

**PROSPECTUS**

**62,000,000 Shares**

**PayPal Holdings, Inc.**

Common Stock, par value \$ 0.0001

**PayPal Holdings, Inc.  
Employee Stock Purchase Plan**

As of September 28, 2018

PayPal Holdings, Inc., a Delaware corporation (“*PayPal*” or the “*Company*”), is offering an aggregate of 62,000,000 shares of its authorized but unissued common stock (“*Common Stock*”) to employees of PayPal and any of its participating subsidiaries or affiliates pursuant to the terms and conditions of the PayPal Holdings, Inc. Employee Stock Purchase Plan (the “*Plan*”), as described herein.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”).**

## INTRODUCTION

This document relates to shares of Common Stock offered to employees of PayPal and any of its participating subsidiaries or affiliates under the Plan. The sale of the shares of Common Stock offered under this prospectus is registered with the U.S. Securities and Exchange Commission (the “*SEC*”) on Registration Statements on Form S-8 (the “*Registration Statements*”), which were filed with the SEC on July 10, 2015 and June 14, 2018.

Additional information about the Plan and its Administrator (as defined in Question 34) may be obtained by contacting Global Stock Plan Services at PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131; telephone: 408-967-7049; email: stock@paypal.com.

## QUESTIONS AND ANSWERS ABOUT THE EMPLOYEE STOCK PURCHASE PLAN

### 1. What is the purpose of the Plan?

The Plan has been established to provide eligible employees of PayPal (or any of its participating subsidiaries and affiliates) with a convenient means of acquiring an equity interest in PayPal and to enhance these employees’ sense of participation in the affairs of PayPal.

The Plan accomplishes this purpose by permitting eligible employees to purchase shares of Common Stock from PayPal at a discount from the market price and to pay for such shares through payroll deductions or, in certain limited cases, other contributions provided for under the Plan.

The Plan includes two components:

(a) a “*423 Component*,” which generally applies to U.S. employees who are eligible to participate in the Plan and is intended to satisfy the requirements for favorable tax treatment under Section 423 of the U.S. Internal Revenue Code of 1986, as amended (the “*Code*”), and

(b) a “*Non-423 Component*,” which is not intended to satisfy the requirements for favorable tax treatment under Section 423 of the Code.

Currently, as of June 18, 2018, employees of participating affiliates in China, France, Italy, and Sweden participate in the Non-423 Component while employees of PayPal and participating subsidiaries in all other countries participate in the 423 Component.

### 2. What is the history and effective date of the Plan?

The Board of Directors of PayPal (the “*Board*”) originally adopted the Plan on June 16, 2015. The Plan was amended and restated by the Board on March 28, 2018, and was approved by the Company’s stockholders on May 23, 2018.

The Plan will continue until the earliest to occur of its termination by the Administrator or the issuance of all of the shares of Common Stock reserved for issuance under the Plan.

### **3. Who is eligible to participate?**

You are eligible to participate if:

(a) you are an employee of PayPal (or any of its participating subsidiaries or affiliates designated by the Administrator as eligible to participate in the Plan) ten (10) business days prior to an Offering Date (as defined in Question 6 below) (or on such other date determined by the Administrator);

(b) you do not, and as a result of your participation in the Plan would not, own stock or hold options for 5% or more of the outstanding stock of PayPal or one of its subsidiaries (calculated as described in Section 4(d) of the Plan); and

(c) you do not provide services to PayPal or any of its participating subsidiaries or affiliates as an independent contractor, even if you are reclassified as a common law employee.

Prior to an Offering Date, the Administrator, in its sole discretion, may determine that employees will or will not be eligible to participate in the Plan if they: (i) customarily work twenty (20) hours or less per week (or such lesser period of time as may be determined by the Administrator), or (ii) customarily work not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Administrator), subject to applicable legal requirements. In addition, in the case of the 423 Component of the Plan, employees who are citizens or residents of a non-U.S. jurisdiction may be excluded from participation in the Plan or an Offering Period if their participation is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering Period to violate Section 423 of the Code, subject to applicable legal requirements. In the case of the Non-423 Component of the Plan, the Administrator may also exclude employees from participation in the Plan or an Offering Period if the Administrator determines that the participation of such employees is not advisable or practicable, subject to applicable legal requirements.

### **4. How do I become a participant?**

To participate in an Offering Period you need to complete and submit a subscription agreement through the Company's online Plan enrollment process (or in paper form if required by the Administrator) at least five (5) business days before the next Offering Date (or such other time as authorized by the Administrator) and follow any other procedures for enrollment in the Plan as may be established by the Administrator. For example, if you reside in certain countries outside the U.S., you may be required to submit an additional authorization, agreement, or consent for payroll deductions to your local payroll representative in order to participate in the Plan. You will be able to choose the rate of your deductions, as further discussed in Questions 10 and 16.

Once you become a participant, you will automatically be enrolled in subsequent Offering Periods unless you withdraw from the Plan or become ineligible to participate. Transfers of employment between PayPal and its participating subsidiaries and affiliates may impact your

continued participation in the Plan as indicated below. In addition, there may be circumstances in which you are required to complete additional forms or procedures in order to continue participation in the Plan with respect to future Offering Periods, as determined by the Administrator.

If you transfer employment between two employers, each of which participates in the 423 Component of the Plan, your participation in the Plan will continue unless and until otherwise terminated in accordance with the Plan. Similarly, if you transfer employment between two employers, each of which participates in the Non-423 Component of the Plan, your participation in the Plan will continue unless and until otherwise terminated in accordance with the Plan. If, however, you transfer employment from an employer participating in the 423 Component of the Plan to an employer participating in the Non-423 Component of the Plan, or vice-versa, you will be deemed to withdraw from the Plan as of the transfer date and will have your accumulated payroll deductions refunded to you as soon as practicable following the transfer. You will be entitled to re-enroll in the Plan as of the next Offering Period provided that you are eligible to participate in the Plan at that time and follow the procedures for enrolling in the Plan in effect at that time. The Administrator may establish additional and/or different rules to govern transfers of employment.

**5. How long must I have been employed before I can enroll in the Plan?**

To enroll in an Offering Period, you must have been an employee of PayPal or a participating subsidiary or affiliate at least ten (10) business days before the beginning of that Offering Period (or on such other date determined by the Administrator).

**6. What is an Offering Period?**

Except as specified by the Administrator prior to the beginning of an Offering Period, the Plan provides for consecutive twenty-four month “*Offering Periods*” during which eligible employees can participate in the Plan. Each Offering Period is comprised of four six-month “*Purchase Periods*.” The first business day of each Offering Period is the “*Offering Date*.” Offering Periods are scheduled to commence on each May 1 and November 1 and end twenty-four months thereafter on April 30 and October 31, respectively. For example, the Offering Periods under the Plan that begin on November 1, 2018 and May 1, 2019 are scheduled to end on October 31, 2020 and April 30, 2021, respectively. You may be enrolled in only one Offering Period at a time.

PayPal has established sub-plans under the Non-423 Component of the Plan for participating affiliates in France, Italy and Sweden, pursuant to which the Offering Periods are six months in length and consist of one six-month Purchase Period, commencing each May 1 and November 1 and ending six months thereafter on October 31 and April 30, respectively. PayPal also has established a sub-plan under the Non-423 Component of the Plan for participating affiliates in China, pursuant to which the Offering Periods are twenty-four months in length and consist of four six-month Purchase Periods, commencing each May 1 and November 1 and ending twenty-four months thereafter on October 31 and April 30, respectively.

**The Administrator has the discretion to change the duration of Offering Periods, and to provide for Offering Periods under the Non-423 Component that are**

**different than the Offering Periods under the 423 Component. You will be notified if the Administrator takes this action.**

**7. What is the Purchase Date?**

The last business day of each six-month Purchase Period is the “*Purchase Date*.” In accordance with the instructions you provide and the terms of the Plan, PayPal will make payroll deductions from your paychecks (or you will make certain contributions) during the Purchase Period and will use those deductions or contributions to purchase shares for you on the Purchase Dates.

**8. What is the discounted purchase price?**

Shares are sold under the Plan at 85% of the lesser of:

- (a) the “fair market value” of a share on the Offering Date for the applicable Offering Period; or
- (b) the “fair market value” of a share on the applicable Purchase Date in such Offering Period.

For purposes of the Plan, “*fair market value*” on an Offering Date or Purchase Date shall be the closing price of Common Stock on the **Nasdaq Global Select Market** on such Offering Date or Purchase Date as reported in The Wall Street Journal, or as otherwise provided in the Plan.

**9. How is the discounted purchase price calculated?**

To illustrate the calculation of the discounted purchase price, assume that you participate in the first Purchase Period of the Offering Period that begins on November 1, 2018. The first Purchase Period of this Offering Period is scheduled to end on April 30, 2019. Also assume, for hypothetical purposes only, that the fair market value of a share on the Offering Date (November 1, 2018 – the first day of the Offering Period) is \$90.00 and that the fair market value of a share increases to \$92.00 by the Purchase Date (April 30, 2019 – the last day of the first Purchase Period). Your discounted purchase price would be calculated as follows:

Fair Market Value on Offering Date	Fair Market Value on Purchase Date	Your Purchase Price	Your Discount
\$90.00	\$92.00	\$76.50 (85% of \$90.00)	\$15.50 (\$92.00-\$76.50)

As you can see from this example, if the fair market value of a share increases during the Offering Period, your discount also increases.

Assume now that you remain in the Plan for the second Purchase Period of the Offering Period (from May 1, 2019 to October 31, 2019) and that the fair market value of a share decreased from \$90.00 on the Offering Date to \$87.00 on the second Purchase Date in the Offering

Period (October 31, 2019 – the last day of the second Purchase Period). Your purchase price and the discount for this Purchase Period would be calculated as follows:

Fair Market Value on Offering Date	Fair Market Value on Purchase Date	Your Purchase Price	Your Discount
\$90.00	\$87.00	\$73.95 (85% of \$87.00)	\$13.05 (\$87.00-\$73.95)

As illustrated above, if, during an Offering Period, the fair market value of a share decreases, you will be entitled to the 15% discount on the lower market price.

**In addition, please note that if the fair market value on the first day of the current Offering Period in which you are enrolled is higher than the fair market value on the first day of any subsequent Offering Period, PayPal will automatically enroll you in the subsequent Offering Period. With certain exceptions, any funds accumulated in your account prior to the first day of the subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the subsequent Offering Period. You will not need to file any additional forms if you are already enrolled in the Plan. Your enrollment in the subsequent Offering Period will be automatic.**

**THESE EXAMPLES ONLY EXPLAIN HOW THE DISCOUNTED PURCHASE PRICE IS CALCULATED. THEY DO NOT CONSTITUTE REPRESENTATIONS AS TO WHETHER THE MARKET PRICE OF SHARES OF PAYPAL WILL INCREASE OR DECREASE DURING ANY OFFERING PERIOD.**

#### **10. How much can I invest through the Plan?**

You may authorize payroll deductions or elect contributions (where allowed) in 1% increments from a minimum of 2% to a maximum of 10% of your compensation or such lower limit set by the Administrator.

For purposes of the Plan, “*compensation*” means the following forms of cash remuneration earned or payable to you by PayPal or a participating subsidiary or affiliate during the applicable Offering Period: base wages; salary; overtime (including pay in lieu of meal time); performance or merit bonuses; commissions; shift differentials; language differentials; payments for paid time off and holidays; sabbatical pay; payments in lieu of notice; travel pay; retroactive pay; on-call/standby pay; hazard pay; bereavement pay; jury/witness duty pay; pay during a period of suspension; military leave pay; compensation deferred pursuant to Section 401(k) or Section 125 of the Code; distributions under any nonqualified deferred compensation plan; retention bonuses; or any other compensation or remuneration approved as “*compensation*” by the Administrator in accordance with Section 423 of the Code.

For purposes of the Plan, “*compensation*” does not include forms of compensation or remuneration that are not included in or covered by the preceding paragraph, including the following: moving allowances; automobile allowances; gross-up payments; compensation deferred under any nonqualified deferred compensation plan; payments pursuant to a severance plan, agreement or arrangement; payments during a garden leave or other notice period preceding

termination of employment; equalization payments; termination pay (including the payout of accrued vacation time in connection with any such termination); relocation allowances; expense reimbursements; meal allowances; commuting allowances; geographical hardship pay; any payments (such as guaranteed bonuses in certain foreign jurisdictions) with respect to which salary reductions are not permitted by the laws of the applicable jurisdiction); sign-on bonuses; nonqualified executive compensation; or any amounts directly or indirectly paid pursuant to the Plan or any other stock-based plan, including without limitation any stock option, stock purchase, restricted stock, restricted stock unit, deferred stock unit, or similar plan, of PayPal or any affiliate, or cash paid in lieu of any such awards.

The Administrator, in its sole discretion, may, on a uniform and nondiscriminatory basis for each Offering Period, establish a different definition of compensation for a subsequent Offering Period. Further, the Administrator shall have discretion to determine the application of this definition to participants on payrolls outside the United States.

All payroll deductions or contributions made for you or by you will be credited to your account under the Plan, but will be deposited with the general funds of PayPal and may be used by PayPal for any corporate purpose unless otherwise required by local law. No interest shall accrue on payroll deductions or contributions unless local law requires otherwise.

**11. Am I limited in the number of shares I can purchase in a Purchase Period?**

Yes. No employee may purchase more than the “*Maximum Share Amount*” specified by the Administrator for any single Purchase Date. Currently, the Maximum Share Amount is 5,000 shares of Common Stock. If this limit changes, the Administrator will notify you of the new limit before the beginning of the Offering Period for which the new limit will be effective.

In addition, if the number of shares to be purchased on a Purchase Date exceeds the number of shares that remain available for issuance under the Plan, PayPal will make a pro rata allocation of the shares among participants in as uniform a manner as shall be practicable and as the Administrator determines to be equitable.

**12. Are there any other limitations on the amount I can invest?**

You may not purchase shares under the Plan which (with all rights to purchase stock under all similar stock purchase plans of PayPal or any of its subsidiaries) exceed \$25,000 worth of stock in any calendar year measured using the fair market value of the stock on the Offering Date of the Offering Period in which you are participating. PayPal may suspend your payroll deductions or other contributions as necessary to enforce this limit.

**13. Will participation in the Plan affect my ability to contribute to the PayPal 401(k) Savings Plan, an individual retirement account (IRA) or another retirement plan?**

No. Because the Plan is not a tax-qualified retirement or profit sharing plan, your participation in it will not affect your ability to contribute to the Company’s 401(k) plan, an IRA or another retirement plan, to the extent that you are otherwise eligible to make such contributions.

**14. Can I invest other than by payroll deduction?**

Except as otherwise provided in the following paragraph, investments may be made only by payroll deduction. You may not make additional cash contributions to the Plan.

However, in locations where the Administrator has determined that payroll deductions may be prohibited or problematic under local law, an eligible employee may be able to participate in the Plan through voluntary contributions to his or her account in a form acceptable to the Administrator (subject to any additional policies or procedures as determined by the Administrator).

**15. When do my payroll deductions begin?**

Your payroll deductions will begin on the first payday following the Offering Date of the Offering Period in which you are enrolled. Other contributions will be made at the time and in the manner prescribed by the Administrator. You will not be entitled to interest on the amounts credited to your account unless payment of interest is required by local law.

**16. Can I change the level of payroll deductions?**

You may increase or decrease the level of your payroll deductions or contributions for any subsequent Offering Period by filing with Global Stock Plan Services (through the Company's online Plan process or in paper form, if required by the Administrator) a new enrollment form no later than five (5) business days before the beginning of the Offering Period or within such other time frame allowed by the Administrator.

You may increase or decrease the level of your payroll deductions or contributions during an Offering Period (through the Company's online Plan process or in paper form, if required by the Administrator) and by following any other procedures as may be established by the Administrator. Only one increase or decrease may be made effective during any Purchase Period within the Offering Period. The new decreased or increased rate will become effective as soon as administratively practicable after you elect such change and will continue for the remainder of the Offering Period, unless you change your election during a subsequent Purchase Period or a period of open enrollment or withdraw from the Plan as described below.

You may suspend your participation in the Plan during an Offering Period by filing with Global Stock Plan Services a request to stop payroll deductions by making a suspend election (through the Company's online Plan process or in paper form if required by the Administrator) and by following any other procedures as may be established by the Administrator. Your request will be effective as soon as administratively practicable after you elect such change. No further payroll deductions or other contributions will be made for the duration of the Offering Period and you may not elect to resume payroll deductions during that Offering Period. Payroll deductions or other contributions credited to your account prior to the date your request is effective will be used to purchase shares on the next Purchase Date.

If you suspend your participation in the Plan during an Offering Period you are automatically withdrawn from the Plan, after the purchase has been completed for the period (unless you are on a bona fide leave of absence pursuant to the Plan). In order to continue



participation, after suspending/withdrawing, you must re-enroll in the new open enrollment period. This will enroll you in a new Offering Period and purchase price.

For information as to how to voluntarily withdraw from the Plan, see the response to Question 28 below.

**17. How many shares will my payroll deductions or contributions purchase?**

On each Purchase Date, PayPal will purchase for you the number of whole shares that is equal to the total amount of your payroll deductions or other contributions during the Purchase Period divided by your discounted purchase price, subject to the limitations discussed above. Any amount remaining in your account which is insufficient to purchase a whole share will be carried forward without interest to the next Purchase Period or Offering Period, as the case may be. If you are limited for any reason (for instance because of the limits described in Questions 11 and 12 above) in the number of shares you can purchase on a given Purchase Date, any amount remaining in your account will be refunded to you without interest (unless payment of interest is required by local law) after the end of the Purchase Period.

**18. Will PayPal withhold taxes when shares are purchased for me under the Plan?**

Your payroll deductions or other contributions are made after PayPal (or your employer, if different) has deducted the appropriate withholding for taxes. Consequently, the same amount of tax is withheld from your paycheck whether or not you participate in the Plan.

U.S. employees (citizens and residents) participating in the 423 Component of the Plan are not subject to taxation when shares are purchased for them under the Plan (and therefore no tax withholding applies), but may owe taxes on subsequent sales or certain other dispositions of the shares. A brief summary of the U.S. Federal tax consequences to U.S. employees participating in the 423 Component of the Plan is discussed in Question 41 below. U.S. employees participating in the 423 Component of the Plan should read this discussion carefully and confer with their tax advisors regarding their specific situation.

The tax consequences to other employees, including non-U.S. employees and U.S. employees who may be participating in the Non-423 Component of the Plan and/or subject to taxes in other jurisdictions, is not discussed in this prospectus. Such employees should review any applicable tax memoranda for the Plan and consult their personal tax advisors. Employees of PayPal (or any of its subsidiaries or affiliates) cannot give you tax advice.

**19. When will I receive shares purchased for my account?**

PayPal has selected a broker to administer the issuance of shares under the Plan (the "**Broker**"). At the time of enrollment, you were or will be asked to open an account with the Broker. On each Purchase Date, the shares that you purchase will be issued to the Broker who will maintain the shares and credit them to your individual participant account. Once the shares are received by the Broker from the Company, under PayPal's Plan procedures, you are generally required to hold the shares in your account with the Broker.

**20. In whose name will my shares be registered?**

The Broker will maintain your shares in your name in the form you designate when you enroll in the Plan. You may elect certain forms of joint ownership for the shares you purchase under the Plan. If you designate someone other than your spouse, it may be considered a disqualifying disposition for U.S. tax purposes and result in tax consequences. A brief summary of U.S. Federal tax consequences of a disqualifying disposition for U.S. employees participating in the 423 Component of the Plan is discussed in the response to Question 41. While the shares you purchase may generally be held as you designate, your right to purchase stock under the Plan may not be assigned to anyone else. See Question 31 below.

**21. After becoming a stockholder, can I vote my stock?**

Yes, assuming you become a PayPal stockholder on or before the applicable record date, PayPal will directly or indirectly notify you whenever a matter is submitted to a vote of the stockholders.

**22. Will I receive dividends and stock splits?**

After you become a stockholder, you will be entitled to receive any cash or common stock dividend paid by PayPal to its stockholders.

**23. What happens to my rights under the Plan in the event of changes in PayPal's capitalization?**

If PayPal issues additional securities to raise capital, no adjustments will be made to your rights to purchase stock under the Plan. However, if a change is made in the capital structure of PayPal, such as a stock split or a stock dividend, that results in an increase or decrease in the number of shares of Common Stock outstanding without receipt of additional consideration by PayPal, appropriate adjustment will be made in the number of shares available under the Plan, the number of shares subject to outstanding rights to purchase stock at the next Purchase Date, and in the purchase price per share, subject to any required action by the Board, Administrator or stockholders.

In the event of a proposed dissolution or liquidation of PayPal, the Offering Period will terminate immediately prior to the consummation of the transaction, unless otherwise provided by the Administrator. In such an event the Administrator, in its sole discretion, may declare that the Plan shall terminate as of a dated fixed by the Administrator and give each participant the right to purchase shares under the Plan prior to such termination.

In the event of (i) a merger or consolidation in which PayPal is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of PayPal in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of PayPal or their relative stock holdings and the outstanding rights to purchase shares under the Plan are assumed, converted or replaced by the successor corporation), (ii) a merger in which PayPal is the surviving corporation but after which the stockholders of PayPal immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with PayPal in such merger) cease to

own their shares, or other equity interest in PayPal, (iii) the sale of all or substantially all of the assets of PayPal, or (iv) the acquisition, sale or transfer of more than 50% of the outstanding shares of PayPal by tender offer or similar transaction, the Plan will continue with regard to Offering Periods that commenced prior to the closing of the proposed transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date, unless otherwise provided by the Administrator. Alternatively, the Administrator may terminate the Plan as of a specified date and allow participants to purchase shares of Common Stock prior to such termination date.

The Administrator, in its sole discretion, may also adjust the number of shares of Common Stock or type of securities authorized for issuance under the Plan but not yet granted and the price per share for each outstanding grant in the event the Company effects certain types of mergers, reorganizations, consolidations or changes in the number of outstanding Common Stock of the Company.

**24. Are there any restrictions on the resale of shares I purchase?**

The Plan is intended to encourage long-term investment in PayPal. However, the Plan does not impose any specific restrictions on the resale of shares of Common Stock purchased under the Plan. The Registration Statements are intended to satisfy most U.S. Federal securities laws requirements with respect to the resale of such shares. However, the shares may be subject to resale restrictions imposed by securities laws in the state(s) or countries where you and your purchaser live. In addition, if you are an affiliate of PayPal, you may not be permitted to resell solely under the Registration Statements any shares purchased under the Plan; such resales must be registered in a separate registration statement or be effected in accordance with Rule 144 under the Securities Act or another exemption from registration. Furthermore, there may be tax consequences associated with the sale or other disposition of shares (i.e., by gift or upon death). See Question 41 below.

Officers and directors subject to Section 16(b) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), are subject to special securities laws. Officers and directors should consult their legal advisors regarding this issue.

Any resale of the shares of Common Stock purchased under the Plan must be made in compliance with PayPal's Insider Trading Policy and any applicable laws relating to insider trading.

**25. How do I sell my shares?**

If you want to sell your shares, you should notify the Broker directly. In connection with the sale, you may pay a special reduced commission rate negotiated by PayPal for sales of its shares issued under the Plan.

**26. Should I be concerned about taxes?**

Yes. If you are a U.S. citizen or resident participating in the 423 Component of the Plan, you should read the answer to Question 41 below for a summary of the general U.S. Federal tax rules that are applicable to the purchase and sale of shares under the Plan. This discussion

deals only with general rules and typical situations and may not cover your special circumstances. THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES FOR ANY PARTICULAR TAXPAYER DEPEND UPON INDIVIDUAL CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR REGARDING YOUR SPECIFIC CIRCUMSTANCES.

If you are not a U.S. citizen or resident participating in the 423 Component of the Plan, you should review any of the applicable tax memoranda for the Plan on The Bridge and contact your tax advisor regarding the tax consequences applicable to you.

If, on the Purchase Date, PayPal or a participating subsidiary or affiliate is required to withhold taxes in connection with your participation in the Plan, withholding will generally be done through payroll; however, if your compensation is not sufficient to cover such withholding or if withholding through payroll is impracticable, PayPal or its participating subsidiary or affiliate may take whatever steps it deems necessary, including selling the requisite number of shares purchased under the Plan, to raise the necessary funds to comply with the withholding requirements.

**27. Do I need to notify PayPal when I sell my shares?**

As discussed in the response to Question 19, you are generally required to hold your shares in your individual participant account established with the Broker. As a result, PayPal will be notified automatically when you sell or otherwise dispose of your shares. However, if you reside in Italy, you must notify your employer if you sell your shares within 3 years of the date on which you purchased the shares.

**28. How do I withdraw from the Plan?**

You may withdraw from the Plan at any time by completing and delivering a withdrawal notice to Global Stock Plan Services (through the Company's online Plan process or in paper form if required by the Administrator) and by following any other procedures for withdrawal from the Plan as may be established by the Administrator. If your withdrawal notice is received at least fifteen (15) business days prior to the end of a Purchase Period or within such other time frame as established by the Administrator, the accumulated amount of your payroll deductions or other contributions will be refunded to you without interest (unless payment of interest is required by local law) as soon as possible. You may not withdraw less than all of your payroll deductions or other contributions. If your withdrawal notice is received less than fifteen (15) business days prior to the end of a Purchase Period, your payroll deductions or contributions will be used to purchase stock on that Purchase Date and your participation in the Plan will end at the beginning of the next Purchase Period or Offering Period, as the case may be. You may not resume participation in the Offering Period from which you withdraw. Unless you timely re-enroll in the next Offering Period, you will be ineligible to participate in that Offering Period.

**29. If I withdraw, can I rejoin the Plan later?**

If you voluntarily withdraw from the Plan, you may resume your participation in the Plan during any subsequent Offering Period in the same way you initially elected to participate in the Plan provided that you are eligible to participate at the time of re-enrollment.

**30. What happens if my employment terminates?**

Participation in the Plan does not give you any rights to remain employed with PayPal or any of its subsidiaries or affiliates. If your employment with PayPal or any participating subsidiary or affiliate terminates for any reason (including retirement, death, transfer of employment to an PayPal subsidiary or affiliate that is not designated to participate in the Plan or your employing entity ceasing to remain a subsidiary or affiliate of PayPal) or if you become ineligible to participate in the Plan, your payroll deductions or other contributions will immediately be discontinued. Under the Plan, your employment will be considered terminated as of the date you are no longer actively providing services as an employee and will not be extended by any notice period (*i.e.*, active service does not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any, during which you are not actively providing services). The Administrator will have the exclusive discretion to determine when you are no longer actively providing services for purposes of participation in the Plan.

Any funds remaining in your account will be refunded to you without interest (unless payment of interest is required by local law). Any Common Stock acquired through your participation in prior Purchase Periods generally is not affected by your withdrawal from the Plan and is yours to hold or sell as you choose. However, in certain countries, in order to comply with exchange controls or other restrictions, PayPal may require you to sell your shares within certain periods of time following the termination of your employment with PayPal (or a subsidiary or affiliate of PayPal).

**31. Can I assign or transfer my rights under the Plan?**

No, the right to participate in the Plan is yours alone and may not be assigned or transferred to anyone else. As indicated on the enrollment form, you may select certain forms of joint ownership for the shares you purchase under the Plan. If you select joint ownership with anyone other than your spouse, it may be considered a disqualifying disposition for U.S. tax purposes and result in tax consequences. The general tax consequences of a disqualifying disposition are discussed in Question 41.

In the event of your death, the Company will deliver any shares or cash credited to your Plan account to the executor or administrator of your estate, or if no such executor or administrator has been appointed (to the knowledge of the Company), to such other individual as may be prescribed by applicable law.

**32. Will I receive summaries of my Plan account?**

Individual accounts will be maintained for each participant. As soon as practicable after the end of each Purchase Period, you will receive a report setting forth the amount of your payroll deductions or other contributions, the number of shares purchased, the purchase price at which the shares were purchased and the amount of any cash remaining in your account.

**33. Will I receive information provided to stockholders?**

Yes, so long as you hold your shares of Common Stock purchased under the Plan, you will receive annual reports, proxy statements and other material sent by PayPal to its stockholders.

**34. Who is the administrator of the Plan?**

The Plan is administered by the Compensation Committee of the Board (the “*Compensation Committee*” or the “*Administrator*”), whose address is the same as that of PayPal’s principal executive offices. The members of the Compensation Committee do not receive any compensation for administering the Plan. PayPal bears all expenses in connection with administration of the Plan.

**35. Who is on the Compensation Committee?**

The Compensation Committee currently consists of independent directors of PayPal. Other than as disclosed herein (including disclosures in documents incorporated by reference herein), members of the Compensation Committee that administers the Plan have no material relationships with PayPal, its employees or its affiliates.

**36. Who elects the Board and the Compensation Committee?**

The Corporate Governance and Nominating Committee of the Board makes, at the request of the Board, determinations as to the individuals who are to be nominated for membership to the Board. The Corporate Governance and Nominating Committee considers nominees recommended by stockholders through the process provided by applicable laws and regulations and PayPal’s Bylaws. The stockholders elect members of our Board and may remove members of the Board from office by following certain voting procedures set forth in PayPal’s Bylaws and the applicable corporate law. The members of each of the Compensation Committee and the Corporate Governance and Nominating Committee are chosen by the full Board and serve at its discretion.

**37. How are disputes concerning the Plan resolved?**

Subject to the provisions of the Plan and the Code, the Administrator has the authority to construe and interpret any of the provisions of the Plan and any options to purchase shares granted thereunder. Such interpretations are binding on PayPal and on you. The Administrator can be contacted at PayPal’s principal executive offices at 2211 North First Street, San Jose, California 95131; telephone: 408-967-7049; email: stock@paypal.com.

**38. Can the Plan be changed?**

The Administrator may amend or terminate the Plan at any time subject to certain limitations described in the Plan. The Administrator has authority under the Plan, for instance, to change the duration of Offering Periods and maximum share purchase limitations. Generally, however, and except as otherwise provided with respect to changing the duration of Offering Periods, the Administrator cannot make any changes to the Plan which will adversely affect your

rights to purchase shares during a current Offering Period. Certain amendments require stockholder approval within twelve (12) months of the adoption of the amendment by the Administrator. These types of amendments include an increase in the number of shares that may be issued under the Plan or changes in the designation of the corporations whose employees (or class of employees) are eligible to participate in the Plan. *Notwithstanding the foregoing, the Administrator may make any amendments to the Plan as the Administrator deems to be advisable if the continuation of the Plan or any Offering Period would result in financial accounting treatment for the Plan that is different from the financial accounting treatment in effect on the date the Administrator adopted the Plan.*

The Administrator can also adopt rules, procedures and sub-plans for eligible employees who are citizens or residents of a non-U.S. jurisdiction and, except for the number of shares reserved under the Plan, those rules, procedures and sub-plans will supersede the terms of the Plan that would otherwise apply.

If the Administrator intends to change the Plan, you will receive sufficient advance notice to allow you to consider the effect of such change on your participation.

**39. What does PayPal contribute to the Plan?**

PayPal is giving you the opportunity to purchase shares of its Common Stock at a significant discount. PayPal is also bearing all costs of administering the Plan.

**40. From whom can I get additional information about the Plan?**

The questions and answers contained in this prospectus are simply meant to be a guide to the principal terms of the Plan and are qualified in their entirety by the express provisions of the Plan.

You may contact Global Stock Plan Services at PayPal at telephone: 408-967-7049 or email: [stock@paypal.com](mailto:stock@paypal.com) with any specific questions you may have regarding the Plan and your individual participation, or to request a report summarizing the status of your account.

**41. What are the U.S. tax consequences of participating in the Plan?**

THE FOLLOWING IS A GENERAL SUMMARY AS OF THE DATE OF THIS PROSPECTUS OF THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THE COMPANY AND U.S. RESIDENT EMPLOYEES INVOLVED WITH PARTICIPATION IN THE 423 COMPONENT OF THE PLAN. BECAUSE THE CURRENTLY APPLICABLE RULES ARE COMPLEX AND THE TAX LAWS MAY CHANGE AND BECAUSE INCOME TAX CONSEQUENCES MAY VARY DEPENDING UPON THE PARTICULAR CIRCUMSTANCES OF EACH PARTICIPANT, EACH PARTICIPANT SHOULD CONSULT HIS OR HER OWN TAX ADVISOR CONCERNING FEDERAL (AND ANY EMPLOYMENT-RELATED OR STATE AND LOCAL) INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE PLAN. THE FOLLOWING DISCUSSION DOES NOT PURPORT TO DESCRIBE STATE OR LOCAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES FOR PARTICIPANTS IN COUNTRIES OTHER THAN THE UNITED STATES AND/OR PARTICIPANTS IN THE NON-423 COMPONENT OF THE PLAN.

IF YOU ARE NOT A U.S. CITIZEN OR RESIDENT, PLEASE REVIEW THE TAX MEMORANDA FOR THE PLAN ON THE BRIDGE FOR YOUR SPECIFIC COUNTRY AND CONTACT YOUR PERSONAL TAX ADVISOR REGARDING THE TAX CONSEQUENCES APPLICABLE TO YOU.

The Plan includes two components: (a) a component intended to qualify as an “employee stock purchase plan” under Section 423 of the Code, the provisions of which shall be construed so as to extend and limit participation in a uniform and nondiscriminatory manner consistent with the requirements of Section 423 of the Code; and (b) a component that does not qualify as an “employee stock purchase plan” under Section 423 of the Code (the “*Non-423 Component*”), under which options shall be granted pursuant to rules, procedures or sub-plans adopted by the Administrator designed to achieve tax, securities laws or other objectives for eligible employees, the Company and its participating subsidiaries and participating affiliates. The tax treatment described below applies to participants in the 423 Component.

### **Tax Treatment of the Participant**

Deferral of Tax Consequences Until Sale of Shares. Participating employees will not recognize income for U.S. Federal income tax purposes either upon enrollment in the Plan or upon the purchase of shares. All tax consequences are deferred until a participating employee sells the shares, disposes of the shares by gift, or dies. Payroll deductions, however, remain fully taxable as ordinary income at the time the deduction is taken, and there is no deferral of the ordinary income tax assessed on these amounts.

If shares are held for more than one year after the Purchase Date and more than two years from the Offering Date, or if the participant dies while owning the shares, the participant realizes ordinary income on a sale (or a disposition by way of gift or upon death) to the extent of the lesser of: (a) 15% of the fair market value of the shares on the Offering Date; or (b) the actual gain (the amount by which the fair market value of the shares on the date of sale, gift or death, exceeds the purchase price). Ordinary income will be reported on the participant’s W-2 form. This ordinary income does not constitute “wages” subject to withholding by the Company. All additional gain upon the sale of shares is treated as capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income, and the participant has a capital loss for the difference between the sale price and the purchase price.

Disqualifying Dispositions. A “disqualifying disposition” occurs if shares are sold or are otherwise disposed of, including by way of gift (but not death, bequest or inheritance) within either the one-year or the two-year holding periods described above. A participant realizes ordinary income at the time of the disqualifying disposition in the amount that the fair market value of the shares at the date of purchase was greater than the purchase price. This amount will constitute ordinary income (not currently subject to withholding) in the year of the disqualifying disposition even if no gain is realized on the sale or if a gratuitous transfer is made. The difference, if any, between the proceeds of a sale and the fair market value of the shares at the date of purchase is a capital gain or loss.

Ordinary income recognized by a participant upon a disqualifying disposition constitutes taxable compensation which will be reported on the participant’s U.S. W-2 form. The ordinary income does not constitute “wages” subject to withholding by the Company.



## Tax Treatment of the Company

The Company will be entitled to a deduction in connection with the disposition of shares acquired under the Plan only to the extent that the participant recognizes ordinary income on a disqualifying disposition of the shares, subject to applicable limitations under the Code. No deduction will be possible if a participant meets the holding period requirements. The Company will treat any transfer of record ownership of shares, including a transfer to a broker or nominee or into "street name," as a disposition unless it is notified to the contrary. In order to enable the Company to learn of disqualifying dispositions and ascertain the amount of the deductions to which it is entitled, participants are required to notify the Company in writing of the date and terms of any disposition of shares purchased under the Plan.

The following examples illustrate the U.S. Federal income tax consequences when a participant sells stock purchased under the Plan.

**EXAMPLE I:** The participant sells stock more than one year after the Purchase Date and more than two years after the Offering Date. The tax consequences at a variety of sale prices are shown below:

### Assumptions:

Offering Date fair market value	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00
Purchase Date fair market value	92.00	92.00	92.00	87.00	87.00	87.00
Purchase Price	76.50	76.50	76.50	73.95	73.95	73.95
Sale Price	94.00	92.00	75.00	93.00	73.95	71.50
Actual gain (loss)	\$17.50	\$15.50	\$(1.50)	\$19.05	\$0.00	\$(2.45)

### Tax Consequences:

Ordinary income (lesser of 15% discount at Offering Date or sale price minus purchase price)	\$13.50	\$13.50	\$0.00	\$13.50	\$0.00	\$0.00
Long-term capital gain (or loss) (sale price, less ordinary income, less purchase price)	\$4.00	\$2.00	\$(1.50)	\$5.55	\$0.00	\$(2.45)

**EXAMPLE II:** The participant sells stock within one year after the Purchase Date or within two years after the Offering Date (a disqualifying disposition). The tax consequences at a variety of sale prices are shown below:

### Assumptions:

Offering Date fair market value	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00
Purchase Date fair market value	92.00	92.00	92.00	87.00	87.00	87.00
Purchase Price	76.50	76.50	76.50	73.95	73.95	73.95
Sale Price	94.00	92.00	75.00	93.00	73.95	71.50
Actual gain (loss)	\$17.50	\$15.50	\$(1.50)	\$19.05	\$0.00	\$(2.45)

Tax Consequences:

Ordinary income (excess of Purchase Date fair market value over purchase price)	\$15.50	\$15.50	\$15.50	\$13.05	\$13.05	\$13.05
Capital gain (or loss) (sale price, less ordinary income, less purchase price)	\$2.00	\$0.00	\$(17.00)	\$6.00	\$(13.05)	\$(15.50)

**42. Is the Plan subject to any ERISA provision?**

The Plan is not subject to any provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code.

**AVAILABILITY OF ADDITIONAL INFORMATION**

PayPal files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at its public reference facilities at 100 F Street, NE, Washington, DC 20549. You can also obtain copies of our filings at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

PayPal's SEC filings are also available to the public over the Internet on the web site of the SEC at <http://www.sec.gov>.

We "incorporate by reference" into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. This information incorporated by reference is an important part of this prospectus. You should also be aware that any information that we file subsequently with the SEC will automatically update this prospectus (that is, such information will be incorporated by reference into this prospectus). We incorporate by reference herein:

(a) PayPal's latest annual report on Form 10-K filed pursuant to Sections 13(a) or 15(d) of the Exchange Act, containing audited financial statements for PayPal's latest fiscal year end, including all material incorporated by reference therein;

(b) All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the registrant document referred to in (a) above; and

(c) The description of PayPal Common Stock contained in the Company's registration statement on Form 10 filed with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended, on February 25, 2015, as amended by Amendment No. 1 filed on April 9, 2015, Amendment No. 2 filed on May 14, 2015, Amendment No. 3 filed on June 2, 2015, Amendment No. 4 filed on June 18, 2015 and Amendment No. 5 filed on June 26, 2015, including any amendments or report filed for the purpose of updating such description.

In addition, all documents subsequently filed by PayPal pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, are deemed incorporated by reference into this prospectus from the date of filing of such documents.

Any statement contained in a document that is incorporated by reference into this prospectus is considered to be modified or superseded if this prospectus, or some other subsequently filed document which is also incorporated by reference in this prospectus, modifies or supersedes the statement. If this occurs, such a statement is to be incorporated in this prospectus by reference only in the statement's modified or superseded form.

Unless expressly incorporated into this document, information furnished under Item 2.02 or 7.01 of a report furnished on Form 8-K is not incorporated by reference into this document.

PayPal will provide to you, upon written or oral request and without charge: (1) a copy of any document incorporated by reference in the Registration Statements (excluding exhibits to any such documents unless such exhibits are specifically referred to in the Registration Statements); (2) a copy of PayPal's most recent Annual Report to Stockholders (or such alternative document as Rule 428(b)(2) under the Securities Act permits); (3) a copy of all reports, proxy statements and other communications distributed by PayPal to its stockholders generally; and (4) a copy of all documents that constitute a part of the prospectus required to be delivered to each Plan participant. Please direct all requests to: Global Stock Plan Services, PayPal Holdings, Inc., 2211 North First Street, San Jose, California 95131; telephone: 408-967-7049; email: [stock@paypal.com](mailto:stock@paypal.com).