TripAdvisor, Inc.
Form DEF 14A
April 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ PreliminaryProxy Statement
þ DefinitiveProxy Statement
¨ DefinitiveAdditional Materials
¨ SolicitingMaterial Under Rule 14a-12

¨ **Confidential,for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

TRIPADVISOR, 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):

þ 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:

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April 30, 2012

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of TripAdvisor, Inc. We will hold the Annual Meeting on Tuesday, June 26, 2012, at 12:00 p.m. local time at 555 West 18th Street, New York, New York 10011.

At the Annual Meeting, stockholders will be asked (1) to elect the ten directors named in this Proxy Statement, (2) to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2012, (3) to vote on an advisory resolution to approve the compensation of our named executive officers, (4) to vote on an advisory resolution on the frequency of future advisory resolutions to approve the compensation of our named executive officers and (5) to consider and act upon any other business that may properly come before the meeting and any adjournments thereof. **The Board of Directors recommends a vote FOR proposals (1) through (3) and recommends a vote of ONCE EVERY THREE YEARS on proposal (4).**

Your vote is very important to us. You may vote if you were a stockholder of record on April 27, 2012. You may vote via the Internet or by telephone by following the instructions on your Notice of Internet Availability and on the website noted in the Notice of Internet Availability. In order to vote via the Internet or by telephone, you must have your stockholder identification number, which is provided in your Notice. If you have requested a proxy card by mail, you may vote by signing, voting and returning that proxy card in the envelope provided. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card or have voted via the Internet or by telephone. Please review the instructions for each voting option described in the Notice and in this Proxy Statement. Your prompt cooperation will be greatly appreciated.

Sincerely,

STEPHEN KAUFER

President and Chief Executive Officer

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TRIPADVISOR, INC.

141 Needham Street

Newton, Massachusetts 02464

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 26, 2012

The Annual Meeting of Stockholders of TripAdvisor, Inc., a Delaware corporation, will be held on Tuesday, June 26, 2012, at 12:00 p.m. local time at 555 West 18th Street, New York, New York 10011 for the following purposes:

1. To elect the ten directors named in this Proxy Statement, each to serve for a one-year term from the date of his or her election and until such director s successor is elected or until such director s earlier resignation or removal;

2. To ratify the appointment of Ernst & Young LLP as TripAdvisor s independent registered public accounting firm for 2012;

3. To consider and act upon an advisory resolution to approve the compensation of TripAdvisor s named executive officers;

4. To consider and act upon an advisory resolution on the frequency of future advisory resolutions to approve the compensation of TripAdvisor s named executive officers; and

5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

Only holders of record of outstanding shares of TripAdvisor capital stock at the close of business on April 27, 2012 are entitled to notice of and to vote at the Annual Meeting and any at adjournments or postponements thereof.

In accordance with the rules of the Securities and Exchange Commission, we sent a Notice of Internet Availability of Proxy Materials on or about May 8, 2012, and provided access to our proxy materials over the Internet, beginning on May 8, 2012, to the holders of record and beneficial owners of our capital stock as of the close of business on the record date.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms that you are the beneficial owner of those shares.

By order of the Board of Directors,

SETH J. KALVERT

Senior Vice President, General Counsel

and Secretary

April 30, 2012

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Stockholders to Be Held on June 26, 2012

This Proxy Statement and the 2011 Annual Report are available at:

http://ir.tripadvisor.com/annual-proxy.cfm

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TRIPADVISOR, INC.

141 Needham Street

Newton, Massachusetts 02464

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 26, 2012

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PROCEDURAL MATTERS

This Proxy Statement is being furnished to holders of common stock and Class B common stock of TripAdvisor, Inc., a Delaware corporation, in connection with the solicitation of proxies by TripAdvisor s Board of Directors for use at its 2012 Annual Meeting of Stockholders or any adjournment or postponement thereof (the Annual Meeting). All references to TripAdvisor, the Company, we, our or us in this report are TripAdvisor, Inc. An Annual Report to Stockholders, containing financial statements for the year ended December 31, 2011, and this Proxy Statement are being made available to all stockholders entitled to vote at the Annual Meeting.

TripAdvisor s principal offices are located at 141 Needham Street, Newton, Massachusetts 02464. This Proxy Statement is being made available to TripAdvisor stockholders on or about April 30, 2012.

Date, Time and Place of Meeting

The Annual Meeting will be held on Tuesday, June 26, 2012, at 12:00 p.m. local time at 555 West 18th Street, New York, New York 10011.

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a broker, trust, bank or other nominee, otherwise known as holding in street name, you must bring a proxy or letter from that broker, trust, bank or other nominee that confirms you are the beneficial owner of those shares. Cameras and recording devices will not be permitted at the Annual Meeting.

Record Date and Voting Rights

General. The Board of Directors established the close of business on April 27, 2012 as the record date for determining the holders of TripAdvisor stock entitled to notice of and to vote at the Annual Meeting. On the record date, 121,405,426 shares of common stock and 12,799,999 shares of Class B common stock were outstanding and entitled to vote at the Annual Meeting. TripAdvisor stockholders are entitled to one vote for each share of common stock and ten votes for each share of Class B common stock held as of the record date, voting together as a single voting group, in (i) the election of seven of the ten director nominees, (ii) the ratification of the appointment of TripAdvisor s independent registered public accounting firm, (iii) the advisory resolution to approve the compensation of TripAdvisor s named executive officers and (iv) the advisory resolution on the frequency of future advisory resolutions to approve the compensation of TripAdvisor s named executive officers. TripAdvisor stockholders are entitled to one vote for each share of common stock held as of the record date in the election of the three director nominees that the holders of TripAdvisor common stock are entitled to elect as a separate class pursuant to TripAdvisor s restated certificate of incorporation.

As of the record date, Barry Diller, the Chairman and Senior Executive of TripAdvisor, held an irrevocable proxy over all TripAdvisor securities owned by Liberty Interactive Corporation (Liberty). This irrevocable proxy includes authority to vote on each of the proposals presented for approval at the Annual Meeting. Mr. Diller, through shares that he owns as well as those subject to the Liberty proxy, generally controls the vote of approximately 33.5% of the outstanding shares of common stock (assuming exercise of Mr. Diller s exercisable stock options and conversion of all shares of Class B common stock into shares of common stock) and 100% of the outstanding shares of Class B common stock and, consequently, approximately 62.3% of the combined voting power of the outstanding TripAdvisor capital stock as of the record date. As a result, regardless of the vote of any other TripAdvisor stockholder, Mr. Diller has control over the vote relating to (i) the election of seven of the ten director nominees, (ii) the ratification of the appointment of TripAdvisor s independent registered public accounting firm, (iii) the advisory resolution to approve the compensation of TripAdvisor s named executive officers and (iv) the advisory resolution on the frequency of future advisory resolutions to approve the compensation of TripAdvisor s named executive officers.

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Quorum; Abstentions; Broker Non-Votes

Transaction of business at the Annual Meeting may occur if a quorum is present. If a quorum is not present, it is expected that the Annual Meeting will be adjourned or postponed in order to permit additional time for soliciting and obtaining additional proxies or votes, and, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have been effectively revoked or withdrawn.

With respect to (i) the election of seven of the ten director nominees, (ii) the ratification of the appointment of TripAdvisor s independent registered public accounting firm, (iii) the advisory resolution to approve the compensation of TripAdvisor s named executive officers and (iv) the advisory resolution on the frequency of future advisory resolutions to approve the compensation of TripAdvisor s named executive officers, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total votes entitled to be cast constitutes a quorum.

For the election of the three directors whom the holders of TripAdvisor common stock are entitled to elect as a separate class, the presence at the Annual Meeting, in person or by proxy, of the holders of a majority of shares of common stock constitutes a quorum.

If a share is represented for any purpose at the meeting, it is deemed to be present for quorum purposes and for all other matters as well. Shares of TripAdvisor capital stock represented by a properly executed proxy will be treated as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote the shares on a proposal because the nominee does not have discretionary voting power for a particular item and has not received instructions from the beneficial owner regarding voting. Brokers who hold shares for the accounts of their clients have discretionary authority to vote shares if specific instructions are not given with respect to the ratification of the appointment of our independent registered public accounting firm. Brokers do not have discretionary authority to vote on (a) the election of our directors, (b) the advisory resolution to approve the compensation of our named executive officers or (c) the advisory resolution on the frequency of future advisory resolutions to approve the compensation of our named executive officers, so we encourage you to provide instructions to your broker regarding the voting of your shares.

Solicitation of Proxies

TripAdvisor will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, the directors, officers and employees of TripAdvisor, without additional compensation, may solicit proxies from stockholders by telephone, by letter, by facsimile, in person or otherwise. Following the original mailing of the proxies and other soliciting materials, TripAdvisor will ask brokers, trusts, banks or other nominees to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of TripAdvisor capital stock and to request authority for the exercise of proxies. In such cases, TripAdvisor, upon the request of the brokers, trusts, banks and other stockholder nominees, will reimburse such holders for their reasonable expenses.

Voting Proxies

The manner in which your shares may be voted depends on whether you are a:

Registered stockholder: Your shares are represented by certificates or book entries in your name on the records of the TripAdvisor s stock transfer agent; or

Beneficial stockholder: You hold your shares in street name through a broker, trust, bank or other nominee.
Whether you hold shares directly as a registered stockholder or beneficially as a beneficial stockholder, you may direct how your shares are voted without attending the Annual Meeting. For directions on how to vote, please refer to the instructions below and those on the Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form provided. To vote using the Internet or by telephone, you will be required to enter the control number included on your Notice of Internet Availability of Proxy Materials or other voting instruction form provided by your broker, trust, bank or other nominee.

Using the Internet. Registered stockholders may vote using the Internet by going to www.proxyvote.com and following the instructions. Beneficial stockholders may vote by accessing the website specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

By Telephone. Registered stockholders may vote, from within the United States, using any touch-tone telephone by calling 1-800-690-6903 and following the recorded instructions. Beneficial owners may vote, from within the United States, using any touch-tone telephone by calling the number specified on the voting instruction forms provided by their brokers, trusts, banks or other nominees.

By Mail. Registered stockholders may submit proxies by mail by requesting printed proxy cards and marking, signing and dating the printed proxy cards and mailing them in the accompanying pre-addressed envelopes. Beneficial owners may vote by marking, signing and dating the voting instruction forms provided by their brokers, trusts, banks or other nominees and mailing them in the accompanying pre-addressed envelopes.

All proxies properly submitted and not revoked will be voted at the Annual Meeting in accordance with the instructions indicated thereon. If no instructions are provided, such proxies will be voted FOR proposals (1) through (3) and ONCE EVERY THREE YEARS on proposal (4) described in this Proxy Statement.

TripAdvisor is incorporated under Delaware law, which specifically permits electronically transmitted proxies, provided that each such proxy contains, or is submitted with, information from which the inspector of elections can determine that such proxy was authorized by the stockholder. The electronic voting procedures provided for the Annual Meeting are designed to authenticate each stockholder by use of a control number, to allow stockholders to vote their shares and to confirm that their instructions have been properly recorded.

Voting in Person at the Annual Meeting

You may also vote in person at the Annual Meeting. Votes in person will replace any previous votes you have made by mail, telephone or the Internet. We will provide a ballot to registered stockholders who request one at the meeting. Shares held in your name as the stockholder of record may be voted on that ballot. Shares held beneficially in street name may be voted on a ballot only if you bring a legal proxy from the broker, trust, bank or other nominee that holds your shares giving you the right to vote the shares. Attendance at the Annual Meeting without voting or revoking a previous proxy in accordance with the voting procedures will not in and of itself revoke a proxy.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please take the time to vote via the Internet, by telephone or by returning your marked, signed and dated proxy card so that your shares will be represented at the Annual Meeting.

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Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it any time before the taking of the vote at the Annual Meeting.

If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your broker, trust, bank or other nominee.

If you are a registered stockholder, you may revoke your proxy at any time before it is exercised at the Annual Meeting by (i) delivering written notice, bearing a date later than the proxy, stating that the proxy is revoked, (ii) submitting a later-dated proxy relating to the same stock by mail, telephone or the Internet prior to the vote at the Annual Meeting or (iii) attending the Annual Meeting and properly giving notice of revocation to the inspector of elections or voting in person. Registered holders may send any written notice or request for a new proxy card to TripAdvisor, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717, or follow the instructions provided on the Notice of Internet Availability of Proxy Materials and proxy card to submit a new proxy by telephone or via the Internet. Registered holders may also request a new proxy card by calling 1-800-579-1639.

Other Business

The Board of Directors does not presently intend to bring any business before the Annual Meeting other than the proposals discussed in this Proxy Statement and specified in the Notice of Annual Meeting of Stockholders. The Board of Directors has no knowledge of any other matters to be presented at the Annual Meeting other than those described in this Proxy Statement. If any other matters should properly come before the Annual Meeting, the persons designated in the proxy will vote on them according to their best judgment.

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PROPOSAL 1:

ELECTION OF DIRECTORS

Nominees

Our Board of Directors currently consists of ten members. Pursuant to the terms of TripAdvisor s bylaws, each director serves for a one-year term from the date of his or her election and until such director s successor is elected or until such director s earlier resignation or removal. The Board of Directors has nominated the following directors and recommends that each be elected to serve a one-year term and until such director s successor shall have been duly elected and qualified or until such director s earlier resignation or removal:

Barry Diller

Stephen Kaufer

William R. Fitzgerald

Victor A. Kaufman

Dara Khosrowshahi

Jonathan F. Miller

Jeremy Philips

Sukhinder Singh Cassidy

Robert S. Wiesenthal

Michael P. Zeisser

TripAdvisor s amended and restated certificate of incorporation provides that the holders of TripAdvisor common stock, acting as a single class, are entitled to elect a number of directors equal to 25% percent of the total number of directors, rounded up to the next whole number, which is currently three directors. The Board has designated Messrs. Miller, Philips and Wiesenthal as nominees for the positions on the Board to be elected by the holders of TripAdvisor common stock voting as a separate class.

Pursuant to a Governance Agreement among TripAdvisor, Liberty and Mr. Diller, dated December 20, 2011 (the Governance Agreement), Liberty has the right to nominate up to a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board of Directors is not an even multiple of five) for election to the Board of Directors and has certain other rights regarding committee participation, so long as certain stock ownership requirements applicable to Liberty are satisfied. Liberty has designated Messrs. Fitzgerald and Zeisser as its nominees to the Board of Directors.

Although management does not anticipate that any of the nominees named above will be unable or unwilling to stand for election, in the event of such an occurrence, proxies may be voted for a substitute nominee designated by the Board of Directors.

Required Vote

Election of Messrs. Diller, Kaufer, Fitzgerald, Kaufman, Khosrowshahi and Zeisser and Ms. Singh Cassidy as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock and Class B common stock, present in person or represented by proxy, voting together as a single class.

Election of Messrs. Miller, Philips and Wiesenthal as directors requires the affirmative vote of a plurality of the total number of votes cast by the holders of shares of TripAdvisor common stock, present in person or represented by proxy, voting together as a separate class.

For the election of the directors, abstentions and broker non-votes will have no effect because approval by a certain percentage of voting stock present or outstanding is not required.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

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Directors and Executive Officers

Set forth below is certain background information, as of March 15, 2012, regarding the members of our Board of Directors, each of whom is also a nominee, as well as TripAdvisor s other executive officers. Each of the nominees has been a director of TripAdvisor since the completion of TripAdvisor s spin-off (the Spin-Off) from Expedia, Inc. (Expedia) in December 2011. There are no family relationships among directors or executive officers of TripAdvisor. In addition to the information presented below regarding each nominee s specific experience, qualifications, attributes and skills that led the Board of Directors to the conclusion that he or she should be renominated as a director, each nominee has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to TripAdvisor and our Board of Directors as demonstrated by the nominee s past service. All of our nominees also have extensive management experience in complex organizations. The Board of Directors considered the NASDAQ requirement that the Company s Audit Committee be composed of at least three independent directors, as well as specific NASDAQ and Securities and Exchange Commission (SEC) requirements regarding financial literacy and expertise.

Name	Age	Position
Barry Diller	70	Chairman and Senior Executive
Stephen Kaufer	49	Director, President and Chief Executive Officer
Julie M.B. Bradley	43	Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer
Seth J. Kalvert	42	Senior Vice President, General Counsel and Secretary
William R. Fitzgerald	54	Director
Victor A. Kaufman	68	Director
Dara Khosrowshahi	42	Director
Jonathan F. Miller	55	Director
Jeremy Philips	39	Director
Sukhinder Singh Cassidy	42	Director
Robert S. Wiesenthal	45	Director
Michael P. Zeisser	47	Director

Barry Diller has been the Chairman of the Board of Directors and Senior Executive of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Diller has been the Chairman of the Expedia Board and Senior Executive of Expedia since the completion of Expedia s spin-off from IAC/InterActiveCorp (IAC) in August 2005. Mr. Diller has been the Chairman of the Board and Senior Executive of IAC since December 2010 and also served as Chairman of the Board and Chief Executive Officer of IAC (and its predecessors) from August 1995 through November 2010. Mr. Diller also previously served as the Non-Executive Chairman of the Board of Ticketmaster Entertainment, Inc. from August 2008 through January 2010 and as the Non-Executive Chairman of the Board of Live Nation Entertainment, Inc. from January 2010 through October 2010 and remained a member of the Board of Live Nation Entertainment through January 2011. He served as Chairman of the Board and Chief Executive Officer of QVC, Inc. from December 1992 through December 1994 and as the Chairman of the Board and Chief Executive Officer of Fox, Inc. from 1984 to 1992. Prior to joining Fox, Inc., Mr. Diller served for ten years as Chairman of the Board and Chief Executive Officer of Paramount Pictures Corporation. Mr. Diller is currently a member of the Boards of Directors of The Washington Post Company and of The Coca-Cola Company. Mr. Diller is also a member of the Board of Councilors for the University of Southern California s School of Cinematic Arts, the New York University Board of Trustees, the Executive Board for the Medical Sciences of the University of California, Los Angeles and a member of the Council on Foreign Relations.

Board Membership Qualifications: As Chairman of the Board of Expedia since its spin-off from IAC (as well as Chairman of the Board of IAC prior to, during and after IAC s acquisition of TripAdvisor in 2004), Mr. Diller has a great depth of knowledge and experience regarding TripAdvisor and its businesses. Mr. Diller has extensive management experience, including through his service as Chief Executive Officer

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of media and interactive commerce companies, as well as experience as a director serving on other public company boards, including as Chairman. In addition, Mr. Diller effectively controls over a majority of the outstanding share capital of TripAdvisor.

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

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

William R. Fitzgerald has been a director of TripAdvisor since the completion of the Spin-Off from Expedia and has been a director of Expedia since March 2006. He has served as a Senior Vice President of Liberty Interactive Corporation (formerly known as Liberty Media Corporation) since 2000, and has served as a Senior Vice President of Liberty Media Corporation (formerly known as Liberty Capstarz, Inc.) since September 2011. In addition, Mr. Fitzgerald serves as Chairman and Chief Executive Officer of Ascent Capital Group, Inc. Prior to joining Liberty, Mr. Fitzgerald served as Executive Vice President and Chief Operating Officer, for AT&T Broadband (formerly known as Tele-Communications, Inc.). Prior to that, Mr. Fitzgerald served as Senior Vice President of Corporate Development at Tele-Communications, Inc., was a partner at Daniels & Associates and was a commercial banker at The First National Bank of Chicago. Mr. Fitzgerald served on the Board of Directors of Cablevision Corporation from 1998 to 2000 and on the Board of Directors of OnCommand Corporation from 2002 to 2005. Mr. Fitzgerald received his undergraduate degree from Indiana University Kelley School of Business and a master s degree from the Kellogg School of Business at Northwestern University.

Board Membership Qualifications: Mr. Fitzgerald was nominated as a director by Liberty, which, under the Governance Agreement, has the right to nominate two individuals for election to the TripAdvisor Board of Directors (based on Liberty s ownership of TripAdvisor stock). Mr. Fitzgerald has significant executive-level experience and a strong operational background.

Victor A. Kaufman has been a director of TripAdvisor since the completion of the Spin-Off from Expedia and has been a director and the Vice Chairman of Expedia since the completion of Expedia s spin-off from IAC in August 2005. Mr. Kaufman has been a director of IAC (and its predecessors) since December 1996 and has served as the Vice Chairman of IAC since October 1999. Mr. Kaufman also previously served as Vice Chairman of the Board of Ticketmaster Entertainment, Inc. from August 2008 through January 2010 and as a director of Live Nation Entertainment, Inc. from January 2010 through December 2010. Mr. Kaufman served in the Office of the Chairman of IAC from January 1997 to November 1997 and as Chief Financial Officer of IAC from November 1997 to October 1999. Prior to his tenure with IAC, Mr. Kaufman served as the Chairman and Chief Executive Officer of Savoy Pictures Entertainment, Inc. (Savoy) 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. (TriStar) and served in those capacities from 1983 until December 1987, at which time he became President and Chief Executive Officer of Tri-Star s successor company, Columbia Pictures Entertainment, Inc. (Columbia). He resigned from those 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.

Board Membership Qualifications: Mr. Kaufman has unique knowledge of and experience with TripAdvisor and its businesses gained through his involvement with TripAdvisor during its time as a

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subsidiary of Expedia and IAC. Mr. Kaufman also has a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions, as well as experience as a director serving on other public company boards.

Dara Khosrowshahi has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Khosrowshahi has been a director and the Chief Executive Officer of Expedia since the completion of Expedia s spin-off from IAC in August 2005. Mr. Khosrowshahi served as the Chief Executive Officer of IAC Travel, a division of IAC, from January 2005 until the completion of the IAC/Expedia spin-off in August 2005. Prior to his tenure as Chief Executive Officer of IAC Travel, Mr. Khosrowshahi served as Executive Vice President and Chief Financial Officer of IAC from January 2002 to January 2005. Mr. Khosrowshahi served as IAC s Executive Vice President, Operations and Strategic Planning, from July 2000 to January 2002 and as President, USA Networks Interactive, a division of IAC, from 1999 to 2000. Mr. Khosrowshahi joined IAC in 1998 as Vice President of Strategic Planning and was promoted to Senior Vice President in 1999. Mr. Khosrowshahi worked at Allen & Company LLC from 1991 to 1998, where he served as Vice President from 1995 to 1998.

Board Membership Qualifications: Mr. Khosrowshahi possesses in-depth experience with and knowledge of the online advertising sector of the global travel industry gained through his service as Chief Executive Officer of Expedia, the former parent company of TripAdvisor, and as Chief Executive Officer of IAC Travel prior to Expedia s spin-off from IAC. Mr. Khosrowshahi also has a high level of financial literacy and expertise regarding mergers, acquisitions, investments and other strategic transactions. In his roles as a director and Chief Executive Officer of Expedia, Mr. Khosrowshahi has gained valuable corporate governance experience.

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

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

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

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

Sukhinder Singh Cassidy has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. In January 2011, Ms. Singh Cassidy founded, and currently serves as Chairman of Joyus, a video commerce website owned by privately-held Project J Corporation. Ms. Singh Cassidy previously served as Chief Executive Officer and Chairman of the Board of Polyvore, Inc., a privately-held social commerce website, from March 2010 to September 2010. Prior to that, she was CEO-in-residence at Accel Partners, a global venture and growth equity firm, from April 2009 to March 2010. From 2003 to April 2009, Ms. Singh Cassidy held various positions at Google, Inc., including, mostly recently, global Vice President of Sales and Operations. Previously, Ms. Singh Cassidy worked with Yodlee.com, Amazon.com and News Corporation, and in investment banking with Merrill Lynch. Ms. Singh Cassidy has served on the board of directors of privately-held Formspring, Inc., an online social network, since June 2011, served on the board of directors of publicly-traded J. Crew Group, Inc. from August 2009 to March 2010, and currently serves on the board of directors of the nonprofit JobTrain and on the advisory board of A Woman s Nation, a project of Maria Shriver and the Center for American Progress.

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

Robert S. Wiesenthal has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Wiesenthal joined Sony Corporation (Sony) in July 2000 and currently serves as Group Executive, Sony Corporation; Executive Vice President and Chief Financial Officer, Sony Corporation of America; and Executive Vice President and Chief Strategy Officer, Sony Entertainment, Inc. He is a member of Sony Pictures Entertainment s Operating Committee and sits on the Boards of Directors of Sony Music Entertainment and Sony Ericsson Mobile Communications. Prior to joining Sony, Mr. Wiesenthal was associated with Credit Suisse First Boston, joining the firm s Mergers and Acquisitions Group in 1988, the firm s Media Group in 1993 and, from 1999 to 2000, serving as Managing Director and head of the firm s Entertainment and Digital Media practices. Mr. Wiesenthal serves on the Board of Directors of Entercom Communications Corp., a position he has held since 2004. He also serves on the Board of Directors of the Hamptons International Film Festival.

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

Michael P. Zeisser has been a director of TripAdvisor since the completion of the Spin-Off from Expedia. Mr. Zeisser has served as Senior Vice President of Liberty Interactive Corporation (formerly known as Liberty Media Corporation) since September 2003, in which capacity he is responsible for the oversight of Liberty s eCommerce Group of companies and consumer Internet investments. Prior to his tenure at Liberty, Mr. Zeisser was a partner at McKinsey & Company from December 1996. Mr. Zeisser served as a director of IAC from August 2008 to June 2011 and, at certain times during the past five years, has served as a member of the boards of directors of OpenTV and FUN Technologies, Inc. Mr. Zeisser is a graduate of the University of Strasbourg, France and the J.L. Kellogg Graduate School of Management at Northwestern University, where he was a Procter & Gamble Academic Scholar. Mr. Zeisser also serves on the board of the Silicon Flatirons Center for Law, Technology, and Entrepreneurship at the University of Colorado.

Board Membership Qualifications: Mr. Zeisser was nominated as a director by Liberty, which under the Governance Agreement has the right to nominate two individuals for election to the TripAdvisor Board of Directors (based on Liberty s ownership of TripAdvisor stock). Mr. Zeisser has extensive insight into, and unique and specialized experience regarding, the Internet and digital media. He also possesses significant experience with respect to international operations and business strategy.

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Julie M.B. Bradley has served as Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of TripAdvisor since October 2011. Prior to joining TripAdvisor, from July 2005 to April 2011, Ms. Bradley served as Senior Vice President, Chief Financial Officer, Treasurer and Secretary of Art Technology Group, Inc., a provider of e-commerce software solutions and services, which was acquired by Oracle Corporation in January 2011. Prior to joining Art Technology Group, Ms. Bradley was at Akamai Technologies, Inc. from April 2000 to June 2005, most recently serving as Vice President of Finance. Previously, Ms. Bradley was an accountant with Deloitte. Ms. Bradley received her B.S. degree from Wheaton College and is a certified public accountant.

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

Board of Directors

Director Independence

Under the NASDAQ Stock Market Listing Rules (the Listing Rules), the Board has a responsibility to make an affirmative determination that those members of the Board who serve as independent directors do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In connection with the independence determinations described below, the Board reviewed information regarding transactions, relationships and arrangements relevant to independence, including those required by the Listing Rules. This information is obtained from director responses to questionnaires circulated by management, as well as our records and publicly available information. Following this determination, management monitors those transactions, relationships and arrangements that were relevant to such determination, as well as solicits updated information potentially relevant to independence from internal personnel and directors, to determine whether there have been any developments that could potentially have an adverse impact on the Board s prior independence determination. The Board of Directors has determined that each of Ms. Singh Cassidy and Messrs. Miller, Philips and Wiesenthal is an independent director as defined by the Listing Rules. In making its independence determinations, the Board of Directors considered the applicable legal standards and any relevant transactions, relationships or arrangements. In addition to the satisfaction of the director independence requirements set forth in the Listing Rules, members of the Audit Committee and Compensation Committee have also satisfied separate independence requirements under the current standards imposed by the SEC and the Listing Rules for audit committee members and by the SEC and the Internal Revenue Service for compensation committee members.

Controlled Company Status

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

Pursuant to a Stockholders Agreement, dated December 20, 2011, by and between Liberty and Mr. Diller (the Stockholders Agreement), Mr. Diller, through shares owned by him as well as those beneficially owned by Liberty as of April 27, 2012, the record date for the Annual Meeting, generally controls the vote of approximately 33.5% of the outstanding shares of common stock (assuming exercise of Mr. Diller s exercisable stock options and conversion of all shares of Class B common stock into shares of common stock) and 100% of the outstanding Class B common stock and, consequently, approximately 62.3% of the combined voting power of the outstanding TripAdvisor capital stock. Mr. Diller and Liberty have filed a Statement of Beneficial Ownership on Schedule 13D with respect to their TripAdvisor holdings and related voting arrangements with the SEC. On this basis, TripAdvisor is relying on the exemption for controlled companies from certain requirements under the Listing Rules, including, among others, the requirement that a majority of the Board of Directors be composed of independent directors, the requirement that the Compensation Committee be composed solely of independent directors and certain requirements relating to the nomination of directors.

Board Leadership Structure

Mr. Diller serves as the Chairman of the Board of Directors and also serves as our Senior Executive, and Mr. Kaufer serves as Chief Executive Officer of TripAdvisor. The roles of Chief Executive Officer and Chairman of the Board of Directors are currently separated in recognition of the differences between the two roles. This leadership structure provides us with the benefit of Mr. Diller s oversight of TripAdvisor 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. We believe that it is in the best interests of our stockholders for the Board of Directors to make a determination regarding the separation or combination of these roles each time it elects a new Chairman or Chief Executive Officer based on the relevant facts and circumstances applicable at such time. Independent members of the Board of Directors chair our Audit Committee, Compensation Committee and Section 16 Committee. We have had the current leadership structure since the completion of the Spin-Off.

Meeting Attendance

The Spin-Off was completed on December 20, 2011. Neither the Board of Directors nor any committees of the Board of Directors met or acted by written consent following the completion of the Spin-Off in 2011. The independent directors meet in regularly scheduled sessions, typically before or after each Board meeting, without the presence of management. We do not have a lead independent director or any other formally appointed leader for these sessions. Directors are encouraged, but not required, to attend annual meetings of TripAdvisor stockholders. Because TripAdvisor became an independent company on December 20, 2011 following the completion of the Spin-Off, we did not hold an Annual Meeting of Stockholders in 2011.

Committees of the Board of Directors

The Board of Directors has the following standing committees: the Audit Committee, the Compensation Committee, the Section 16 Committee and the Executive Committee. The Audit, Compensation and Section 16 Committees operate under written charters adopted by the Board of Directors. These charters are available in the Corporate Governance section of TripAdvisor s corporate website at ir.tripadvisor.com. At each regularly scheduled Board meeting, the Chairperson of each committee provides the full Board of Directors with an update of all significant matters discussed, reviewed, considered and/or approved by the relevant committee since the last regularly scheduled Board meeting. The independent membership of our Audit, Compensation and Section 16 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.

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The following table sets forth the current members of each committee of the Board of Directors.

Name	Audit Committee	Compensation Committee	Section 16 Committee	Executive Committee
Barry Diller				X
Stephen Kaufer				X
Victor A. Kaufman				X
Sukhinder Singh Cassidy(1)		Chair	Chair	
Dara Khosrowshahi				
Jonathan F. Miller(1)	X			
Jeremy Philips(1)	X	X	X	
William R. Fitzgerald				
Robert S. Wiesenthal(1)	Chair			
Michael P. Zeisser		X		

(1) Independent director

Audit Committee. The Audit Committee of the Board of Directors currently consists of three directors: Messrs. Miller, Philips and Wiesenthal. Mr. Wiesenthal is the Chairman of the Audit Committee. Each Audit Committee member satisfies the independence requirements under the current standards imposed by the rules of the SEC and NASDAQ. The Board has determined that each of Messrs. Wiesenthal and Philips is an audit committee financial expert, as such term is defined in the regulations promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee functions pursuant to a written charter adopted by the Board of Directors, pursuant to which the Audit Committee is granted the responsibilities and authority necessary to comply with Rule 10A-3 of the Exchange Act. The full text of the Audit Committee charter is available in the Corporate Governance section of TripAdvisor s corporate website at ir.tripadvisor.com. The Audit Committee is appointed by the Board of Directors to assist the Board with a variety of matters discussed in detail in the Audit Committee charter, including monitoring (i) the integrity of our financial reporting process, (ii) the independent registered public accounting firm s qualifications and independence, (iii) the performance of our internal audit function and of the independent registered public accounting firm and (iv) our compliance with legal and regulatory requirements. The formal report of the Audit Committee with respect to the year ended December 31, 2011 is set forth in the section below titled Audit Committee Report.

Compensation Committee. The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Philips and Zeisser. Ms. Singh Cassidy is the Chairperson of the Compensation Committee. With the exception of Mr. Zeisser, each member is an independent director as defined by the NASDAQ listing rules. No member of the Compensation Committee is an employee of TripAdvisor. The Compensation Committee functions pursuant to a written charter adopted by the Board of Directors. The full text of the Compensation Committee charter is available in the Corporate Governance section of TripAdvisor s corporate website at ir.tripadvisor.com. The Compensation Committee is responsible for (i) administering and overseeing our compensation with respect to executive officers, including salary matters, bonus plans and stock compensation plans and (ii) approving all grants of equity awards, but excluding matters governed by Rule 16b-3 under the Exchange Act (see the section below titled Section 16 Committee). A description of our processes and procedures for the consideration and determination of executive compensation is included in the section below titled Compensation Discussion and Analysis.

Section 16 Committee. The Section 16 Committee consists of Ms. Singh Cassidy and Mr. Philips. Ms. Singh Cassidy is the Chairperson of the Section 16 Committee. Each member is an independent director as defined by the Listing Rules and satisfies the definition of non-employee director for purposes of Section 16 of the Exchange Act. The Section 16 Committee is authorized to exercise all powers of the Board of Directors with respect to matters governed by Rule 16b-3 under the Exchange Act, including approving grants of equity awards to TripAdvisor s executive officers.

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Executive Committee. The Executive Committee consists of Messrs. Diller, Kaufer and Kaufman. The Executive Committee has the powers of the Board of Directors in the intervals between meetings of the Board of Directors with respect to (i) oversight and implementation of matters approved by the Board of Directors, (ii) administrative matters with respect to benefit plans, transfer agent matters, banking authority, formation of subsidiaries and other administrative items involving subsidiaries and determinations or findings under TripAdvisor s financing arrangements and (iii) in the case of a natural disaster or other emergency as a result of which a quorum of the Board of Directors cannot readily be convened for action, directing the management of the business and affairs of TripAdvisor during such emergency or natural disaster. The Executive Committee shall not have authority with respect to those matters that are specifically reserved to the Board of Directors under Delaware law.

Risk Oversight

Assessing and managing risk is the responsibility of TripAdvisor s management. Our Board of Directors oversees and reviews certain aspects of our risk management efforts. Our Board of Directors is involved in risk oversight through direct decision-making authority with respect to significant matters and the oversight of management by the Board of Directors and its committees. The President and Chief Executive Officer, the Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer and the Senior Vice President, General Counsel and Secretary attend Board meetings and discuss operational risks with the Board. Management also provides quarterly reports and presentations on strategic risks to the Board. Among other areas, the Board is directly involved in overseeing risks related to our overall corporate strategy, business continuity, crisis preparedness and competitive and reputational risks.

The committees of the Board execute their oversight responsibility for risk management as follows:

- The Audit Committee is responsible for discussing with management the Company s major financial risks and the steps management has taken to monitor and control such risks. In fulfilling its responsibilities, the Audit Committee receives regular reports from the Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer, the Senior Vice President, General Counsel and Secretary, the Vice President of Tax, the Corporate Controller, the Senior Corporate Counsel and from Ernst & Young LLP. The Audit Committee makes regular reports to the Board of Directors. In addition, we have, under the supervision of the Audit Committee, established procedures available to all employees for the anonymous and confidential submission of complaints relating to any matter to encourage employees to report questionable activities directly to our senior management and the Audit Committee.

- The Compensation Committee considers and evaluates risks related to our cash and equity-based compensation programs and practices as well as for evaluating whether our compensation plans encourage participants to take excessive risks that are reasonably likely to have a material adverse effect on TripAdvisor. Consistent with SEC disclosure requirements, management has assessed compensation policies and practices for Company employees and has concluded that such policies and practices do not create risks that are reasonably likely to have a material adverse effect on TripAdvisor.

Director Nominations

Given the ownership structure of TripAdvisor and our status as a controlled company, the Board of Directors does not have a nominating committee or other committee performing similar functions or any formal policy on director nominations. Pursuant to the Governance Agreement, Liberty has the right to nominate a number of directors equal to 20% of the total number of the directors on the Board of Directors (rounded up to the next whole number if the number of directors on the Board is not an even multiple of five) for election to the

Board of Directors so long as certain stock ownership requirements are satisfied. The Board of Directors does not have specific requirements for eligibility to serve as a director of TripAdvisor, nor does it have a specific policy on diversity. However, in evaluating candidates, regardless of how recommended, the Board of Directors considers whether the professional and personal ethics and values of the candidate are consistent with those of TripAdvisor, whether the candidate s experience and expertise would be beneficial to the Board in rendering service to TripAdvisor, including in providing a mix of Board members that represent a diversity of backgrounds, perspectives and opinions, whether the candidate is willing and able to devote the necessary time and energy to the work of the Board of Directors, and whether the candidate is prepared and qualified to represent the best interests of TripAdvisor s stockholders. Given the controlled status of TripAdvisor, the Board of Directors believes the process described above is appropriate. Liberty has nominated Messrs. Fitzgerald and Zeisser as nominees for 2012. The other nominees to the Board of Directors were recommended by the Chairman and then were considered and recommended by the entire Board of Directors.

The Board of Directors does not have a formal policy regarding the consideration of director candidates recommended by stockholders. However, the Board of Directors would consider such recommendations if made in the future. Stockholders who wish to make such a recommendation should send the recommendation to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: Secretary. The envelope must contain a clear notation that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a stockholder, provide a brief summary of the candidate s qualifications and history and be accompanied by evidence of the sender s stock ownership, as well as consent by the candidate to serve as a director if elected. Any director candidate recommendations will be reviewed by the Secretary and, if deemed appropriate, forwarded to the Chairman for further review. If the Chairman believes that the candidate fits the profile of a director nominee as described above, the recommendation will be shared with the entire Board of Directors.

Communications With the Board

Stockholders who wish to communicate with the Board of Directors or a particular director may send such communication to TripAdvisor, Inc., 141 Needham Street, Newton, Massachusetts 02464, Attention: 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 of Directors or certain specified directors. The Secretary will then review such correspondence and forward it to the Board of Directors, or to the specified director(s), if deemed appropriate. Communications that are primarily commercial in nature, that are not relevant to stockholders or other interested constituents or that relate to improper or irrelevant topics will generally not be forwarded to the Board of Directors or to the specified director(s).

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PROPOSAL 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Overview

Ernst & Young LLP was TripAdvisor s independent registered public accounting firm for the year ended December 31, 2011. Ernst & Young LLP was and is Expedia s independent registered public accounting firm as well. The Audit Committee of the Board of Directors has also appointed Ernst & Young LLP as TripAdvisor s independent registered public accounting firm for the year ending December 31, 2012.

The Sarbanes-Oxley Act of 2002 requires that the Audit Committee be directly responsible for the appointment, compensation and oversight of the audit work of the independent registered public accounting firm. If the stockholders fail to vote to ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider whether to retain Ernst & Young LLP and may retain that firm or another firm without resubmitting the matter to TripAdvisor stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of TripAdvisor and its stockholders.

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 or she so chooses and will be available to respond to appropriate questions.

Required Vote

At the Annual Meeting, TripAdvisor will ask its stockholders to ratify the appointment of Ernst & Young LLP as TripAdvisor s independent registered public accounting firm for 2012. This proposal requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class.

Abstentions will be counted toward the tabulations of voting power present and entitled to vote on the ratification of the independent registered public accounting firm proposal and will have the same effect as votes against the proposal. Brokers have discretion to vote on the proposal for ratification of the independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS TRIPADVISOR S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012.

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Fees Paid to Our Independent Registered Public Accounting Firm

The following table sets forth aggregate fees for professional services rendered by Ernst & Young LLP. Fees billed by Ernst & Young LLP to Expedia for periods prior to the December 20, 2011 Spin-Off date are not included below.

	2011
Audit Fees(1)	$ 468,000
Audit-Related Fees(2)	$
Total Audit and Audit-Related Fees	$ 468,000
Tax Fees	$
Other Fees	$
Total Fees	$ 468,000

(1) Audit Fees include fees and expenses associated with the annual audit of TripAdvisor s consolidated financial statements, statutory audits, reviews of TripAdvisor s periodic reports, accounting consultations, reviews of SEC registration statements and consents and other services related to SEC matters.

(2) Audit-Related Fees include fees and expenses for due diligence in connection with acquisitions, accounting consultations and benefit plan audits.

Audit and Non-Audit Services Pre-Approval Policy

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

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

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

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PROPOSAL 3:

ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF TRIPADVISOR S NAMED EXECUTIVE OFFICERS

Overview

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), this proposal, commonly known as a say on pay proposal, enables TripAdvisor stockholders to vote to approve, on an advisory or non-binding basis, the compensation of TripAdvisor s named executive officers as disclosed in this Proxy Statement in accordance with SEC rules.

TripAdvisor s executive compensation program is designed to attract, retain and motivate highly skilled executives with the business experience and acumen that management and the Compensation Committees believe are necessary for achievement of TripAdvisor s long-term business objectives. In addition, the executive compensation program is designed to reward short- and long-term performance and to align the financial interests of executive officers with the interests of TripAdvisor s stockholders. Please refer to the Executive Compensation and Compensation Discussion and Analysis sections for a detailed discussion of TripAdvisor s executive compensation practices and philosophy.

TripAdvisor is asking for stockholder approval, on an advisory basis, of the compensation of TripAdvisor s named executive officers as disclosed in this Proxy Statement in accordance with SEC rules, which disclosures include the disclosures in the Executive Compensation and Compensation Discussion and Analysis sections, the compensation tables and the narrative discussion following the compensation tables in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of TripAdvisor s named executive officers and the policies and practices described in this proxy statement.

This vote is advisory and therefore not binding on TripAdvisor, the Compensation Committees of the TripAdvisor Board of Directors, or the TripAdvisor Board of Directors. The TripAdvisor Board of Directors and the TripAdvisor Compensation Committees value the opinions of TripAdvisor s stockholders. To the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, the Compensation Committees will consider the impact of such vote on its future compensation policies and decisions.

Required Vote

At the Annual Meeting, TripAdvisor will ask its stockholders to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with SEC rules. This proposal requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class.

Abstentions will be counted toward the tabulations of voting power present and entitled to vote on the TripAdvisor executive compensation proposal and will have the same effect as votes against the proposal. Brokers do not have discretion to vote on the proposal regarding TripAdvisor s executive compensation and broker non-votes will have no effect on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE COMPENSATION OF TRIPADVISOR S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

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PROPOSAL 4:

ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY RESOLUTIONS TO APPROVE THE COMPENSATION OF TRIPADVISOR S NAMED EXECUTIVE OFFICERS

Overview

Pursuant to the Dodd-Frank Act, this proposal, commonly known as a say on frequency proposal, enables TripAdvisor stockholders to vote, on an advisory or non-binding basis, on how frequently they would like to vote on future advisory resolutions to approve the compensation of TripAdvisor s named executive officers. By voting on this proposal, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation every one, two or three years.

After careful consideration of this proposal, TripAdvisor s Board of Directors has determined that holding a vote on an advisory resolution to approve the compensation of its named executive officers every three years is the most appropriate alternative for TripAdvisor, and therefore TripAdvisor s Board of Directors recommends that stockholders vote for a three-year interval for the advisory vote on the compensation of its named executive officers

In formulating its recommendation, TripAdvisor s Board of Directors considered a triennial vote on an advisory resolution to approve the compensation of TripAdvisor s named executive officers is a reasonable frequency, as it is more in line with the long-term nature of TripAdvisor s equity compensation horizon and because it would allow for an appropriate interval between the vote and an opportunity to evaluate TripAdvisor s consideration of the results of the prior vote, thereby enabling TripAdvisor s stockholders to assess the impact of TripAdvisor s named executive officer compensation policies and decisions. TripAdvisor understands that its stockholders may have different views as to what is the best approach for TripAdvisor and looks forward to hearing from its stockholders at the 2012 Annual Meeting of Stockholders on this proposal.

Required Vote

At the Annual Meeting, TripAdvisor will ask its stockholders to choose, on an advisory basis, how frequently they would like to cast a vote on an advisory resolution to approve the compensation of TripAdvisor s named executive officers. Generally, approval of any matter presented to stockholders requires the affirmative vote of a majority of the voting power of the shares of TripAdvisor capital stock, present in person or represented by proxy, and entitled to vote thereon, voting together as a single class. However, because this vote is advisory and non-binding, if none of the frequency options receives such a majority, the option receiving the greatest number of votes will be considered the frequency recommended by TripAdvisor s stockholders. Although this vote will not be binding on TripAdvisor or the TripAdvisor Board of Directors and will not create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, TripAdvisor or the TripAdvisor Board of Directors, the TripAdvisor Board of Directors will take into account the outcome of this vote in making a determination on the frequency at which TripAdvisor will include future advisory resolutions to approve the compensation of its named executive officer compensation in future proxy statements.

Abstentions will be counted toward the tabulations of voting power present and entitled to vote on the frequency of future votes on advisory resolutions to approve the compensation of TripAdvisor s named executive officers and will have the same effect as votes against the proposal. Brokers do not have discretion to vote on the proposal regarding the frequency of the TripAdvisor named executive officer compensation proposal and broker non-votes will have no effect on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF A THREE-YEAR INTERVAL FOR THE ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF TRIPADVISOR S NAMED EXECUTIVE OFFICERS.

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AUDIT COMMITTEE REPORT

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal control over financial reporting. The Company s independent registered public accounting firm is engaged to audit and express opinions on the conformity of the Company s financial statements to generally accepted accounting principles and applicable rules and regulations, and the effectiveness of the Company s internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed the audited consolidated financial statements, together with the results of the assessment of the internal control over financial reporting, with management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended and as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence from the Company and the Company s management. Finally, the Audit Committee has considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with its independence.

Relying on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC, and the Board approved such inclusion.

No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that TripAdvisor specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed filed under either the Securities Act or the Exchange Act.

Members of the Audit Committee:

Robert S. Wiesenthal (Chairman)

Jonathan F. Miller

Jeremy Philips

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

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

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

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

From April 2004 until the completion of the Spin-Off on December 20, 2011, the companies that became TripAdvisor were subsidiaries of Expedia. As a result, the 2011 compensation programs described in this proxy were primarily established by the Compensation Committee of the Expedia Board of Directors (the Expedia Compensation Committee) or by Expedia management. Certain employment matters relating to TripAdvisor s named executive officers are governed by the Employee Matters Agreement entered into between TripAdvisor and Expedia in connection with the Spin-Off. Please see the section entitled Certain Relationships and Related Person Transactions below for more information on the Employee Matters Agreement. The compensation of Ms. Bradley and Mr. Kalvert is governed in part by the terms of their employment agreements which are described below.

Compensation Program Objectives

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

Roles and Responsibilities

Role of the Compensation and Section 16 Committees

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

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

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

Role of Executive Officers

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

Compensation Program Elements

General

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

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

Base Salary

Base salary represents the fixed portion of a named executive officer s compensation and is intended to provide compensation for expected day-to-day performance. An executive officer s base salary is initially determined upon hire or promotion based on the executive officer s responsibilities, prior experience, individual compensation history and salary levels of other executives within TripAdvisor and similarly situated executives at comparable companies. The 2011 base salaries of Mr. Kaufer, Ms. Bradley and Mr. Kalvert were approved by Expedia prior to the Spin-Off. Mr. Diller did not receive any base salary from TripAdvisor in 2011. Base salary is typically reviewed annually, at which time management makes recommendations to the Compensation Committees based on consideration of a variety of factors, including:

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

- individual performance of the executive,

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- the executive s responsibilities, prior experience, and individual compensation history, including any additional compensation such as signing bonuses or relocation benefits,
- the terms of the executive s employment agreement, if any,
- competitive compensation market data, when available,
- general economic conditions,
- the recommendations of the President and Chief Executive Officer, other than in connection with compensation for himself and the Chairman and Senior Executive, and
- with respect to the President and Chief Executive Officer, the recommendation of the Chairman and Senior Executive.

After consideration of the factors discussed above, the Compensation Committees decided to increase Mr. Kaufer s 2012 base salary from $300,000 to $500,000, Ms. Bradley s 2012 base salary from $300,000 to $302,500, and Mr. Kalvert s 2012 base salary from $325,000 to $330,000. The Compensation Committees also decided to set Mr. Diller s 2012 base salary at $100,000, effective as of January 1, 2012.

Cash Bonuses

Cash bonuses are granted to recognize and reward an individual s annual contribution to Company performance. Pursuant to the terms of their respective employment agreements, Ms. Bradley has a target cash bonus equal to 66% of her base salary for the year with a guaranteed cash bonus for 2011 equal to 66% of her pro-rated base salary and Mr. Kalvert has a target cash bonus equal to 50% of his base salary for the year. The Chairman and Senior Executive and the President and Chief Executive Officer did not have a target cash bonus percentage for 2011. Following the Spin-Off, unless otherwise provided by the provisions of employment agreements, bonus targets for executive officers are generally established by the Compensation Committees, based on the recommendations of management, and are reviewed each year by the President and Chief Executive Officer with the approval of the Chairman and Senior Executive and the Compensation Committees.

In April 2012, management recommended bonuses with respect to calendar year 2011 for each of the named executive officers after taking into account a variety of factors, including:

- the successful completion of the Spin-Off,
- TripAdvisor s business and financial performance, including year-over-year performance,
- TripAdvisor s performance against strategic initiatives,
- the executive s target cash bonus percentage, if any,
- the executive s individual performance,

the overall funding of the cash bonus pool,

the amount of bonus relative to other TripAdvisor executives,

general economic conditions,

competitive compensation market data, when available,

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

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with respect to the President and Chief Executive Officer, the recommendation of the Chairman and Senior Executive and Mr. Khosrowshahi, to whom the President and Chief Executive Officer reported prior to the completion of the Spin-Off in 2011.

For the 2011 cash bonuses awarded to the named executive officers, the Compensation Committees gave particular consideration to efforts of the named executive officers in connection with the Spin-Off, the President and Chief Executive Officer s recommendations for Ms. Bradley and Mr. Kalvert, which reflected their individual performance during 2011, and for the President and Chief Executive Officer, his contribution to the Company s significant year-over-year growth in key financial and operating metrics and his role in directing acquisitions and in the Spin-Off. The cash bonuses awarded to the named executive officers are as follows: Mr. Kaufer, $500,000, Ms. Bradley, $100,000, and Mr. Kalvert, $180,000. No bonus was awarded to Mr. Diller for 2011.

After consideration of the factors discussed above, the Compensation Committees decided to set Mr. Kaufer s 2012 target cash bonus at 100%. With respect to Ms. Bradley and Mr. Kalvert, the Compensation Committees decided to maintain their 2012 target bonus amounts at 66% and 50%, respectively, which is consistent with the terms of their respective employment agreements.

These cash bonuses are reflected in the Bonus column of the table below titled 2011 Summary Compensation Table.

Equity Compensation

The equity compensation currently held by the named executive officers was granted by the Expedia Compensation Committee. This equity compensation was converted to either TripAdvisor options or restricted stock units (RSUs) in connection with the Spin-Off. Other than the converted equity awards, TripAdvisor did not make any equity awards to the named executive officers in 2011. Please see the section entitled Certain Relationships and Related Person Transactions below for more information on the treatment of Expedia equity-based compensation awards in connection with the Spin-Off.

Following the Spin-Off, the Compensation Committees expect to use equity compensation to align executive compensation with our long-term performance. Equity compensation awards link compensation to financial performance because the value of equity awards depends on TripAdvisor s share price. Equity compensation awards are also an important employee retention tool because they generally vest over a multi-year period, subject to continued service by the award recipient. The Compensation Committees plan to grant equity awards primarily in the form of stock options but will use RSUs as well in appropriate circumstances.

Equity awards are typically granted to executive officers upon hire or promotion and annually thereafter. We expect annual equity awards for 2012 to be granted by the Compensation Committees in May 2012. Thereafter, we expect annual equity awards to be made in the first quarter of each year when the Compensation Committees meet to make determinations regarding annual bonuses for the last completed fiscal year and to set compensation levels for the current fiscal year.

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

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

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

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

equity compensation utilization by peer companies,

- general economic conditions, and
- competitive compensation market data regarding award values.

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

- TripAdvisor s business and financial performance, including year-over-year performance,
- individual performance and future potential of the executive,
- the overall size of the equity grant pool,
- award value relative to other TripAdvisor executives,
- the value of previous grants and amount of outstanding unvested equity awards,
- competitive compensation market data, to the degree that the available data is comparable,
- the recommendations of the President and Chief Executive Officer, other than in connection with compensation for himself and the Chairman and Senior Executive, and
- with respect to the President and Chief Executive Officer, the recommendation of the Chairman and Senior Executive.

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

Employee Benefits

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

The Role of Peer Groups, Surveys and Benchmarking

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

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

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

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For purposes of establishing its compensation peer group for 2012, management recommended to, and reviewed with, the Compensation Committees companies in technology, travel and/or e-commerce businesses with which TripAdvisor competes for talent at both the executive and employee levels. The companies constituting the compensation peer group for 2012, as approved by the Compensation Committees, are:

Akamai Technologies, Inc.	Ancestry.com Inc.
Concur Technologies, Inc.	Constant Contact, Inc.
Expedia, Inc.	Groupon, Inc.
Homeaway.com, Inc.	LinkedIn Corporation
Netflix, Inc.	Nuance Communications, Inc.
Parametric Technology Corporation	priceline.com Incorporated
Progress Software Corporation	salesforce.com, inc.
Shutterfly, Inc.	Valueclick, Inc.
WebMD, LLC	Zynga Inc.

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

Tax Matters

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

Change in Control

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

In addition, in the event either Mr. Diller or Mr. Kaufer terminates his employment with TripAdvisor for good reason or we terminate the employment of either executive without cause, all stock options held by the executive will become fully exercisable and vested and all RSUs held by either executive will be considered to be earned and payable in full. Also, certain of our executive officers are entitled to accelerated vesting of equity awards in the event of a change of control under their employment agreements. For a description and quantification of these change in control benefits, please see the section below titled Executive Compensation Potential Payments Upon Termination or Change in Control.

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Severance

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

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

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

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

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

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

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee consists of Ms. Singh Cassidy and Messrs. Philips and Zeisser and the Section 16 Committee consists of Ms. Singh Cassidy and Mr. Philips. None of Ms. Singh Cassidy or Messrs. Philips or Zeisser was an officer or employee of TripAdvisor, formerly an officer of TripAdvisor, or an executive officer of an entity for which an executive officer of TripAdvisor served as a member of the compensation committee or as a director during the one-year period ended December 31, 2011.

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COMPENSATION COMMITTEES REPORT

This report is provided by the Compensation Committee and the Section 16 Committee (the Compensation Committees) of the Board of Directors. The Compensation Committees have reviewed the Compensation Discussion and Analysis and discussed that Analysis with management. Based on this review and discussions with management, the Compensation Committees recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s 2012 Proxy Statement.

Members of the Compensation Committee:

Sukhinder Singh Cassidy (Chairperson)

Jeremy Philips

Michael P. Zeisser

Members of the Section 16 Committee:

Sukhinder Singh Cassidy (Chairperson)

Jeremy Philips

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EXECUTIVE COMPENSATION

2011 Summary Compensation Table

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

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Barry Diller Chairman and Senior Executive	2011	$ 0(4)	0	0	914,851(8)	0	914,851
Stephen Kaufer President and Chief Executive Officer	2011	300,000(5)	500,000	0	3,345,249(9)	51,802	4,189,691
Julie M.B. Bradley Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer	2011	69,231(6)	100,000	1,215,500(10)			1,384,731
Seth J. Kalvert Senior Vice President, General Counsel and Secretary	2011	112,500(7)	180,000		493,170(9)	75,552	861,182

(1) Represents cash bonuses paid in April 2012 for annual performance in 2011 except for with respect to Ms. Bradley, a portion of whose bonus was paid in March 2012 pursuant to the terms of her employment agreement.

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(2) Amounts shown are the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, excluding the effect of estimated forfeitures. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the named executive officers. Stock awards consist of RSUs valued using the closing price of Expedia common stock on the NASDAQ Stock Market on the grant date. Stock option awards were valued at the date of grant using the Black-Scholes pricing model. The Black-Scholes model incorporates various assumptions including expected volatility, expected term and risk-free interest rates. The expected volatility for the awards above was based on historical volatility of Expedia s common stock and other relevant factors. The expected term was based on Expedia s historical experience and on the terms and conditions of the stock option awards granted to employees. The expected term (and related risk-free interest rate) for Mr. Diller was based on his historical practice of holding Expedia stock options until expiration. In connection with the Spin-Off, these awards were converted into options to acquire TripAdvisor common stock and TripAdvisor RSUs. For more information regarding the difference between the amounts in table above and the post Spin-Off grant amounts, see Note 2 and Note 7 to our Consolidated and Combined Financial Statements in our Form 10-K for the year ended December 31, 2011, which was filed with the Securities and Exchange Commission (the SEC) on March 15, 2012. The fair value of the above grants was determined on the following basis:

	Expected Term (years)	**Risk-Free Interest Rate (%)**	**Expected Volatility (%)**
Barry Diller	7.0	2.77	49.72
Stephen Kaufer s March 1, 2011 Option Grant	4.64	1.92	49.90
Stephen Kaufer s November 30, 2011 Option Grant	4.64	0.78	51.60
Seth J. Kalvert s March 1, 2011 Option Grant	4.64	1.92	49.90
Seth J. Kalvert s August 25, 2011 Option Grant	4.64	0.89	50.54
Seth J. Kalvert s November 30, 2011 Option Grant	4.64	0.78	51.60

(3) See the table below for additional information regarding certain components of amounts reflected in the All Other Compensation column above.

(4) Mr. Diller did not receive any cash compensation from TripAdvisor in 2011. Prior to the Spin-Off, Mr. Diller was an employee of Expedia and only became an employee of TripAdvisor following the Spin-Off and, thus, no portion of his 2011 base salary from Expedia is included in the above table.

(5) The base salary information for Mr. Kaufer includes the base salary paid by Expedia prior to the Spin-Off.

(6) Ms. Bradley s employment commenced on October 3, 2011. The base salary information for Ms. Bradley reflects payment from October 3, 2011 through December 31, 2011. Ms. Bradley s 2011 annualized base salary was $300,000.

(7) Prior to August 2011, Mr. Kalvert did not devote his time and effort exclusively to TripAdvisor s business. The base salary information for Mr. Kalvert shows the amount he was paid for service to TripAdvisor in 2011. Mr. Kalvert s 2011 annualized base salary was $325,000.

(8) Mr. Diller received options to purchase shares of Expedia common stock with the fair values shown in the table above. On December 20, 2011, the date the Spin-Off was completed, these awards were converted into options to purchase 49,869 shares of TripAdvisor common stock and options to purchase Expedia common stock. The fair value of the options to purchase TripAdvisor common stock on the date of conversion was $608,698.

(9) Messrs. Kaufer and Kalvert received options to purchase shares of Expedia common stock with the fair values shown in the table above. On the date the Spin-Off was completed, Mr. Kaufer s awards converted into options to purchase 306,735 shares of TripAdvisor common stock and Mr. Kalvert s awards converted

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into options to purchase 47,190 shares of TripAdvisor common stock. The fair value of those options to purchase TripAdvisor common stock at the time of the conversion from are as follows: (a) for Mr. Kaufer, $4,034,170 and (b) for Mr. Kalvert, $598,427.

(10) Ms. Bradley was granted 50,000 RSUs of Expedia on October 4, 2011. On the date the Spin-Off was completed, these awards converted into 47,190 TripAdvisor RSUs. The fair value of TripAdvisor RSUs on the date of conversion was $1,300,500.

2011 All Other Compensation

	Stephen Kaufer ($)	Seth J. Kalvert ($)
Gift Card(a)	125	125
Tax Gross-Up on Gift Card(b)	50	50
Leisure Travel Reimbursement(c)	0	750
401(k) Company Match(d)	7,350	0
Relocation Benefits(e)	0	49,391
Tax Gross Up on Relocation Benefits(f)	0	25,236
Dividend Equivalents(g)	20,313	0
Vacation Pay-Out(h)	23,964	0

(a) Represents the amount of a gift card that was given to all employees as a holiday bonus.

(b) Represents the amount of the tax gross-up paid in connection with the gift cards described above.

(c) Represents amounts reimbursed for leisure travel arranged using one of the TripAdvisor Media Group family of products.

(d) Represents matching contributions of TripAdvisor under the TripAdvisor 401(k) Retirement Savings Plan (the TripAdvisor 401(k) Plan). Under the TripAdvisor 401(k) Plan as in effect through December 31, 2011, TripAdvisor matches $0.50 for each dollar a participant contributes, up to the first 6% of compensation, subject to limits imposed by the Internal Revenue Code.

(e) Represents amounts paid to Mr. Kalvert for relocation expenses, including reimbursement of moving expenses, temporary housing and mortgage assistance.

(f) Represents the amount of the tax gross-up paid in connection with the relocation benefits described above.

(g) Represents amounts paid in cash for accrued dividends on vested RSUs.

(h) Represents payout for accrued but unused vacation time.

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2011 Grants of Plan-Based Awards

No options to purchase shares of TripAdvisor common stock or TripAdvisor RSUs were granted to the TripAdvisor named executive officers during the year ended December 31, 2011. The following table represents Expedia RSUs and options to purchase shares of Expedia common stock granted to the TripAdvisor named executive officers during the year ended December 31, 2011, which were converted into TripAdvisor RSUs and options to purchase TripAdvisor common stock in connection with the Spin-Off. In the case of Mr. Diller, only a portion of his Expedia options were converted into options to acquire TripAdvisor common stock. The numbers, exercise prices and grant date fair value all represent the original grants from Expedia.

Name	Grant Date	Restricted Stock Unit Awards(2)	All Other Option Awards: Number of Securities Underlying Options(#)(3)	Exercise Price or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Barry Diller(1)	3/1/2011		100,000	19.69	914,851
Stephen Kaufer	3/1/2011		75,000	19.69	574,999
	11/30/2011		250,000	27.82	2,770,250
Julie M.B. Bradley	10/4/2011	50,000			1,215,500
Seth J. Kalvert	3/1/2011		15,000	19.69	115,055
	8/25/2011		25,000	27.23	267,305
	11/30/2011		10,000	27.82	110,810

(1) Mr. Diller received an option to purchase shares of Expedia common stock in the amount and with the fair value at such date shown in the table above. On December 20, 2011, the date the Spin-Off was completed, this award was split into an option to purchase 49,869 shares of TripAdvisor common stock and an option to purchase Expedia common stock. The resulting option to purchase TripAdvisor common stock had a fair value of $608,698 on the date of conversion.

(2) Ms. Bradley was granted 50,000 RSUs of Expedia on October 4, 2011. On the date the Spin-Off was completed, this award was converted into 47,190 TripAdvisor RSUs with a fair value of $1,300,500 on the date of conversion.

(3) Messrs. Kaufer and Kalvert received options to purchase shares of Expedia common stock in the amounts and with the fair values at such date shown in the table above. On the date the Spin-Off was completed, these awards converted into options to purchase TripAdvisor common stock. The resulting number of options to purchase TripAdvisor common stock and the fair value of those options to purchase TripAdvisor common stock at the time of the conversion were as follows:

(a) Mr. Kaufer s March 1, 2011 grant: an option to purchase 70,785 shares of common stock with a fair value of $740,464.

(b) Mr. Kaufer s November 30, 2011 grant: an option to purchase 235,950 shares of common stock with a fair value of $3,293,706.

(c) Mr. Kalvert s March 1, 2011 grant: an option to purchase 14,157 shares of common stock with a fair value of $148,093.

(d) Mr. Kalvert s August 25, 2011 grant: an option to purchase 23,595 shares of common stock with a fair value of $318,586.

(e) Mr. Kalvert s November 30, 2011 grant: an option to purchase 9,438 shares of common stock with a fair value of $131,748.

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Outstanding Equity Awards at 2011 Year-End

The following table provides information regarding the holdings of stock options and RSUs by the named executive officers as of December 30, 2011. The market value of the RSUs is based on the closing price of TripAdvisor common stock on the NASDAQ Stock Market on December 30, 2011 the last trading day of the year, which was $25.21.

		Option Awards				Stock Awards	
Name	Grant Date(1)	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Barry Diller	6/7/2005	1,196,856(2)	0	30.19	6/7/2015		
	6/7/2005	698,166(2)	0	40.64	6/7/2015		
	3/2/2009	49,869	49,869(3)	7.80	3/2/2016		
	3/2/2009	0	74,803(4)	9.75	3/2/2016		
	2/23/2010	24,934	74,804(3)	23.76	2/23/2017		
	3/1/2011	0	49,869(3)	20.87	3/1/2018		
	2/27/2007					9,213(5)	232,260
	2/28/2008					20,636(6)	520,234
Stephen Kaufer	3/2/2009	24,934	47,190(3)	7.80	3/2/2016		
	3/2/2009	0	28,314(4)	9.75	3/2/2016		
	2/23/2010	8,103	46,010(3)	23.76	2/23/2017		
	3/1/2011	0	70,785(3)	20.87	3/1/2018		
	11/30/2011	0	235,950(3)	29.48	11/30/2018		
	2/27/2007					4,347(7)	109,588
	2/28/2008					7,790(8)	196,386
	3/2/2009					58,776(9)	1,481,743
Julie M.B. Bradley	10/4/2011					47,190(10)	1,189,660
Seth J. Kalvert	3/2/2009	4,737	17,932(3)	7.80	3/2/2016		
	2/23/2010	2,181	12,387(3)	23.76	2/23/2017		
	3/1/2011	0	14,157(3)	20.87	3/1/2018		
	8/25/2011	0	23,595(3)	28.86	8/25/2018		
	11/30/2011	0	9,438(3)	29.48	11/30/2018		
	2/27/2007					1,348(11)	33,983
	2/28/2008					2,415(12)	60,882

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

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

(3) Options vest in four equal installments commencing on the first anniversary of the grant date.

(4) Options vested in full on March 2, 2012, the third anniversary of the grant date.

(5) Of these RSUs, all 9,213 vested on February 27, 2012.

(6) Of these RSUs, 10,317 vested on February 28, 2012 and 10,319 will vest on February 28, 2013.

(7) Of these RSUs, all 4,347 vested on February 27, 2012.

(8) Of these RSUs, 3,895 vested on February 28, 2012 and 3,895 will vest on February 28, 2013.

(9) Of these RSUs, all 58,776 vested on March 2, 2012.

(10) Of these RSUs, 11,797 vest on October 3, 2012; 11,798 on October 3, 2013; 11,797 vest on October 3, 2014; and 11,798 vest on October 3, 2015.

(11) Of these RSUs, all 1,348 vested on February 27, 2012.

(12) Of these RSUs, 1,207 vested on February 28, 2012 and 1,208 will vest on February 28, 2013.

2011 Option Exercises and Stock Vested

During the period between the completion of the Spin-Off on December 20, 2011 and December 31, 2011, there were no options exercised by or RSUs that vested for the named executive officers.

Potential Payments Upon Termination or Change in Control

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

Change of Control Provisions of TripAdvisor s 2011 Stock and Annual Incentive Plan

In the event of a change in control (as defined in the 2011 Plan) of TripAdvisor, (i) any stock options outstanding held by our named executive officers as of the date of the change in control which are not then exercisable and vested will become fully exercisable and vested, and (ii) all RSUs held by our named executive officers will be considered to be earned and payable in full and any deferral or other restrictions will lapse and such RSUs will be settled in cash or shares of TripAdvisor common stock as promptly as practicable. In addition, in the event either Mr. Diller or Mr. Kaufer terminates his employment with TripAdvisor for good reason or we terminate the employment of either executive without cause, all stock options held by the executive will become fully exercisable and vested and all RSUs held by either executive will be considered to be earned and payable in full.

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

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

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

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

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

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

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

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

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

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

Estimated Potential Incremental Payments

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

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The amounts shown in the table assume that the triggering event was effective as of December 31, 2011 and that the price of TripAdvisor common stock on which certain of the calculations are based was the closing price of $25.21 on the NASDAQ Stock Market on December 30, 2011, the last trading day in 2011. These amounts are estimates of the incremental amounts that would be paid out to the executive upon such triggering event. The actual amounts to be paid out can only be determined at the time of the triggering event, if any.

Name and Benefit	Termination without cause	Resignation for good reason	Change in Control	Termination w/o cause or for good reason in connection with Change in Control
Barry Diller				
Cash Severance (salary)	$ 0	$ 0	$ 0	$ 0
Stock Options (vesting accelerated)	2,349,571	2,349,571	2,349,571	2,349,571
RSUs (vesting accelerated)	752,493	752,493	752,493	752,493
Total estimated value	$ 3,102,064	$ 3,102,064	$ 3,102,064	$ 3,102,064
Stephen Kaufer				
Cash Severance (salary)	$ 0	$ 0	$ 0	$ 0
Stock Options (vesting accelerated)	1,633,234	1,633,234	1,633,234	1,633,234
RSUs (vesting accelerated)	1,787,717	1,787,717	1,787,717	1,787,717
Total estimated value	$ 3,420,951	$ 3,420,951	$ 3,420,951	$ 3,420,951
Julie M.B. Bradley				
Cash Severance (salary)	$ 526,027(1)	$ 526,027(1)	$ 0	$ 526,027(1)
Stock Options (vesting accelerated)	0(1)	0(1)	0	0
RSUs (vesting accelerated)	297,402(1)	297,402(1)	1,189,660	1,189,660
Health & Benefits	0(1)	0(1)	0	0(1)
Total estimated value	$ 823,429	$ 823,429	$ 1,189,660	$ 1,715,687
Seth J. Kalvert				
Cash Severance (salary)	$ 584,110(1)	$ 584,110(1)	$ 0	$ 584,110(1)
Stock Options (vesting accelerated)	177,444(1)	177,444(1)	391,599	391,599
RSUs (vesting accelerated)	64,412(1)	64,412(1)	94,865	94,865
Health & Benefits	33,665(1)	33,665(1)	0	33,665(1)
Total estimated value	$ 859,631	$ 859,631	$ 486,464	$ 1,104,239

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

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2011 Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2011, relating to TripAdvisor s equity compensation plans pursuant to which grants of stock options, restricted stock, RSUs or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))(C)
Equity compensation plans approved by security holders(2)	7,500,630(3)	$ 23.65(4)	9,967,474
Equity compensation plans not approved by security holders(5)			100,000
Total	7,500,630		10,067,474

(1) Information includes the Expedia equity-based compensation awards that were converted into 7,468,104 TripAdvisor equity-based awards on the effective date of the Spin-Off and that were outstanding as of December 31, 2011.

(2) The 2011 Plan.

(3) Included in this number are options to purchase 6,574,906 shares of common stock and 925,724 RSUs.

(4) The weighted-average exercise price is determined based on the outstanding options only as RSUs do not have any exercise price.

(5) The Non-Employee Director Deferred Compensation Plan.

DIRECTOR COMPENSATION

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

TripAdvisor employees do not receive compensation for services as directors, and Liberty nominees agreed that they would not receive compensation for their service on the TripAdvisor Board of Directors. Each non-employee director of TripAdvisor is entitled to receive the following compensation:

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

a grant of RSUs with a value of $150,000 (based on the closing price of TripAdvisor s common stock on the NASDAQ Stock Market on the day prior to the grant), upon such director s initial election to office and on December 15th of each year, such RSUs to vest in three equal installments commencing on the first anniversary of the grant date and, in the event of a change in control (as defined in the 2011 Plan and described in the section below titled Executive Compensation Potential Payments Upon Termination or Change in Control), to vest automatically in full;

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

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

Non-Employee Director Deferred Compensation Plan

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

2011 Non-Employee Director Compensation

As employees of the Company, Messrs. Diller and Kaufer did not receive compensation for service as directors. Messrs. Fitzgerald and Zeisser, who were each nominated by Liberty, also did not receive compensation for their service on the TripAdvisor Board of Directors. The following table shows the compensation information for the remaining directors of the Company following the Spin-Off during 2011:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(4)	Total ($)
Victor A. Kaufman		149,999		149,999
Sukhinder Singh Cassidy(5)		149,999		149,999
Dara Khosrowshahi		149,999		149,999
Jonathan F. Miller(6)		149,999		149,999
Jeremy Philips(7)		149,999		149,999
Robert S. Wiesenthal(8)		149,999		149,999

(1) The Spin-Off was completed on December 21, 2011. Neither the Board of Directors nor any committees of the Board of Directors met or acted by written consent following the completion of the Spin-Off in 2011. Members of the Board of Directors did not receive any cash compensation in 2011.

(2) Amounts shown reflect the aggregate grant date fair value of awards computed in accordance with Financial FASB ASC Topic 718, excluding the effect of estimated forfeitures. These amounts reflect an estimate of the grant date fair value and may not correspond to the actual value that will be recognized by the directors. Stock awards consist of RSUs valued using the closing price of TripAdvisor common stock on the NASDAQ Stock Market on the day immediately preceding the grant date.

(3) On December 21, 2011, the first trading day following the completion of the Spin-Off, each of the directors listed in the table above received an award of 5,421 RSUs with a grant date fair value of $149,999.

(4) TripAdvisor has not granted any options for service as a director.

(5) Ms. Singh Cassidy is the Chairperson of the Compensation Committee.

(6) Mr. Miller is a member of the Audit Committee.

(7) Mr. Philips is a member of the Audit Committee and the Compensation Committee.

(8) Mr. Wiesenthal is the Chairman of the Audit Committee.

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Conversion of Dara Khosrowshahi s Expedia RSUs

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

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

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

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

The adjustments to the 2006 RSU award were intended to recognize Mr. Khosrowshahi s role in growing both Expedia and TripAdvisor during the five years since the 2006 RSU Award grant date and that Expedia, on a combined-company basis, prior to the Spin-Off, had made significant progress towards to achieving the original performance goals. Furthermore, Mr. Khosrowshahi s continued contributions to both Expedia, as Chief Executive Officer, and to TripAdvisor, as a director, will continue to be significant to each company.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information as of March 15, 2012 relating to the beneficial ownership of TripAdvisor s capital stock by (i) each person or entity known to TripAdvisor to own beneficially more than 5% of the outstanding shares of TripAdvisor s common stock and Class B common stock, (ii) each director and director nominee of TripAdvisor, (iii) the named executive officers and (iv) executive officers and directors of TripAdvisor, as a group.

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

For each listed person, entity or group, the number of shares of TripAdvisor common stock and Class B common stock and the percentage of each such class listed assume the conversion or exercise of certain TripAdvisor equity securities, as described below, owned by such person, entity or group, but do not assume the conversion or exercise of any equity securities owned by any other person, entity or group. Shares of TripAdvisor Class B common stock may, at the option of the holder, be converted on a one-for-one basis into shares of TripAdvisor common stock. For each listed person, entity or group, the number of shares of TripAdvisor common stock and Class B common stock and the percentage of each such class listed include shares of TripAdvisor common stock and Class B common stock that may be acquired by such person, entity or group on the conversion or exercise of equity securities, such as stock options and warrants, which can be converted or exercised, and RSUs that have or will have vested within 60 days of March 15, 2012.

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

	Common Stock		Class B Common Stock		Percent (%) of Votes
Beneficial Owner	**Shares**	**%**	**Shares**	**%**	**(All Classes)**
Liberty Interactive Corporation 12300 Liberty Boulevard Englewood, CO 80112	21,809,904(1)	18.0	12,799,999(1)	100	60.1
Capital World Investors 333 South Hope Street Los Angeles, CA 90017	8,233,507(2)	6.8	0	0	3.3
Viking Global Investors LP 55 Railroad Avenue Greenwich, CT 06830	7,200,112(3)	5.9	0	0	2.9
Barry Diller	41,409,119(4)	33.6	12,799,999(5)	100	62.3
Stephen Kaufer	385,265(6)	*	0	0	*
Sukhinder Singh Cassidy	0	*	0	0	*
William R. Fitzgerald	0	*	0	0	*
Victor A. Kaufman	56,101(7)	*	0	0	*
Dara Khosrowshahi	163,322(8)	*	0	0	*
Jonathan F. Miller	0	*	0	0	*
Jeremy Philips	0	*	0	0	*
Robert S. Wiesenthal	0	*	0	0	*
Michael P. Zeisser	0	*	0	0	*
Julie M.B. Bradley	0	*	0	0	*
Seth J. Kalvert	26,589(9)	*	0	0	*

All executive officers, directors and director nominees as a group (12 persons)	42,040,396(10)	34.0	12,799,999	100	62.5

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

(1) Based on information filed on a Schedule 13D with the SEC on December 30, 2011 by Liberty and Mr. Diller (the Liberty/Diller Schedule 13D) and the Company s records. Pursuant to the Stockholders Agreement described in the section above titled Board of Directors Controlled Company Status and Committees, Mr. Diller generally has the right to vote all the shares of common stock and Class B common stock held by Liberty. Excludes shares beneficially owned by the executive officers and directors of Liberty and shares beneficially owned by Mr. Diller s spouse, as to which Liberty disclaims beneficial ownership.

(2) Based on information filed on a Schedule 13G with the SEC on February 10, 2012 by Capital World Investors. Capital World Investors has sole voting power and sole dispositive power over 8,233,507 shares of common stock.

(3) Based on information filed on a Schedule 13G with the SEC on February 2, 2012. Consists of (i) 2,266,000 shares of common stock owned by Viking Global Equities LP, (ii) 131,800 shares of common stock owned by Viking Global Equities II LP, (iii) 4,189,312 shares of common stock owned by VGE III Portfolio Ltd. and (iv) 613,000 shares of common stock owned by Viking Long Fund Master Ltd. Viking Global Investors LP provides managerial services to Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Fund Master Ltd. and has the authority to dispose of and vote the shares of common stock directly owned by Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Fund Master Ltd. Viking Global Investors LP may be deemed to beneficially own the shares of common stock directly held by Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Fund Master Ltd. Viking Global Performance LLC is the general partner of Viking Global Equities LP and Viking Global Equities II LP and has the authority to dispose and vote the shares of common stock directly owned by Viking Global Equities LP and Viking Global Equities II LP. Viking Global Performance LLC serves as investment manager to VGE III Portfolio Ltd and has the authority to dispose of and vote the shares of common stock directly owned by VGE III Portfolio Ltd. Viking Global Portfolio LLC may be deemed to beneficially own the shares of common stock directly held by Viking Global Equities LP, Viking Global Equities II LP and VGE III Portfolio Ltd. Viking Long Fund GP LLC serves as investment manager of Viking Long Fund Master Ltd. and has the authority to disposed of and vote the shares of common stock directly owned by Viking Long Fund Master Ltd. Viking Long Fund GP LLC may be deemed to beneficially own the shares of common stock directly held by Viking Long Fund Master Ltd. O. Andreas Halvorsen, David C. Ott and Thomas W. Purcell, Jr., as Executive Committee Members of Viking Global Investors LP, Viking Global Performance LLC and Viking Long Fund GP LLC, have shares authority to dispose of and vote the shares of common stock beneficially owned by Viking Global Investors LP, Viking Global Performance LLC and Viking Long Fund GP LLC. Each of Messrs. Halvorsen, Ott and Purcell may be deemed to beneficially own the shares of common stock directly held by Viking Global Equities LP, Viking Global Equities II LP, VGE III Portfolio Ltd. and Viking Long Master Fund Ltd.

(4) Based on information filed on the Liberty/Diller Schedule 13D and the Company s records. Consists of (i) 4,627,567 shares of common stock owned by Mr. Diller, (ii) options to purchase 2,106,964 shares of common stock held by Mr. Diller that are exercisable within 60 days of March 15, 2012, (iii) 21,809,904 shares of common stock held by Liberty (see footnote 1 above), (iv) 64,685 shares of common stock held by a private foundation as to which Mr. Diller disclaims beneficial ownership, and (v) 12,799,999 shares of Class B common stock held by Liberty (see footnote 1 above). Pursuant to the Stockholders Agreement, Mr. Diller generally has the right to vote all the shares of common stock and Class B common stock held by Liberty. Excludes shares of common stock and options to purchase shares of common stock held by Mr. Diller s spouse, as to which Mr. Diller disclaims beneficial ownership.

(5) Based on information filed on the Liberty/Diller Schedule 13D and the Company s records. Consists of shares of Class B common stock held by Liberty. Pursuant to the Stockholders Agreement, Mr. Diller generally has the right to vote all the shares of Class B Common stock held by Liberty.

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(6) Includes options to purchase 117,978 shares of common stock that are currently exercisable or will be exercisable within 60 days of March 15, 2012.

(7) Includes options to purchase 56,101 shares of common stock that are currently exercisable or will be exercisable within 60 days of March 15, 2012.

(8) Includes options to purchase 37,401 shares of common stock that are currently exercisable or will be exercisable within 60 days of March 15, 2012.

(9) Includes options to purchase 23,552 shares of common stock that are currently exercisable or will be exercisable within 60 days of March 15, 2012.

(10) Includes options to purchase 2,341,996 shares of common stock that are currently exercisable or will be exercisable within 60 days of March 15, 2012.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, TripAdvisor officers and directors and persons who beneficially own more than 10% of a registered class of TripAdvisor s equity securities are required to file initial statements of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) with the SEC. Such persons are required by the rules of the SEC to furnish TripAdvisor with copies of all such forms they file. Based solely on a review of the copies of such forms furnished to TripAdvisor and/or written representations that no additional forms were required, TripAdvisor believes that all of its directors and officers complied with all the reporting requirements applicable to them with respect to transactions during 2011.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval or Ratification of Related Person Transactions

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

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

On an annual basis, each director, director nominee and executive officer of TripAdvisor completes a Director and Officer Question

The fair value of loans held-for-sale is based upon an actual purchase and sale agreement between the Company and an independent market participant. The sale is executed within a reasonable period following quarter end at the stated fair value.

NOTE 7. LEGAL PROCEEDINGS

The Company's subsidiary, Community National Bank, as successor by merger to LyndonBank, was a party to a contract dispute with a service provider involving disputed charges of approximately $72,000. On December 31, 2008, the Company accrued a contingent liability of $50,000 for this matter and the dispute was settled in April 2009 for that amount.

In addition to the foregoing matter, in the normal course of business the Company and its subsidiary are involved in litigation that is considered incidental to their business. Management does not expect that any such litigation will be material to the Company's consolidated financial condition or results of operations.

NOTE 8. SUBSEQUENT EVENT

On April 3, 2009, the Company declared a cash dividend of $0.12 per share payable May 1, 2009 to shareholders of record as of April 15, 2009.

NOTE 9. MORTGAGE SERVICING RIGHTS

During the first quarter of 2009, the continued low interest rate environment adversely affected the value of the Company's mortgage servicing rights portfolio. Although strong residential mortgage loan activity in recent months resulted in significant additions to the loan servicing portfolio during the first quarter of 2009, the Company recorded a valuation adjustment for impairment of the portfolio during the quarter in the amount of $157,876. At March 31, 2009, the net carrying value of the Company's mortgage servicing rights portfolio was $966,267, compared to $960,110 at year end 2008 and $1,207,259 at March 31, 2008.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
for the Period Ended March 31, 2009

FORWARD-LOOKING STATEMENTS

The Company's Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements about the results of operations, financial condition and business of the Company and its subsidiary. When used therein, the words "believes," "expects," "anticipates," "intends," "estimates," "plans," "predicts," or similar expressions, indicate that management of the Company is making forward-looking statements.

Forward-looking statements are not guarantees of future performance. They necessarily involve risks, uncertainties and assumptions. Future results of the Company may differ materially from those expressed in these forward-looking statements. Examples of forward looking statements included in this discussion include, but are not limited to, estimated contingent liability related to assumptions made within the asset/liability management process, management's expectations as to the future interest rate environment and economic outlook, and the Company's related liquidity level, credit risk expectations relating to the Company's loan portfolio and its participation in the FHLBB Mortgage Partnership Finance (MPF) program, and management's general outlook for the future performance of the Company, summarized below under "Overview". Although forward-looking statements are based on management's current expectations and estimates, many of the factors that could influence or determine actual results are unpredictable and not within the Company's control. Readers are cautioned not to place undue reliance on such statements as they speak only as of the date they are made. The Company does not undertake, and disclaims any obligation, to revise or update any forward-looking statements to reflect the occurrence or anticipated occurrence of events or circumstances after the date of this Report, except as required by applicable law. The Company claims the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities: (1) general economic or monetary conditions, either nationally or regionally, continue to deteriorate, resulting in a decline in credit quality or a diminished demand for the Company's products and services; (2) competitive pressures increase among financial service providers in the Company's northern New England market area or in the financial service industry generally, including competitive pressures from non-bank financial service providers, from increasing consolidation and integration of financial service providers, and from changes in technology and delivery systems; (3) interest rates change in such a way as to reduce the Company's margins; (4) changes in laws or government rules, or the way in which courts and government agencies interpret those laws or rules, adversely affect the Company's business; (5) changes in federal or state tax policy; and (6) we may not fully realize anticipated benefits of the acquisition of LyndonBank or realize them within expected timeframes.

OVERVIEW

The Company’s consolidated assets on March 31, 2009 were $485.6 million compared to $487.8 million on December 31, 2008 and $495.1 million on March 31, 2008, resulting in decreases of 0.5% and 2%, respectively. The decrease of $12.6 million in the investment portfolio year over year was used to fund the $5.0 million in loan growth and helped to provide liquidity for the decrease in deposits of $16.5 million between periods. A portion of the decrease in deposits is due to an anticipated initial runoff of the LyndonBank non-maturing deposits after the merger. Certificates of deposits decreased $7.0 million year over year and $5.4 million year to date due in part to the low rate environment as well as greater than expected post-merger runoff.

Net income for the first quarter of 2009 was $683,253 or $0.14 per share, compared to $247,985, or $0.05 per share, in 2008. Comparing the earnings for the two quarters is difficult due to the fact that the activity in each of the periods differed significantly. The first quarter of 2008 was the first quarter of combined operations following the LyndonBank acquisition, and operating results were significantly impacted by one-time merger-related expenses. Comparability of results between periods was also affected by the historically low interest rate environment throughout the first quarter of 2009. The December 2008 efforts by the Federal Reserve to stimulate the real estate market by buying billions of dollars in mortgage-back securities from Fannie Mae and Freddie Mac drove down mortgage interest rates and sparked very strong mortgage refinancing activity that created a high level of home loan refinancing and sales of residential mortgages during the first quarter of 2009. The Company originated $25.9 million in loans sold in the secondary market during the first quarter of 2009 compared to $6.7 million in the first quarter of 2008. This activity generated fee income of $407,878 and $60,319 for those respective periods. Management expects this trend to continue well into the second quarter, but anticipates a slow down during the second half of 2009.

The unprecedented volatility in the financial markets and the recessionary economic environment continued throughout the first quarter of 2009. The Company did not engage in subprime lending nor was such lending prevalent in the Company's market area. Nevertheless, recessionary pressures are adversely affecting local real estate and labor markets, and the Company has continued to see a rise in past due and non-performing loans which began in the second half of 2008. In light of these trends, management made a loan loss provision of $125,001 for the first quarter of 2009, compared to $62,499 for the same period last year. Net of charge offs and recoveries, the Company's loan loss coverage (loan loss reserve to average loans outstanding) increased to 0.901% at March 31, 2009, compared to 0.88% at year end 2008 and 0.834% as of the end of the first quarter of 2008. Management intends to continue to monitor its loan portfolio closely in light of changing economic conditions, while at the same time fulfilling its long tradition of service to its communities by continuing to lend to qualified borrowers who meet the Company's prudent loan underwriting standards.

Non-interest expense for the first quarter of 2009 decreased by 6% compared to the first quarter of 2008. During the first quarter of 2008, the Company's non-interest expenses were significantly affected by one-time merger-related expenses, including the cost of merging the computer systems and termination of various contracts and service agreements that had been in place at LyndonBank. Management increased the allowance for loan losses by $125,001 in the first quarter of 2009 compared to an increase of $62,499 in the first quarter of 2008 due to an increasing trend in non-performing loans, as well as criticized and classified assets. Delinquencies however have been relatively stable.

Federal Deposit Insurance Corporation ("FDIC") increased general deposit premiums effective in 2009, resulting in an estimated 2009 premium of $562,000, or an increase of over $400,000 year over year. In addition to this general deposit premium, the FDIC announced an industry-wide special assessment of 20 basis points on deposits as of June 30, 2009, payable on September 30, 2009. Although there is some uncertainty about the final special assessment rate, the Company estimates that it will cost a minimum of $400,000 and possibly as much as $800,000. An accrual of $133,000 was recorded for the special assessment in the first quarter of 2009.

During the first quarter of 2009, the Company was approved for an equity investment by the U.S. Treasury Department of up to $9.8 million under Troubled Asset Relief Program (TARP) Capital Purchase Program ("CPP"). After careful consideration of all of the economic and non-economic benefits and costs of participating in the program, the Board of Directors concluded in March, 2009 that participation in the CPP would not be in the best interests of the Company or its shareholders, customers and employees. Furthermore, at March 31, 2009 and December 31, 2008, the Company and its subsidiary, Community National Bank, maintained regulatory capital ratios in excess of those required to be considered "well capitalized."

In April 2009, the Board of Directors declared a quarterly cash dividend of $0.12 per common share. This represents a decrease of $.05 per share from the dividend paid quarterly in 2008. The decision to reduce the dividend was based on a commitment to maintain the Company's already strong levels of regulatory capital and made only after careful consideration of the weakening economy and pervasive uncertainty in the financial markets. On an annualized basis, the lower dividend payout would add approximately $890,000 to the Company's common equity in 2009 before reinvested dividends, further increasing its strong capital and liquidity position.

The following pages describe our first quarter financial results in much more detail. Please take the time to read them to more fully understand the three months ended March 31, 2009 in relation to the 2008 comparison periods. The discussion below should be read in conjunction with the Consolidated Financial Statements of the Company and related notes included in this report and with the Company's Annual Report on Form 10-K/A for the year ended December 31, 2008. This report includes forward-looking statements within the meaning of the Securities and Exchange Act of 1934 (the "Exchange Act").

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared according to accounting principles generally accepted in the United States of America (US GAAP). The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities in the consolidated financial statements and related notes. The Securities and Exchange Commission (SEC) has defined a company's critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results of operations, and which require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Because of the significance of these estimates and assumptions, there is a high likelihood that materially different amounts would be reported for the Company under different conditions or using different assumptions or estimates.

Management evaluates on an ongoing basis its judgment as to which policies are considered to be critical. Management believes that the calculation of the allowance for loan losses (ALL) is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of its consolidated financial statements. In estimating the ALL, management considers historical experience as well as other factors including the effect of changes in the local real estate market on collateral values, current economic indicators and their probable impact on borrowers and changes in delinquent, non-performing or impaired loans. Management's estimates used in calculating the ALL may increase or decrease based on changes in these factors, which in turn will affect the amount of the Company's provision for loan losses charged against current period income. Actual results could differ significantly from these estimates under different assumptions, judgments or conditions.

Occasionally, the Company acquires property in connection with foreclosures or in satisfaction of debts previously contracted. To determine the value of property acquired in or in lieu of foreclosure, management often obtains independent appraisals or evaluations of such properties. The extent of any recovery on these loans depends largely on the amount the Company is able to realize upon liquidation of the underlying collateral; the recovery of a substantial portion of the carrying amount of foreclosed real estate is susceptible to changes in local market conditions. The likelihood or extent of such change that is reasonably possible cannot be estimated. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

Companies are required to perform periodic reviews of individual securities in their investment portfolios to determine whether decline in the value of a security is other than temporary. A review of other-than-temporary impairment requires companies to make certain judgments regarding the materiality of the decline and the probability, extent and timing of a valuation recovery and the company's intent and ability to continue to hold the security. Pursuant to these requirements, management assesses valuation declines to determine the extent to which such changes are attributable to fundamental factors specific to the issuer, such as financial condition and business prospects, or to market-related or other factors, such as interest rates. Declines in the fair value of securities below their cost that are deemed in accordance with GAAP to be other than temporary are recorded in earnings as realized losses.

SFAS No. 156, "Accounting for Servicing of Financial Assets-an Amendment to FASB Statement No. 140" requires mortgage servicing rights associated with loans originated and sold, where servicing is retained, to be initially capitalized at fair value and subsequently accounted for using the "fair value method" or the "amortization method". Capitalized mortgage servicing rights are included in other assets in the consolidated balance sheet. Mortgage servicing rights are amortized into non-interest income in proportion to, and over the period of, estimated future net servicing income of the underlying financial assets. The value of capitalized servicing rights represents the present value of the future servicing fees arising from the right to service loans in the portfolio. The carrying value of the mortgage servicing rights is periodically reviewed for impairment based on a determination of fair value compared to amortized cost, and impairment, if any, is recognized through a valuation allowance and is recorded as amortization of other assets. Critical accounting policies for mortgage servicing rights relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of mortgage servicing rights requires the development and use of a number of estimates, including anticipated principal amortization and prepayments of that principal balance. Factors that may significantly affect the estimates used are changes in interest rates and the payment performance of the underlying loans. The Company analyzes and accounts for the value of its servicing rights with the assistance of a third party consultant.

Accounting for a business combination such as the Company's 2007 acquisition of LyndonBank, requires the application of the purchase method of accounting. Under the purchase method, the Company is required to record the net assets and liabilities acquired through an acquisition at fair value, with the excess of the purchase price over the fair value of the net assets recorded as goodwill and evaluated annually for impairment. The determination of fair value requires the use of assumptions, including discount rates, changes in which could significantly affect assigned fair values.

Management utilizes numerous techniques to estimate the carrying value of various assets held by the Company, including, but not limited to, bank premises and equipment and deferred taxes. The assumptions considered in making these estimates are based on historical experience and on various other factors that are believed by management to be reasonable under the circumstances. The use of different estimates or assumptions could produce different estimates of carrying values and those differences could be material in some circumstances.

RESULTS OF OPERATIONS

The Company's net income for the first quarter of 2009 was $683,253, representing an increase of $435,268, or 175.5% over net income of $247,985 for the first quarter of 2008. This resulted in earnings per share of $0.14 and $0.05, respectively, for the first quarters of 2009 and 2008. Core earnings (net interest income) for the first quarter of 2009 decreased $8,487 or 0.2% over the first quarter of 2008. Interest income on loans, the major component of interest income, decreased approximately $1.0 million or 14.6%, despite a $5.0 million increase in loans year over year, and interest and dividend income on investments decreased $304,974 or 32.1%. Interest expense on deposits, the major component of interest expense, decreased $940,707 or 34.9%, between periods and interest on federal funds purchased and other borrowed funds decreased $82,996 or 57.5%. All of these decreases are primarily the result of decreases in interest rates throughout 2008.

As a result of the LyndonBank merger, the Company is required to amortize the fair value adjustments of the loans and deposits against net interest income. The loan fair value adjustment was a net premium, creating a decrease in interest income of $22,631 for the first quarter of 2009 compared to $115,724 for the first quarter of 2008. The certificate of deposit fair value adjustment resulted in an increase in interest expense of $65,000 for the first quarter of 2009 compared to $273,050 for the first quarter of 2008. The amortization of the core deposit intangible amounted to an expense of $166,440 for the first quarter of 2009 compared to $208,050 for the first quarter of 2008.

In recent months the Company has experienced a heavy volume of secondary market loan activity, which has helped to boost income for the first quarter of 2009. With the exception of an increase in FDIC insurance due to the unanticipated FDIC special assessment, expenses for the first quarter of 2009 were relatively close to budget. The relatively high level of expenses during the first quarter of 2008 was a direct result of the LyndonBank merger, including costs to terminate service contracts held by the former LyndonBank, costs of outside contracts to complete the computer and network conversions, the cost of a communication booklet for the customers, and salary and wages for the personnel needed to complete the merger and the conversion of computer systems.

Return on average assets (ROA), which is net income divided by average total assets, measures how effectively a corporation uses its assets to produce earnings. Return on average equity (ROE), which is net income divided by average shareholders' equity, measures how effectively a corporation uses its equity capital to produce earnings. ROA and ROE were significantly lower in both first quarter periods of 2009 and 2008 compared to the first quarters in prior years, reflecting not only the effect of merger-related expenses, but also a significant increase in assets and equity resulting from the merger. The following table shows these ratios annualized for the comparison periods.

For the first quarter ended March 31,	2009	2008
Return on Average Assets	0.58%	.17%
Return on Average Equity	7.83%	2.50%

INTEREST INCOME LESS INTEREST EXPENSE (NET INTEREST INCOME)

Net interest income, the difference between interest income and interest expense, represents the largest portion of the Company's earnings, and is affected by the volume, mix, and rate sensitivity of earning assets and interest bearing liabilities, market interest rates and the amount of non-interest bearing funds which support earning assets. The three tables below provide a visual comparison of the consolidated figures, and are stated on a tax equivalent basis assuming a federal tax rate of 34%. The Company’s corporate tax rate is 34%, therefore, to equalize tax-free and taxable income in the comparison, we must divide the tax-free income by 66%, with the result that every tax-free dollar is equal to $1.52 in taxable income.

Tax-exempt income is derived from municipal investments, which comprise the entire held-to-maturity portfolio of $40.0 million at March 31, 2009. The Company acquired municipal investments through the merger with LyndonBank amounting to approximately $1.1 million, which were sold in January 2009 for a net loss of $12,122. Also included in the Company’s available-for-sale portfolio are two classes of Fannie Mae preferred stock acquired in the merger, which carried a 70% tax exemption on dividends received. Dividend payments on the Fannie Mae preferred stock, which amounted to $30,373 for the first quarter of 2008, ceased the last quarter of 2008 following the federal government’s action in September, 2008 placing Fannie Mae under conservatorship. Dividend payments on the Company’s holdings of Federal Home Loan Bank of Boston (FHLBB) stock, which amounted to $50,190 for the first quarter of 2008, ceased during the last quarter of 2008. Payment of dividends on the Fannie Mae and FHLBB stock is unlikely to resume during 2009.

The following table shows the reconciliation between reported net interest income and tax equivalent, net interest income for the three month comparison periods of 2009 and 2008:

For the three months ended March 31,	2009	2008
Net interest income as presented	$ 3,961,963	$ 3,970,450
Effect of tax-exempt income	167,214	203,568
Net interest income, tax equivalent	$ 4,129,177	$ 4,174,018

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AVERAGE BALANCES AND INTEREST RATES

The table below presents average earning assets and average interest-bearing liabilities supporting earning assets. Interest income (excluding interest on non-accrual loans) and interest expense are both expressed on a tax equivalent basis, both in dollars and as a rate/yield for the 2009 and 2008 comparison periods. Loans are stated before deduction of non-accrual loans, unearned discount and allowance for loan losses.

AVERAGE BALANCES AND INTEREST RATES

	For the Three Months Ended:					
		2009			2008	
	Average Balance	Income/ Expense	Rate/ Yield	Average Balance	Income/ Expense	Rate/ Yield
EARNING ASSETS						
Loans (1)	$ 367,427,373	$ 5,448,273	6.01%	$ 356,296,534	$ 6,127,296	6.92%
Taxable Investment Securities	27,636,654	305,003	4.48%	40,640,048	495,453	4.90%
Tax Exempt Investment Securities	39,117,504	491,374	5.09%	41,801,655	598,729	5.76%
Federal Funds Sold and Interest Earning Deposit Accounts	232,714	9	0.02%	3,977,863	58,518	5.92%
FHLBB Stock	3,318,700	0	0.00%	3,318,700	50,190	6.08%
Other Investments	975,150	16,137	6.71%	525,150	9,470	7.25%
TOTAL	$ 438,708,095	$ 6,260,796	5.79%	$ 446,559,950	$ 7,339,656	6.61%
INTEREST BEARING LIABILITIES & EQUITY						
NOW & Money Market Funds	$ 125,313,270	$ 374,590	1.21%	$ 119,486,783	$ 699,169	2.35%
Savings Deposits	51,095,067	38,500	0.31%	48,737,146	51,493	0.42%
Time Deposits	172,922,618	1,344,458	3.15%	183,071,611	1,947,592	4.28%
Fed Funds Purchased and Other Borrowed Funds	14,120,078	42,959	1.23%	11,100,352	125,307	4.54%
Repurchase Agreements	19,396,523	69,146	1.45%	17,491,623	77,378	1.78%
Capital Lease Obligations	908,940	18,402	8.21%	939,237	19,051	8.16%
Junior Subordinated Debentures	12,887,000	243,564	7.66%	12,887,000	245,648	7.67%
TOTAL	$ 396,643,496	$ 2,131,619	2.18%	$ 393,713,752	$ 3,165,638	3.23%
Net Interest Income		$ 4,129,177			$ 4,174,018	
Net Interest Spread(2)			3.61%			3.38%
Interest Margin(3)			3.82%			3.76%

(1) Included in gross loans are non-accrual loans with an average balance of $2,251,281 and $669,038 for the three months ended 2009 and 2008, respectively.
(2) Net interest Spread is the difference between the yield on earning assets and the rate paid on interest-bearing liabilities.
(3) Interest margin is net interest income divided by average earning assets.

The average volume of earning assets for the first three months of 2009 decreased $7.9 million, or 1.8% compared to the same period of 2008, and the average yield decreased 82 basis points. The average volume of loans increased $11.1 million or 3.1%, while the average volume of the investment portfolio decreased $15.7 million between periods. The increase in loans is attributable to an increase in loan activity while the decrease in investments is due in part to maturities within the Company’s available-for-sale portfolio which were used to fund loan growth, and to the effect of post-merger deposit runoff. The Company sold approximately $3 million from its available-for-sale portfolio during the first quarter of 2009, accounting for a portion of the decrease in the investment portfolio. As mentioned above, the Company acquired two classes of Fannie Mae preferred stock in the 2007 LyndonBank merger, which is included in its available-for-sale portfolio. The fair value of these securities was originally booked at $1.5 million, however, during 2008 the Company obtained a fair value analysis from an independent consultant and made a fair value adjustment amounting to $656,347. Later in 2008, when Fannie Mae was placed under conservatorship, the Company determined that the stock was further impaired, resulting in a write down of $739,332 through the consolidated statement of income. These two adjustments are contributing factors to the decrease in investments between periods. Interest earned on the loan portfolio comprised approximately 87.0% of total interest income for the first three months of 2009 and 83.5% for the 2008 comparison period. Interest earned on tax exempt investments (which is presented on a tax equivalent basis) comprised 7.9% of total interest income for the first three months of 2009 compared to 8.2% for the same period in 2008. Dividend payments on the Fannie Mae preferred stock, which amounted to $30,373 for the first three months of 2008, ceased the last quarter of 2008 following the federal government's action in September, 2008 placing Fannie Mae under conservatorship. Payment of dividends on this stock is unlikely to resume during 2009. Additionally, dividend payments on the Company's FHLBB stock ceased during the last quarter of 2008, and future dividend payments are unlikely for 2009.

In comparison, the average volume of interest bearing liabilities for the first three months of 2009 increased $2.9 million or 0.74% over the 2008 comparison period, while the average rate paid on these accounts decreased 105 basis points. The average volume of time deposits decreased $10.1 million, or 5.5%, and the interest paid on time deposits, which comprised 63.1% and 61.5%, respectively, of total interest expense for the 2009 and 2008 comparison periods, decreased $603,134, or 31.0%. Competition for time deposits was more aggressive during the first quarter of 2009, which when coupled with runoff of LyndonBank time deposits, accounted for the decrease in these liabilities. NOW and money market funds increased $5.8 million or 4.9%, and the interest paid on these funds comprised 17.6% and 22.1%, respectively, of the total interest expense for the three months of 2009 and 2008.

The cumulative result of all these changes was an increase of 23 basis points in the net interest spread and an increase of six basis points in the interest margin. The decrease and change in the mix of the balance sheet helped to maintain the net interest spread and interest margin in spite of a decrease in net interest income. In a falling rate environment, net interest income trends downward as asset yields are replacing into the lower rate environment at a faster pace than the rates on the interest bearing liabilities, or the funding costs. If the low rate environment is prolonged, the funding costs begin to stabilize, while the assets continue to reprice or be replaced into the lower rate environment, which results in a downward trending net interest income.

CHANGES IN INTEREST INCOME AND INTEREST EXPENSE

The following table summarizes the variances in interest income and interest expense on a fully tax-equivalent basis for the first three months of 2009 and 2008 resulting from volume changes in average assets and average liabilities and fluctuations in rates earned and paid.

RATE / VOLUME	Variance Due to Rate(1)	Variance Due to Volume(1)	Total Variance
INCOME EARNING ASSETS			
Loans (2)	(870,534)	191,511	(679,023)
Taxable Investment Securities	(46,807)	(143,643)	(190,450)
Tax Exempt Investment Securities	(73,667)	(33,688)	(107,355)
Federal Funds Sold and Interest Earning Deposit Accounts	(58,324)	(185)	(58,509)
FHLBB Stock	(50,190)	0	(50,190)
Other Investments	(1,446)	8,113	6,667
Total Interest Earnings	(1,100,968)	22,108	(1,078,860)
INTEREST BEARING LIABILITIES			
NOW & Money Market Funds	(324,579)	0	(324,579)
Savings Deposits	(47,037)	34,044	(12,993)
Time Deposits	(605,596)	2,462	(603,134)
Fed Funds Purchased and Other Borrowed Funds	(3,520)	(78,828)	(82,348)
Repurchase Agreements	(42,319)	34,087	(8,232)
Capital Lease Obligations	(9,079)	8,430	(649)
Junior Subordinated Debentures	(1,471)	(613)	(2,084)
Total Interest Expense	(1,033,601)	(418)	(1,034,019)
Changes in Net Interest Income	(67,367)	22,526	(44,841)

(1) Items which have shown a year-to-year increase in volume have variances allocated as follows:
Variance due to rate = Change in rate x new volume
Variance due to volume = Change in volume x old rate

Items which have shown a year-to-year decrease in volume have variances allocated as follows:
Variance due to rate = Change in rate x old volume
Variances due to volume = Change in volume x new rate

(2) Loans are stated before deduction of unearned discount and allowances for loan losses. The principal balances of non-accrual loans is included in calculations of the yield on loans, while the interest on these non-performing assets is excluded.

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NON-INTEREST INCOME AND NON-INTEREST EXPENSE

Non-interest income increased $255,782 or 28.6% for the first quarter of 2009 compared to the first quarter of 2008, from $895,774 to $1.2 million. During the first quarter of 2009, the Company experienced a heavy volume of loan activity, primarily residential loans sold to the secondary market. The volume of loans sold during the first quarter of 2009 amounted to $25.9 million and the income generated from the sale of these loans amounted to $340,424, compared to last years first quarter totals of $6.7 million in volume and $80,912 in loan sale proceeds. Prior to the conversion of the computer systems of the Company and the acquired LyndonBank, overdraft charges were calculated using different methods for each system resulting in higher fees on former LyndonBank deposit accounts during the first quarter of 2008, accounting for most of the decrease of $31,847 in service fees for the first quarter of 2009 compared to the same quarter in 2008.

Non-interest expense decreased $285,059 or 6.0% to $4.5 million, for the first quarter of 2009 compared to $4.8 million for the 2008 comparison period. Salaries and wages decreased $255,064 or 15.5% for the first quarter of 2009 compared to the same period in 2008. During the first quarter of 2008, additional personnel hours were needed before and after the post-merger computer systems conversion, resulting in higher wages and employee benefits for that quarter compared to the first quarter of 2009. As a result of the proposed FDIC special assessment, the Company booked an additional accrual during the first quarter of 2009 of approximately $133,000. This special assessment is in addition to the regular assessments paid by the Company which also increased compared to last year, making the total FDIC expense for the first quarter of 2009 $273,832 compared to $33,986 for the first quarter of 2008. The amortization of the core deposit intangible decreased $41,610 or 20.0% to $166,440 for the first quarter of 2009 compared to $208,050 for the same quarter of 2008.

Management monitors all components of other non-interest expenses; however, a quarterly review is performed to assure that the accruals for these expenses are accurate. This helps alleviate the need to make significant adjustments to these accounts that in turn affect the net income of the Company.

APPLICABLE INCOME TAXES

The provision for income taxes increased $34,584 or 15.1% for the first quarter of 2009 compared to the same quarter of 2008. The Company recorded a tax benefit for the first quarter of 2008 of $229,430 compared to a tax benefit of $194,846 for the same quarter of 2009. The Company receives tax credits for its investments in various low income housing partnerships which help to reduce taxes payable. Periodically, the Company has the opportunity to participate in a low income housing project that offers one-time “Historic Tax Credits”. In 2008, the Company was given this opportunity through a local project, with historic tax credit for 2009 amounting to $535,000, or $133,750 quarterly. Total tax credits, including the historic tax credit recorded for the first quarter of 2009 amounted to $251,688, compared to $100,695 for the first quarter of 2008.

CHANGES IN FINANCIAL CONDITION

The following table reflects the composition of the Company's major categories of assets and liabilities as a percent of total assets or liabilities and shareholders’ equity, as the case may be, as of the dates indicated:

ASSETS	March 31, 2009		December 31, 2008		March 31, 2008	
Loans (gross)*	$ 363,616,299	74.88%	$ 365,993,527	75.03%	$ 358,762,442	72.47%
Available for Sale Securities	29,940,628	6.17%	29,449,424	6.04%	38,366,253	7.75%
Held to Maturity Securities	40,091,646	8.26%	37,288,357	7.64%	44,211,914	8.93%
*includes loans held for sale						

LIABILITIES						
Time Deposits	$ 169,985,247	35.01%	$ 175,338,328	35.94%	$ 179,552,333	36.27%
Savings Deposits	54,048,600	11.13%	49,266,879	10.10%	50,165,818	10.13%
Demand Deposits	49,322,103	10.16%	50,134,874	10.28%	48,820,207	9.86%
NOW & Money Market Funds	120,669,051	24.85%	127,500,699	26.14%	131,991,064	26.66%

The Company's loan portfolio decreased $2.4 million, or 0.7% from December 31, 2008 to March 31, 2009, but increased $4.9 million, or 1.4%, from March 31, 2008 to March 31, 2009. The decrease in mortgage interest rates during the last quarter of 2008 triggered an increase in new loan activity, with an even larger increase in refinancing activity, especially in the residential loan portfolio. A major portion of these loans were then sold to the secondary market and are therefore not reflected in period-end loans. Available-for-sale investments decreased $8.4 million or 22.0% through maturities, calls and sales from the first quarter of 2008 through the end of the first quarter of 2009. While most of the maturities and calls during 2008 were used to fund loan growth and pay down borrowings during the year, the Company reinvested the sales in 2009 with US Government Agencies. Held-to-maturity securities increased $2.8 million or 7.5% during the first quarter of 2009, but decreased $4.1 million or 9.3% year to year.

Time deposits decreased $5.4 million or just over 3.0% for the first quarter of 2009, and $9.6 million or 5.3% year to year. Competitive interest rate programs at other financial institutions accounted for a portion of the decrease, together with runoff of LyndonBank accounts from year to year. Savings deposits increased $4.8 million or 9.7% during the first quarter of 2009 and $3.9 million or 7.7% year to year. Demand deposits remained fairly constant with a decrease $812,771 or 1.6% for the first quarter of 2009, compared to an increase of $501,896 or just over 1.0% year to year. NOW and money market funds reported decreases in both comparison periods, with a total decrease of $6.8 million or 5.4% for the first quarter of 2009, and $11.3 million or 8.6% year to year. The Company anticipated a post-merger runoff of 3% in non maturing deposits during the first quarter; actual runoff of these deposits year to year was closer to 8.5%. The Company's municipal accounts, which are primarily a component of NOW and money market funds, decreased during the period, accounting for a portion of the decrease.

RISK MANAGEMENT

Interest Rate Risk and Asset and Liability Management - Management actively monitors and manages its interest rate risk exposure and attempts to structure the balance sheet to maximize net interest income while controlling its exposure to interest rate risk. The Company's Asset/Liability Management Committee (ALCO) is made up of the Executive Officers and all the Vice Presidents of the Bank. The ALCO formulates strategies to manage interest rate risk by evaluating the impact on earnings and capital of such factors as current interest rate forecasts and economic indicators, potential changes in such forecasts and indicators, liquidity, and various business strategies. The ALCO meets monthly to review financial statements, liquidity levels, yields and spreads to better understand, measure, monitor and control the Company's interest rate risk. In the ALCO process, the committee members apply policy limits set forth in the Asset Liability, Liquidity and Investment policies approved by the Company's Board of Directors. The ALCO's methods for evaluating interest rate risk include an analysis of the effects of interest rate changes on net interest income and an analysis of the Company's interest rate sensitivity "gap", which provides a static analysis of the maturity and repricing characteristics of the entire balance sheet

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with the Company's financial instruments also change, thereby impacting net interest income (NII), the primary component of the Company's earnings. Fluctuations in interest rates can also have an impact on liquidity. The ALCO uses an outside consultant to perform rate shock simulations to the Company's net interest income, as well as a variety of other analyses. It is the ALCO's function to provide the assumptions used in the modeling process. The ALCO utilizes the results of this simulation model to quantify the estimated exposure of NII and liquidity to sustained interest rate changes. The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all interest-earning assets and interest-bearing liabilities reflected on the Company's balance sheet. Furthermore, the model simulates the balance sheet's sensitivity to a prolonged flat rate environment. All rate scenarios are simulated assuming a parallel shift of the yield curve; however further simulations are performed utilizing a flattening yield curve as well. This sensitivity analysis is compared to the ALCO policy limits which specify a maximum tolerance level for NII exposure over a 1-year horizon, assuming no balance sheet growth, given a 200 basis point (bp) shift upward and a 100 bp shift downward in interest rates. The analysis also provides a summary of the Company's liquidity position. Furthermore, the analysis provides testing of the assumptions used in previous simulation models by comparing the projected NII with actual NII. The asset/liability simulation model provides management with an important tool for making sound economic decisions regarding the balance sheet.

The Company's Asset/Liability Policy has been enhanced with a contingency funding plan to help management prepare for unforeseen liquidity restrictions to include hypothetical liquidity severe crisis.

While assumptions are developed based upon current economic and local market conditions, the Company cannot provide any assurances as to the predictive nature of these assumptions, including how customer preferences or competitor influences might change. This is especially true in light of the significant market volatility in recent months.

Credit Risk - A primary concern of management is to reduce the exposure to credit loss within the loan portfolio. Management follows established underwriting guidelines, and any exceptions to the policy must be approved in accordance with limits prescribed by the Board of Directors. The adequacy of the loan loss coverage is reviewed quarterly by the risk management committee of the Board of Directors. This committee meets to discuss, among other matters, potential exposures, historical loss experience, and overall economic conditions. Existing or potential problems are noted and addressed by senior management in order to assess the risk of probable loss or delinquency. A variety of loans are reviewed periodically by an independent firm in order to assure accuracy of the Company's internal risk ratings and compliance with various internal policies and procedures, as well as those set by the regulatory authorities. The Company also has a Credit Administration department whose function includes credit analysis and monitoring and reporting on the status of the loan portfolio including delinquent and non-performing loans. Credit risk may also arise from geographic concentration of loans. While the Company's loan portfolio is derived primarily from its primary market area in northern Vermont, geographic concentration is partially mitigated by the continued growth of the Company's loan portfolio in central Vermont, and through the year-end 2007 LyndonBank acquisition, which increased the level of loans particularly in Caledonia County, and to a lesser extent in

Lamoille and Franklin Counties. The Company also monitors concentrations of credit to individual borrowers, to various industries, and to owner and non-owner occupied commercial real estate.

The following table reflects the composition of the Company's loan portfolio as of the dates indicated:

	31-Mar-09		31-Dec-08	
	Total Loans	% of Total	Total Loans	% of Total
Real Estate Loans				
Construction & Land Development	14,907,954	4.10%	15,203,826	4.15%
Secured by Farm Land	8,473,651	2.33%	8,533,463	2.33%
1-4 Family Residential	210,329,525	57.84%	213,279,198	58.27%
Commercial Real Estate	90,529,685	24.90%	88,546,545	24.19%
Loans to Finance Agricultural Production	840,937	0.23%	884,307	0.24%
Commercial & Industrial Loans	23,639,434	6.50%	23,306,485	6.37%
Consumer Loans	14,707,067	4.05%	15,922,237	4.36%
All other loans	188,046	0.05%	317,466	0.09%
Total Gross Loans	363,616,299	100.00%	365,993,527	100.00%
Reserve for loan losses	(3,311,554)	-0.91%	(3,232,932)	-0.88%
Unearned loan fees	(260,199)	-0.07%	(301,004)	-0.08%
Net Loans	360,044,546	99.02%	362,459,591	99.04%

Allowance for loan losses and provisions - The Company continues to maintain an allowance for loan losses at a level that management believes is appropriate to absorb losses inherent in the loan portfolio (See “Critical Accounting Policies”). As of March 31, 2009, the Company maintained a residential loan portfolio of $210.3 million compared to $213.3 million as of December 31, 2008 and a commercial real estate portfolio (including construction, land development and farm land loans) of $113.9 million as of March 31, 2009 and $112.3 million as of December 31, 2008, together accounting for approximately 89% of the total loan portfolio for each period. The Company's commercial loan portfolio includes loans that carry guarantees from government programs. At March 31, 2009, the Company had $15.2 million in guaranteed loans, compared to $15.9 million at December 31, 2008. In addition, residential mortgage loans make up the largest part of the overall loan portfolio, have the lowest historical loss ratio and are generally covered by private mortgage insurance, helping to alleviate the overall risk in the loan portfolio. The loan portfolio composition and relative volumes, together with the low historical loan loss experience in these portfolios, are factors considered by management in its analysis of appropriate loan loss coverage. The Company is committed to a conservative lending philosophy and maintains high credit and underwriting standards, further mitigating risk in the portfolio.

The following table summarizes the Company's loan loss experience for the three months ended March 31,

	2009	2008
Loans Outstanding End of Period	$ 363,616,299	$ 358,762,442
Average Loans Outstanding During Period	$ 367,427,373	$ 356,296,534
Loan Loss Reserve, Beginning of Period	$ 3,232,932	$ 3,026,049
Loans Charged Off:		
Residential Real Estate	0	0
Commercial Real Estate	0	106,383
Commercial Loans not Secured by Real Estate	14,747	7,044
Consumer Loans	43,379	30,169
Total Loans Charged Off	58,126	143,596
Recoveries:		
Residential Real Estate	0	482
Commercial Real Estate	1,085	178
Commercial Loans not Secured by Real Estate	3,512	7,952
Consumer Loans	7,150	16,283
Total Recoveries	11,747	24,895
Net Loans Charged Off	46,379	118,701
Provision Charged to Income	125,001	62,499
Loan Loss Reserve, End of Period	$ 3,311,554	$ 2,969,847
Net Charge Offs to Average Loans Outstanding	0.013%	0.033%
Loan Loss Reserve to Average Loans Outstanding	0.901%	0.834%

Non-performing assets for the comparison periods were as follows:

	March 31, 2009		December 31, 2008	
	Balance	Percent of Total	Balance	Percent of Total
Non-Accruing loans	$ 2,408,386	80.95%	$ 2,118,597	89.56%
Loans past due 90 days or more and still accruing	566,884	19.05%	246,903	10.44%
Total	$ 2,975,270	100.00%	$ 2,365,500	100.00%

Specific allocations are made in the allowance for loan losses in situations management believes may represent a greater risk for loss. A portion of the allowance is determined based on historical charge-offs, adjusted for qualitative risk factors. A quarterly review of various qualitative factors, including levels of, and trends in, delinquencies and non-performing loans, concentrations of credit, and national and local economic trends and conditions, helps to ensure that areas with potential risk are noted and reserve coverage is increased or decreased to reflect those identified trends. In addition, a portion of the allowance (termed "unallocated") is established to absorb inherent losses that exist as of the valuation date although not specifically identified through management's objective processes for estimating credit losses. While the allowance is described as consisting of separate allocated portions, the entire allowance is available to support loan losses, regardless of category.

The Company has experienced an increase in collection activity on loans 30 to 60 days past due during the first quarter of 2009. The Company works actively with customers early in the delinquency process to help them to avoid default or foreclosure. The Company’s non-accruing loan portfolio increased $289,789 or 13.7% to $2.4 million at March 31, 2009 through the addition of a single residential mortgage loan, but approximately $2.3 million or 96% are secured by real estate, thereby reducing the exposure to loss. Loans 90 days or more past due increased $319,981 to $566,884 at March 31, 2009, of which $506,270 or 89.3% are secured by real estate. Management reports increasing trends in the levels of non-performing loans and criticized and classified assets. Given these trends and the current recession, management increased the provision for loan losses to $125,001 for the first quarter of 2009, compared to $62,499 for the same period in 2008 and believes this is directionally consistent with the risk in the loan portfolio.

Market Risk - In addition to credit risk in the Company’s loan portfolio and liquidity risk, the Company’s business activities also generate market risk. Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Declining capital markets can result in fair value adjustments necessary to record decreases in the value of the investment portfolio for other-than-temporary-impairment. The Company does not have any market risk sensitive instruments acquired for trading purposes. The Company’s market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. During times of recessionary periods, a declining housing market can result in an increase in loan loss reserves or ultimately an increase in foreclosures. Interest rate risk is directly related to the different maturities and repricing characteristics of interest-bearing assets and liabilities, as well as to loan prepayment risks, early withdrawal of time deposits, and the fact that the speed and magnitude of responses to interest rate changes vary by product. The recent deterioration of the economy and disruption in the financial markets may heighten the Company’s market risk. The Company actively monitors and manages its interest rate risk through the ALCO process.

During the first quarter of 2009, the continued low interest rate environment adversely affected the value of the Company’s mortgage servicing rights portfolio. Although strong residential mortgage loan activity in recent months resulted in significant additions to the loan servicing portfolio during the first quarter of 2009, the Company recorded a valuation adjustment for impairment of the portfolio during the quarter in the amount of $157,876. At March 31, 2009 the net carrying value of the Company’s mortgage servicing rights portfolio was $966,267, compared to $960,110 at year end 2008.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit (including commercial and construction lines of credit), standby letters of credit and risk-sharing commitments on certain sold loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. During the first three months of 2009, the Company did not engage in any activity that created any additional types of off-balance-sheet risk.

The Company generally requires collateral or other security to support financial instruments with credit risk. The Company's financial instruments or commitments whose contract amount represents credit risk as of March 31, 2009 were as follows:

	Contract or Notional Amount
Unused portions of home equity lines of credit	15,016,438
Other commitments to extend credit	25,043,091
Residential and commercial construction lines of credit	3,865,900
Standby letters of credit and commercial letters of credit	348,178
Recourse on sale of credit card portfolio	940,900
MPF credit enhancement obligation, net of liability recorded	1,437,570

Since some commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The recourse provision under the terms of the sale of the Company's credit card portfolio in 2007 is based on total lines, not balances outstanding. Based on historical losses, the Company does not expect any significant losses from this commitment.

LIQUIDITY AND CAPITAL RESOURCES

Managing liquidity risk is essential to maintaining both depositor confidence and stability in earnings. Liquidity management refers to the ability of the Company to adequately cover fluctuations in assets and liabilities. Meeting loan demand (assets) and covering the withdrawal of deposit funds (liabilities) are two key components of the liquidity management process. The Company's principal sources of funds are deposits, amortization and prepayment of loans and securities, maturities of investment securities, sales of loans available for sale, and earnings and funds provided from operations. Maintaining a relatively stable funding base, which is achieved by diversifying funding sources, competitively pricing deposit products, and extending the contractual maturity of liabilities, reduces the Company's exposure to roll over risk on deposits and limits reliance on volatile short-term borrowed funds. Short-term funding needs arise from declines in deposits or other funding sources and funding of loan commitments. The Company's strategy is to fund assets to the maximum extent possible with core deposits that provide a sizable source of relatively stable and low-cost funds. When funding needs, including loan demand, out pace deposit growth, it is necessary for the Company to use alternative funding sources, such as investment portfolio maturities, short-term borrowings and outside deposit funding such as CDARS deposits (described below), to meet these funding needs.

In order to attract deposits, the Company has taken the approach of offering deposit specials at competitive rates, in varying terms that fit within the balance sheet mix. The strategy of offering specials is meant to provide a means to retain deposits while not having to reprice the entire deposit portfolio. The Company recognizes that with increasing competition for deposits, it may at times be desirable to utilize alternative sources of deposit funding to augment retail deposits and borrowings. As of March 31, 2009, the Company had approximately \$10.0 million in deposits placed in the Certificate of Deposit Account Registry Service (CDARS) of Promontory Interfinancial Network account, which allows the Company to provide FDIC deposit insurance in excess of account coverage limits by exchanging deposits with other CDARS members. The Company may also purchase deposits from other CDARS members. Such deposits are generally considered a form of brokered deposits. Of the \$10.0 million in CDARS deposits at March 31, 2009, \$4.7 million represented exchanged deposits with other CDAR's participating banks.

During the first three months of 2009, the Company's available-for-sale investment portfolio increased \$491,204 or 1.7% and the held-to-maturity investment portfolio increased \$2.8 million or 7.5%, while the loan portfolio decreased \$2.4 million or 0.7%. On the liability side, savings deposits increased \$4.8 million or 9.7%, while NOW and money market accounts decreased \$6.8 million or 5.4% and time deposits decreased \$5.4 million or 3.1%. Demand for residential mortgages was heavy, but most of these loans were sold to the secondary market. The volume in our Municipal deposit accounts has decreased \$8.6 million or 17.6% accounting for a portion of the decrease in deposits. Aggressive pricing from other financial institutions for time deposits was also a factor in the decrease in deposits.

As a member of the Federal Home Loan Bank of Boston (FHLBB), the Company has access to pre-approved lines of credit. The Company had a \$500,000 unsecured Federal Funds line with an available balance of the same at March 31, 2009. Interest is chargeable at a rate determined daily, approximately 25 basis points higher than the rate paid on federal funds sold. Additional borrowing capacity of approximately \$91.1 million, less outstanding advances, through the FHLBB is secured by the Company's qualifying loan portfolio.

To cover seasonal decreases in deposits primarily associated with municipal accounts, the Company typically borrows short-term advances from the FHLBB and pays the advances down as the municipal deposits flow back into the bank during the third and fourth quarter. Given the current Federal Funds rate in January 2009, the Company extended a portion of its overnight funding into \$10 million in long-term advances scheduled to mature within two years, with the remainder falling into overnight funding at this time. At the end of the first quarter of 2009, the Company had outstanding advances of \$16.8 million consisting of the following:

Purchase Date	Annual Rate	Maturity Date	Principal Balance

Long-term Advance			
January 30, 2009	2.13%	January 31, 2011	$ 10,000,000
November 16, 1992	7.67%	November 16, 2012	10,000
Total Long-term Advances			$ 10,010,000
Overnight Funds Purchased (FHLBB)	.3125%	April 1, 2009	$ 6,740,000

Under a separate agreement with FHLBB, the Company has the authority to collateralize public unit deposits, up to its FHLBB borrowing capacity ($91.1 million less outstanding advances noted above) with letters of credit issued by the FHLBB. At March 31, 2009 approximately $16.3 million of eligible collateral was pledged as collateral to the FHLBB to secure the Company's obligations relating to these letters of credit.

Other alternative sources of funding come from unsecured Federal Funds lines with two unaffiliated correspondent banks that total $7.0 million. There were no balances outstanding on either line at March 31, 2009.

The following table illustrates the changes in shareholders' equity from December 31, 2008 to March 31, 2009:

Balance at December 31, 2008 (book value $7.33 per share)	$ 35,272,892
Net income	683,253
Issuance of stock through the Dividend Reinvestment Plan	(11,302)
Purchase of treasury stock	0
Dividends declared on common stock*	0
Dividends declared on preferred stock	(46,875)
Unrealized holding gain arising during the period on available-for-sale securities, net of tax	(115,010)
Balance at March 31, 2009 (book value $7.44 per share)	$ 35,782,958

On April 3, 2009, the Company declared a cash dividend of $0.12 on common stock payable on May 1, 2009, to shareholders of record as of April 15, 2009.

The primary source of funds for the Company's payment of dividends to its shareholders is dividends paid to the Company by the Bank. The Bank, as a national bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency ("OCC"). Under such restrictions, the Bank may not, without the prior approval of the OCC, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and a so-called leverage ratio of Tier 1 capital (as defined) to average assets (as defined). Under current guidelines, banks must maintain a risk-based capital ratio of 8.0%, of which at least 4.0% must be in the form of core capital (as defined).

Regulators have also established minimum capital ratio guidelines for FDIC-insured banks under the prompt corrective action provisions of the Federal Deposit Insurance Act, as amended. These minimums are a total risk-based capital ratio of 10.0%, a Tier I risk-based capital ratio of 6%, and a leverage ratio of 5%. As of March 31, 2009, the Company’s Subsidiary was deemed well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that time that management believes have changed the Subsidiary's classification.

The risk based ratios of the Company and its subsidiary as of March 31, 2009 and December 31, 2008 exceeded regulatory guidelines and are presented in the table below.

	Actual		Minimum For Capital Adequacy Purposes:		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of March 31, 2009:						
Total capital (to risk-weighted assets)						
Consolidated	$37,703	11.37%	$26,525	8.00%	N/A	N/A
Bank	$37,305	11.27%	$26,485	8.00%	$33,106	10.00%
Tier I capital (to risk-weighted assets)						
Consolidated	$34,391	10.37%	$13,262	4.00%	N/A	N/A
Bank	$33,993	10.27%	$13,242	4.00%	$19,863	6.00%
Tier I capital (to average assets)						
Consolidated	$34,391	7.26%	$18,938	4.00%	N/A	N/A
Bank	$33,993	7.19%	$18,908	4.00%	$23,636	5.00%
As of December 31, 2008:						
Total capital (to risk-weighted assets)						
Consolidated	$36,765	11.04%	$26,639	8.00%	N/A	N/A
Bank	$37,355	11.25%	$26,571	8.00%	$33,214	10.00%
Tier I capital (to risk-weighted assets)						
Consolidated	$33,532	10.07%	$13,319	4.00%	N/A	N/A
Bank	$34,122	10.27%	$13,285	4.00%	$19,928	6.00%
Tier I capital (to average assets)						
Consolidated	$33,532	7.08%	$18,948	4.00%	N/A	N/A
Bank	$34,122	7.22%	$18,917	4.00%	$23,569	5.00%

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The Company intends to maintain a capital resource position in excess of the minimums shown above. Consistent with that policy, management will continue to anticipate the Company's future capital needs.

From time to time the Company may make contributions to the capital of Community National Bank. At present, regulatory authorities have made no demand on the Company to make additional capital contributions.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's management of the credit, liquidity and market risk inherent in its business operations is discussed in Part 1, Item 2 of this report under the caption "RISK MANAGEMENT", which is incorporated herein by reference. Management does not believe that there have been any material changes in the nature or categories of the Company's risk exposures from those disclosed in the Company's 2008 annual report on form 10-K/A.

ITEM 4T. Controls and Procedures

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). As of March 31, 2009, an evaluation was performed under the supervision and with the participation of management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, management concluded that its disclosure controls and procedures as of March 31, 2009 were effective in ensuring that material information required to be disclosed in the reports it files with the Commission under the Exchange Act was recorded, processed, summarized, and reported on a timely basis.

For this purpose, the term "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company's subsidiary, Community National Bank, as successor by merger to LyndonBank, was a party to a contract dispute with a service provider involving disputed charges of approximately $72,000. On December 31, 2008, the Company accrued a contingent liability of $50,000 for this matter. The dispute was settled in April 2009 for $50,000, resulting in no further loss to the Company.

In addition to the foregoing matter, in the normal course of business the Company and its subsidiary are involved in litigation that is considered incidental to their business. Management does not expect that any such litigation will be material to the Company's consolidated financial condition or results of operations.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information as to purchases of the Company's common stock during the first quarter ended March 31, 2009, by the Company and by any affiliated purchaser (as defined in SEC Rule 10b-18):

	Maximum Number of Shares

For the period:	Total Number Of Shares Purchased(1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	That May Yet Be Purchased Under the Plan at the End of the Period
January 1 – January 31	695	$ 9.50	N/A	N/A
February 1 – February 28	0	$ 0	N/A	N/A
March 1 - March 31	12,000	$ 9.00	N/A	N/A
Total	12,695	$ 9.03	N/A	N/A

(1) All 12,695 shares were purchased for the account of participants invested in the Company Stock Fund under the Company's Retirement Savings Plan by or on behalf of the Plan Trustee, the Human Resources Committee of Community National Bank. Such share purchases were facilitated through Community Financial Services Group, LLC ("CFSG"), which provides certain investment advisory services to the Plan. Both the Plan Trustee and CFSG may be considered affiliates of the Company under Rule 10b-18. All purchases by the Plan were made in the open market in brokerage transactions and reported on the OTC Bulletin Board©.

(2) Shares purchased during the period do not include fractional shares repurchased from time to time in connection with the participant's election to discontinue participation in the Company's Dividend Reinvestment Plan.

ITEM 6. Exhibits

The following exhibits are filed with this report:
Exhibit 31.1 - Certification from the Chief Executive Officer of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2 - Certification from the Chief Financial Officer of the Company pursuant to section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1 - Certification from the Chief Executive Officer of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002*
Exhibit 32.2 - Certification from the Chief Financial Officer of the Company pursuant to 18 U.S.C., Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002*

*This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Act of 1934.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMUNITY BANCORP.

DATED: May 13, 2009	/s/ Stephen P. Marsh Stephen P. Marsh, President & Chief Executive Officer
DATED: May 13, 2009	/s/ Louise M. Bonvechio Louise M. Bonvechio, Vice President & Chief Financial Officer