

Grant date fair value of shares	\$ 238.28	\$ 325.06	\$ 418.68
Expected term (in years)	4.2	4.2	4.0
Expected volatility	41%	29%	28%
Risk-free interest rate	0.8%	1.3%	1.3%
Expected dividend yield	—%	—%	—%

In addition to the above assumptions, we also estimate a forfeiture rate to calculate stock-based compensation expense, which is based on an analysis of our historical forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on our actual forfeiture experience, analysis of employee turnover and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the forfeiture rate is recognized in the period in which the estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made resulting in a decrease to the stock-based compensation expense recognized in our combined financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made resulting in an increase to the stock-based compensation expense recognized in our combined financial statements.

We will continue to use judgment in evaluating the assumptions related to our stock-based awards on a prospective basis. As we continue to accumulate additional data related to our awards, we may have refinements to our estimates and forfeiture rates, which could materially impact our future stock-based compensation expense.

Based on the Black-Scholes assumptions in the table above, the weighted average fair value of stock options granted during the years ended December 31, 2013 and 2014 and for the nine months ended September 30, 2015, are \$79.57, \$83.24 and \$102.28, respectively.

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**Stock option grants and common stock valuations**

We granted stock options with the following exercise prices between January 1, 2014 and September 30, 2015<sup>(1)</sup>:

Grant date	Number of awards granted (#)	Exercise price (\$)	Grant date fair value per unit (\$)
January 20, 2014	144,534	\$ 319.76	\$ 319.76
February 11, 2014	163,375	\$ 319.76	\$ 319.76
April 22, 2014	500	\$ 319.76	\$ 319.76
May 27, 2014	1,000	\$ 319.76	\$ 319.76
June 9, 2014	300	\$ 319.76	\$ 319.76
July 7, 2014	5,000	\$ 319.76	\$ 319.76
August 11, 2014	11,300	\$ 319.76	\$ 319.76
October 6, 2014	25,100	\$ 393.90	\$ 393.90
February 11, 2015	345,150	\$ 403.78	\$ 403.78
June 15, 2015	26,445	\$ 403.78	\$ 403.78
September 17, 2015	199,500	\$ 446.43	\$ 446.43

(1) The number of options, exercise price and fair value per share for these awards reflects information before giving effect to the adjustments to be made in connection with the recapitalization of our equity that will occur prior to the completion of this offering and the distributions to be made by us to IAC. Prior to this offering, these options were and are settleable in shares of IAC common stock having a value equal to the difference between the option exercise price and the fair market value of our common stock. Upon completion of the offering, these options will be adjusted in accordance with their terms and conditions to provide that the awards are exercisable for shares of our common stock.

We are required to estimate the fair value of our common stock when performing fair value calculations with the Black-Scholes option-pricing model. The fair values of our common stock were approved by the Compensation and Human Resources Committee of the IAC Board of Directors, or the IAC Committee, after consultation with IAC management and based on valuations prepared by IAC management and valuations prepared by an unrelated third party valuation advisory firm. The IAC Committee intended all options granted to be exercisable at a price per share not less than the per share fair value of our common stock on the grant date. In the absence of a public trading market of our shares, the IAC Committee exercised its reasonable judgment and considered numerous objective and subjective factors to determine what it believed to be the best estimate of the fair value of our shares. These factors generally included the following:

- our actual operating and financial performance;
- current business conditions and our financial projections;
- the market performance of comparable publicly-traded companies;
- recent valuations performed at periodic intervals by an unrelated third-party valuation advisory firm; and
- the U.S. capital market conditions.

Estimates and assumptions will no longer be necessary to determine the fair value of our common stock once it begins trading.

IAC management performed valuations of our company as of January 2014, February 2014, October 2014, February 2015, June 2015 and September 2015. The valuation advisory firm prepared valuations of our company as of January 1, 2014, February 1, 2015 and September 1, 2015. The dates of our valuation reports