

IAC/INTERACTIVECORP
Form DEF 14A
November 07, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant

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))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

IAC/InterActiveCorp

(Name of Registrant as Specified In Its Charter)

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

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November 9, 2016

Dear Stockholder:

You are invited to attend the Annual Meeting of Stockholders of IAC/InterActiveCorp, which will be held on Thursday, December 15, 2016, at 9:00 a.m., local time, at IAC's corporate headquarters, located at 555 West 18th Street, New York, New York 10011.

At the Annual Meeting, stockholders will be asked to: (1) elect 12 directors, (2) ratify the appointment of Ernst & Young as IAC's independent registered public accounting firm for 2016, (3) approve the adoption of IAC's amended and restated certificate of incorporation (comprising 2 proposals) and (4) approve IAC's amended and restated 2013 stock and annual incentive plan. IAC's Board of Directors believes that the proposals being submitted for stockholder approval are in the best interests of IAC and its stockholders and recommends that you vote **FOR** each of the nominees listed in Proposal 1, **FOR** Proposal 2, **FOR** Proposal 3 (comprising two proposals) and **FOR** Proposal 4.

It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Whether or not you plan to attend the Annual Meeting, please take the time to vote online, by telephone or, if you receive a printed proxy card, by returning a marked, signed and dated proxy card. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously submitted your vote.

I look forward to greeting those of you who will be able to attend the meeting.

Sincerely,

Barry Diller
Chairman and Senior Executive

555 WEST 18TH STREET NEW YORK, NEW YORK 10011 212.314.7300 www.iac.com

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IAC/INTERACTIVECORP

555 West 18th Street
New York, New York 10011

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

IAC/InterActiveCorp ("IAC") is making this proxy statement available to holders of our common stock and Class B common stock in connection with the solicitation of proxies by IAC's Board of Directors for use at the Annual Meeting of Stockholders to be held on Thursday, December 15, 2016, at 9:00 a.m., local time, at IAC's corporate headquarters, located at 555 West 18th Street, New York, New York 10011. At the Annual Meeting, stockholders will be asked to:

1. elect 12 members of IAC's Board of Directors, each to hold office for a one-year term ending on the date of the next succeeding annual meeting of stockholders or until such director's successor shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from IAC's Board of Directors);
2. ratify the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for the 2016 fiscal year;
3. approve the adoption of IAC's amended and restated certificate of incorporation (comprising two proposals);
4. approve IAC's amended and restated 2013 stock and annual incentive plan; and
5. transact such other business as may properly come before the meeting and any related adjournments or postponements.

IAC's Board of Directors has set October 27, 2016 as the record date for the Annual Meeting. This means that holders of record of our common stock and Class B common stock at the close of business on that date are entitled to receive notice of the Annual Meeting and to vote their shares at the Annual Meeting and any related adjournments or postponements.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. Seating is limited, however, and admission to the Annual Meeting will be on a first-come, first-served basis. If your shares are registered in your name, you should bring a form of photo identification to the Annual Meeting. If your shares are held in the name of a broker, bank or other holder of record, you will need to bring a proxy or letter from that broker, bank or other holder of record that confirms you are the beneficial owner of those shares, together with a form of photo identification. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.

By order of the Board of Directors,

Gregg Winiarski
*Executive Vice President,
General Counsel and Secretary*

November 9, 2016

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PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Q: Who is entitled to vote at the Annual Meeting?

A: Holders of IAC common stock and Class B common stock at the close of business on October 27, 2016, the record date for the Annual Meeting established by IAC's Board of Directors, are entitled to receive notice of the Annual Meeting and to vote their shares at the Annual Meeting and any related adjournments or postponements. The Notice of 2016 Annual Meeting, this proxy statement and the related form of proxy and IAC's 2015 Annual Report on Form 10-K are first expected to be mailed to these stockholders on or about November 9, 2016.

As of the close of business on October 27, 2016, there were 73,570,302 shares of IAC common stock and 5,789,499 shares of Class B common stock outstanding and entitled to vote. Holders of IAC common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share.

Q: What is the difference between a stockholder of record and a stockholder who holds stock in street name?

A: If your IAC shares are registered in your name, you are a stockholder of record. If your IAC shares are held in the name of your broker, bank or other holder of record, your shares are held in street name.

You may examine a list of the stockholders of record as of the close of business on October 27, 2016 for any purpose germane to the Annual Meeting during normal business hours during the 10-day period preceding the date of the meeting at IAC's corporate headquarters, located at 555 West 18th Street, New York, New York 10011. This list will also be made available at the Annual Meeting.

Q: What shares are included on the enclosed proxy card?

A: If you are a stockholder of record only, you will receive one proxy card from Broadridge for all IAC shares that you hold directly. If you hold IAC shares in street name through one or more banks, brokers and/or other holders of record, you will receive proxy materials, together with voting instructions and information regarding the consolidation of your votes, from the third party or parties through which you hold your IAC shares. If you are a stockholder of record and hold additional IAC shares in street name, you will receive proxy materials from Broadridge and the third party or parties through which your IAC shares are held.

Q: What are the quorum requirements for the Annual Meeting?

A: The presence at the Annual Meeting, in person or by proxy, of holders having a majority of the total votes entitled to be cast by holders of IAC common stock and Class B common stock at the Annual Meeting constitutes a quorum. When the holders of IAC common stock vote as a separate class, the presence at the Annual Meeting of holders of a majority of the total votes entitled to be cast by holders of IAC common stock is required for a quorum to be met. Shares of IAC common stock and Class B common stock represented by proxy will be treated as present at the Annual Meeting for purposes of determining whether there is a quorum, without regard to whether the proxy is marked as casting a vote or abstaining.

Q: What matters will IAC stockholders vote on at the Annual Meeting?

A: IAC stockholders will vote on the following proposals:

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Proposal 1 to elect 12 members of IAC's Board of Directors, each to hold office for a one-year term ending on the date of the next succeeding annual meeting of stockholders or until such

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director's successor shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from IAC's Board of Directors);

Proposal 2 to ratify the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for the 2016 fiscal year;

Proposal 3 to approve the adoption of IAC's amended and restated certificate of incorporation (comprising two proposals);

Proposal 4 to approve the amended and restated 2013 stock and annual incentive plan; and

to transact such other business as may properly come before the Annual Meeting and any related adjournments or postponements.

Q: What are my voting choices when voting for director nominees and what votes are required to elect directors to IAC's Board of Directors?

A: You may vote in favor of *all* nominees, withhold votes as to *all* nominees or vote in favor of and withhold votes as to specific nominees.

The election of each of Edgar Bronfman, Jr., Chelsea Clinton, Barry Diller, Michael D. Eisner, Bonnie S. Hammer, Victor A. Kaufman, Joseph Levin, David Rosenblatt and Alexander von Furstenberg as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of IAC common stock and Class B common stock voting together as a single class (hereinafter referred to as IAC capital stock), with each share of common stock and Class B common stock representing the right to one and ten votes, respectively.

The election of each of Bryan Lourd, Alan G. Spoon and Richard F. Zannino as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of the shares of IAC common stock voting as a separate class.

The Board recommends that our stockholders vote **FOR** the election of each of the director nominees named above.

Q: What are my voting choices when voting on the ratification of the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016 and what votes are required to ratify such appointment?

A: You may vote in favor of the ratification, vote against the ratification or abstain from voting on the ratification.

The ratification of the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016 requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC capital stock present at the Annual Meeting in person or represented by proxy and voting together.

The Board recommends that our stockholders vote **FOR** the ratification of the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016.

Q: What are my voting choices when voting on the adoption of IAC's amended and restated certificate of incorporation?

A:

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You may vote in favor of the adoption of IAC's amended and restated certificate of incorporation (comprising Proposals 3A and 3B), vote against the adoption of IAC's amended and restated certificate of incorporation (comprising Proposals 3A and 3B) or abstain from voting on this proposal (comprising Proposals 3A and 3B). While you may vote in favor of, against or abstain from voting on one or both of Proposals 3A and 3B, please note that as described below, the approval of the adoption of IAC's amended and restated certification of incorporation is cross-conditioned upon the approval of Proposals 3A and 3B.

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The proposal to approve the adoption of IAC's amended and restated certificate of incorporation is comprised of two related proposals: (i) the approval of the adoption of amendments to establish the Class C common stock (Proposal 3A) and (ii) the approval of the adoption of amendments to provide for the equal treatment of all classes of IAC's common stock in connection with dividends (Proposal 3B).

Approval of the adoption of IAC's amended and restated certificate of incorporation (comprising Proposals 3A and 3B) requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC common stock and Class B common stock outstanding and entitled to vote, voting together as a single class.

The approval of the adoption of IAC's amended and restated certificate of incorporation is cross-conditioned upon the approval of both component proposals (Proposals 3A and 3B). Neither of the component proposals will be deemed approved unless each of them is approved. The approval of both component proposals will constitute the requisite approval of the adoption of IAC's amended and restated certificate of incorporation as required by Delaware law. Mr. Diller, members of Mr. Diller's family and trusts for the benefit of Mr. Diller's family, which held approximately 44.2% of the combined voting power of IAC's outstanding capital stock as of the record date of the Annual Meeting, have advised that they intend to vote in favor of both component proposals. Accordingly, the favorable vote of approximately 6% of the remaining combined voting power of IAC's outstanding capital stock is required to approve both component proposals.

The Board unanimously recommends that our stockholders vote **FOR** the approval of the adoption of IAC's amended and restated certificate of incorporation (including the two component proposals, Proposals 3A and 3B).

Q: **What are my voting choices when voting on the adoption of IAC's amended and restated 2013 stock and annual incentive plan?**

A: You may vote in favor of the adoption of IAC's amended and restated 2013 stock and annual incentive plan, vote against the adoption of IAC's amended and restated 2013 stock and annual incentive plan or abstain from voting on this proposal.

The approval of the adoption of IAC's amended and restated 2013 stock and annual incentive plan requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC capital stock present in person or represented by proxy and voting together.

The Board recommends that our stockholders vote **FOR** the adoption of IAC's amended and restated 2013 stock and annual incentive plan.

Q: **Could other matters be decided at the Annual Meeting?**

A: As of the date of this Proxy Statement, we did not know of any matters to be raised at the Annual Meeting, other than those referred to in this Proxy Statement.

If other matters are properly presented at the Annual Meeting for consideration, the three IAC officers who have been designated as proxies for the Annual Meeting, Joanne Hawkins, Glenn H. Schiffman and Gregg Winiarski, will have the discretion to vote on those matters for stockholders who have submitted their proxy.

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Q: What do I need to do now to vote at the Annual Meeting?

A: IAC's Board of Directors is soliciting proxies for use at the Annual Meeting. Stockholders may submit proxies to instruct the designated proxies to vote their shares in any of three ways:

Submitting a Proxy Online: Submit your proxy via the Internet. The website for Internet proxy voting is www.proxyvote.com. Internet proxy voting is available 24 hours a day and will close at 11:59 p.m., Eastern Standard Time, on Wednesday, December 14, 2016;

Submitting a Proxy by Telephone: Submit your proxy by telephone by using the toll-free telephone number provided on your proxy card (1.800.690.6903). Telephone voting is available 24 hours a day and will close at 11:59 p.m., Eastern Standard Time, on Wednesday, December 14, 2016; or

Submitting a Proxy by Mail: If you choose to submit your proxy by mail, simply mark your proxy, date and sign it, and return it in the postage-paid envelope provided or to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

If you were a stockholder of record on October 27, 2016 or if you have a legal proxy from your broker, bank or other holder of record identifying you as a beneficial owner of shares of IAC common stock as of that date, you may vote in person by attending the Annual Meeting.

For IAC shares held in street name, holders may submit a proxy online or by telephone if their broker, bank or other holder of record makes these methods available. If you submit a proxy online or by telephone, **do not** request and return a printed proxy card from IAC or from your broker, bank or other holder of record. If you hold your shares through a broker, bank or other holder of record, follow the voting instructions you receive from your broker, bank or other holder of record.

Q: If I hold my IAC shares in street name, will my broker, bank or other holder of record vote these shares for me?

A: If you hold shares of IAC common stock in street name, you must provide your broker, bank or other nominee with instructions in order to vote these shares. If you do not provide voting instructions, whether your shares can be voted depends on the type of item being considered for a vote.

Non-Discretionary Items. The election of directors, the adoption of IAC's amended and restated certificate of incorporation (comprising two proposals) and the adoption of IAC's amended and restated 2013 stock and annual incentive plan are non-discretionary items and may **NOT** be voted on by your broker, bank or other holder of record absent specific voting instructions from you. If your bank, broker or other holder of record does not receive specific voting instructions from you, a "broker non-vote" will occur in the case of your shares of IAC common stock for this proposal.

Discretionary Items. The ratification of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016 is a discretionary item. Generally, brokers, banks and other holders of record that do not receive voting instructions may vote on this proposal in their discretion and these votes will be counted for purposes of determining a quorum.

Q: What effect do abstentions and broker non-votes have on quorum requirements and the voting results for each proposal to be voted on at the Annual Meeting?

A: Abstentions and broker non-votes are counted as present for purposes of determining a quorum. Abstentions are treated as shares present and entitled to vote and, as a result, have the same effect as a vote against any proposal for which the voting standard is based on the number of shares present at the Annual Meeting (the auditor ratification proposal and the 2013 plan amendment and

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restatement) and have no impact on the vote on any proposal for which the vote standard is based on the actual number of votes cast at the meeting (the election of directors).

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Broker non-votes are not treated as shares entitled to vote and, as a result, have no effect on the outcome of any of the proposals to be voted on by stockholders at the Annual Meeting; provided, however, that brokers have discretionary authority to vote on the auditor ratification proposal. However, because abstentions and broker non-votes are not voted affirmatively or negatively, they will have the same result as a vote against any proposal for which the voting standard is based on the number of shares outstanding (the certificate amendment proposal, including its component proposals).

Q: Can I change my vote or revoke my proxy?

A: Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before the vote at the Annual Meeting by:

submitting a later-dated proxy relating to the same shares online, by telephone or by mail prior to the vote at the Annual Meeting;

delivering a written notice, bearing a date later than your proxy, stating that you revoke the proxy; or

attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy).

To change your vote or revoke your proxy, follow the instructions provided on the proxy card to do so online or by telephone, or send a written notice or a new proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717. You may request a new proxy card by calling our proxy solicitor, MacKenzie Partners, Inc., at 1.800.322.2885 (toll-free).

If you hold your IAC shares through a broker, bank or other holder of record, follow the instructions that you receive from your broker, bank or other holder of record if you wish to revoke your proxy.

Q: What if I do not specify a choice for a matter when returning a proxy?

A: If you do not give specific instructions, proxies that are signed and returned will be voted **FOR** the election of all director nominees, the ratification of the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016, the adoption of IAC's amended and restated certificate of incorporation (comprising two proposals) and the adoption of the amended and restated 2013 stock and annual incentive plan.

Q: How are proxies solicited and who bears the related costs?

A: IAC bears all expenses incurred in connection with the solicitation of proxies. In addition to solicitations by mail, directors, officers and employees of IAC may solicit proxies from stockholders by telephone, letter, facsimile, e-mail or in person.

In addition, IAC has retained MacKenzie Partners, Inc. to distribute proxy solicitation materials to brokers, banks and other holders of record and to assist in the solicitation of proxies from IAC stockholders. The fee for such firm's services is estimated to not exceed \$35,000, plus reimbursement for their reasonable out-of-pocket expenses.

Following the initial mailing of the proxy materials, IAC will request brokers, banks and other holders of record to forward copies of these materials to persons for whom they hold shares of IAC common stock and to request authority for the exercise of proxies. In such cases, IAC, upon the request of these holders, will reimburse these parties for their reasonable expenses.

Q:

What should I do if I have questions about the Annual Meeting?

A:

If you have any questions about the Annual Meeting and/or the various proposals to be voted on at the Annual Meeting, would like to obtain directions to attend the Annual Meeting and vote in person or would like copies of any of the documents referred to in this Proxy Statement, you should contact MacKenzie Partners, Inc. at 1.800.322.2885 (toll-free) or IAC Investor Relations at 1.212.314.7400 or *ir@iac.com*.

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PROPOSAL 1 ELECTION OF DIRECTORS

Proposal and Required Vote

At the upcoming Annual Meeting, a board of 12 directors will be elected, each to hold office until the next succeeding annual meeting of stockholders or until such director's successor shall have been duly elected and qualified (or, if earlier, such director's removal or resignation from IAC's Board of Directors). Information concerning director nominees, all of whom are incumbent directors of IAC and have been recommended by the Nominating Committee for re-election, appears below. Although management does not anticipate that any of the persons named below will be unable or unwilling to stand for election, in the event of such an occurrence, proxies may be voted for a substitute designated by the Board.

The election of each of Edgar Bronfman, Jr., Chelsea Clinton, Barry Diller, Michael D. Eisner, Bonnie S. Hammer, Victor A. Kaufman, Joseph Levin, David Rosenblatt and Alexander von Furstenberg as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of IAC capital stock voting together as a single class.

The Board has designated Bryan Lourd, Alan G. Spoon and Richard F. Zannino as nominees for those positions on the Board to be elected by the holders of IAC common stock voting as a separate class. The election of each of them as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of the shares of IAC common stock voting as a separate class.

Both the Nominating Committee and the full Board recommend that our stockholders vote **FOR** the election of all director nominees.

Information Concerning Director Nominees

Background information about each director nominee is set forth below, including information regarding the specific experiences, characteristics, attributes and skills considered in connection with the nomination of each director nominee, all of which the Nominating Committee and the Board believe provide the Company with the perspective and judgment needed to guide, monitor and execute its strategies.

Edgar Bronfman, Jr., age 61, has been a director of IAC (and its predecessors) since February 1998. Mr. Bronfman has served as a Managing Partner of Accretive, LLC, a private equity firm, since 2014. Mr. Bronfman previously served as Chairman of Warner Music Group from August 2011 to January 2012. Prior to this time, Mr. Bronfman served as Chief Executive Officer and President of Warner Music Group from July 2011 to August 2011 and as Chairman and Chief Executive Officer of Warner Music Group from March 2004 to July 2011. Mr. Bronfman also served as a member of the board of directors of Warner Music Group from March 2004 to May 2013. Prior to joining Warner Music Group, Mr. Bronfman served as Chairman and Chief Executive Officer of Lexa Partners LLC, which he founded, from April 2002. Mr. Bronfman was appointed Executive Vice Chairman of Vivendi Universal, S.A. in December 2000. Mr. Bronfman resigned from his position as an executive officer and Vice Chairman of the board of directors of Vivendi Universal, S.A. in March 2002 and December 2003, respectively. Prior to December 2000, Mr. Bronfman served as President and Chief Executive Officer of The Seagram Company Ltd., a post he had held since June 1994, and from 1989 to June 1994 he served as the President and Chief Operating Officer of Seagram. Mr. Bronfman served as a member of the board of Accretive Health, Inc. during the last five years. In his not-for-profit affiliations, Mr. Bronfman serves as Chairman of the Board of Endeavor Global, Inc. and is currently a member of the Board of NYU Elaine A. and Kenneth G. Langone Medical Center and The Council on Foreign Relations. In nominating Mr. Bronfman, the Board considered his experience as a member of senior management of various public and global companies, which the Board believes gives him particular insight into business strategy and leadership, marketing, consumer branding and international

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operations, as well as a high level of financial literacy and insight into the media and entertainment industries. The Board also considered Mr. Bronfman's private equity experience, which the Board believes gives him particular insight into investments in, and the development of, early stage companies.

Chelsea Clinton, age 36, has been a director of IAC since September 2011. Since March 2013, Ms. Clinton has served as Vice Chair of the Clinton Foundation, where her work emphasizes improving global and domestic health, creating service opportunities and empowering the next generation of leaders. Prior to assuming this role, Ms. Clinton served as a member of the board of directors of the Clinton Foundation from September 2011. Ms. Clinton has also served as a member of the board of directors of the Clinton Health Access Initiative since September 2011. From March 2010 through May 2013, Ms. Clinton served as an Assistant Vice Provost at New York University, where she focused on interfaith initiatives and the university's Global Expansion Program. From November 2011 to August 2014, Ms. Clinton also worked as a special correspondent for NBC News. Prior to these efforts, Ms. Clinton worked as an associate at McKinsey & Company, a consulting firm, from August 2003 to October 2006, and as an associate at Avenue Capital Group, an investment firm, from October 2006 to November 2009. Ms. Clinton also currently serves on the boards of directors of The School of American Ballet, the Africa Center and the Weill Cornell Medical College and as Co-Chair of the Advisory Board of the Of Many Institute at New York University. In nominating Ms. Clinton, the Board considered her broad public policy experience and keen intellectual acumen, which together the Board believes bring a fresh and youthful perspective to IAC's businesses and initiatives.

Barry Diller, age 74, has been a director and Chairman and Senior Executive of IAC since December 2010. Mr. Diller previously served as a director and Chairman and Chief Executive Officer of IAC (and its predecessors) from August 1995 to November 2010. Mr. Diller also serves as Chairman and Senior Executive of Expedia, Inc., which position he has held since August 2005. Prior to joining the Company, Mr. Diller was Chairman of the Board and Chief Executive Officer of QVC, Inc. from December 1992 through December 1994. From 1984 to 1992, Mr. Diller served as the Chairman of the Board and Chief Executive Officer of Fox, Inc. Prior to joining Fox, Inc., Mr. Diller served for 10 years as Chairman of the Board and Chief Executive Officer of Paramount Pictures Corporation. Mr. Diller served as Chairman (in a non-executive capacity) of the board of directors of Live Nation Entertainment, Inc. (and its predecessor companies, Ticketmaster Entertainment and Ticketmaster) ("Live Nation") from August 2008 to October 2010, and continued to serve as a member of the board of directors of Live Nation through January 2011. Mr. Diller also served as Chairman and Senior Executive of TripAdvisor, Inc. ("TripAdvisor") from December 2011 to December 2012, served as a member of the board of directors of TripAdvisor from December 2011 through April 2013 and has served as a special advisor to the Chief Executive Officer of TripAdvisor since April 2013. Mr. Diller is also currently a member of the board of directors of The Coca-Cola Company and Graham Holdings Company (formerly The Washington Post Company), which positions he has held during the past five years. In addition to his for-profit affiliations, Mr. Diller is a member of the Board of Councilors for the University of Southern California's School of Cinematic Arts and the Executive Board for the Medical Sciences of University of California, Los Angeles. The Board nominated Mr. Diller because he has been Chairman and Senior Executive since 2010 and prior to that time, served as Chairman and Chief Executive Officer of the Company since 1995, and as a result, possesses a great depth of knowledge and experience regarding the Company and its businesses. In addition, the Board noted Mr. Diller's ability to exercise influence (subject to the Company's organizational documents and Delaware law) over the outcome of matters involving the Company that require stockholder approval given the fact that he and certain members of his family collectively have sole voting and/or investment power over all of shares of IAC Class B common stock outstanding, which shares represent a significant percentage of the voting power of IAC capital stock.

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Michael D. Eisner, age 74, has been a director of IAC since March 2011. Mr. Eisner has served as Chairman of The Tornante Company, LLC, a privately held company that invests in, acquires, incubates and operates media and entertainment companies ("Tornante"), since 2005. Mr. Eisner also previously served as Chairman of two Tornante portfolio companies, The Topps Company, a leading creator and marketer of sports cards, distinctive confectionery and other entertainment products, and Vuguru, a studio focusing on the production of groundbreaking programming for the Internet and other digital platforms. Mr. Eisner served as Chairman of The Topps Company from October 2007 to April 2013 and as Chairman of Vuguru from October 2009 to December 2014, when Tornante acquired that portion of Vuguru that it did not already own. Prior to founding Tornante, Mr. Eisner served as Chairman and Chief Executive Officer of The Walt Disney Company from 1984. In addition to his for-profit affiliations, Mr. Eisner serves on the boards of directors of Denison University, The Aspen Institute, the Yale School of Architecture Dean's Council and The Eisner Foundation. In nominating Mr. Eisner, the Board considered his experience with Tornante, which the Board believes gives him particular insight into investments in, and the development and operation of, media and entertainment companies that focus on programming and content for emerging platforms. The Board also considered Mr. Eisner's experience as the Chairman and Chief Executive Officer of The Walt Disney Company, which the Board believes gives him particular insight into business strategy and leadership, marketing and consumer branding, as well as a high level of financial literacy and insight into the media and entertainment industries.

Bonnie S. Hammer, age 66, has been a director of IAC since September 2014. Ms. Hammer has served as Chairman of NBCUniversal Cable Entertainment since February 2013. In this capacity, Ms. Hammer has executive oversight over a number of leading cable brands (USA Network, Syfy, E! Entertainment, Bravo, Oxygen, Esquire Network, Sprout, Chiller, Cloo and Universal HD), as well as Universal Cable Productions, which generates scripted content for cable and broadcast networks, and Wilshire Studios, which generates reality programming. Prior to her tenure as Chairman of NBCUniversal Cable Entertainment, Ms. Hammer served as Chairman of NBCUniversal Cable Entertainment and Cable Studios from November 2010. In this capacity, Ms. Hammer had executive oversight over certain leading cable brands (USA, Syfy, E! Entertainment, Chiller, Cloo and Universal HD), as well as Universal Cable Productions and Wilshire Studios. The networks led by Ms. Hammer are industry frontrunners, consistently generating innovative consumer social and digital experiences reflective of their brands. Prior to joining NBCUniversal in May 2004, Ms. Hammer served as President of Syfy from 2001 to 2004 and held other senior executive positions at Syfy and USA Network from 1989 to 2000. Before that time, she was an original programming executive at Lifetime Television Network from 1987 to 1989. Ms. Hammer has served as a member of the board of directors of eBay, Inc. since January 2015 and also currently serves on the strategic planning committee for Boston University's College of Communication. In nominating Ms. Hammer, the Board considered her experience as the Chairman of NBCUniversal Cable Entertainment, as well as her prior roles with NBCUniversal Media, LLC, USA Network and Lifetime Television Network, which the Board believes give her particular insight into business strategy and leadership, as well as a high level of financial literacy and a seasoned insight into the media and entertainment industries, particularly pay television network programming and production and multiplatform branding.

Victor A. Kaufman, age 73, has been a director of IAC (and its predecessors) since December 1996 and has been Vice Chairman of IAC (and its predecessors) since October 1999. Mr. Kaufman also serves as Vice Chairman of Expedia, Inc., which position he has held since August 2005. Previously, Mr. Kaufman served in the Company's Office of the Chairman from January 1997 to November 1997 and as the Company's Chief Financial Officer from November 1997 to October 1999. Prior to joining the Company, Mr. Kaufman served as Chairman and Chief Executive Officer of Savoy Pictures Entertainment, Inc. from March 1992 and as a director of Savoy from February 1992. Mr. Kaufman was the founding Chairman and Chief Executive Officer of Tri-Star Pictures, Inc. and served in such capacities from 1983 until December 1987, at which time he became President and Chief Executive

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Officer of Tri-Star's successor company, Columbia Pictures Entertainment, Inc. He resigned from these positions at the end of 1989 following the acquisition of Columbia by Sony USA, Inc. Mr. Kaufman joined Columbia in 1974 and served in a variety of senior positions at Columbia and its affiliates prior to the founding of Tri-Star. Mr. Kaufman also served as Vice Chairman of the board of directors of Live Nation from August 2008 through January 2010, and continued to serve as a member of the board of directors of Live Nation from January 2010 through December 2010. In addition, Mr. Kaufman served as a member of the board of directors of TripAdvisor from December 2011 to February 2013. In nominating Mr. Kaufman, the Board considered the unique knowledge and experience regarding the Company and its businesses that he has gained through his involvement with the Company in various roles since 1996, as well as his high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Joseph Levin, age 37, has been a director and Chief Executive Officer of IAC since June 2015. Prior to his appointment as Chief Executive Officer of IAC, Mr. Levin served as Chief Executive Officer of IAC Search & Applications, overseeing the desktop software, mobile applications and media properties that comprised IAC's former Search & Applications segment, since January 2012. From November 2009 to January 2012, Mr. Levin served as Chief Executive Officer of Mindspark Interactive Network, an IAC subsidiary that builds, markets and delivers a wide range of consumer software products, and previously served in various capacities at IAC in Strategic Planning, Mergers & Acquisitions and Finance since joining IAC in 2003. Prior to joining IAC, Mr. Levin worked in the Technology Mergers & Acquisitions group for Credit Suisse First Boston (now Credit Suisse) advising public and private technology and e-commerce companies on a variety of transactions. Mr. Levin has served on the board of directors of Match Group, Inc. since October 2015, as well as on the boards of directors of LendingTree, Inc. from August 2008 through November 2014 and The Active Network, beginning prior to its 2011 initial public offering through its sale in December 2013. In nominating Mr. Levin, the Board considered the unique knowledge and experience regarding the Company and its businesses that he has gained through his various roles with the Company since 2003, most recently his role as Chief Executive Officer of IAC Search & Applications since 2012, as well as his high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions.

Bryan Lourd, age 56, has been a director of IAC since April 2005. Mr. Lourd has served as partner and Managing Director of Creative Artists Agency ("CAA") since October 1995. CAA is among the world's leading entertainment agencies and is based in Los Angeles, California, with offices in Nashville, New York, London and Beijing. He is a graduate of the University of Southern California. In connection with the nomination of Mr. Lourd, the Board considered his extensive experience as a principal of CAA, which the Board believes gives him particular insight into business strategy and leadership, as well as unique and specialized experience regarding the entertainment industry and marketing.

David Rosenblatt, age 48, has been a director of IAC since December 2008. Mr. Rosenblatt currently serves as the Chief Executive Officer of 1stdibs.com, Inc., an online marketplace for design, including furniture, art, jewelry and fashion. Mr. Rosenblatt previously served as President, Global Display Advertising, of Google, Inc. from October 2008 through May 2009. Mr. Rosenblatt joined Google in March 2008 in connection with Google's acquisition of DoubleClick, Inc., a provider of digital marketing technology and services. Mr. Rosenblatt joined DoubleClick in 1997 as part of its initial management team and held several executive positions during his tenure, including Chief Executive Officer of DoubleClick from July 2005 through March 2008 and President of DoubleClick from 2000 through July 2005. Mr. Rosenblatt has also served as a member of the boards of directors of Twitter (since January 2011) and Narrative Science, Inc., a leading provider of natural language communications technology that helps organizations analyze and transform data into narrative reports (since April 2010). In connection with the nomination of Mr. Rosenblatt, the Board considered his

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extensive and unique experience in the online advertising and digital marketing technology and services industries, as well as his management experience with DoubleClick, Google and 1stdibs.com, Inc., which the Board believes give him particular insight into business strategy and leadership, as well as a deep understanding of the internet sector.

Alan G. Spoon, age 65, has been a director of IAC (and its predecessors) since February 2003. Mr. Spoon has served as Partner Emeritus of Polaris Partners since January 2015 and previously served as Managing General Partner of Polaris Partners from 2000 to 2010. Polaris Partners is a private investment firm that provides venture capital and management assistance to development-stage information technology and life sciences companies. Mr. Spoon previously served as Chief Operating Officer and a director of The Washington Post Company (now known as Graham Holdings Company) from March 1991 through May 2000 and as President from September 1993 through May 2000. Prior to that time, he held a wide variety of positions at The Washington Post Company, including President of Newsweek from September 1989 to May 1991. Mr. Spoon has served as a member of the board of directors of Danaher Corporation since July 1999, CableOne since July 2015 and Match Group, Inc. since November 2015 and as Chairman of the board of directors of Fortive Corporation since July 2016. In his not-for-profit affiliations, Mr. Spoon was a member of the Board of Regents at the Smithsonian Institution (formerly Vice Chairman) and is now a member of the MIT Corporation, where he also serves as a member of the board of directors of edX (an online education platform). In nominating Mr. Spoon, the Board considered his extensive private and public company board experience and public company management experience with The Washington Post Company, all of which the Board believes give him particular insight into business strategy, leadership and marketing in the media industry. The Board also considered Mr. Spoon's private equity experience, which the Board believes gives him particular insight into trends in the internet and technology industries, as well as into acquisition strategy and financing.

Alexander von Furstenberg, age 46, has been a director of IAC since December 2008. Mr. von Furstenberg currently serves as Chief Investment Officer of Ranger Global Advisors, LLC, a family office focused on value-based investing ("Ranger"), which he founded in June 2011. Prior to founding Ranger, Mr. von Furstenberg founded Arrow Capital Management, LLC, a private investment firm focused on global public equities, where he served as Co-Managing Member and Chief Investment Officer since 2003. Mr. von Furstenberg has served as member of the board of directors of Expedia, Inc. since December 2015 and Liberty Expedia Holdings, Inc. since November 2016 and served as a member of the board of directors of W.P. Stewart & Co. Ltd., a Bermuda based asset management firm, during the past five years. Since 2001, he has acted as Chief Investment Officer of Arrow Investments, Inc., the private investment office that serves his family. Mr. von Furstenberg also serves as a partner and director of Diane von Furstenberg Studio, LLC. In addition to the philanthropic work accomplished through his position as a director of The Diller-von Furstenberg Family Foundation, Mr. von Furstenberg also serves on the board of directors of Friends of the High Line. In nominating Mr. von Furstenberg, the Board considered his private investment and board experience, which the Board believes give him particular insight into capital markets and investment strategy, as well as a high level of financial literacy. Mr. von Furstenberg is Mr. Diller's stepson.

Richard F. Zannino, age 58, has been a director of IAC since June 2009. Since July 2009, Mr. Zannino has been a Managing Director at CCMP Capital Advisors, LLC, a private equity firm, where he also serves as a member of the firm's Investment Committee and as co-head of the firm's consumer retail investment efforts. Mr. Zannino has also served as a member of the boards of directors of The Estée Lauder Companies, Inc. (since January 2010), Olli's Bargain Outlet (since July 2015) and Francesca's Collections (during the past five years). Mr. Zannino previously served as Chief Executive Officer and a member of the boards of directors of Dow Jones & Company from February 2006 to December 2007, when Mr. Zannino resigned from these positions upon the acquisition of Dow Jones by News Corp. Prior to this time, Mr. Zannino served as Chief Operating Officer of Dow Jones from

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July 2002 to February 2006 and as Executive Vice President and Chief Financial Officer of Dow Jones from February 2001 to June 2002. Prior to his tenure at Dow Jones, Mr. Zannino served in a number of executive capacities at Liz Claiborne from 1998 to January 2001, and prior to that time served as Executive Vice President and Chief Financial Officer of General Signal and in a number of executive capacities at Saks Fifth Avenue. In his not-for-profit affiliations, Mr. Zannino serves as a member of the Board of Trustees of Pace University. In connection with the nomination of Mr. Zannino, the Board considered his extensive public company management experience, which the Board believes gives him particular insight into business strategy, leadership and marketing, as well as a high level of financial literacy. The Board also considered Mr. Zannino's private equity experience, which the Board believes gives him particular insight into acquisition and investment strategy and financing.

Corporate Governance

Leadership Structure. The Company's business and affairs are overseen by its Board of Directors, which currently has twelve members. There are three management representatives on the Board and, of the nine remaining current directors, eight are independent. The Board has an Audit Committee, Compensation and Human Resources Committee and Nominating Committee, each comprised solely of independent directors, as well as an Executive Committee. For more information regarding director independence and our Board Committees, see the discussion under "Director Independence" beginning on page 12 and Board Committees beginning on page 14. All of our directors play an active role in Board matters, are encouraged to communicate among themselves and directly with the Chairman and Senior Executive and Chief Executive Officer and have full access to Company management at all times.

Our independent directors meet in scheduled executive sessions without management present at least twice a year and may schedule additional meetings as they deem appropriate. We do not have a lead independent director or any other formally appointed leader for these sessions. The independent membership of our Audit, Compensation and Human Resources and Nominating Committees ensures that directors with no ties to Company management are charged with oversight for all financial reporting and executive compensation related decisions made by Company management, as well as for recommending candidates for Board membership. At each regularly scheduled Board meeting, the Chair of each of these committees provides the full Board with an update of all significant matters discussed, reviewed, considered and/or approved by the relevant committee since the last regularly scheduled Board meeting.

Mr. Diller currently serves as both our Chairman and Senior Executive and has held both positions since December 2010. Effective June 24, 2015, Mr. Levin assumed the role of Chief Executive Officer of IAC. This leadership change provides the Company with the benefit of Mr. Diller's continued oversight of the Company's strategic goals and vision, coupled with the benefit of a full-time Chief Executive Officer dedicated to focusing on the day-to-day management and continued growth of the Company and its operating businesses. At this time, the Company believes that this leadership structure is the most appropriate one for the Company and its stockholders.

Risk Oversight. Company management is responsible for assessing and managing the Company's exposure to various risks on a day-to-day basis, which responsibilities include the creation of appropriate risk management programs and policies. Company management has developed and implemented guidelines and policies to identify, assess and manage significant risks facing the Company. In developing this framework, the Company recognized that leadership and success are impossible without taking risks; however, the imprudent acceptance of risk or the failure to appropriately identify and mitigate risks could adversely impact stockholder value. The Board is responsible for overseeing Company management in the execution of its responsibilities and for assessing the Company's approach to risk management. The Board exercises these responsibilities periodically as part of its meetings and through discussions with Company management, as well as

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through the Board's Audit and Compensation and Human Resources Committees, which examine various components of financial and compensation-related risks, respectively, as part of their responsibilities. In addition, an overall review of risk is inherent in the Board's consideration of the Company's long-term strategies and in the transactions and other matters presented to the Board, including significant capital expenditures, acquisitions and divestitures and financial matters. The Board's role in risk oversight of the Company is consistent with the Company's leadership structure, with the Chairman and Senior Executive, Chief Executive Officer and other members of senior management having responsibility for assessing and managing the Company's risk exposure, and the Board and its committees providing oversight in connection with those efforts.

Compensation Risk Assessment. We periodically conduct risk assessments of our compensation policies and practices for our employees, including those related to our executive compensation programs. The goal of these assessments is to determine whether the general structure of the Company's compensation policies and programs and the administration of these programs pose any material risks to the Company. The findings of any risk assessment are discussed with the Compensation and Human Resources Committee. Based upon our assessments, we believe that our compensation policies and programs do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on the Company.

Director Independence. Under the Marketplace Rules of The Nasdaq Stock Market (the "Marketplace Rules"), the Board has a responsibility to make an affirmative determination that those members of the Board who serve as independent directors do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In connection with the independence determinations described below, the Board reviewed information regarding transactions, relationships and arrangements relevant to independence, including those required by the Marketplace Rules. This information is obtained from director responses to questionnaires circulated by Company management, as well as from Company records and publicly available information. Following these determinations, Company management monitors those transactions, relationships and arrangements that were relevant to such determinations, as well as periodically solicits updated information potentially relevant to independence from internal personnel and directors, to determine whether there have been any developments that could potentially have an adverse impact on the Board's prior independence determinations.

In February 2016, the Board determined that each of Messrs. Bronfman, Eisner, Lourd, Rosenblatt, Spoon and Zannino and Meses. Clinton and Hammer is independent. In connection with this determination, the Board considered that in the ordinary course of business, IAC and its businesses sell products and services to, purchase products and services from, co-invest with and develop and produce projects with, companies at which certain directors are employed or serve as directors, or over which certain directors otherwise exert control. Furthermore, the Board considered whether there were any payments made to (or received from) such entities by IAC and its businesses. Specific payments the Board considered are as follows:

the payment of a license fee (for the online distribution of a film) by an IAC business to a portfolio company of Tornante (Mr. Eisner is Chairman of Tornante);

the payment of license fees (for the distribution of programming) to an IAC business by certain businesses overseen and managed by Ms. Hammer in her role as Chairman of NBCUniversal Cable Entertainment (Ms. Hammer is not a named executive officer of the ultimate parent corporation that owns and controls NBCUniversal);

payments for services made by an IAC business to CAA, where Mr. Lourd is Managing Director;

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a co-investment by IAC in an entity in which Polaris Partners was an existing equity investor, as well as payments for services between the Company and certain Polaris Partners portfolio companies (Mr. Spoon was a Managing General Partner (and is now a Partner Emeritus) of Polaris Partners); and

payments for data licensing services made by an IAC business to a portfolio company of CCMP Capital Advisors, LLC, where Mr. Zannino is a Managing Director and member of the firm's Investment Committee. The agreement pursuant to which the IAC business made these payments was entered into by the parties before Mr. Zannino began serving on the Board and before CCMP acquired the portfolio company.

In the case of Messrs. Bronfman and Rosenblatt and Ms. Clinton, there were no such payments known to Company management for the Board to consider. Of the remaining incumbent directors, Messrs. Diller, Kaufman and Levin are executive officers of the Company and Mr. von Furstenberg is Mr. Diller's stepson. Given these relationships, none of these directors is independent.

In addition to the satisfaction of the director independence requirements set forth in the Marketplace Rules, members of the Audit and Compensation and Human Resources Committees have also satisfied separate independence requirements under the current standards imposed by the SEC and the Marketplace Rules for audit committee members and by the SEC, the Marketplace Rules and the Internal Revenue Service for compensation committee members.

In February 2015, the Board determined that one former director, Sonali De Rycker, was independent. In connection with this determination, there were no such payments known to Company management for the Board to consider.

Director Nominations. The Nominating Committee identifies, reviews and evaluates individuals qualified to become Board members and recommends candidates to the Board. While there are no specific requirements for eligibility to serve as a director of IAC, in evaluating candidates, the Nominating Committee will consider (regardless of how the candidate was identified or recommended) whether the professional and personal ethics and values of the candidate are consistent with those of IAC, whether the candidate's experience and expertise would be beneficial to the Board, whether the candidate is willing and able to devote the necessary time and energy to the work of the Board and whether the candidate is prepared and qualified to represent the best interests of IAC's stockholders. While the Board does not have a formal diversity policy, the Nominating Committee also considers the overall diversity of the experiences, characteristics, attributes, skills and backgrounds of candidates relative to those of other Board members and those represented by the Board as a whole to ensure that the Board has the right mix of skills, expertise and background.

The Board does not have a formal policy regarding the consideration of director nominees recommended by stockholders, as historically IAC has not received such recommendations. However, the Board would consider such recommendations if made in the future. Stockholders who wish to make such a recommendation should send the recommendation to IAC, 555 West 18th Street, New York, New York 10011, Attention: Corporate Secretary. The envelope must contain a clear notation that the enclosed letter is a "Director Nominee Recommendation." The letter must identify the author as a stockholder, provide a brief summary of the candidate's qualifications and history, together with an indication that the recommended individual would be willing to serve (if elected), and must be accompanied by evidence of the sender's stock ownership. Any director recommendations will be reviewed by the Corporate Secretary and the Chairman, and if deemed appropriate, forwarded to the Nominating Committee for further review. If the Nominating Committee believes that the candidate fits the profile of a director described above, the recommendation will be shared with the entire Board.

Communications with the IAC Board. Stockholders who wish to communicate with IAC's Board of Directors or a particular director may send such communication to IAC, 555 West 18th Street, New

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York, New York 10011, Attention: Corporate Secretary. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder Board Communication" or "Stockholder Director Communication." All such letters must identify the author as a stockholder, provide evidence of the sender's stock ownership and clearly state whether the intended recipients are all members of the Board or a particular director or directors. The Corporate Secretary will then review such correspondence and forward it to the Board, or to the specified director(s), if appropriate.

The Board and Board Committees

The Board. The Board met four times and acted by written consent once during 2015. During 2015, all then incumbent directors attended at least 75% of the meetings of the Board and the Board committees on which they served. Directors are not required to attend annual meetings of IAC stockholders. One member of the Board of Directors attended IAC's 2015 Annual Meeting of Stockholders.

The Board currently has four standing committees: the Audit Committee, the Compensation and Human Resources Committee, the Nominating Committee and the Executive Committee. From time to time, the Board may also establish ad hoc committees to address particular matters. In April 2016, the Board established a special committee of independent directors (the "Special Committee") to review the proposal to amend IAC's current restated certificate of incorporation as further described in "Proposal 3 Approval of the Adoption of IAC's Amended and Restated Certificate of Incorporation."

Board Committees. The following table sets forth the members of each Board committee and the number of meetings held by each such committee, and times that each such committee took action by written consent, during 2015. Each committee member identified below served in the capacities set forth in the table for all of 2015.

Name	Audit Committee	Compensation and Human Resources Committee	Nominating Committee	Executive Committee
Edgar Bronfman, Jr.*			X	X
Chelsea Clinton*				
Barry Diller				X
Michael D. Eisner*			X	
Bonnie S. Hammer*		X		
Victor A. Kaufman				X
Joseph Levin				
Bryan Lourd*	X			
David Rosenblatt*		Chair		
Alan G. Spoon*	Chair			
Alexander von Furstenberg				
Richard F. Zannino*	X			
Number of Meetings	9	3	0	0
Number of Written Consents	1	11	1	10

*

Independent director.

Audit Committee. The Audit Committee functions pursuant to a written charter adopted by the Board of Directors, the most recent version of which was filed as Appendix A to IAC's 2014 Annual Meeting proxy statement. The Audit Committee is appointed by the Board to assist the Board with a variety of matters described in the charter, which include monitoring: (i) the integrity of IAC's financial statements, (ii) the effectiveness of IAC's internal control over financial reporting, (iii) the

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qualifications and independence of IAC's independent registered public accounting firm, (iv) the performance of IAC's internal audit function and independent registered public accounting firm, (v) IAC's risk assessment and risk management policies as they relate to financial and other risk exposures and (vi) the compliance by IAC with legal and regulatory requirements. In fulfilling its purpose, the Audit Committee maintains free and open communication among its members, the Company's independent registered public accounting firm, the Company's internal audit function and Company management. The formal report of the Audit Committee is set forth on page 48.

The Board has previously concluded that Mr. Spoon is an "audit committee financial expert," as such term is defined in applicable SEC rules and the Marketplace Rules.

Compensation and Human Resources Committee. The Compensation and Human Resources Committee functions pursuant to a written charter adopted by the Board of Directors, the most recent version of which was filed as Appendix B to IAC's 2014 Annual Meeting proxy statement. The Compensation and Human Resources Committee is appointed by the Board to assist the Board with all matters relating to the compensation of the Company's executive officers and has overall responsibility for approving and evaluating all compensation plans, policies and programs of the Company as they relate to the Company's executive officers. The Compensation and Human Resources Committee may form and delegate authority to subcommittees and may delegate authority to one or more of its members. The Compensation and Human Resources Committee may also delegate to one or more of the Company's executive officers the authority to make grants of equity-based compensation to eligible individuals (other than directors or executive officers) to the extent allowed under applicable law. For additional information on IAC's processes and procedures for the consideration and determination of executive compensation and the related roles of the Compensation and Human Resources Committee, Company management and consultants, see the discussion under "Compensation Discussion and Analysis" generally beginning on page 52. The formal report of the Compensation and Human Resources Committee is set forth on page 59.

Nominating Committee. The Nominating Committee functions pursuant to a written charter adopted by the Board of Directors, the most recent version of which was filed as Appendix C to IAC's 2014 Annual Meeting proxy statement. The Nominating Committee is appointed by the Board to assist the Board by: (i) identifying, reviewing and evaluating individuals qualified to become Board members, (ii) recommending director nominees for the next annual meeting of stockholders (and nominees to fill vacancies on the Board as necessary) and (iii) making recommendations with respect to the compensation and benefits of directors.

Executive Committee. The Executive Committee has all the power and authority of the Board of Directors of IAC, except those powers specifically reserved to the Board by Delaware law or IAC's organizational documents.

**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Subject to stockholder ratification, the Audit Committee of the Board of Directors has appointed Ernst & Young LLP as IAC's independent registered public accounting firm for the fiscal year ending December 31, 2016. Ernst & Young LLP has served as IAC's independent registered public accounting firm for many years and is considered by Company management to be well qualified.

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will be given an opportunity to make a statement if he so chooses and will be available to respond to appropriate questions.

Ratification of the appointment of IAC's independent registered public accounting firm requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC capital stock present at the Annual Meeting in person or represented by proxy and voting together.

The Board recommends that our stockholders vote **FOR** the ratification of the appointment of Ernst & Young LLP as IAC's independent registered public accounting firm for 2016.

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PROPOSAL 3 APPROVAL OF THE ADOPTION OF IAC'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

Proposal and Required Vote

At the upcoming Annual Meeting, IAC stockholders will be asked to approve the adoption of IAC's amended and restated certificate of incorporation, which establishes the Class C common stock and provides for the equal treatment of all classes of IAC's common stock in connection with dividends. Upon the unanimous recommendation of the Special Committee, our Board unanimously adopted resolutions approving and declaring advisable, the adoption of the Amended and Restated Certificate of Incorporation (the "New Certificate") which amends and restates our existing Restated Certificate of Incorporation, as amended (the "Current Certificate"). The full text of the New Certificate is attached to this Proxy Statement as Appendix A-1.

Stockholders will vote on each of the following proposals, which describe the principal amendments to the Current Certificate and which collectively comprise this Proposal 3:

Proposal 3A The approval of the adoption of amendments to the Current Certificate to establish Class C common stock. This proposal is to approve the adoption of amendments to the Current Certificate to authorize 600,000,000 shares of Class C common stock and to establish the powers, preferences, rights and qualifications, limitations, and restrictions of the shares of Class C common stock.

Proposal 3B The approval of the adoption of amendments to the Current Certificate to provide for the equal treatment of shares of IAC common stock, Class B common stock, and Class C common stock in connection with dividends. This proposal is to approve the adoption of amendments to the Current Certificate to provide that the holders of IAC common stock, Class B common stock, and Class C common stock will share ratably on a per share basis in any dividends. See "Description of Capital Stock Dividend Rights" for more information.

Approval of the adoption of the New Certificate requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC common stock and Class B common stock outstanding and entitled to vote, voting together as a single class. Mr. Diller, members of Mr. Diller's family and trusts for the benefit of Mr. Diller's family, which held approximately 44.2% of the combined voting power of IAC's outstanding capital stock as of the record date for the Annual Meeting, have advised that they intend to vote in favor of Proposals 3A and 3B.

The approval of each of these proposals is required to approve the adoption of the New Certificate, and each is an integral element of the Class C Issuance (as defined below). Accordingly, each of the proposals comprising Proposal 3 is cross-conditioned upon the approval by our stockholders of both of the proposals comprising Proposal 3. None of the actions contemplated by Proposal 3 will proceed if either of Proposal 3A or 3B is not approved by our stockholders. In this Proxy Statement, when we refer to the approval of the adoption of the New Certificate, we are referring to our stockholders approving the adoption of the amendment and restatement of our Current Certificate by approving each of the proposals comprising this Proposal 3, which will collectively constitute the approval of this Proposal 3. The proposals set forth above describe the principal amendments to our Current Certificate. The approval of each of the proposals comprising Proposal 3 will constitute the requisite approval of the adoption of the New Certificate, in the form attached to this Proxy Statement as Appendix A-1, as required by Delaware law. Accordingly, you should read the full text of the New Certificate.

The Board unanimously recommends that our stockholders vote **FOR** the approval of the adoption of IAC's amended and restated certificate of incorporation (comprising two proposals).

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Overview

Our Board, after receiving the unanimous recommendation of the members of the Special Committee who were present at the meeting of the Special Committee at which the Special Committee resolved to recommend the transactions described herein, has determined that it is advisable and in the best interests of our stockholders (other than Mr. Diller and the trusts that hold shares of IAC common stock and Class B common stock beneficially owned by Mr. Diller and/or his family members, as to which no determination was made), to adjust our capital structure by establishing a new class of non-voting capital stock, which will be known as Class C common stock, and potentially declaring and paying a dividend of one share of this new class of capital stock for each outstanding share of IAC common stock and Class B common stock (the "Dividend"). The Class C common stock will be available for use for, among other things, stock-based acquisitions, equity financings and equity-based employee compensation. As further described below, the Special Committee and our Board believe that adding the Class C common stock to our capital structure is in the best interests of holders of IAC common stock (other than Mr. Diller and the trusts that hold shares of IAC common stock and Class B common stock beneficially owned by Mr. Diller and/or his family members, as to which no determination was made).

As part of the approval of the adoption of the New Certificate, IAC, Mr. Diller and certain trusts that hold shares of IAC capital stock beneficially owned by Mr. Diller and/or his family members (each, a "Diller Party" and collectively with Mr. Diller, the "Diller Parties") have agreed to enter into an agreement that amends and restates the existing governance agreement between IAC and Mr. Diller (the "New Governance Agreement"). In this Proxy Statement, we refer to the transactions contemplated by the adoption of the New Certificate, including the proposed Dividend and the execution of the New Governance Agreement, as the "Class C Issuance."

The description of the New Certificate in this Proxy Statement is qualified in its entirety by reference to, and should be read in conjunction with, the full text of the New Certificate which is attached to this Proxy Statement as Appendix A-1. For convenience of reference, a copy of the New Certificate showing the changes from the Current Certificate, with the deleted text shown in strikethrough and added or moved text shown as underlined, is attached to this Proxy Statement as Appendix A-2.

If the New Certificate is adopted by the required vote of our stockholders, we intend to file the New Certificate with the Secretary of State of the State of Delaware. The New Certificate will be effective immediately upon acceptance of the filing by the Secretary of State. The Board reserves the right to abandon or delay the filing of the New Certificate even if it is approved by our stockholders.

The Board has expressed its current intention, subject to stockholder approval of the adoption of the New Certificate and the filing and effectiveness of the New Certificate, to declare and pay a dividend of one share of Class C common stock for each share of IAC common stock and Class B common stock outstanding as of a record date to be determined by the Board. At this time, the Board is not aware of any factors other than the approval of the adoption of the New Certificate by our stockholders that may impact its decision as to whether to declare and pay the Dividend. Stockholder approval of the Dividend is not required and is not being solicited by this Proxy Statement. Nevertheless, even if the New Certificate is approved by our stockholders, the Board may decide not to immediately declare and pay the Dividend and there can be no assurance that the Board will elect to proceed with the Dividend. We intend to announce the Dividend on a future date, when and if, it is declared.

In addition, as described in Proposal 4, we are also asking our stockholders to approve the amendment and restatement of IAC's 2013 Stock and Annual Incentive Plan (the "2013 Plan") to accommodate IAC's new capital structure, the approval of which is *not* cross-conditioned upon the approval by our stockholders of the two proposals comprising Proposal 3. If the Dividend is declared

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and paid, the Board intends that all outstanding stock options and restricted stock units ("RSUs") granted pursuant to the 2013 Plan will be adjusted as described under "Certain Other Effects of Class C Issuance Effect on Equity Based Incentive Plans and Outstanding Equity Awards."

As part of the approval of the adoption of the New Certificate, IAC and the Diller Parties have agreed to enter into the New Governance Agreement pursuant to which the Diller Parties will agree, subject to certain exceptions, not to sell, assign, transfer, convey, hypothecate or otherwise dispose of any shares of Class C common stock to a third party if, as a result of such transfer, the Diller Parties would then beneficially own, in the aggregate, a number of shares of Class C common stock that is less than the number of shares of Class B common stock beneficially owned, in the aggregate, by the Diller Parties on the date that the Dividend is paid to IAC stockholders, which number may be reduced from time to time by certain transactions. In addition, pursuant to the New Governance Agreement, IAC and the Diller Parties agree not to enter into or consummate any Covered Transactions (as defined below) unless it provides for the same type and amount of consideration (or mix of consideration) or an offer to receive the same type and amount of consideration (or mix of consideration) to all holders of IAC common stock, Class B common stock, and Class C common stock, subject to certain exceptions. See "Second Amended and Restated Governance Agreement" below.

As more fully explained below, the Dividend, if it is declared and paid, will not affect the relative voting power of any stockholders. See "Certain Other Effects of the Class C Issuance Effect on Relative Voting Power and Equity Interest" for more information.

The shares of IAC common stock will continue to trade on The Nasdaq Stock Market after the Class C Issuance and the potential Dividend. If the Dividend is declared and paid, we intend to qualify the shares of Class C common stock for listing on The Nasdaq Stock Market upon their issuance.

The Special Committee and the Board believe that the Class C Issuance and the Dividend, if it is declared and paid, will have a number of benefits for our stockholders (other than Mr. Diller and the trusts that hold shares IAC common stock and Class B common stock beneficially owned by Mr. Diller and/or his family members, as to which no determination was made). See "The Special Committee's and the Board's Reasons for the Class C Issuance" below. The Special Committee and the Board also believe that the Class C Issuance and the Dividend, if it is declared and paid, may also involve a number of potential negative consequences. See "Potential Negative Considerations Relating to the Class C Issuance" below.

The Special Committee

The Special Committee was established in April 2016 as a committee of the Board to make a recommendation to the Board as to whether the creation of a new class of non-voting stock would be in the best interests of the stockholders of IAC (other than Mr. Diller and his affiliates) and, if so, to negotiate the terms and any related governance arrangements in connection with the creation of the new class of non-voting stock.

The Board appointed Edgar Bronfman, Jr., Chelsea Clinton, Michael Eisner, Bonnie Hammer, Bryan Lourd, David Rosenblatt, Alan Spoon, and Richard F. Zannino as members of the Special Committee. Following the establishment of the Special Committee, the members of the Special Committee appointed Mr. Zannino as the Chair of the Special Committee. The Board determined that the members of the Special Committee were: (i) independent of Mr. Diller and (ii) disinterested with respect to the Class C Issuance. The Board determined that any interest any of the directors may have by virtue of their ownership of shares of IAC common stock would not compromise their ability to exercise independent and disinterested business judgment in evaluating the potential Class C Issuance. The members of the Special Committee have not been compensated for their service.

The Board authorized the Special Committee to retain, at IAC's expense, such legal, financial, and other advisors, consultants, and experts as the Special Committee determined to be necessary or

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appropriate to assist and advise the Special Committee in performing its responsibilities, and to enter into contracts with such advisors, consultants, and experts for their compensation, reimbursement of expenses, and indemnification. The Board also resolved that the Special Committee would have the power to direct the appropriate officers of IAC to provide such information and assistance as may be requested by the Special Committee in the exercise of its responsibilities. The Special Committee engaged Greenhill & Co., LLC as its independent financial advisor and Fried, Frank, Harris, Shriver & Jacobson LLP as its independent legal advisor.

Background

Mr. Diller has been the Chairman of the Board of Directors and the Senior Executive of IAC since December 2010. Mr. Diller previously served as a director and Chairman and Chief Executive Officer of IAC (and its predecessors) from August 1995 to November 2010.

Since its inception, IAC has had two classes of common equity securities, IAC common stock and Class B common stock. The IAC common stock and the Class B common stock have identical economic rights. The IAC common stock has one vote per share and the Class B common stock has ten votes per share. The two classes vote together on all matters except as required by law and except that the IAC common stock has the separate right to elect 25% of the members of IAC's Board. The voting and other rights of the Class B common stock continue in effect so long as the Class B common stock is outstanding and, unlike the high vote common stock of some companies that have a dual class common stock structure, do not lose their characteristics upon transfer to an unaffiliated third party, if Mr. Diller is no longer affiliated with IAC or if the equity ownership represented by the Class B common stock falls below a specified percentage of the combined common equity. All of the shares of Class B common stock are currently beneficially held by Mr. Diller, members of Mr. Diller's family, and trusts for the benefit of Mr. Diller and his family.

On February 22, 2016, in connection with the long-term estate planning of Mr. Diller and his family, Mr. Diller: (i) transferred an aggregate of 136,711 shares of IAC common stock and 5,248,598 shares of Class B common stock to two grantor retained annuity trusts, over which Mr. Diller has sole investment power and Mr. Diller's spouse, Ms. Diane von Furstenberg, has sole voting power (the "2016 GRATs"); and (ii) transferred 540,901 shares of Class B common stock to a trust for the benefit of certain of his family members (the "2016 Family Trust"), over which Mr. Diller's stepson, Mr. Alexander von Furstenberg, has sole voting and sole investment power.

In addition, pursuant to an amended and restated governance agreement between IAC and Mr. Diller, dated as of August 9, 2005 (the "Governance Agreement"), for so long as Mr. Diller serves as IAC's Chairman and Senior Executive and he beneficially owns (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) at least 5,000,000 shares of Class B common stock and/or IAC common stock in which he has a pecuniary interest (including by way of sole investment power over the securities in the 2016 GRATs), he generally has the right to consent to certain corporate matters in the event that IAC's ratio of total debt to EBITDA (as defined in the Governance Agreement) equals or exceeds four to one over a continuous twelve-month period (the "Consent Rights"). An event triggering the effectiveness of the Consent Rights has never occurred. Pursuant to the Governance Agreement, Mr. Diller is also entitled to customary, transferable registration rights with respect to the IAC common stock owned by him.

As of the record date for the Annual Meeting, Mr. Diller, members of Mr. Diller's family and trusts for the benefit of Mr. Diller and his family (including the 2016 GRATs and the 2016 Family Trust) beneficially owned all of the 5,789,499 outstanding shares of Class B common stock and 193,407 shares of IAC common stock (which excludes shares of IAC common stock issuable upon potential conversion of the Class B common stock and shares of common stock underlying vested options), collectively representing approximately 44.2% of the total outstanding voting power of IAC and approximately 7.5% of the total outstanding economic interests of IAC.

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At all times since the inception of IAC, Mr. Diller and his family, directly or through proxies over a significant portion of the voting power of IAC's outstanding equity securities, have been in a position to influence, subject to our organizational documents and Delaware law, the composition of the Board and the outcome of corporate actions requiring stockholder approval, such as mergers, business combinations and dispositions of assets, among other corporate transactions.

At the time of its inception, IAC (originally named Silver King Broadcasting Company) was a hybrid media/electronic retailing company. After several name changes (first to HSN, Inc., then to USA Networks, Inc., USA Interactive and InterActiveCorp, and finally, to IAC/InterActiveCorp) and the completion of a number of significant corporate transactions over the years, IAC transformed itself into a leading media and Internet company. IAC has continued to engage in transformational corporate transactions, through acquisitions, dispositions and spin-offs of businesses, and expects to engage in these types of transactions in the future in order to continue to grow stockholder value. In its recent history, IAC has financed acquisitions using cash. However, in light of IAC's current cash position and leverage capacity, IAC anticipates that issuances of common equity securities may be an important component of the consideration paid in future acquisitions.

On April 6, 2016, at a special meeting of the Board, Mr. Diller communicated to the Board a proposal from IAC management that the Board consider the creation of a new class of non-voting common stock ("Class C common stock") in order to, among other things, provide IAC with a mechanism to issue common equity securities in the future for acquisitions and equity awards without diluting the voting power of the holders of the IAC common stock and the Class B common stock. Mr. Diller explained that, in his view, the creation of a class of nonvoting stock would facilitate continued growth of IAC while maintaining its stability and enabling IAC to focus on achieving the Board's long-term objectives. Mr. Diller acknowledged that, while the creation of a class of nonvoting stock would have ancillary benefits to Mr. Diller and his affiliates as the holders of the shares of Class B common stock, the purpose of the nonvoting stock would be to provide increased flexibility to IAC and its management team with the objective of enhancing value for all of the Company's stockholders in a capital structure where investors have always understood control rests and can be transferred in perpetuity by Mr. Diller and his family members. Following discussion, the Board authorized the creation of the Special Committee to evaluate and respond to Mr. Diller's request. The purpose of the Special Committee was to make a recommendation to the Board with regard to whether the creation of a new class of Class C common stock (the "Class C Issuance") was in the best interests of the IAC stockholders (other than the Diller Parties) and, if so, to negotiate the terms and any related governance arrangements in connection with the Class C Issuance. The Special Committee was authorized to hire independent legal and financial advisors. Mr. Diller consulted with and has continued to be advised by Wachtell, Lipton, Rosen & Katz ("Wachtell Lipton") as legal counsel in connection with this matter.

The Board appointed Meses. Clinton and Hammer and Messrs. Bronfman, Jr., Eisner, Lourd, Rosenblatt, Spoon, and Zannino as members of the Special Committee. Following the formation of the Special Committee, and the appointment of members of the Special Committee, the members of the Special Committee appointed Mr. Zannino as Chairman. The Board determined that the members of the Special Committee were: (i) independent of Mr. Diller and (ii) disinterested with respect to the Class C Issuance. The Board determined that any interest any of the directors may have by virtue of their ownership of shares of IAC common stock would not compromise their ability to exercise independent and disinterested business judgment in evaluating the potential Class C Issuance.

The Special Committee considered a number of potential candidates to act its financial advisor. Following consideration and review of potential candidates, the Special Committee engaged Greenhill & Co., LLC ("Greenhill") to act as its financial advisor. The Special Committee selected its financial advisor based upon its qualifications, previous experience, and absence of conflicts with respect to the proposed Class C Issuance. Pursuant to an engagement letter entered into on April 19,

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2016 (the "Engagement Letter"), IAC agreed to pay Greenhill fees of up to \$2 million for services rendered as its financial adviser. Pursuant to terms of the Engagement Letter, IAC also agreed to indemnify Greenhill and certain related persons of Greenhill against certain liabilities and expenses relating to or arising out of their engagement.

On April 20, 2016, the Special Committee held a telephonic meeting attended by representatives of Greenhill to discuss the proposed Class C Issuance. At that meeting, the Special Committee determined to engage Fried, Frank, Harris, Shriver & Jacobson LLP ("Fried Frank") as its legal counsel. The Special Committee selected Fried Frank based upon its qualifications, previous experience, and absence of conflicts with respect to the proposed Class C Issuance. In connection with its decision to engage Fried Frank, the Special Committee was advised of certain prior legal work performed by Fried Frank for Mr. Diller's not-for-profit corporation and concluded that this prior work would not compromise Fried Frank's ability to provide independent legal advice to the Special Committee. After this determination, representatives of Fried Frank joined the meeting and made a presentation to the Special Committee regarding the fiduciary duties of the members of the Special Committee, the legal standard applicable to the transaction, the current ownership and governance structure of IAC and other matters.

At the April 20, 2016 meeting, the Special Committee and its advisors discussed the significant voting power held by the Diller Parties by virtue of their ownership of the Class B common stock; the perpetual nature of the Class B common stock; the fact that the Diller Parties have essentially unfettered ability to transfer significant control or influence over IAC to a third party via a transfer of the Class B common stock; and that substantial issuances of IAC common stock would be required to dilute the voting power of the Diller Parties to a level at which the Diller Parties might no longer exercise significant control or influence over IAC. The Special Committee and its advisors then discussed certain other recent reclassification transactions involving the creation of non-voting common stock by companies with a dual class common stock structure and considerations that the Special Committee might deem relevant in evaluating the potential Class C Issuance.

On April 28, 2016, the Special Committee held a telephonic meeting which was attended by representatives of each of Greenhill and Fried Frank. At that meeting, representatives of Greenhill reviewed with the Special Committee certain historical information regarding IAC, certain information regarding other publicly traded companies with dual class common stock structures, and information concerning certain reclassification transactions involving publicly traded companies with dual class common stock structures. Among other things, the information presented by representatives of Greenhill indicated, based on the limited available precedents involving issuance of non-voting common stock by publicly traded companies with an existing dual class common stock structure, that non-voting common stock would likely trade at a modest discount to the issuing company's existing low vote common stock.

At this meeting, the Special Committee and its advisors reviewed the potential benefits to the Diller Parties, and the potential benefits and detriments to holders of IAC common stock (other than the Diller Parties) of a Class C Issuance, including possible benefits that could be sought on behalf of the holders of IAC common stock as part of a negotiation with Mr. Diller. The Special Committee identified as a potential benefit to the Diller Parties and as a potential detriment to the holders of IAC common stock (other than the Diller Parties) the likelihood that a Class C Issuance could reinforce the control or influence of the Diller Parties over IAC, which otherwise might be diluted over time as a result of additional issuances of IAC common stock by IAC or dispositions of Class B common stock by the Diller Parties. In addition, the Special Committee recognized that potential economic dilution could result from using Class C common stock rather than IAC common stock in the future for acquisitions, financings and equity awards, in view of the fact that Class C common stock would likely trade at a discount to the IAC common stock. At the same time, the Special Committee recognized that the voting power held by the Diller Parties has not changed meaningfully since the inception of IAC, and

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that substantial net issuances of IAC common stock (after taking into account stock buybacks) would be necessary to materially dilute the voting power of the Class B common stock. The Special Committee considered that potential dilution of the voting power of the Class B common stock might nonetheless serve as an inhibition on the willingness of Mr. Diller to pursue acquisitions that require the use of equity as consideration, and viewed this potential inhibition as a meaningful factor in light of IAC's historic record of creating value through acquisitions, the desirability of IAC continuing to pursue acquisitions to grow stockholder value, and IAC's current net cash position and balance sheet flexibility. In addition, the Special Committee viewed the potential Class C Issuance as an opportunity to obtain modifications to the existing rights of the Class B common stock for the benefit of the holders of IAC common stock (other than the Diller Parties). Following this discussion, the Special Committee determined to convene a follow-up meeting to discuss possible next steps.

On May 5, 2016, the Special Committee held a telephonic meeting which was attended by representatives of each of Greenhill and Fried Frank. It was the view of the Special Committee, without making a definitive determination on the ultimate outcome, that it would be in the interests of the holders of IAC common stock to explore the Class C Issuance and, in that connection, to make an initial proposal to Mr. Diller. The Special Committee reviewed the potential terms of an initial proposal, which reflected negotiating positions, certain terms that had not been included in other reclassifications, and certain terms that would require the Diller Parties to agree to significant modifications of the existing rights of the Class B common stock. Following the meeting, the members of the Special Committee approved the terms of the initial proposal and directed Fried Frank to communicate it to Wachtell Lipton.

At a meeting held on May 16, 2016, representatives of Fried Frank outlined to Wachtell Lipton the initial proposal of the Special Committee. The representatives of Fried Frank indicated that the Special Committee would be prepared to support the Class C Issuance if Mr. Diller would agree to the following: (i) a "sunset" provision, whereby the Class B common stock would cease to be perpetual and would automatically convert into IAC common stock upon certain events, such as Mr. Diller's death or permanent disability, Mr. Diller's resignation from the role of Senior Executive of IAC or his removal from the role of Senior Executive for cause, or upon transfer by the Diller Parties of shares of Class B common stock to an unaffiliated third party (the "Class B Sunset provision"), (ii) a "staple" provision, whereby the Diller Parties must transfer shares of Class B common stock and Class C common stock in the same proportions (or convert a proportionate number of shares of Class B common stock to IAC common stock), so that the Diller Parties would not be able to monetize their holdings of Class C common stock without a proportionate reduction in their holdings of Class B common stock (the "Staple provision"), (iii) an "equal treatment" requirement, whereby in any merger, consolidation, tender or exchange offer or other business combination, or any private sale transaction by the Diller Parties, holders of Class B common stock would not be entitled to receive a premium not shared with all stockholders of IAC and all holders of IAC common stock, Class C common stock and Class B common stock would receive the same per share consideration (the "Equal Treatment provision"), and (iv) termination of the Consent Rights under the Governance Agreement. In addition, Fried Frank communicated that the Special Committee was proposing that the Class C Issuance be conditioned upon approval by a majority of the shares of IAC common stock (excluding shares held by the Diller Parties).

On May 19, 2016, representatives of Wachtell Lipton spoke with representatives of Fried Frank to communicate Mr. Diller's initial response to the Special Committee's initial proposal. Wachtell Lipton indicated that Mr. Diller believed that the Class C Issuance was in the interests of all stockholders of IAC, but that Mr. Diller was not prepared to change certain fundamental characteristics of the Class B common stock, such as the fact that the voting and other rights of the Class B common stock continue in effect so long as the Class B common stock is outstanding and the Class B common stock does not convert to IAC common stock upon transfer to an unaffiliated third party or if Mr. Diller is no longer affiliated with IAC. Wachtell Lipton indicated that Mr. Diller: (i) would not agree to the Class B

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Sunset provision, but would agree that, in the event that in the future the Class B common stock represented less than 15% of the combined voting power of all classes of common equity securities of IAC, the Class C common stock would convert to IAC common stock (the "Class C Conversion provision"), (ii) would agree to the Staple provision, but for a limited number of years, and not indefinitely, (iii) would agree to the termination of the Consent Rights under the Governance Agreement, and (iv) would agree to an Equal Treatment provision in the event of a merger, consolidation, tender or exchange offer or other business combination (with an exception for stock-for-stock transactions in which the relative economic and voting rights of IAC's common equity securities are preserved), but would reserve the right to (a) request a premium for his shares subject to approval by an independent committee of IAC's directors and (b) sell his shares at a premium in a private transaction. In addition, Wachtell Lipton reported that Mr. Diller was prepared to condition the Class C Issuance only upon approval by the vote of stockholders required by applicable law and IAC's Certificate of Incorporation (*i.e.*, the approval of the holders of a majority of the combined voting power of the IAC common stock and Class B common stock, voting as a single class).

On May 24, 2016, the Special Committee held a telephonic meeting to discuss Mr. Diller's initial response, which was attended by representatives of Greenhill and Fried Frank. The Special Committee concluded that it wished to seek to extract additional benefits and protections for the stockholders of IAC (excluding the Diller Parties) from Mr. Diller.

On June 1, 2016, representatives of Fried Frank and Wachtell Lipton held a telephonic meeting to discuss the Special Committee's response to Mr. Diller's proposal. Representatives of Fried Frank requested that Mr. Diller submit a revised proposal for the Special Committee's consideration.

On June 10, 2016, representatives of Wachtell Lipton sent a written proposal to Fried Frank. The written proposal did not differ materially from the proposal conveyed orally to Fried Frank on May 19, 2016.

On June 23, 2016, the Special Committee held a meeting which was attended by representatives of each of Greenhill and Fried Frank. Mr. Diller also attended a portion of the meeting at the invitation of the Special Committee. At the meeting, Mr. Diller expressed to the Special Committee his view that the Class C Issuance would benefit all stockholders of IAC and would remove a potential inhibition on the use of common equity of IAC for acquisitions. In that context, Mr. Diller noted that, while he would not necessarily be opposed to the use of IAC common stock if a compelling acquisition opportunity presented itself, IAC had not used common equity for material acquisitions in the recent past. Mr. Diller also reaffirmed, as previously communicated by Wachtell Lipton, that he did not intend to change certain fundamental characteristics of the Class B common stock, which were more favorable to holders of Class B common stock than the terms of the high vote common stock of some other companies with a dual class common stock structure.

On July 25, 2016, representatives of Wachtell Lipton sent a revised proposal to Fried Frank for the Special Committee's consideration. The proposal was substantially similar to Mr. Diller's previous written proposal, except that it provided that: (i) if at any time Mr. Diller, his affiliates and heirs cease to own at least 15% of the total voting power of all IAC's outstanding capital stock, IAC would be restricted from issuing additional shares of Class C common stock without the prior approval of a special committee of directors (the "Freeze Event provision") and (ii) following the Class C Issuance, IAC would not be permitted to issue additional shares of Class B common stock (the "Class B Freeze provision").

On August 5, 2016, the Special Committee held a telephonic meeting attended by representatives of Greenhill and Fried Frank. At that meeting, the Special Committee instructed Fried Frank to submit a revised proposal to Wachtell Lipton.

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On August 11, 2016, as directed by the Special Committee, representatives of Fried Frank sent a revised proposal to Wachtell Lipton. This proposal contemplated that: (i) there would be no Class B Sunset provision, (ii) the Class C Conversion provision would have a 25% trigger (rather than the 15% trigger proposed by Mr. Diller), (iii) the Class C common stock would automatically convert to IAC common stock on the death or permanent disability of Mr. Diller, if Mr. Diller resigned from the position of Senior Executive of IAC or were removed from that position for cause (the "Class C Sunset provision"), (iv) the Staple provision would be indefinite, (v) the Consent Rights under the Governance Agreement would terminate, (vi) the Equal Treatment provision would apply to a merger, consolidation, tender or exchange offer or other business combination (with an exception for stock-for-stock transactions in which the relative economic and voting rights of IAC's common equity securities are preserved) and to any private sale by the Diller Parties, and would not contain an exception allowing the Diller Parties to receive more favorable treatment for their shares if approved by a committee of independent directors, (vii) the Freeze Event provision would be triggered if at any time the Diller Parties cease to own at least 25% (rather than 15%) of the total voting power of all of IAC's outstanding capital stock, and (viii) the Class B Freeze provision would be deleted.

On August 18, 2016, Mr. Diller spoke with Mr. Zannino. In the course of that discussion, Mr. Diller indicated he was not prepared to accept the Special Committee's August 11, 2016 proposal. Following that discussion, Mr. Zannino requested that Fried Frank follow up with Wachtell Lipton to clarify Mr. Diller's position. On August 19, 2016, representatives of Wachtell Lipton and Fried Frank spoke. Wachtell Lipton indicated that Mr. Diller was not prepared to agree to the Class C Sunset provision. However, following a discussion, Wachtell Lipton agreed to explore whether Mr. Diller would be prepared to submit a revised proposal addressing the remaining elements of the August 11, 2016 proposal. On August 23, 2016, representatives of Wachtell Lipton informed Fried Frank that Mr. Diller would submit a revised proposal. On August 30, 2016, representatives of Wachtell Lipton sent a further revised proposal to Fried Frank.

The principal changes proposed by Mr. Diller in his August 30, 2016 revised proposal were: (i) the deletion of the Class C Sunset provision, (ii) the addition of exceptions to the Equal Treatment provision to permit disparate treatment of the IAC common stock or Class C common stock in a merger, consolidation, tender or exchange offer, if that treatment were approved by a special committee or by the holders of the relevant class or classes, (iii) the reinsertion of a five-year time limit on the Staple provision, and (iv) reducing the triggers in the Class C Conversion provision and Freeze Event provision from 25% to 20% of the total voting power of all IAC's outstanding capital stock.

On September 12, 2016, the Special Committee held a telephonic meeting that was attended by representatives of each of Greenhill and Fried Frank. After discussion, the Special Committee instructed Fried Frank to send a revised proposal to Wachtell Lipton, which was sent that same day. The principal changes in the revised proposal were: (i) to require that material issuances of Class C common stock be subject to approval by a special committee of directors, and (ii) to revert to a Staple provision of indefinite duration.

On September 13, 2016, Wachtell Lipton informed Fried Frank that Mr. Diller would not accept the principal changes proposed by the Special Committee on September 12, 2016. At the conclusion of a regularly scheduled meeting of the Board on September 20, 2016, Mr. Diller engaged the Special Committee in a further discussion regarding the Class C Issuance and encouraged the members of the Special Committee to accept his August 30, 2016 proposal. The Special Committee determined to reconvene, with its financial and legal advisers, for a further discussion.

On September 23, 2016, the Special Committee held a telephonic meeting that was attended by representatives of each of Greenhill and Fried Frank. At this meeting, the Special Committee reviewed the course of negotiations with Mr. Diller, the potential benefits of the Class C Issuance to the Diller Parties, and the potential benefits and detriments of the Class C Issuance to the holders of IAC common stock (other than the Diller Parties). The Special Committee then reviewed the principal open issues arising out of the Special Committee's September 12, 2016 proposal. The Special Committee

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recognized that material issuances of equity securities of IAC are subject to approval by the Board, eight of the twelve members of which are members of the Special Committee, and concluded that it was not necessary to require a separate special committee to approve issuances of Class C common stock. The Special Committee concluded, however, that it was appropriate to require that the Staple provision apply to transfers by the Diller Parties for an indefinite period. The Special Committee concluded that, without this feature, the Special Committee was not prepared to recommend the Class C Issuance. At the request of the Special Committee, Mr. Zannino communicated this position to a representative of IAC. On September 29, 2016, a representative of IAC advised Mr. Zannino, and Wachtell Lipton advised Fried Frank, that Mr. Diller would agree to the indefinite Staple provision.

Between September 29 and October 17, 2016, representatives of Wachtell Lipton and Fried Frank substantially completed the proposed definitive documentation for the Class C Issuance. At a meeting of the Special Committee on October 17, 2016 that was attended by representatives of each of Greenhill and Fried Frank, the Special Committee reviewed the proposed terms of the Class C Issuance, and determined to recommend the Class C Issuance to the Board.

On November 1, 2016, the Board unanimously adopted resolutions approving and declaring advisable the Class C Issuance, including the adoption of the New Certificate and entry into the New Governance Agreement, and the amendment and restatement of the 2013 Plan.

The Special Committee's and the Board's Reasons for the Class C Issuance

The Special Committee and the Board believe that the Class C Issuance, the adoption of the New Certificate, and the potential declaration and payment of the Dividend are advisable and in the best interests of IAC and our stockholders (other than Mr. Diller and the trusts that hold shares of IAC capital stock beneficially owned by Mr. Diller and/or his family members, with respect to which no determination was made by the Special Committee and the Board). The Board unanimously recommends that our stockholders vote **FOR** the approval of the adoption of the New Certificate in connection with the Class C Issuance and Dividend. The Special Committee and the Board believe that the potential advantages of the Class C Issuance and the Dividend, if it is declared and paid, include, but are not limited to, the factors listed below. These factors are not intended to be exhaustive, but include the material factors considered by the Special Committee and the Board in deciding to proceed with the Class C Issuance and the Dividend, if it is declared and paid. In light of the variety of factors considered, neither the Special Committee nor the Board found it practicable to quantify or otherwise assign relative weights to the specific factors considered in reaching their respective determinations and recommendations, and they did not do so. Moreover, individual members of the Special Committee and the Board may have considered particular factors to have greater or lesser significance in their deliberations.

The Class C Issuance Should Enhance IAC's Ability to Focus on Long-term Growth Opportunities, including Growth through Acquisitions using Common Equity

The Special Committee and the Board believe that, in order to grow stockholder value, IAC must continue to pursue acquisition opportunities and that, in view of our current debt position and leverage capacity, IAC may need to use common equity as an acquisition currency. The ability to issue Class C common stock would permit us to use common equity as an acquisition currency without concerns regarding potential voting dilution of the Diller Parties and any potential inhibition on the willingness of the Diller Parties to support the use of common equity for acquisitions. IAC does not have, at this time, any plan, commitment, arrangement, understanding or agreement to issue any shares of Class C common stock that would be authorized by the New Certificate in connection with any acquisition, merger or similar business combination transaction.

Since its inception, IAC has had two classes of common equity securities: IAC common stock and Class B common stock. The IAC common stock and the Class B common stock have identical economic rights. The IAC common stock has one vote per share and the Class B common stock has

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ten votes per share. The two classes vote together on all matters, except as required by law and except that the IAC common stock has the separate right to elect 25% of the Board. The voting and other rights of the Class B common stock continue in effect so long as the Class B common stock is outstanding and, unlike the high vote common stock of most companies that have a dual class common stock structure, do not lose their characteristics upon transfer to an unaffiliated third party, if Mr. Diller is no longer affiliated with IAC or if the equity ownership represented by the Class B common stock falls below a specified percentage of the combined common equity. All of the shares of Class B common stock are currently held by Mr. Diller, members of Mr. Diller's family, and trusts for the benefit of Mr. Diller and his family.

At all times since the inception of IAC, Mr. Diller and his family, directly or through proxies over a significant portion of the voting power of IAC's outstanding equity securities, have been in a position to influence, subject to our organizational documents and Delaware law, the composition of the Board and the outcome of corporate actions requiring stockholder approval, such as mergers, business combinations and dispositions of assets, among other corporate transactions.

The Special Committee and the Board believe that IAC's existing corporate governance structure has enabled us to innovate and invest for the long-term while maintaining our focus on the long-term best interests of all of our stockholders. The Special Committee and the Board believe that this ability to focus on the long term has generated, and will continue to generate, substantial benefits for all of our stockholders and has been an important competitive advantage. Our corporate governance structure has also helped to insulate us from short-term pressure and outside influences that could distract our management team from its long-term vision and objectives, including activist investors.

The Special Committee and the Board view Mr. Diller's leadership, vision and creativity as critical factors in our long-term success. Since the early days of IAC, Mr. Diller has had a vision that technical leaps in interactivity would revolutionize commerce and the role IAC would play in this future that has come to pass. This focus has driven IAC to acquire, create and assemble high-performing businesses and category leaders, transforming entire industries, such as travel, ticketing and dating, and disrupting daily social interactions in the process. Along the way, IAC created large, successful businesses that were spun off to our stockholders only to start building anew. This process of acquisition, development and disposition of large, successful businesses has continued from the early days of IAC up to the present.

We effected an initial public offering of a minority interest in our principal current subsidiary, Match Group, Inc., in November 2015. Our other current businesses comprise a mix of growing businesses, HomeAdvisor and Vimeo, and more mature businesses, Publishing and Applications. The Special Committee and the Board believe that, in order to grow stockholder value, IAC must continue to pursue acquisition opportunities and that, in view of our current debt position and leverage capacity, IAC may need to use common equity as an acquisition currency. The ability to issue Class C common stock would permit us to use common equity as an acquisition currency without concerns regarding potential voting dilution of the Diller Parties and any potential inhibition on the willingness of the Diller Parties to support the use of common equity for acquisitions. Likewise, many sellers of assets prefer, or require, the transaction to be tax free, which requires the use of equity, or have a preference to receive equity for other reasons, such as their desire to remain long-term investors in the combined company. The use of common equity rather than cash (including cash obtained through increased leverage) will also create financial flexibility for IAC, which could help us reinvest in our businesses for future growth or take advantage of other opportunities to increase stockholder value.

The Special Committee and the Board considered that potential dilution of the voting power of the Class B common stock might serve as an inhibition on the willingness of Mr. Diller to pursue acquisitions that require the use of equity as consideration, and viewed this potential inhibition as a meaningful factor in light of IAC's historic record of creating value through acquisitions, the desirability of IAC continuing to pursue acquisitions to grow stockholder value, and IAC's current net cash position and balance sheet flexibility. The Special Committee and the Board believe that the Class C

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Issuance and the Dividend, if it is declared and paid, are appropriate ways to make it more likely that we are in a position to pursue transformational transactions using our common equity.

Equal Treatment of Shares of IAC Common Stock, Class B Common Stock and Class C Common Stock

Currently, the Diller Parties have essentially unfettered ability to transfer their equity interest in IAC to a third party of their choosing without the Board or other stockholders of IAC having the opportunity to participate in or influence that transaction or the identity of the party that would become our new principal voting stockholder. The disparity between the voting interest and the economic interest of the Diller Parties, who controlled approximately 44.2% of the voting power of IAC while holding approximately 7.5% of the economic interest in IAC as of the record date for the Annual Meeting, means that it would be possible for a third party to acquire significant control or influence over IAC via an acquisition of equity securities solely from the Diller Parties, without giving other stockholders the opportunity to participate in the transaction or to receive a control premium for their shares.

The New Governance Agreement will specify that upon any sale of IAC or other change of control transaction, including a merger, third-party tender offer or other business combination involving or open to all Company stockholders, and any private transaction by the Diller Parties that would result in the third party or group holding 25% or more of the total voting power of all IAC's outstanding capital stock, shares of IAC common stock and Class C common stock would be entitled to receive the same amount and type of consideration, on a per share basis, as the shares of Class B common stock, except: (a) in the case of certain stock-for-stock transactions where the three-class structure is substantially replicated; (b) in the event of any private sale by the Diller Parties of shares of Class B common stock to a third party or group at a price per share no higher than the market price of the common stock as of the date such sale is agreed or closed (whichever is higher); (c) where receipt by the holders of IAC common stock or Class C common stock of different consideration from that received by any other class of common stock has been approved by the holders of shares of such class; or (d) as may be approved by a special committee of IAC's directors. See "Second Amended and Restated Governance Agreement" below.

The Special Committee and the Board believe that these equal treatment provisions could confer important benefits on the stockholders of IAC (other than the Diller Parties). These provisions substantially restrict the ability of the Diller Parties to receive a premium for their shares in IAC in a private transaction and should encourage the Diller Parties, should they seek to dispose of their equity interest in IAC, to do so in a transaction that is open to all stockholders. In the case of any transaction (other than certain stock-for-stock transactions replicating the three-class common stock structure) in which holders of shares of IAC common stock or Class C common stock would receive different per share consideration than that received by the Diller Parties, a special committee of independent and disinterested directors would have advance notice of, the opportunity to participate in discussions regarding, and the right to approve, the transaction. These provisions would be specifically enforceable by IAC and the Diller Parties would not be permitted to seek a waiver of these provisions. At the same time, the Diller Parties, if they chose not to support a transaction, could likely block that transaction if they were to maintain a level of voting power similar to that the Diller Parties hold at the present time.

The Staple Provisions Will Limit the Ability of the Diller Parties to Reduce their Equity Ownership Without Dilution of their Control or Influence over IAC

Under the terms of New Governance Agreement, the Diller Parties will not be able to dispose of their shares of Class C common stock unless they substantially concurrently dispose of a proportionate number of shares of Class B common stock or convert a proportionate number of shares of Class B common stock to IAC common stock. This provision will ensure that the Class C common stock will not operate as a mechanism for the Diller Parties to reduce the economic interest they currently hold through the shares of Class B common stock without a concomitant reduction in their voting power.

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Other Features of the New Certificate and New Governance Agreement Confer Potential Benefits on the Holders of Common Stock

The New Certificate contains other features that may benefit holders of common stock, including the Class C Conversion provision, under which the Class C common stock would convert to IAC common stock if in the future the Class B common stock were to represent less than 20% of the combined voting power of all outstanding shares of IAC's capital stock. In addition, the New Governance Agreement contains a Freeze Event provision, under which IAC will not be permitted to issue additional shares of Class C common stock (other than to honor existing obligations) without approval by a special committee of independent and disinterested directors after such time as the Diller Parties no longer hold at least 20% of the combined voting power of all outstanding shares of IAC's capital stock and will eliminate the Consent Rights under the Governance Agreement.

Potential Negative Considerations Relating to the Class C Issuance

Although the Special Committee and the Board have each unanimously determined that the adoption of the New Certificate, and the potential declaration and payment of the Dividend are advisable and in the best interests of IAC and our stockholders (other than the Diller Parties, as to whom no determination was made), the Special Committee and the Board recognize that proceeding with the Class C Issuance and the Dividend, if it is declared and paid, involves certain other considerations that may be viewed as negative. These considerations include, but are not limited to, the following:

The Class C Issuance and the Dividend, If It Is Declared and Paid, Could Prolong the Period of Time During Which the Diller Parties Can Exercise a Significant Influence on Most Corporate Matters

As of the record date for the Annual Meeting, the shares of IAC common stock and Class B common stock owned by the Diller Parties represented approximately 44.2% of our total outstanding voting power and this will not change following the Class C Issuance or the potential Dividend. This concentration of voting power with the Diller Parties limits the ability of all of our stockholders, other than the Diller Parties, to have a significant influence on corporate matters.

One of the principal purposes of the Class C Issuance and the Dividend, if it is declared and paid, is to permit the use of non-voting common stock to further strategic initiatives, such as acquisitions or financings, or in connection with future equity awards to our employees. In the past, we generally used cash or issued shares of IAC common stock for such purposes, and the issuance of additional shares of IAC common stock would result in voting dilution to all of our stockholders, including the Diller Parties, if those issuances were not offset by repurchases of IAC common stock. Because the shares of Class C common stock have no voting rights (except as provided in the New Certificate or as required by law), the issuance of these shares in the future (if it occurs), will not result in voting dilution.

The Special Committee and the Board identified as a potential benefit to the Diller Parties and as a potential detriment to the holders of IAC common stock the likelihood that the Class C Issuance and the Dividend would reinforce the control or influence of the Diller Parties over IAC, which otherwise might be diluted over time if IAC were to issue additional shares of IAC common stock or the Diller Parties were to dispose of Class B common stock. In the course of the negotiations between the Special Committee and Mr. Diller, the Special Committee sought to negotiate a variety of features that could potentially mitigate the control or influence of the Diller Parties over IAC in the future, including the Class B Sunset provision and the Class C Sunset provision. Mr. Diller was unwilling to agree to these provisions, although he was willing to agree to the Freeze Event provision.

The Special Committee and the Board recognized that the voting power held by the Diller Parties has not changed meaningfully since the inception of IAC, and that, in the absence of the Class C Issuance and the Dividend, substantial net issuances of IAC common stock (after taking into account stock buybacks) would be necessary to materially dilute the voting power of the Class B common stock and the control or influence of the Diller Parties. The Special Committee and the Board also

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recognized that, in the absence of the Class C Issuance and the Dividend, the Diller Parties would continue to have the benefit of the Class B common stock, with no "sunset" feature tied to Mr. Diller's role with IAC and with the Diller Parties' ability to exercise approximately 44.2% of the voting power of the outstanding capital stock with approximately 7.5% economic ownership. Accordingly, the Diller Parties could nonetheless continue to exercise substantial control or influence over IAC for an indefinite period. Moreover, in the absence of the Class C Issuance and the Dividend, IAC could continue to be inhibited in the use of common equity for acquisitions, given the potential voting dilution and the possible resistance of the Diller Parties to voting dilution.

Class C Common Stock May Not Be Attractive as Acquisition Currency or for Equity Incentives or May Result in Greater Economic Dilution

As noted, we may use shares of Class C common stock from time to time as consideration in connection with the acquisition of other companies. It is possible that companies that we are interested in acquiring will not agree to accept shares of Class C common stock because these shares of capital stock carry no voting rights, or we may decide to issue IAC common stock in connection with an acquisition for other reasons. In these instances, if we still wanted to pay for the acquisition with stock consideration, we would have to issue shares of IAC common stock, which would result in both economic and voting dilution to all stockholders, as is the case with our current dual-class structure. Companies that we are interested in acquiring may also refuse to accept shares of Class C common stock if this stock trades at a discount to the shares of IAC common stock, or if the trading market for the shares of Class C common stock is not well developed or suffers from limited liquidity.

Employees or other service providers may not wish to receive shares of Class C common stock as part of our equity-based compensation programs. This is particularly true if the shares of Class C common stock trade at a discount to the shares of IAC common stock or if the trading market for the shares of Class C common stock is not well developed or suffers from limited liquidity. If employees are not adequately incentivized by receiving shares of Class C common stock, then we might have to issue shares of IAC common stock in order to provide sufficient equity incentives, which would result in both economic and voting dilution to all stockholders, as is the case with our current dual-class structure. Alternatively, we might have to find other ways to incentivize our employees.

Based on the limited existing precedents involving issuance of non-voting common stock by companies with an existing dual class common stock structure, shares of non-voting common stock may trade at a modest discount to low vote common stock. If the Class C common stock trades at a discount to the IAC common stock, companies that we are interested in acquiring may demand more shares of Class C common stock in exchange for accepting this stock as consideration. The same is true for employees in connection with equity-based compensation. If this occurs, then issuances of Class C common stock may ultimately be more economically dilutive to all of our stockholders than issuances of IAC common stock.

The Class C Issuance and the Dividend, If It Is Declared and Paid, May Have an Anti-Takeover Effect

Because the Class C Issuance and the Dividend, if it is declared and paid, may prolong the duration of the Diller Parties' ability to determine the outcome of most matters submitted to a vote of our stockholders, they may have the effect of prolonging the period during which there is a limited likelihood of an unsolicited merger proposal, unsolicited tender offer, or proxy contest for the removal of directors. As a result, the Class C Issuance and the Dividend, if it is declared and paid, may have the effect of prolonging the period during which our stockholders have a limited opportunity to sell their shares at a premium over prevailing market prices and limited ability to replace our directors and management. As previously noted, however, the voting power held by the Diller Parties has not changed meaningfully since the inception of IAC, and, in the absence of the Class C Issuance and the Dividend, substantial net issuances of IAC common stock (after taking into account stock buybacks) would be necessary to materially dilute the voting power of the Class B common stock. In the absence of the Class C Issuance and the Dividend, in any case, the Diller Parties may continue to exercise substantial control or influence over IAC for an indefinite period.

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A Liquid Trading Market for the Class C Common Stock May Not Develop

We believe that a robust and sufficiently liquid market for the Class C common stock will develop following the Dividend, if it is declared and paid. However, it is possible that such a liquid market will not develop. Even if such a market does develop, there can be no assurance that the Class C common stock will not trade at a discount to the IAC common stock. If a liquid market does not develop or the Class C common stock trades at a discount to the IAC common stock, the utilization of Class C common stock may be limited.

The Class C Issuance and the Dividend, If It Is Declared and Paid, May Negatively Affect the Decision of Institutional Investors to Invest in Us

The Class C Issuance and the Dividend, if it is declared and paid, may negatively affect the decision by certain institutional investors to purchase or hold shares of IAC common stock or Class C common stock. The holding of non-voting stock, such as our Class C common stock, may not be permitted by the investment policies of certain institutional investors or may be less attractive to the portfolio managers of certain institutional investors. In addition, significant sales of shares of Class C common stock by investors who receive these shares as part of the Dividend, if it is declared and paid, may occur if these investors are unwilling or unable to hold non-voting shares. These sales could depress trading prices for the Class C capital stock, particularly in the period immediately following the Dividend.

The IAC common stock is currently included in certain stock indices and the managers of investment funds whose trading is tied to those stock indices may rebalance their holdings to reflect the change in the value of the IAC common stock following the Dividend. Whether the Class C common stock is included in stock indices in the future may also affect trading prices for that stock. For example, it is possible that certain stock indices may only include the IAC common stock, which may reduce the liquidity or trading price of the Class C common stock.

Potential U.S. Federal Income Tax Consequences Upon Certain Dispositions of Class C Common Stock

We expect that the Class C common stock will not constitute "Section 306 stock" within the meaning of Section 306(c) of the Code. However, if the Class C common stock were determined to constitute Section 306 stock, a stockholder generally would be treated as realizing ordinary income as opposed to capital gain upon certain dispositions (including redemptions) of such Section 306 stock. The rules of Section 306 of the Code are complex, and each stockholder should consult with that stockholder's own tax advisor regarding the tax consequences of the proposed transactions described in this Proxy Statement.

The Class C Issuance and the Dividend are not Subject to a Majority of the Minority Vote

Approval of the adoption of the New Certificate requires the affirmative vote of the holders of a majority of the voting power of the shares of IAC common stock and Class B common stock outstanding and entitled to vote, voting together as a single class. The Special Committee initially sought to condition any Class C Issuance and Dividend on the approval of a majority of the shares of IAC common stock not held by the Diller Parties. Mr. Diller was unwilling to condition the proposed transaction on this "majority of the minority" vote. The Special Committee recognized that a "majority of the minority" vote is not required under applicable law and concluded that, in view of the potential benefits of the Class C Issuance and the Dividend to the holders of IAC common stock discussed above, the Special Committee would not require a "majority of the minority" vote as a condition of the transaction. Because Mr. Diller, members of Mr. Diller's family and trusts for the benefit of Mr. Diller's family held approximately 44.2% of the combined voting power of IAC's outstanding capital stock as of the record date for the Annual Meeting, and intend to vote their shares in favor of

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the adoption of the New Certificate, the favorable vote of only approximately 6% of the remaining combined voting power of IAC's outstanding capital stock is required to approve the adoption of the New Certificate, and it is likely that this approval will be obtained.

Second Amended and Restated Governance Agreement

In connection with the Class C Issuance and the potential Dividend, the Special Committee negotiated the New Governance Agreement that amends and restates the Governance Agreement between IAC and Mr. Diller to be entered into by IAC, Mr. Diller and the Diller Parties. The Governance Agreement was entered into in 2005 by IAC, Liberty Media Corporation ("Liberty") and Mr. Diller. The Governance Agreement was terminated as to Liberty and its affiliates in 2011 in connection with a stock exchange transaction among IAC, Liberty and Mr. Diller. As provided in the New Governance Agreement, upon the date that the Dividend is delivered or paid to IAC's stockholders, the Governance Agreement will terminate and be superseded by the New Governance Agreement. In amending and restating the Governance Agreement, Mr. Diller has agreed to eliminate his Consent Rights with respect to certain matters that are triggered if IAC's ratio of total debt to EBITDA (as defined in the Governance Agreement) equals or exceeds four-to-one over a continuous twelve-month period. An event triggering the effectiveness of the Consent Rights has never occurred. Mr. Diller will retain his demand registration rights with respect to the IAC common stock and the Class C common stock.

Restrictions on Transfer of Class C Common Stock

Pursuant to the New Governance Agreement, none of Mr. Diller or his family members and his or their affiliates that are or will become party to the New Governance Agreement may, subject to certain exceptions, sell, assign, transfer, convey, hypothecate or otherwise dispose of (each, a "Transfer") any shares of Class C common stock to a third party if, as a result of such Transfer, the Diller Parties would then beneficially own, in the aggregate, a number of shares of Class C common stock that is less than the Minimum Class C Number. The "Minimum Class C Number" will initially be equal to the number of shares of Class B Common Stock held by the Diller Parties on the date that the Dividend was paid or distributed (the "Initial Class B Shares"). The Minimum Class C Number will be reduced by (i) any Initial Class B Shares transferred to a third party in compliance with the New Governance Agreement or converted into shares of IAC common stock pursuant to the conversion right provided in the New Certificate and (ii) the number of shares of Class C common stock that the Diller Parties have transferred in connection with certain Covered Transactions (as defined below). In the event that, as a result of a Transfer of its Class C common stock, the Diller Parties beneficially own, in the aggregate, a number of shares of Class C common stock that is less than the Minimum Class C Number, the Diller Parties would be required to acquire additional shares of Class C common stock, Transfer a number of shares of Class B common stock to a third party or give irrevocable notice to IAC to convert into shares of IAC common stock a number of shares of Class B common stock such that after such acquisition, Transfer or conversion, the Diller Parties beneficially own, in the aggregate, shares of Class C common stock at least equivalent to the Minimum Class C Number.

Certain transfers of shares of Class C common stock by the Diller Parties will be exempted from these restrictions, including:

transfers between or among the Diller Parties (including family members and affiliates that become Diller Parties as a result of one of the transfers described below);

transfers to Mr. Diller's family members, so long as such family member agrees in writing to be bound by the terms of the New Governance Agreement by executing a joinder agreement (a "Joinder Agreement");

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transfers to an affiliate of a Diller Party, so long as such affiliate agrees in writing to be bound by the terms of the Transfer Agreement by executing a Joinder Agreement and so long as such person remains an affiliate of a Diller party;

transfers to the personal representative of the estate of Mr. Diller or a family member upon the death of Mr. Diller or such family member, solely to the extent the executor is acting in the capacity as personal representative of the estate; however, transfers by such personal representative from such estate will be subject to the restrictions contained in the New Governance Agreement, unless it would qualify under another exemption;

transfers in connection with certain Covered Transactions (as defined below) that are approved by the holders of a majority of the outstanding shares of IAC common stock and Class C common stock, voting together as a single class, or by a Capital Stock Committee (as defined below) in which all holders of IAC common stock and Class C common stock (other than the Diller Parties) are provided the opportunity to sell all of their shares of IAC common stock and Class C common stock; and

the granting of a revocable proxy to officers or directors of IAC at the request of the Board in connection with actions to be taken at an annual or special meeting of IAC's stockholders or in connection with any action by written consent of the stockholders solicited by the Board.

Equal Treatment in Covered Transactions

The New Governance Agreement also provides that neither IAC nor any Diller Party will enter into or consummate a "Covered Transaction" unless it includes the same type and amount of consideration (or mix of consideration) or an offer to receive the same type and amount of consideration (or mix of consideration) to all holders of IAC common stock, Class B common stock, and Class C common stock. The following constitute a "Covered Transaction":

the acquisition of beneficial ownership by a person (other than Mr. Diller or his family members or his or their affiliates) by means of any transaction or series of transactions (including any reorganization, merger, consolidation, joint venture, share transfer, tender offer, exchange offer or similar transaction) of the majority of the outstanding shares of IAC's capital stock (or of the voting equity of a successor corporation or the parent of such a corporation) and that would entitle such person to exercise more than fifty percent (50%) of the total voting power of IAC's outstanding voting securities (or of the voting equity of a successor corporation or the parent of such a corporation);

a sale, lease or other disposition in any transaction or series of transactions of all or substantially all of the assets of IAC and its subsidiaries, taken as a whole; and

any transaction or series of transactions by Mr. Diller, his family members or his or their affiliates that would result in a third party owning at least 25% of the total voting power of IAC's outstanding voting securities excluding At-the-Market Transactions where an "At-the-Market Transaction" is a transfer by a Diller Party of any share of Class&