of COBRA payments for up to six months	Reimbursement of COBRA payments for up to 12 months.

Table of Contents

The table below estimates payments that would have been due to each named executive officer in the event his or her employment had been involuntarily terminated not in connection with a change of control, assuming the termination occurred on December 31, 2011. The accelerated equity market value was \$23.25, the closing price of our common stock on the NASDAQ on December 30, 2011, the last trading day of the year.

Name	Cash Payments		Equity Acceleration	
	Salary	Benefits	Shares	Market Value of Accelerated Equity (net of exercise price, if any)
Brian H. Sharples	\$ 450,000	\$ 12,701		
Lynn Atchison	\$ 154,500	\$ 1,835		
Brent Bellm	\$ 339,000	\$ 2,538	165,000	\$ 1,795,450
Ross A. Buhrdorf	\$ 125,000	\$ 2,629		
Carl G. Shepherd	\$ 154,500	\$ 2,702		

The table below estimates payments that would have been due to each named executive officer in the event his or her employment had been involuntarily terminated immediately following a change of control, assuming the termination occurred on December 31, 2011. The accelerated equity market value was \$23.25, the closing price of our common stock on the NASDAQ on December 30, 2011, the last trading day of the year.

Name	Cash Payments		Equity Acceleration	
	Salary	Benefits	Shares	Market Value of Accelerated Equity (net of exercise price, if any)
Brian H. Sharples	\$ 900,000	\$ 19,051	791,667	\$ 2,596,668
Lynn Atchison	\$ 309,000	\$ 3,671	79,167	\$ 259,668
Brent Bellm	\$ 339,000	\$ 5,076	547,500	\$ 5,686,425
Ross A. Buhrdorf	\$ 250,000	\$ 5,257	59,375	\$ 194,750
Carl G. Shepherd	\$ 309,000	\$ 5,404	79,167	\$ 259,668

Limitation on Liability and Indemnification Matters

Our amended and restated certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

any breach of the director's duty of loyalty to us or our stockholders;

any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or

any transaction from which the director derived an improper personal benefit.

Our amended and restated bylaws provide that we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated bylaws also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity, regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors,

executive officers and other employees as determined by our Board. With

Table of Contents

specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as members of our Board and officers and potentially in other roles with our Company. We also maintain directors' and officers' liability insurance.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information, as of December 31, 2011, concerning shares of our common stock authorized for issuance under all of our equity compensation plans.

	Number of Securities to be issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(1) (c)
Equity compensation plans approved by stockholders	11,316,879	\$ 14.20	11,813,999
Equity compensation plans not approved by stockholders	6,562	\$ 0.01	
Total equity compensation plans	11,323,441	\$ 14.20	11,813,999

- (1) Pursuant to the terms of the 2011 Equity Incentive Plan, or the 2011 Plan, the number of shares available for issuance under the 2011 Plan will be increased on the first day of each fiscal year in an amount equal to the lesser of (i) four percent (4%) of the outstanding shares of our Common Stock on the last day of the immediately preceding fiscal year or (ii) such number of shares determined by the Board.

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The audit committee of our Board is responsible for, among other things, reviewing with PricewaterhouseCoopers LLP, our independent registered public accounting firm, the scope and results of their audit engagement. In connection with the 2011 audit, the audit committee has:

reviewed and discussed with management our audited financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2011;

discussed with PricewaterhouseCoopers LLP the matters required by Statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU § 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

received from and discussed with PricewaterhouseCoopers LLP the communications from PricewaterhouseCoopers LLP required by the Public Company Accounting Oversight Board regarding its independence.

Based on the review and discussions described in the preceding bullet points, the audit committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

The audit committee has adopted a charter and a process for pre-approving services to be provided by PricewaterhouseCoopers LLP.

The members of the audit committee have been determined to be independent in accordance with the requirements of The NASDAQ Global Select Market listing standards and the requirements of Section 10A(m)(3) of the Exchange Act.

SUBMITTED BY THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS
Charles (Lanny) C. Baker (Chair)
Christopher (Woody) P. Marshall
Robert Solomon

Table of Contents**PROPOSAL TWO: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED****PUBLIC ACCOUNTING FIRM**

The audit committee has appointed PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm and auditors of our consolidated financial statements for the fiscal year ending December 31, 2012.

At the Annual Meeting, the stockholders are being asked to ratify the appointment of PwC as our independent registered public accounting firm for 2012. In the event of a negative vote on such ratification, the audit committee will reconsider its selection. Even if this appointment is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in the best interest of HomeAway and our stockholders. Representatives of PwC are expected to be present at the Annual Meeting to make a statement if such representatives desire to do so and to respond to questions.

Fees Paid to PricewaterhouseCoopers LLP

The following table sets forth the fees accrued or paid to our independent registered public accounting firm for the years ended December 31, 2011 and 2010.

Audit and Non-Audit Fees

	PricewaterhouseCoopers LLP	
	2011	2010
Audit Fees (1)	2,345,106	999,905
Audit-Related Fees (2)		
Tax Fees (3)		
All Other Fees (4)	1,919	1,919
Total	2,347,025	1,001,823

- (1) Audit fees relate to professional services rendered in connection with the audit of our annual financial statements, quarterly review of financial statements included in our Quarterly Reports on Form 10-Q and audit services provided in connection with our statutory and regulatory filings and, for 2011, our initial public offering.
- (2) Audit-related fees are comprised of fees for professional services that are reasonably related to the performance of the worldwide audit or review of our financial statements.
- (3) Tax fees relate to professional services rendered in connection with tax audits, international tax compliance, and international tax consulting and planning services.
- (4) All other fees consist of an Internet subscription for accounting research.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm

We maintain an auditor independence policy that bans our auditors from performing non-financial consulting services, such as information technology consulting and internal audit services. This policy mandates that the audit committee approve the audit and non-audit services and related budget in advance, and that the audit committee be provided with quarterly reporting on actual spending. This policy also mandates that we may not enter into auditor engagements for non-audit services without the express approval of the audit committee. In accordance with this policy, the audit committee pre-approved all services to be performed by our independent registered public accounting firm.

Table of Contents

Vote Required

You may vote FOR, AGAINST or ABSTAIN on this proposal. Approval of Proposal Two requires a FOR vote from a majority of the shares present or represented by proxy and voting at the Annual Meeting.

Recommendation of the Board of Directors

The Board recommends that you vote FOR ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.

Table of Contents

PROPOSAL THREE: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Frank-Dodd Act, enables our stockholders to vote to approve, on an advisory or nonbinding basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules.

The compensation committee and the Board believe that our executive compensation program, as described in the section titled "Executive Compensation Compensation Discussion and Analysis," the compensation tables and the related narratives and other materials in this Proxy Statement reflects our goals of linking our performance with executive compensation. The compensation committee and the Board believe that the executive compensation program is rational and effective in that it aligns the interests of the executives with both the short-term and long-term interests of our stockholders.

This proposal gives you as a stockholder the opportunity to endorse or not endorse our executive compensation program through the following resolution:

RESOLVED, that the Company's executive compensation program, as described in the section titled "Executive Compensation Compensation Discussion and Analysis," the compensation tables and the related narratives and other materials in this Proxy Statement are hereby approved.

Because this vote is advisory, it will not be binding upon the Board. However, the compensation committee will strongly consider the outcome of the vote when determining future executive compensation arrangements. This vote is not intended to address any specific item of compensation, but rather the overall compensation of the named executive officers and the philosophy, policies and practices described in this Proxy Statement.

Vote Required

You may vote FOR, AGAINST or ABSTAIN on this proposal. To be approved by our stockholders, this proposal must receive a FOR vote by majority of the votes cast on this proposal at the annual meeting. If you abstain from voting on the proposal or your broker is unable to vote your shares, it will have the same effect as a vote against the proposal.

Recommendation of the Board of Directors

The Board recommends that you vote FOR approval of the advisory vote to approve executive compensation.

Table of Contents

PROPOSAL FOUR: ADVISORY VOTE ON THE FREQUENCY OF HOLDING FUTURE ADVISORY VOTES TO APPROVE EXECUTIVE COMPENSATION

The Dodd-Frank Act also requires us to include an advisory vote on how frequently our stockholders wish us to seek the advisory vote to approve executive compensation such as Proposal Three above. Stockholders may indicate whether they would prefer that we conduct future advisory votes to approve executive compensation once every one, two, or three years, or abstain from voting.

The Board has determined that an advisory vote to approve executive compensation held every three years would be the best approach for us based on a number of considerations, including, among other things, the following:

a significant portion of the compensation of our named executive officers is correlated with our long-term performance and stockholder returns;

we believe that a vote every three years will give our stockholders a better opportunity to assess the success or failure of our long-term compensation strategies and the related business outcomes with the hindsight of three years of corporate performance; and

a triennial vote allows time for the Board and its committees to review and respond to stockholders' views on executive compensation and to change, if necessary, our executive compensation program.

Because this vote is advisory, it will not be binding upon the Board or the Company, and the Board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote to approve executive compensation more or less frequently than the option approved by our stockholders.

Vote Required

You may vote 1 YEAR, 2 YEARS, 3 YEARS or ABSTAIN on this proposal. The time period receiving the highest number of affirmative votes will be the recommendation to the Board.

Recommendation of the Board of Directors

Our Board recommends that you vote 3 YEARS as the frequency for the advisory vote to approve executive compensation.

Table of Contents

OTHER MATTERS

Meeting Admission. You are entitled to attend the Annual Meeting only if you were a HomeAway stockholder at the close of business on April 13, 2012 or hold a valid proxy for the Annual Meeting. If attending the physical meeting, you should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, meaning that you hold shares directly with American Stock Transfer & Trust Company, LLC (registered holders), the inspector of election will have your name on a list, and you will be able to gain entry with a form of government-issued photo identification, such as a driver s license, state-issued ID card or passport. If you are not a stockholder of record but hold shares through a broker, bank, or nominee (street name or beneficial holders), in order to gain entry you must provide proof of beneficial ownership as of the record date, such as an account statement or similar evidence of ownership, along with a form of government-issued photo identification. If you do not provide photo identification and comply with the other procedures outlined above for attending the Annual Meeting in person, you will not be admitted to attend the Annual Meeting location in person.

Proxy Solicitation. HomeAway is paying the costs of the solicitation of proxies. We must also pay brokerage firms, banks, broker-dealers and other similar organizations representing beneficial owners of shares held in street name certain fees associated with forwarding the Notice to beneficial owners, forwarding printed proxy materials by mail to beneficial owners who specifically request them, and obtaining beneficial owners voting instructions. We currently estimate such costs will be approximately \$19,000.

In addition to soliciting proxies by mail, certain of our directors, officers and regular employees, without additional compensation, may solicit proxies personally or by telephone, facsimile or email our behalf.

Inspector of Election. AST has been engaged as our independent inspector of election to tabulate stockholder votes for the 2012 Annual Meeting.

Stockholder List. HomeAway s list of stockholders as of April 13, 2012 will be available for inspection for 10 days prior to the 2012 Annual Stockholders Meeting. If you want to inspect the stockholder list, please call our Investor Relations department at (512) 505-1700 to schedule an appointment.

2013 Stockholder Proposals or Nominations. Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, some stockholder proposals may be eligible for inclusion in our 2013 proxy statement. These stockholder proposals must be submitted, along with proof of ownership of our stock in accordance with Rule 14a-8(b)(2), to our principal executive offices in care of our Corporate Secretary by one of the means discussed below in the section titled Communicating with Us. Failure to deliver a proposal in accordance with this procedure may result in it not being deemed timely received. We must receive all submissions no later than the close of business (5:00 p.m. Central Standard Time) on December 28, 2012.

We strongly encourage any stockholder interested in submitting a proposal to contact our Corporate Secretary in advance of this deadline to discuss the proposal, and stockholders may want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws. Submitting a stockholder proposal does not guarantee that we will include it in our proxy statement. Our nominating and governance committee reviews all stockholder proposals and makes recommendations to the Board for action on such proposals. For information on recommending individuals for consideration as nominees, see the section of this Proxy Statement titled Corporate Governance Director Nomination Procedures.

In addition, under our Bylaws, any stockholder intending to nominate a candidate for election to the Board or to propose any business at our 2013 annual meeting, precatory (non-binding) proposals presented under Rule 14a-8, must give notice to our Corporate Secretary between February 11, 2013 and March 13, 2013, unless the notice also is made pursuant to Rule 14a-9. The notice must include information specified in our Bylaws, including information concerning the nominee or proposal, as the case may be, and information about the

Table of Contents

stockholder's ownership of and agreements related to our stock. If the 2013 annual meeting is held more than 30 days prior to or 60 days after the anniversary of the 2012 Annual Meeting, the stockholder must submit notice of any such nomination and of any such proposal that is not made pursuant to Rule 14a-8 by the later of the 90th day prior to the 2013 annual meeting or the tenth day following the day on which public announcement of the meeting is first made. We will not entertain any proposals or nominations at the annual meeting that do not meet the requirements set forth in our Bylaws. If the stockholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, as amended, we may exercise discretionary voting authority under proxies that we solicit to vote in accordance with our best judgment on any such stockholder proposal or nomination. The Bylaws are filed as an exhibit to our Registration Statement filed with the SEC on March 11, 2011. To make a submission or to request a copy of our Bylaws, stockholders should contact our General Counsel. We strongly encourage stockholders to seek advice from knowledgeable counsel before submitting a proposal or a nomination.

Financial Statements. Our financial statements for the year ended December 31, 2011 are included in our 2011 Annual Report to Stockholders, which we are providing to our stockholders at the same time as this Proxy Statement. Our Annual Report and this Proxy Statement are also posted on the Internet at <https://www.proxydocs.com/AWAY>. **If you have not received or do not have access to the Annual Report, which includes our Form 10-K Annual Report, call our Investor Relations department at (512) 505-1700, and we will send a copy to you without charge; or send a written request to HomeAway, Inc., Attn: Investor Relations, 1011 W. Fifth Street, Suite 300, Austin, Texas 78703.**

Communicating with Us. Visit our main Internet site at www.homeaway.com for information on our products and services, marketing programs, worldwide locations, customer support and job listings. Our Investor Relations site at <http://investors.homeaway.com> contains stock information, earnings and conference call replays, our annual report, corporate governance and historical financial information and links to our SEC filings. We do not incorporate the information contained on, or accessible through, our corporate website into this Proxy Statement.

If you would like to contact us, call our Investor Relations department at (512) 505-1700, or send correspondence to HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703. If you would like to communicate with our Board, see the procedures described in the section of this Proxy Statement titled "Corporate Governance - Communications with the Board of Directors."

You can contact our General Counsel by mail to Melissa Frugé, HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703 to communicate with the Board, suggest a director candidate, make a stockholder proposal, provide notice of an intention to nominate candidates or introduce business at the Annual Meeting, or revoke a prior proxy instruction.

We know of no other matters to be submitted to the stockholders at the Annual Meeting. If any other matters properly come before the stockholders at the Annual Meeting, it is the intention of the persons named on the proxy to vote the shares represented thereby in accordance with their best judgment.

Table of Contents

STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding HomeAway stock but who share the same address, we have adopted a procedure approved by the SEC called householding. Under this procedure, certain stockholders of record who have the same address and last name, and who do not participate in electronic delivery of proxy materials, will receive only one copy of our Notice of Internet Availability of Proxy Materials and, as applicable, any additional proxy materials that are delivered until such time as one or more of these stockholders notifies us that they want to receive separate copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you receive a single set of proxy materials as a result of householding and you would like to have separate copies of our Notice of Internet Availability of Proxy Materials, Annual Report, or Proxy Statement mailed to you, please submit a request to our General Counsel at HomeAway, Inc., 1011 W. Fifth Street, Suite 300, Austin, Texas 78703 or call our Investor Relations Department at (512) 505-1700, and we will promptly send you what you have requested. However, please note that if you want to receive a paper proxy or voting instruction form or other proxy materials for purposes of this year's Annual Meeting, follow the instructions included in the Notice of Internet Availability that was sent to you. You can also contact our Investor Relations department at the phone number above if you received multiple copies of the Annual Meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

By Order of the Board of Directors

Brian H. Sharples
President, Chief Executive Officer and Chairman

Austin, Texas

April 27, 2012

Table of Contents

Table of Contents

Table of Contents

HOMEAWAY, INC. ANNUAL MEETING TO BE HELD ON 06/06/12 AT 09:00 A.M. CDT
 HOMEAWAY, INC.
 FOR HOLDERS AS OF 04/13/12 * ISSUER CONFIRMATION COPY - INFO ONLY * 06/06/12 AT 09:00 A.M. CDT
 5 1-0001 THIS FORM IS PROVIDED FOR INFORMATIONAL 2 -I -S

PURPOSES ONLY. PLEASE DO NOT USE IT FOR
 VOTING PURPOSES.

43739Q100

FOR ALL NOMINEES

DIRECTORS RECOMMEND: A VOTE FOR ELECTION OF THE FOLLOWING NOMINEES
 0010100

WITHHOLD ALL NOMINEES

1 - 01-TODD C. CHAFFEE,02-CARL G. SHEPHERD, 03-ROBERT SOLOMON

WITHHOLD AUTHORITY TO VOTE FOR
 ANY INDIVIDUAL NOMINEE. WRITE
 NUMBER(S) OF NOMINEE(S) BELOW.

USE NUMBER ONLY

2 - TO RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS----->>> THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2012.	FOR 0010200	--->>> 2	FOR AGN ABS " " "
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2

3 *- ADVISORY VOTE TO APPROVE COMPENSATION OF NAMED EXECUTIVE ----->>> OFFICERS.	FOR 0029440	--->>> 3	FOR AGN ABS " " "
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43739Q100

4 *- FREQUENCY OF ADVISORY VOTE TO APPROVE THE COMPENSATION OF NAMED --->>>	3YR 0029414	--->>> 4	1YR 2YR 3YR ABS " " " "
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EXECUTIVE OFFICERS

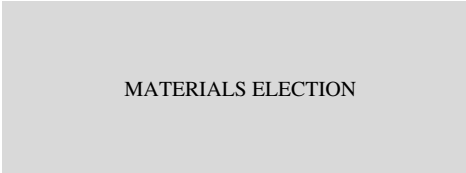
PLACE X HERE IF YOU
 PLAN TO ATTEND
 AND VOTE YOUR
 SHARES AT THE
 MEETING

NOTE SUCH OTHER BUSINESS AS MAY
 PROPERLY COME BEFORE THE MEETING OR
 ANY ADJOURNMENT THEREOF.

NOTE IN ORDER TO HAVE YOUR SHARES
 VOTED, YOUR INSTRUCTIONS MUST BE
 RECEIVED NO LATER THAN JUNE 5, 2012 AT
 5:00 P.M. CDT.

51 MERCEDES WAY

EDGEWOOD NY 11717



HOMEAWAY, INC.

1011 WEST 5TH
STREET

AUSTIN, TX 78703

FOR

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