

AMAZON COM INC
Form DEF 14A
April 05, 2005

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.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12 | |

Amazon.com, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: AMAZON COM INC - Form DEF 14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF 2005 ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 17, 2005

The 2005 Annual Meeting of Shareholders of Amazon.com, Inc. (the Annual Meeting) will be held at 9:00 a.m., Pacific Time, on Tuesday, May 17, 2005 in the Illsley Ball Nordstrom Recital Hall at Benaroya Hall, 200 University Street, Seattle, Washington, 98101, for the following purposes:

1. To elect eight Directors to serve until the next Annual Meeting of Shareholders and until their respective successors are elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2005;
3. To consider and act upon a shareholder proposal regarding the voting standard for election of Directors, if properly presented at the Annual Meeting; and
4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Our Board of Directors recommends you vote **FOR** the election of each of the nominees to the Board, **FOR** the ratification of the appointment of Ernst & Young LLP as independent auditors, and **AGAINST** the shareholder proposal.

The Board of Directors has fixed April 1, 2005 as the record date for determining shareholders entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. Only shareholders of record at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting.

All shareholders are invited to attend the Annual Meeting in person. However, even if you expect to be present at the Annual Meeting, we ask that as promptly as possible you either vote via the Internet or by telephone by following the instructions on your proxy card, or mark, sign, date, and return the enclosed proxy card in the postage-paid envelope provided. Shareholders attending the Annual Meeting may vote in person even if they have previously voted. If you are unable to attend the Annual Meeting in person, you can listen to the webcast live, or on replay, by visiting www.amazon.com/ir.

Voting via the Internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated. Using the Internet or telephone helps save your company money by reducing postage and proxy tabulation costs.

By Order of the Board of Directors

L. Michelle Wilson

Secretary

Seattle, Washington

April 5, 2005

AMAZON.COM, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held on Tuesday, May 17, 2005

General

The enclosed proxy is solicited by the Board of Directors of Amazon.com, Inc. (the "Company" or "Amazon.com") for use at the Annual Meeting of Shareholders of the Company to be held at 9:00 a.m., Pacific Time, on Tuesday, May 17, 2005, in the Illsley Ball Nordstrom Recital Hall at Benaroya Hall, 200 University Street, Seattle, Washington, 98101, and at any adjournment or postponement thereof.

The Company's principal offices are located at 1200 12th Avenue South, Suite 1200, Seattle, Washington 98144. This Proxy Statement and the accompanying proxy card are first being mailed to the shareholders of the Company on or about April 5, 2005.

Outstanding Securities and Quorum

Only holders of record of the Company's common stock, par value \$0.01 per share (the "Common Stock"), at the close of business on April 1, 2005, the record date, will be entitled to notice of, and to vote at, the Annual Meeting. On that date, the Company had 410,690,180 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting.

A majority of the outstanding shares of Common Stock present in person or represented by proxy constitutes a quorum for the transaction of business at the Annual Meeting. Abstentions and broker nonvotes will be included in determining the presence of a quorum at the Annual Meeting.

Proxy Voting

Edgar Filing: AMAZON COM INC - Form DEF 14A

Shares that are properly voted via the Internet or by telephone or for which proxy cards are properly executed and returned will be voted at the Annual Meeting in accordance with the directions given or, in the absence of directions, will be voted FOR the election of each of the nominees to the Board named herein, FOR the ratification of the appointment of the Company's independent auditors, and, if properly presented, AGAINST the shareholder proposal. It is not expected that any matters other than the election of Directors, the ratification of the appointment of the Company's independent auditors, and the shareholder proposal will be brought before the Annual Meeting. If, however, other matters are properly presented, the persons named as proxies in the accompanying proxy card will vote in accordance with their discretion with respect to such matters.

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your shares of Common Stock are represented by certificates or book entries in your name so that you appear as a shareholder on the records of the Company's stock transfer agent, Mellon Investor Services LLC, a proxy card for voting those shares will be included with this Proxy Statement. If you own shares in street name, meaning that your shares of Common Stock are held by a bank or brokerage firm, you may instead receive a voting instruction form with this Proxy Statement that you may use to instruct your bank or brokerage firm how to vote your shares.

You may vote via the Internet or by telephone. *Using the Internet or telephone helps save your company money by reducing postage and proxy tabulation costs.* If you own your shares in street name, not all banks and brokerage firms have arranged for Internet or telephone voting. Alternatively, you may vote your shares by completing, signing, and returning the proxy card.

VOTE BY INTERNET

Shares Held of Record :

<http://www.proxyvoting.com/amzn>

Shares Held in Street Name:

<http://www.proxyvote.com>

24 hours a day / 7 days a week

VOTE BY TELEPHONE

Shares Held of Record: (866) 540-5760

Shares Held in Street Name:

See voting instruction form

Toll-free 24 hours a day / 7 days a week

INSTRUCTIONS:

Read this Proxy Statement.

Go to the applicable website listed above.

Have your proxy card or voting instruction form in hand and follow the instructions. We encourage you to register to receive all future shareholder communications electronically, instead of in print. This means that the annual report, proxy statement, and other correspondence will be delivered to you via e-mail.

Attendance and Voting at the Annual Meeting

If you own Common Stock of record, you may attend the Annual Meeting and vote in person, regardless of whether you have previously voted by proxy card, via the Internet or by telephone. If you own Common Stock in street name, you may attend the Annual Meeting but in order to vote your shares at the meeting you must obtain a legal proxy from the bank or brokerage firm that holds your shares. You should contact your bank or brokerage account representative to learn how to obtain a legal proxy. We encourage you to vote your shares in advance of the Annual Meeting by one of the methods described above, even if you plan on attending the Annual Meeting. If you have already voted prior to the meeting, you may nevertheless change or revoke your vote at the Annual Meeting in the manner described below.

Revocation

If you own Common Stock of record you may revoke a previously granted proxy at any time before it is voted at the Annual Meeting by delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Any shareholder owning Common Stock in street name may change or revoke previously given voting instructions by contacting the bank or brokerage firm holding the shares or by obtaining a legal proxy from such bank or brokerage firm and voting in person at the Annual Meeting.

ITEM 1 ELECTION OF DIRECTORS

In accordance with the Company's Bylaws, the Board has fixed the number of Directors constituting the Board at eight. The Nominating and Corporate Governance Committee of the Board has recommended and the Board has proposed that the following eight nominees be elected at the Annual Meeting, each of whom will hold office until the next Annual Meeting of Shareholders and until his or her successor shall have been elected and qualified: Jeffrey P. Bezos, Tom A. Alberg, John Seely Brown, L. John Doerr, William B. Gordon, Myrtle S. Potter, Thomas O. Ryder and Patricia Q. Stonesifer. Each properly executed proxy will be voted FOR the election of these nominees, unless the shareholder indicates on the proxy that votes are to be withheld as to one or more nominees. The eight nominees for election to the Board who receive the greatest number of votes cast for the election of Directors by the shares present, in person or represented by proxy, shall be elected Directors. Holders of Common Stock are not allowed to cumulate their votes in the election of Directors. Withheld votes and broker nonvotes will have no effect on the outcome of the election. Broker nonvotes occur when a person holding shares in street name, meaning through a bank or brokerage account, does not provide instructions as to how such shares should be voted and the bank or broker does not exercise discretion to vote those shares.

Nominees for the Board of Directors

Biographical information regarding each of the nominees for the Board of Directors is set forth below:

Jeffrey P. Bezos, age 41, has been Chairman of the Board of the Company since founding it in 1994 and Chief Executive Officer since May 1996. Mr. Bezos served as President of the Company from founding until June 1999 and again from October 2000 to the present.

Tom A. Alberg, age 65, has been a Director of the Company since June 1996. Mr. Alberg has been a managing director of Madrona Venture Group, L.L.C., a venture capital firm, since September 1999, and a principal in Madrona Investment Group, L.L.C., a private investment firm, since January 1996. Mr. Alberg is also a director of Advanced Digital Information Corporation, as well as several private companies.

John Seely Brown, age 64, has been a Director of the Company since June 2004. Mr. Brown is a visiting scholar at the Annenberg Center for Communication at the University of Southern California. He was the Chief Scientist of Xerox Corporation until April 2002 and director of the Xerox Palo Alto Research Center (PARC) until June 2000. Mr. Brown is also a director of Corning Incorporated, Varian Medical Systems, Inc. and Polycom, Inc.

L. John Doerr, age 53, has been a Director of the Company since June 1996. Mr. Doerr has been a general partner of Kleiner Perkins Caufield & Byers, a venture capital firm, since September 1980. Mr. Doerr is also a director of Google Inc., Homestore.com, Inc., Intuit, Inc., PalmOne, Inc. and Sun Microsystems, Inc., as well as several private companies.

William B. Gordon, age 55, has been a Director of the Company since April 2003. Mr. Gordon is a co-founder of Electronic Arts, Inc. and has been Executive Vice President and Chief Creative Officer of Electronic Arts, Inc. since March 1998.

Myrtle S. Potter, age 46, has been a Director of the Company since April 2004. Ms. Potter has been President, Commercial Operations, of Genentech, Inc. since March 2004. From May 2000 to March 2004, Ms. Potter was Executive Vice President, Commercial Operations and Chief Operating Officer, of Genentech, Inc. From November 1998 to May 2000, Ms. Potter was President of U.S. Cardiovascular/Metabolics at

Bristol-Myers Squibb Company.

Thomas O. Ryder, age 60, has been a Director of the Company since November 2002. Mr. Ryder has been Chairman and Chief Executive Officer of The Reader's Digest Association, Inc. since April 1998. Mr. Ryder is also a director of The Reader's Digest Association, Inc. and Starwood Hotels & Resorts Worldwide, Inc.

Patricia Q. Stonesifer, age 48, has been a Director of the Company since February 1997. Since June 1997, Ms. Stonesifer has served as President and Co-Chair of the Bill and Melinda Gates Foundation. Ms. Stonesifer is also a director of Viacom, Inc.

Although the Board anticipates that the eight nominees will be available to serve as Directors of the Company, if any of them should be unwilling or unable to serve, the proxies will be voted for the election of such substitute nominee or nominees as may be designated by the Board, or the Board may determine to decrease the size of the Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH NOMINEE.

Corporate Governance and Related Matters

General

The Board is responsible for the control and direction of the Company. The Board represents and is accountable only to shareholders and its primary purpose is to build long-term shareholder value. The Board has determined that the following seven Directors are independent as defined by NASDAQ rules: Mr. Alberg, Mr. Brown, Mr. Doerr, Mr. Gordon, Ms. Potter, Mr. Ryder, and Ms. Stonesifer.

For additional information on the Company's corporate governance, including the Company's Certificate of Incorporation and Bylaws, the Board of Directors Guidelines on Significant Corporate Governance Issues, which includes policies on shareholder communications with the Board and on Director attendance at the Company's annual meetings, the charters approved by the Board for the Audit Committee, the Leadership Development and Compensation Committee, and the Nominating and Corporate Governance Committee, and the Code of Business Conduct and Ethics, please visit the Company's investor relations website at www.amazon.com/ir, under Investor Information Corporate Governance.

Board Meetings and Committees

The Board meets regularly during the year and holds special meetings and acts by unanimous written consent whenever circumstances require. During 2004, there were seven meetings of the Board. All Directors attended at least 75% of the aggregate of the meetings of the Board and committees of which they were members, and each Director then in office attended the Company's 2004 Annual Meeting of Shareholders.

The Board has established an Audit Committee, a Leadership Development and Compensation Committee, and a Nominating and Corporate Governance Committee. The Committees are responsible to the full Board. The table below provides current membership and meeting information for the last fiscal year for each of the Committees.

Name	Audit Committee	Leadership Development and Compensation	Nominating and Corporate Governance
------	--------------------	--	---

Edgar Filing: AMAZON COM INC - Form DEF 14A

		<u>Committee</u>	<u>Committee</u>
Jeffrey P. Bezos			
Tom A. Alberg	X*		
John Seely Brown			X
L. John Doerr			X*
William B. Gordon		X	
Myrtle S. Potter	X		
Thomas O. Ryder	X		
Patricia Q. Stonesifer		X*	
<u>Total Meetings in 2004</u>	9	3	4

* Committee Chair

The functions performed by these Committees, which are set forth in more detail in their charters, are summarized below.

Audit Committee. The Audit Committee represents and assists the Board in fulfilling its oversight responsibility relating to the Company's financial statements and financial reporting process, the qualifications, independence and performance of the Company's independent auditors, the performance of the Company's internal audit function, and the Company's compliance with legal and regulatory requirements. The Board has designated Mr. Alberg as the Audit Committee Financial Expert, as defined by Item 401(h) of Regulation S-K of the Securities Exchange Act of 1934. Each member is independent as defined by NASDAQ rules for Audit Committee membership.

Leadership Development and Compensation Committee. The Leadership Development and Compensation Committee evaluates the Company's programs and practices relating to leadership development, establishes and reviews compensation of the Company's executive officers, and administers the Company's equity-based and certain other compensation plans, all with a view toward maximizing shareholder value. Each member is independent as defined by NASDAQ rules.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews and assesses the composition of the Board, assists in identifying potential new candidates for Director, recommends candidates for election as Director, and provides a leadership role with respect to corporate governance of the Company. Each member is independent as defined by NASDAQ rules.

The Nominating and Corporate Governance Committee considers candidates for Director who are recommended by its members, by other Board members, by shareholders and by management, as well those identified by any third party search firms retained by the Company to assist in identifying and evaluating possible candidates. Mr. Brown was initially recommended to the Nominating and Corporate Governance Committee by a third party search firm. The Nominating and Corporate Governance Committee evaluates Director candidates recommended by shareholders in the same way that it evaluates candidates recommended by its members, other members of the Board, or other persons. The Nominating and Corporate Governance Committee considers all aspects of a candidate's qualifications in the context of the needs of the Company at that point in time with a view to creating a Board with a diversity of experience and perspectives. Among the qualifications, qualities and skills of a candidate considered important by the Nominating and Corporate Governance Committee are a commitment to representing the long-term interests of the shareholders; an inquisitive and objective perspective; the willingness to take appropriate risks; leadership ability; personal and professional ethics, integrity and values; practical wisdom and sound judgment; and business and professional experience in fields such as operations, technology, finance or marketing.

Shareholders wishing to submit recommendations for Director candidates to the Nominating and Corporate Governance Committee must provide the following information in writing to the attention of the Secretary of the Company by certified or registered mail:

the name, address, and biography of the candidate, and an indication of whether the candidate has expressed a willingness to serve;

the name, address, and phone number of the shareholder or group of shareholders making the recommendation; and

with respect to Common Stock beneficially owned by the shareholder or group of shareholders making the recommendation, and to the extent any shareholder is not a registered holder of such securities, proof of the number of shares and length of time held.

To be considered by the Nominating and Corporate Governance Committee for the 2006 Annual Meeting of Shareholders, a Director candidate recommendation must be received by the Secretary by December 6, 2005.

Compensation of Directors

Directors of the Company do not receive cash compensation for their services as Directors or as members of committees of the Board, but are reimbursed for their reasonable expenses incurred in attending meetings. At the discretion of the Board, Directors are eligible to receive stock-based awards under the Company's 1997 Stock Incentive Plan. On April 12, 2004, Ms. Potter, who was appointed as a Director of the Company on that date, was granted a restricted stock unit award with respect to 12,500 shares of Common Stock. This restricted stock unit award vests at the rate of 60% on April 12, 2007, 20% on April 12, 2008 and 20% on April 12, 2009, subject to Ms. Potter's continued service as a Director of the Company. On June 30, 2004, Mr. Brown, who was appointed as a Director of the Company on that date, was granted a restricted stock unit award with respect to 12,500 shares of Common Stock. This restricted stock unit award vests at the rate of 60% on June 30, 2007, 20% on June 30, 2008, and 20% on June 30, 2009, subject to Mr. Brown's continued service as a Director of the Company.

BENEFICIAL OWNERSHIP OF SHARES

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of April 1, 2005 (except as otherwise indicated) by (i) each person or entity known by the Company to beneficially own more than 5% of the Common Stock, (ii) each Director of the Company, (iii) each executive officer of the Company for whom compensation information is given in the Summary Compensation Table in this Proxy Statement, and (iv) all Directors and executive officers as a group. Except as otherwise indicated, and subject to any interests of the reporting person's spouse, the Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owners, have sole voting and investment power with respect to such shares.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Jeffrey P. Bezos 1200 12th Avenue South, Suite 1200 Seattle, WA 98144	101,290,267	24.66%
Legg Mason Funds Management, Inc. Legg Mason Capital Management, Inc. LMM, LLC Legg Mason Focus Capital, Inc. Legg Mason Value Trust, Inc. 100 Light Street Baltimore, MD 21202	62,787,117(1)	15.29%
The TCW Group, Inc. on behalf of the TCW Business Unit 865 South Figueroa Street Los Angeles, CA 90017	43,757,626(2)	10.65%
Tom A. Alberg	251,335(3)	*
John Seely Brown	1,000	*
L. John Doerr	2,936,354(4)	*
William B. Gordon	20,000	*
Myrtle S. Potter	2,883	*
Thomas O. Ryder	7,500	*
Patricia Q. Stonesifer	185,883(5)	*
Richard L. Dalzell	380,000(6)	*
Diego Piacentini	152,504(7)	*
Kal Raman	0	*
Thomas J. Szkutak	57,985	*
All Directors and Executive Officers as a group (18 persons)	105,812,386(8)	25.70%

* Less than 1%.

(1)

Edgar Filing: AMAZON COM INC - Form DEF 14A

As of December 31, 2004, based on information provided in a Schedule 13G filed February 15, 2005. Each entity has declared shared voting and investment power over its respective portion of the reported shares.

- (2) As of February 28, 2005, based on information provided in an amendment to Schedule 13G filed March 10, 2005. The TCW Group, Inc. and certain of its direct and indirect subsidiaries that together constitute the TCW Business Unit have shared voting power with respect to 38,167,045 of the reported shares and have shared investment power with respect to all of the reported shares.

- (3) Includes 22,000 shares held by a charitable trust of which Mr. Alberg is a trustee and as to which he shares voting and investment power. Mr. Alberg disclaims beneficial ownership of the shares of Common Stock held by the charitable trust.
- (4) Includes 11,454 shares owned by KPCB Information Sciences Zaibatsu Fund II, a California limited partnership (KPCB Info), and 16,605 shares held as trustee of a trust for the benefit of persons unrelated to Mr. Doerr (the Trust). Mr. Doerr is a general partner of KPCB VII Associates, L.P., a California limited partnership, which is the general partner of KPCB Info. Mr. Doerr disclaims beneficial ownership of the shares of Common Stock held by the Trust and disclaims beneficial ownership of the shares of Common Stock held by KPCB Info except to the extent of any indirect pecuniary interest in his distributive shares therein.
- (5) Includes 180,000 shares issuable under stock-based awards exercisable as of April 1, 2005.
- (6) Includes 270,000 shares issuable under stock-based awards exercisable as of April 1, 2005, 70,000 shares issuable under stock-based awards vesting from April 2, 2005 through May 31, 2005, and 20,000 shares of restricted stock subject to forfeiture if Mr. Dalzell s employment terminates, which forfeiture risk lapses over time in accordance with a vesting schedule.
- (7) Includes 56,252 shares issuable under stock-based awards exercisable as of April 1, 2005, 56,252 shares issuable under stock-based awards vesting from April 2, 2005 through May 31, 2005, and 20,000 shares of restricted stock subject to forfeiture if Mr. Piacentini s employment terminates, which forfeiture risk lapses over time in accordance with a vesting schedule.
- (8) Includes, in addition to the shares set forth in the table above, 526,675 shares beneficially owned by other executive officers of the Company, of which 243,499 shares are issuable under stock-based awards exercisable as of April 1, 2005, 115,254 shares are issuable under stock-based awards vesting from April 2, 2005 through May 31, 2005, and 110,000 shares are restricted stock subject to forfeiture if the holder s employment terminates, which forfeiture risk lapses over time in accordance with a vesting schedule.

EXECUTIVE COMPENSATION

Compensation Summary

The following table sets forth for the year ended December 31, 2004 the compensation received by (i) the Company's Chief Executive Officer, and (ii) the Company's other four most highly compensated executive officers based on salary and bonus in the year ended December 31, 2004 (the named executive officers).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards		
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards(1)	Securities Underlying Options(#)	All Other Compensation
Jeffrey P. Bezos Chief Executive Officer	2004	\$ 81,840					
	2003	81,840					
	2002	81,840					
Richard L. Dalzell Senior Vice President, Worldwide Architecture and Platform Software and Chief Information Officer	2004	211,502			\$ 405,295(2)		
	2003	211,502					
	2002	211,502	\$ 1,000,000				
Diego Piacentini Senior Vice President, Worldwide Retail and Marketing	2004	175,000		\$ 55,905(3)	405,295(2)		
	2003	175,000	500,000(4)	65,600(5)			
	2002	175,000		79,337(6)			
Kal Raman Senior Vice President	2004	43,682(7)	125,000(8)		7,602,000(9)		
	2003						
	2002						
Thomas J. Szkutak Senior Vice President and Chief Financial Officer	2004	150,000	600,000(10)				\$ 3,000(11)
	2003	150,000	600,000(10)	3,552(12)			9,330(13)
	2002	37,500(14)	650,000(10)	1,705(12)	9,670,000(15)		7,290(16)

- (1) As of December 31, 2004, each of Messrs. Dalzell and Piacentini held 40,000 shares of unvested restricted stock having an aggregate value in each case of \$1,771,600, Mr. Raman held 200,000 unvested restricted stock units having an aggregate value of \$8,858,000, and Mr. Szkutak held 357,144 unvested restricted stock units having an aggregate value of \$15,817,908, in each case based on the closing price of the Common Stock of \$44.29 per share on that date.
- (2) Represents the aggregate value on date of grant of a restricted stock unit award made on April 14, 2004 with respect to 8,662 shares of Common Stock based on the closing price on that date. This restricted stock unit award vests at the rate of 25% on April 20, 2008 and an additional 25% upon completion of each quarter of employment thereafter until fully vested on April 20, 2009. The unvested portion of each restricted stock unit award is subject to forfeiture if the holder's employment terminates. The holder of the restricted stock unit award does not have any of the benefits of ownership of the shares of Common Stock subject to the award, such as the right to vote the shares, unless and until the award vests and the shares are issued.
- (3) Represents expatriation benefits, including a cost of living and housing allowance in the amount of \$40,829, and tax reimbursement in connection with such benefits in the amount of \$15,076.
- (4) Represents a bonus awarded and paid in 2003.
- (5)

Edgar Filing: AMAZON COM INC - Form DEF 14A

- Represents expatriation benefits, including a cost of living and housing allowance in the amount of \$40,270, and tax reimbursement in connection with such benefits in the amount of \$18,393.
- (6) Represents expatriation benefits, including a cost of living and housing allowance in the amount of \$36,667, and tax reimbursement in connection with such benefits in the amount of \$23,520.
- (7) Represents base salary paid to Mr. Raman after he commenced employment on August 26, 2004.

- (8) Represents the portion of a signing bonus awarded in 2004 that was paid in 2004. See Employment Contracts, Termination of Employment and Change-of-Control Arrangements Employment Arrangements.
- (9) Represents the aggregate value on date of grant of a restricted stock unit award made to Mr. Raman on September 8, 2004 with respect to 200,000 shares of Common Stock based on the closing price on that date. This restricted stock unit award vests at the rate of 10% on August 26, 2006, an additional 10% on August 26, 2007, an additional 20% August 26, 2008, an additional 30% on August 26, 2009 and the remaining 30% on August 26, 2010. The unvested portion of the restricted stock unit award is subject to forfeiture if Mr. Raman's employment terminates. Mr. Raman does not have any of the benefits of ownership of the shares of Common Stock subject to the award, such as the right to vote the shares, unless and until the award vests and the shares are issued.
- (10) Represents a signing bonus. See Employment Contracts, Termination of Employment and Change-of-Control Arrangements Employment Arrangements.
- (11) Represents the value of shares of Common Stock contributed by the Company under the Company's 401(k) plan.
- (12) Represents tax reimbursement in connection with relocation expenses.
- (13) Of this amount, \$2,000 represents the value of shares of Common Stock contributed by the Company under the Company's 401(k) plan and \$7,330 represents payment by the Company of relocation expenses.
- (14) Represents base salary paid to Mr. Szkutak after he commenced employment on October 1, 2002.
- (15) Represents the aggregate value on date of grant of a restricted stock unit award made to Mr. Szkutak on November 6, 2002 with respect to 500,000 shares of Common Stock based on the closing price on that date. This restricted stock unit award vests at the rate of 28.5714% on October 1, 2004 and an additional 14.2857% on each October 1 thereafter until fully vested on October 1, 2009. The unvested portion of the restricted stock unit award is subject to forfeiture if Mr. Szkutak's employment terminates. Mr. Szkutak does not have any of the benefits of ownership of the shares of Common Stock subject to the award, such as the right to vote the shares, unless and until the award vests and the shares are issued.
- (16) Represents payment by the Company of relocation expenses.

Aggregated Option Exercises in 2004 and Fiscal Year-End Option Values

The following table sets forth information concerning option exercises during the last fiscal year and the outstanding options held at December 31, 2004, the Company's most recent fiscal year-end, by the named executive officers.

Aggregated Option Exercises in 2004 and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jeffrey P. Bezos		\$			\$	\$
Richard L. Dalzell	366,250	10,719,825	200,000	1,010,000		24,869,650
Diego Piacentini	225,008	8,115,830		731,276		26,589,195
Kal Raman						
Thomas J. Szkutak						

- (1) Amounts equal the closing price of \$44.29 per share of the Common Stock on December 31, 2004, less the option exercise price, multiplied by the number of shares exercisable or unexercisable.

Leadership Development and Compensation Committee Report on Executive Compensation

The Company offers compensation packages designed to attract and retain outstanding employees and to reward them for strong company performance. Through broad-based employee ownership of Common Stock, the Company seeks to align employee financial interests with long-term shareholder value.

Executive officers receive total compensation packages in line with their responsibilities and expertise. The Company believes that the majority of an executive's compensation should be closely tied to overall Company performance. Accordingly, base salaries for executive officers are low but are accompanied by significant stock awards and, in certain cases, cash bonuses.

Base Salaries. Base salaries for executive officers generally are designed to be significantly less than those paid by similar companies. These lower base salaries are combined with large stock award grants (and at times cash bonuses), so that the major portion of the executive's pay is tied to Company performance. In 2004, only one executive officer received a salary increase from 2003.

Stock-Based Compensation. The Company seeks to align the long-term interests of its executive officers with those of its shareholders. As a result, each executive officer receives a significant stock award when he or she joins the Company. Grant sizes are determined based on various subjective factors, primarily related to the individual's anticipated contributions to the Company's success, level of expected responsibility, experience and breadth of knowledge, as well as the Company's stock price at time of grant.

In late 2002, the Company implemented a restricted stock unit program as its primary vehicle for employee stock-based compensation. The Committee believes that restricted stock units align employees' interests with shareholders over the long term and help limit overall shareholder dilution from stock awards.

The Leadership Development and Compensation Committee periodically considers whether to grant additional stock awards to each executive officer on an individual basis. The Committee's assessment is based on various factors including the executive's past contributions to Company performance and level of responsibility and the Committee's view of the executive's anticipated contributions to the Company's future success. In making grants in 2004, the Committee reviewed total compensation that might be earned by each executive over a multi-year period, including both the expected value of the executive's existing equity awards and the expected value and vesting schedule of any proposed new stock award.

Bonus Compensation. In 2004, the Company hired one executive officer and awarded him a bonus payable over two years to encourage him to join the Company. The Company also made bonus payments to one other executive officer under a pre-existing contractual commitment. The Company intends to make additional cash bonuses to executive officers from time to time based on performance, potential and the expected value of total compensation over the bonus period. Through stock awards, executive compensation is aligned with long-term stock price performance. The Committee did not establish any performance-based bonus opportunities for executives in 2004 and does not expect to set such bonus opportunities in 2005, although certain non-officer employees do receive performance-based bonuses.

Other Compensation. The Company pays relocation and related expenses in connection with executive hires. Executives also participate in the Company's 401(k) matching program.

Edgar Filing: AMAZON COM INC - Form DEF 14A

Chief Executive Officer Compensation. Mr. Bezos received \$81,840 in cash compensation from the Company during 2004. Mr. Bezos compensation was considerably less than may have been paid to an individual with similar responsibilities in a similar industry. Due to Mr. Bezos' substantial ownership in the Company (approximately 25%), Mr. Bezos requested not to receive additional compensation in 2004, and has never received stock-based compensation from the Company.

Ongoing Review. The Committee periodically reviews the total compensation estimated to be earned by each executive officer for a multi-year period, including salary, expected value of stock awards and any bonuses. The Committee receives recommendations from the Chief Executive Officer and the Human Resources Department for compensation changes, if any. While the Committee reviews industry surveys compiled by the Company's Human Resources Department, it primarily relies on individual performance, potential and historic compensation to target the appropriate level of total compensation for each executive.

The Committee evaluates the Company's compensation policies on an ongoing basis to determine whether they enable the Company to attract, retain, and motivate key personnel. To meet these objectives, the Company may from time to time increase cash compensation, grant additional stock awards or provide other short- and long-term incentive compensation to executive officers, including Mr. Bezos.

Section 162(m). Compensation payments in excess of \$1 million to the Chief Executive Officer or the other four most highly compensated executive officers are subject to a limitation on deductibility for the Company under Section 162(m) of the Internal Revenue Code of 1986. The Committee does not expect cash compensation in 2005 to its Chief Executive Officer to be in excess of \$1 million. In certain years, cash compensation to some of the Company's executive officers may be in excess of \$1 million and not qualify as performance-based. The Company intends to maintain qualification of its 1997 Stock Incentive Plan for the performance-based exception to the \$1 million limitation on deductibility of compensation payments, although not all awards under that plan will qualify for the exception. Restricted stock unit awards granted to executive officers vest based upon an executive's continued service through the time-based vesting schedule set forth in the underlying agreement, subject in some cases to the satisfaction of certain business criteria intended, among other things, to qualify the award as tax-deductible compensation under Section 162(m)(4)(c) of the Internal Revenue Code.

The Leadership Development and Compensation Committee

Patricia Q. Stonesifer

William B. Gordon

L. John Doerr

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information concerning the Company's equity compensation plans as of December 31, 2004:

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</u>
Equity compensation plans approved by shareholders	16,454,944(1)	\$ 14.06(2)	95,458,400(3)
Equity compensation plans not approved by shareholders	8,246,805	11.75	18,141,362
Total	24,701,749(4)	13.02	113,599,762

- (1) Includes 6,426,550 shares issuable pursuant to restricted stock unit awards, which awards may only be granted under the Company's shareholder-approved 1997 Stock Incentive Plan (the "1997 Plan"). There is no exercise price associated with a restricted stock unit award.
- (2) Calculation excludes shares subject to restricted stock unit awards.
- (3) For the fiscal years 2001 through 2010, the maximum number of shares issuable pursuant to the 1997 Plan is increased as of the first day of each fiscal year of the Company by an amount equal to (a) the lesser of (i) 4% of the outstanding Common Stock as of the end of the immediately preceding fiscal year, and (ii) 15 million shares, or (b) a lesser amount as determined by the Leadership Development and Compensation Committee.
- (4) Excludes 65,541 shares of Common Stock issuable upon exercise of stock options having a weighted average exercise price of \$2.9279 that are outstanding under stock option plans assumed by the Company as a result of acquisitions.

Equity Compensation Plans Not Approved By Security Holders. The Board adopted the 1999 Nonofficer Employee Stock Option Plan (the "1999 Plan") to enable the grant of nonqualified stock options to employees, consultants, agents, advisors and independent contractors of the Company and its subsidiaries who are not officers or Directors of the Company. The 1999 Plan has not been approved by the Company's shareholders. The Leadership Development and Compensation Committee is the administrator of the 1999 Plan, and as such determines all matters relating to options granted under the 1999 Plan, including the selection of the recipients, the size of the grants and the conditions to vesting and exercisability. The Leadership Development and Compensation Committee has delegated authority to make grants under the 1999 Plan to another committee of the Board and to certain officers of the Company, subject to specified limitations on the size and terms of such grants. A maximum of 40 million shares of Common Stock were reserved for issuance under the 1999 Plan. The 1997 Plan is the only plan that allows the Company to issue restricted stock units, the Company's primary form of equity compensation since 2002.

STOCK PRICE PERFORMANCE GRAPH

The graph set forth below compares cumulative total return on the Common Stock with the cumulative total return of the Morgan Stanley Technology Index, the NASDAQ U.S. Index, and the S&P Retailing Index, resulting from an initial assumed investment of \$100 in each and, except in the case of the Morgan Stanley Technology Index, assuming the reinvestment of any dividends, based on closing prices, for the period from December 31, 1999 to December 31, 2004.

Note: Stock price performance shown in the Stock Price Performance Graph for the Common Stock is historical and not necessarily indicative of future price performance.

**EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND
CHANGE-OF-CONTROL ARRANGEMENTS**

Option Plans

1997 Stock Incentive Plan and 1999 Nonofficer Employee Stock Option Plan. In the event of (i) the merger or consolidation of the Company in which it is not the surviving corporation pursuant to which shares of Common Stock are converted into cash, securities or other property (other than a merger in which holders of Common Stock immediately before the merger have the same proportionate ownership of the capital stock of the surviving corporation immediately after the merger), (ii) the sale, lease, exchange or other transfer of all or substantially all of the Company's assets (other than a transfer to a majority-owned subsidiary), or (iii) the approval by the holders of Common Stock of any plan or proposal for the Company's liquidation or dissolution (each a Corporate Transaction), the Leadership Development and Compensation Committee will determine whether provisions will be made in connection with the Corporate Transaction for the assumption of stock-based awards under the 1997 Plan and the 1999 Plan or the substitution of appropriate new awards covering the stock of the successor corporation or an affiliate of the successor corporation. If the Leadership Development and Compensation Committee determines that no such assumption or substitution will be made, vesting of outstanding awards under the 1997 Plan and the 1999 Plan will automatically accelerate so that such awards become 100% vested and exercisable immediately before the Corporate Transaction.

Employment Arrangements

Richard L. Dalzell. Mr. Dalzell's 1997 employment offer letter provided for an initial annual salary of \$200,000. Mr. Dalzell's employment is for no specified length of time. In addition to Mr. Dalzell's base salary, he received a \$25,000 relocation allowance paid on his first day of full-time employment and a \$150,000 signing bonus paid with his first regular paycheck. The Company also granted Mr. Dalzell an option to purchase a total of 1,500,000 shares of Common Stock (as adjusted to reflect subsequent stock splits) pursuant to his employment offer letter.

Diego Piacentini. Mr. Piacentini's 2000 employment offer letter provided for an initial annual salary of \$175,000. Mr. Piacentini's employment is for no specified length of time. In addition to Mr. Piacentini's base salary, he received a \$1,900,000 signing bonus payable in two installments. The first installment of \$1,000,000 was paid in February 2000 and the second installment of \$900,000 was paid with his first paycheck following February 21, 2001. As additional consideration for entering into a confidentiality, noncompetition and invention assignment agreement with the Company, the Company paid Mr. Piacentini \$400,000 in February 2000, in accordance with his employment offer letter. The Company also granted Mr. Piacentini an option to purchase 600,000 shares of Common Stock pursuant to his employment offer letter. This option and all other eligible options held by Mr. Piacentini were exchanged for an option to purchase 240,000 shares of Common Stock at an exercise price of \$13.375 per share with a term ending September 30, 2003, pursuant to an option exchange offer made by the Company on January 31, 2001. This option was fully vested on February 14, 2003. Mr. Piacentini's employment offer letter also entitles him to certain benefits related to his relocation from Italy, including a cost of living and housing allowance.

Thomas J. Szkutak. Mr. Szkutak's 2002 employment offer letter provided for an initial annual salary of \$150,000. Mr. Szkutak's employment is for no specified length of time. In addition to Mr. Szkutak's base salary, he received a bonus in the amount of \$500,000 with his first regular paycheck. Subject to certain conditions noted below, Mr. Szkutak is also entitled to receive a signing bonus in the amount of \$2,400,000, payable in equal monthly installments of \$50,000 commencing October 2002 through September 2006. In the event Mr. Szkutak's employment is terminated for any reason prior to September 30, 2006, he will forfeit all subsequent installments. The Company also granted Mr. Szkutak a restricted stock unit award with respect to 500,000 shares of Common Stock pursuant to his employment offer letter, 28.5714% of which vested on October 1, 2004 and an additional 14.2857% of which vests on each October 1 thereafter until fully vested on October 1, 2009.

Kal Raman. Mr. Raman's 2004 employment offer letter provided for an initial annual salary of \$125,000. Mr. Raman's employment is for no specified length of time. In addition to Mr. Raman's base salary, he is also entitled to receive a signing bonus in the amount of \$800,000, payable in monthly installments of \$25,000 commencing September 2004 through August 2005 and monthly installments of \$41,667 commencing September 2005 through August 2006. In the event Mr. Raman's employment is terminated for any reason prior to August 26, 2006, he will forfeit all subsequent installments. The Company also granted Mr. Raman a restricted stock unit award with respect to 200,000 shares of Common Stock pursuant to his employment offer letter, 10% of which will vest on August 26, 2006, an additional 10% of which will vest on August 26, 2007, an additional 20% of which will vest on August 26, 2008, an additional 30% of which will vest on August 26, 2009 and the remaining 30% of which will vest on August 26, 2010.

ITEM 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Under rules and regulations of the Securities and Exchange Commission, the Audit Committee is directly responsible for the appointment of the Company's independent public accountants. The Audit Committee has appointed, and is requesting ratification by the shareholders of the appointment of, Ernst & Young LLP (E&Y) to serve as independent public accountants for the fiscal year ending December 31, 2005. The affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy and entitled to vote on the matter is required to ratify the selection of independent auditors. Broker nonvotes will have no effect on the outcome of this matter. Abstentions will be counted as present at the Annual Meeting for purposes of this matter and will have the effect of a vote *against* the ratification of the appointment of independent auditors. If shareholders do not ratify the selection of E&Y, the Audit Committee will evaluate the shareholder vote when considering the selection of independent public accountants for the audit engagement for the 2006 fiscal year. In addition, if shareholders ratify the selection of E&Y as independent public accountants, the Audit Committee may nevertheless periodically request proposals from the major registered public accounting firms and as a result of such process may select E&Y or another registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF E&Y AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005.

**ITEM 3 SHAREHOLDER PROPOSAL REGARDING THE VOTING STANDARD FOR
ELECTION OF DIRECTORS**

The Massachusetts State Carpenters Pension Fund, 350 Fordham Road, Wilmington, M.A. 01887, a shareholder that as of December 31, 2004 owned 9,500 shares of Common Stock, has notified the Company of its intention to propose the following resolution at the Annual Meeting. The affirmative vote of a majority of the outstanding shares of Common Stock present in person or represented by proxy and entitled to vote on the matter is required to adopt this shareholder proposal. Broker nonvotes will have no effect on the outcome of this matter. Abstentions will be counted as present at the Annual Meeting for purposes of this matter and will have the effect of a vote *against* the shareholder proposal. **THE BOARD RECOMMENDS A VOTE AGAINST THIS SHAREHOLDER PROPOSAL.**

Beginning of Proposal and Statement of Support by Massachusetts State Carpenters Pension Fund

Proposal

RESOLVED, That the shareholders of Amazon.com, Inc. (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company s governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

Statement of Support by Massachusetts State Carpenters Pension Fund

Our Company is incorporated in Delaware. Among other issues, Delaware corporate law addresses the issue of the level of voting support necessary for a specific action, such as the election of corporate directors. Delaware law provides that a company s certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business, including the election of directors (DGCL, Title 8, Chapter 1, Subchapter VII, Section 216). Further, the law provides that if the level of voting support necessary for a specific action is not specified in the certificate of incorporation or bylaws of the corporation, directors shall be elected by a plurality of the votes of the shares present or represented by proxy at the meeting and entitled to vote on the election of directors.

Our Company presently uses the plurality vote standard for the election of directors. We feel that it is appropriate and timely for the Board to initiate a change in the Company s director election vote standard. Specifically, this shareholder proposal urges that the Board of Directors initiate a change to the director election vote standard to provide that in director elections a majority vote standard will be used in lieu of the Company s current plurality vote standard. Specifically, the new standard should provide that nominees for the board of directors must receive a majority of the vote cast in order to be elected or re-elected to the Board.

Under the Company s current plurality vote standard, a director nominee in a director election can be elected or re-elected with as little as a single affirmative vote, even while a substantial majority of the votes cast are withheld from that director nominee. So even if 99.99% of the shares withhold authority to vote for a candidate or all candidates, a 0.01% for vote results in the candidate s election or re-election to the board. The proposed majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the Board.

Edgar Filing: AMAZON COM INC - Form DEF 14A

It is our contention that the proposed majority vote standard for corporate board elections is a fair standard that will strengthen the Company's governance and the Board. Our proposal is not intended to limit the judgment of the Board in crafting the requested governance change. For instance, the Board should address the status of incumbent directors who fail to receive a majority vote when standing for re-election under a majority vote standard or whether a plurality director election standard is appropriate in contested elections.

We urge your support of this important director election reform.

End of Proposal and Statement of Support by Massachusetts State Carpenters Pension Fund

Recommendation of the Board of Directors on Item 3

The Board believes for the reasons set forth below that a plurality vote standard, the Company's current standard, is the best standard for electing Directors. The Board therefore recommends that you vote **AGAINST** this proposal.

The plurality voting standard for election of Directors is the most common and is the default under Delaware law. As a result, the rules governing plurality voting are well understood.

A plurality voting system does not prevent shareholders from challenging and defeating Director nominees because shareholders can run a dissident Board slate or even a dissident single nominee against incumbent Directors. In addition, withhold campaigns against companies with plurality voting systems demonstrate the potential effectiveness of such campaigns in changing Director performance.

The Company has a strong corporate governance process designed to identify and propose Director nominees who will serve the best interests of Amazon.com and its shareholders. Director nominees are evaluated and recommended for election by the Nominating and Corporate Governance Committee, which is comprised solely of independent, nonemployee Directors and which considers candidates for Director who are recommended by shareholders.

THE BOARD RECOMMENDS THAT YOU VOTE AGAINST THIS PROPOSAL REGARDING THE VOTING STANDARD FOR ELECTION OF DIRECTORS.

AUDITORS

The Audit Committee has selected E&Y to continue as its independent public accountants for the fiscal year ending December 31, 2005. Representatives of E&Y are expected to attend the Annual Meeting and will have an opportunity to make a statement or to respond to appropriate questions from shareholders.

Audit Fees

Audit fees include the aggregate fees billed for the audit of the Company's annual consolidated financial statements and its internal controls, and the reviews of each of the quarterly consolidated financial statements included in the Company's Forms 10-Q. These fees also include statutory audit work performed with respect to certain of the Company's international subsidiaries. The aggregate audit fees billed to the Company by E&Y for the fiscal year ended December 31, 2004 were \$3,750,000. The aggregate audit fees billed to the Company by E&Y for the fiscal year ended December 31, 2003 were \$1,700,000.

Audit-Related Fees

Audit-related fees include accounting advisory services related to the adoption of new accounting standards, review of new service agreements, special one-time events (such as the Company's implementation of certain accounting pronouncements) and services performed in connection with shareholders' equity-related matters. The aggregate audit-related fees billed to the Company by E&Y for the fiscal year ended December 31, 2004 were \$140,000. The aggregate audit-related fees billed to the Company by E&Y for the fiscal year ended December 31, 2003 were \$140,000.

Tax Fees

Tax fees include tax compliance, tax advice for global employee (expatriate) solution services, foreign tax planning, and tax reorganization planning services. No tax fees were billed to the Company by E&Y for the fiscal year ended December 31, 2004. The aggregate tax fees billed to the Company by E&Y in the fiscal year ended December 31, 2003 were \$370,000.

Other Fees

Other fees include conforming U.S. financial statements to Japan disclosure requirements, translation of financial statements, and the issuance of a related report. The aggregate fees billed to the Company by E&Y for these services for the fiscal year ended December 31, 2004 were \$40,000. The aggregate fees billed to the Company by E&Y for these services for the fiscal year ended December 31, 2003 were \$40,000.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a pre-approval policy under which the Audit Committee approves in advance all audit and non-audit services to be performed by the Company's independent auditors. As part of its pre-approval policy, the Audit Committee considers whether the provision of any proposed non-audit services is consistent with the SEC's rules on auditor independence. In accordance with the pre-approval policy, the Audit Committee has pre-approved certain specified audit and non-audit services to be provided by E&Y for up to eighteen (18) months from the date of the pre-approval. If there are any additional services to be provided, a request for pre-approval must be submitted by management to the Audit Committee for its consideration under the policy. Finally, in accordance with the pre-approval policy, the Audit Committee has delegated pre-approval authority to each of its members. Any member who exercises this authority must report any pre-approval decisions to the full Audit Committee at its next meeting.

Audit Committee Report

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for establishing and maintaining adequate internal control over financial reporting, for preparing the financial statements and for the reporting process. The Audit Committee members do not serve as professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of management and the independent auditors. The Company's independent auditors are engaged to audit and report on the conformity of the Company's financial statements to accounting principles generally accepted in the United States, management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting.

In this context, the Audit Committee reviewed and discussed with management and the independent auditors the audited financial statements for the year ended December 31, 2004 (the Audited Financial Statements), management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditors' evaluation of the Company's system of internal control over financial reporting. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended. In addition, the Audit Committee has received from the independent auditors the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the Company and its management.

Following the reviews and discussions referred to above, the Audit Committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the Securities and Exchange Commission.

The Audit Committee

Tom A. Alberg

Myrtle S. Potter

Thomas O. Ryder

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

A brother of Kal Raman, an executive officer of the Company, commenced employment with the Company in 2005. He is expected to earn an annual salary of \$125,000 for the fiscal year 2005 and to receive a signing bonus and a restricted stock unit award consistent with bonuses and awards provided to other Company employees of the same level with similar responsibilities. The Company engaged another brother of Kal Raman, through a third party consulting firm, to perform services for the Company during 2005. The arrangement could result in payments by the Company of up to \$93,600.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during the year ended December 31, 2004, its officers, Directors and greater-than-10% shareholders complied with all Section 16(a) filing requirements.

EXPENSES OF SOLICITATION

The accompanying proxy is solicited by and on behalf of the Board of Directors, and the cost of such solicitation will be borne by the Company. Georgeson Shareholder Communications, Inc. will distribute proxy materials to beneficial owners, may solicit proxies by personal interview, mail, telephone, and electronic communications, and will request brokerage houses and other custodians, nominees, and fiduciaries to forward soliciting material to the beneficial owners of the Common Stock held on the record date by such persons. The Company will pay Georgeson Shareholder Communications \$5,000 for its proxy solicitation services and will reimburse Georgeson Shareholder Communications for payments made to brokers and other nominees for their expenses in forwarding solicitation materials. Solicitations also may be made by personal interview, telephone, and electronic communications by Directors, officers and other employees of the Company without additional compensation.

OTHER MATTERS

As of the date hereof, there are no other matters that the Company intends to present, or has reason to believe others will present, at the Annual Meeting. If, however, other matters properly come before the Annual Meeting, the accompanying proxy authorizes the persons named as proxies or their substitutes to vote on such matters as they determine appropriate.

PROPOSALS OF SHAREHOLDERS

Proposals of shareholders to be considered for inclusion in the Proxy Statement and proxy card for the 2006 Annual Meeting of Shareholders pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 (Rule 14a-8) must be received by the Secretary of the Company on or before December 6, 2005. The submission of a shareholder proposal does not guarantee that it will be included in the Company's Proxy Statement.

Edgar Filing: AMAZON COM INC - Form DEF 14A

In addition, the Company's Bylaws include advance notice provisions that require shareholders desiring to bring nominations or other business before an annual shareholders meeting to do so in accordance with the terms of the advance notice provisions regardless of whether the shareholder seeks to include such matters in the Company's Proxy Statement pursuant to Rule 14a-8. These advance notice provisions require that, among other things, shareholders give timely written notice to the Secretary of the Company regarding such nominations or other business and otherwise satisfy the requirements set forth in the Bylaws. To be timely, a shareholder who intends to present nominations or a proposal at the 2006 Annual Meeting of Shareholders other than pursuant to

Rule 14a-8 must provide written notice of the nominations or other business they wish to propose to the Secretary no earlier than February 16, 2006, and no later than March 18, 2006. However, in the event the 2006 Annual Meeting of Shareholders is to be held on a date that is more than 30 days before or more than 60 days after May 17, 2006, then such notice must be received not earlier than the 90th day prior to the date of the 2005 Annual Meeting of Shareholders, and not later than the later to occur of (i) the 60th day prior to the date of such annual meeting, or (ii) the tenth day following the day on which notice of the date of such annual meeting was mailed or public disclosure thereof was made. If a shareholder fails to meet these deadlines and fails to satisfy the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, the Company may exercise discretionary voting authority under proxies it solicits to vote on any such proposal as it determines appropriate.

The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

HOUSEHOLDING; AVAILABILITY OF ANNUAL REPORT ON FORM 10-K AND PROXY STATEMENT

A copy of the Company's combined Annual Report to Shareholders and Annual Report on Form 10-K for the year ended December 31, 2004 (the 2004 Annual Report), accompanies this Proxy Statement. If you and others who share your mailing address own Common Stock in street name, meaning through bank or brokerage accounts, you may have received a notice that your household will receive only one annual report and proxy statement from each company whose stock is held in such accounts. This practice, known as householding, is designed to reduce the volume of duplicate information and reduce printing and postage costs. Unless you responded that you did not want to participate in householding, you were deemed to have consented to it and a single copy of this Proxy Statement and the 2004 Annual Report have been sent to your address. Each shareholder will continue to receive a separate voting instruction form.

If you would like an additional copy of the 2004 Annual Report or this Proxy Statement, these documents are available in digital form for download or review by visiting Financial Documents at www.amazon.com/ir. Alternatively, we will send a copy to you upon request by mail to Investor Relations, Amazon.com, Inc., P.O. Box 81226, Seattle, Washington 98108-1226, or by calling 1-800-426-6825.

If you would like to revoke your consent to householding and in the future receive your own set of proxy materials or if your household is currently receiving multiple copies of the proxy materials and you would like in the future to receive only a single set of proxy materials at your address, please contact Household Department by mail at 51 Mercedes Way, Edgewood, NY 11717, or by calling 1-800-542-1061, and indicate your name, the name of each of your brokerage firms or banks where your shares are held, and your account numbers. The revocation of a consent to householding will be effective 30 days following its receipt. You may also have an opportunity to opt in or opt out of householding by following the instructions on your voting instruction form or by contacting your bank or broker.

If you own shares in street name, you can also register to receive all future shareholder communications electronically, instead of in print. This means that the annual report, proxy statement, and other correspondence will be delivered to you via e-mail. Holders in street name can register for electronic delivery at <http://www.icsdelivery.com/amzn>. Electronic delivery of shareholder communications helps save your company money by reducing printing and postage costs.

AMAZON.COM, INC.

Audit Committee Charter

(As adopted by the Board of Directors May 10, 2000 and amended on
February 15, 2002, March 27, 2003, February 4, 2004 and March 9, 2005)

Organization and Membership

This charter governs the operations of the Audit Committee of the Board of Directors of Amazon.com, Inc. (the Committee). The Committee is appointed by the Board of Directors and consists of at least three directors, each of whom will meet Nasdaq Stock Market, Inc. (NASDAQ) requirements with respect to independence as determined by the Board. Each member of the Committee will meet financial literacy and other NASDAQ requirements relating to Audit Committee membership. Additionally, at least one member of the Committee will be an audit committee financial expert, as defined in rules promulgated by the Securities and Exchange Commission. The Committee reviews and reassesses this charter at least annually and recommends appropriate changes to the Board of Directors.

Statement of Purpose

The Committee assists the Board of Directors in fulfilling its oversight responsibility relating to:

The Company's financial statements and financial reporting process;

The qualifications, independence and performance of the Company's independent auditors;

The performance of the Company's internal audit function; and

The Company's compliance with legal and regulatory requirements.

In so doing, the Committee maintains free and open communication with the Company's independent auditors, internal audit department and management.

Duties and Responsibilities

Among its specific duties and responsibilities, the Committee performs the following, to the extent it deems necessary and appropriate, consistent with and subject to applicable laws, as well as rules and regulations promulgated by the SEC, NASDAQ or other regulatory authorities:

Financial Statements and Financial Reporting Process

1. *Annual and Quarterly Financial Reporting:* The Committee reviews and discusses with management and the independent auditors the annual audited and quarterly unaudited financial statements and related disclosures included in the Company's quarterly earnings releases and in the Company's periodic reports on Form 10-K and 10-Q (including the Management's Discussion and Analysis section and officer certifications). The Chair may represent the entire Committee for the earnings releases and quarterly reviews.

The Committee recommends to the Board of Directors whether the annual audited financial statements should be included in the Company's Form 10-K.

2. *Annual Audit and Communications with Independent Auditors:* The Committee reviews and discusses the scope and results of the independent auditors' annual audit and quarterly reviews of the Company's financial

statements, and any other matters required to be communicated to the Committee by the independent auditors. The Chair may represent the entire Committee for the quarterly reviews.

3. *Disclosure, Accounting and Financial Controls:* The Committee discusses with management, the senior internal audit executive and the independent auditors the adequacy and effectiveness of the Company's disclosure controls and procedures, the adequacy and effectiveness of the Company's internal control over financial reporting and the Company's risk assessment and risk management policies.

Qualifications, Independence and Performance of the Independent Auditors

4. *Appointment, Compensation, Retention and Oversight:* The independent auditors report directly to the Committee, which is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. The Company will provide appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors.

The Committee considers the independence of the auditors as required by law or regulation. The Committee obtains and reviews a report by the independent auditors describing any relationships between the auditors and the Company, or any other relationships that may adversely affect the independence of the auditors, and discusses with the auditors any disclosed relationships or services that may impact the auditors' objectivity and independence.

5. *Approval of Audit and Permitted Non-Audit Services:* To the extent required by law or regulation, the Committee reviews and approves in advance all audit and permitted non-audit services to be provided by the independent auditors and establishes related policies and procedures.

6. *Hiring Former Employees of Independent Auditors:* The Committee establishes policies for the Company's hiring of employees and former employees of the independent auditors.

Performance of the Internal Audit Function

7. *Internal Audits and Reports:* The Committee reviews and discusses with the Company's senior internal audit executive the overall scope and staffing of the Company's internal audits. The Committee reviews all significant internal audit reports and management's responses.

8. *Senior Internal Audit Executive:* The Committee reviews the appointment of individuals to, and any changes in, the senior internal audit position.

Compliance with Legal and Regulatory Requirements

9. *Legal and Regulatory Compliance:* The Committee oversees legal and regulatory matters that may have a material impact on the Company's financial statements and reviews the Company's compliance policies and procedures.

Other Duties

10. *Complaints:* The Committee establishes and oversees procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting and auditing matters.

11. *Outside Advisors:* The Committee is empowered to investigate any matter brought to its attention and has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties.

The Company will provide for appropriate funding, as determined by the Committee, for payment of compensation to such counsel and other advisors.

12. *Related Party Transactions*: The Committee reviews and approves related-party transactions as required by NASDAQ.

Meetings

The Committee meets at least four times a year, either in person or telephonically, at such times and places as the Committee determines. The Committee periodically meets separately in executive session with the senior internal audit executive, management and the independent auditors. The Committee reports regularly to the full Board of Directors with respect to its activities.

April 5, 2005

Re: Amazon.com, Inc. 2005 Annual Meeting of Shareholders

Dear 401(k) Plan Participant:

The Amazon.com 401(k) Plan allows each plan participant to direct the voting of the shares of common stock of Amazon.com, Inc. that are held in the participant's 401(k) plan account. By following the instructions for internet or telephone voting on the enclosed proxy card, or by marking, signing and mailing the proxy card in the envelope provided, you may instruct Putnam Fiduciary Trust Company, the trustee of the Amazon.com 401(k) Plan, how to vote the shares of the Company credited to your 401(k) plan account on the matters presented at the Company's 2005 Annual Meeting. The Plan trustee will vote as you have directed. All shares for which a proxy card was not timely received will be voted by the trustee on each matter in the same proportion as shares actually voted by participants who timely delivered proxy cards. Your proxy card will be kept confidential and will not be disclosed to the Company.

Participant proxy cards will be tabulated by the Company's transfer agent, Mellon Investor Services. To be timely, your proxy card must be received by Mellon Investor Services no later than 11:59 PM Eastern Time on May 12, 2005.

The Proxy Statement for the 2005 Annual Meeting and the Company's 2004 Annual Report can be viewed online at www.amazon.com/ir.

**VOTING VIA THE INTERNET OR BY TELEPHONE IS FAST AND CONVENIENT, AND YOUR VOTE IS IMMEDIATELY
CONFIRMED AND TABULATED. USING THE INTERNET OR TELEPHONE HELPS SAVE YOUR COMPANY MONEY BY
REDUCING**

POSTAGE AND PROXY TABULATION COSTS.

