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WESTERN DISTRICT OF WASHINGTON
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UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

CR 16 - 316 JCC

Plaintiff

INFORMATION

v.

(Felony)

JONATHAN LY,

Title 18 U.S.C. § 1348

Defendant.

THE UNITED STATES ATTORNEY CHARGES THAT:

**COUNT 1
(Securities Fraud)**

Beginning in or about 2013 and continuing through and including October 2015, in San Francisco, California, within the Northern District of California, and elsewhere, defendant, JONATHAN LY, knowingly and with intent to defraud, executed a scheme and artifice to defraud and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, any money and property in connection with the purchase or sale of publicly-traded securities as further described below:

I. Background.

1. Expedia, Inc. is a publicly-traded company headquartered in Bellevue, Washington, and is the parent company to several global on-line travel brands such as

Expedia.com and Hotwire.com. Expedia's common stock is registered with the Information/ Ly- 1

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1 Securities and Exchange Commission under Section 12(b) of the Exchange Act, 15
2 U.S.C. § 781, and is listed on the NASDAQ Stock Market, a national exchange, under the
3 symbol "EXPE." Hotwire, Inc. is a subsidiary of Expedia, and its offices are located in
4 San Francisco, California.

5 2. Between 2013 and 2015, LY was employed by Expedia as a "Senior IT
6 Support Technician," based in Hotwire's San Francisco office. In this role, LY provided
7 information technology support for Expedia and Hotwire employees. In order to perform
8 his role, LY was given certain administrative access privileges that could be used to
9 remotely access electronic files on Expedia employees' electronic devices. From time to
10 time, LY was also provided with various employees' corporate computer network
11 passwords in order that LY could service their technology issues. LY was employed by
12 Expedia until April 2015, when he voluntarily left his position for another job.

13 **II. Summary of the Scheme.**

14 3. Beginning in 2013, and continuing through October 2015, LY secretly and
15 fraudulently accessed the contents of Expedia executives' computer files and corporate
16 email accounts in order to obtain material, non-public and proprietary information
17 belonging to Expedia without the knowledge and permission of the executives or
18 Expedia. LY fraudulently obtained the information in order to execute a series of well-
19 timed and lucrative securities trades in Expedia options. As a result of his scheme, LY
20 obtained through his securities trades net profits in excess of \$331,000.

21 **III. Manner and Means of the Scheme.**

22 4. It was a part of the scheme to defraud that, in the course of his work for
23 Expedia, LY was granted certain administrative privileges to be used to remotely access
24 Expedia employees' electronic devices for the purpose of providing technical support
25 services.

26 5. It was also a part of the scheme to defraud that, from time to time, Expedia
27 employees provided LY with their corporate network credentials and passwords in order
28 for LY to address various technology issues with their devices.

1 6. It was also a part of the scheme to defraud that, beginning in 2013, LY
2 learned that by exploiting his administrative access privileges, he could not only access a
3 remote Expedia employee's electronic device, he could also open and view the contents
4 of any electronic files that were saved locally to that device without the knowledge of the
5 Expedia employee. Thereafter, LY repeatedly accessed the electronic devices belonging
6 to certain Expedia executives, including the Chief Financial Officer (CFO) and the Head
7 of Investor Relations, and viewed the contents of electronic documents on those devices,
8 without the knowledge or permission of the executives.

9 7. It was also a part of the scheme to defraud that, sometime in 2014, LY
10 learned of the existence of an IT administrative service account through which he could
11 gain even greater levels of access to individual employees' corporate accounts, including
12 their emails. LY did not have permission and was not authorized to use this service
13 account.

14 8. It was also a part of the scheme to defraud that, in order to disguise the fact
15 that LY was the source of the intrusion, LY used the network credentials of other Expedia
16 employees in conjunction with this IT administrative service account to secretly access
17 certain Expedia executives' emails, including those belonging to the CFO and the Head
18 of Investor Relations.

19 9. It was also a part of the scheme to defraud that, when LY voluntarily left
20 his position at Expedia in April 2015, he retained, without the permission and knowledge
21 of Expedia, a laptop that had been provided by Expedia to LY for work purposes. This
22 laptop contained software that permitted LY to connect remotely to Expedia's computer
23 networks. After he left Expedia, LY did not have permission to continue to access
24 Expedia's computer networks.

25 10. It was also a part of the scheme to defraud that, even after he left Expedia in
26 April 2015, LY, by using the corporate network credentials of other Expedia employees,
27 continued to access without authority the Expedia computer networks and, specifically,
28 the email accounts of certain Expedia executives.

1 11. It was also a part of the scheme to defraud that between 2013 and 2015, LY
 2 obtained from the files and email accounts of the CFO and the Head of Investors
 3 Relations advanced knowledge of material, non-public and proprietary information
 4 belonging to Expedia, including information about quarterly financial results, possible
 5 acquisition activity, and information about other potential commercial partnerships.

6 12. It was also a part of the scheme to defraud that based on the material, non-
 7 public and proprietary information that LY stole from Expedia, LY executed the
 8 following lucrative trades in Expedia options, each in association with a particular market
 9 moving event described below:

Event	Trade Date	Transaction
Q2 Earnings Report		
	7/25/2013	purchased 50 Aug 13 EXPE \$55 puts shorted 2600 shares EXPE covered 2600 shares EXPE
	7/26/2013	sold 50 Aug 13 \$55 EXPE puts
Announcement of strategic marketing agreement with Travelocity		
	8/21/2013	bought 100 Sept 13 EXPE \$48 calls
	8/23/2013	sold 100 Sept 13 EXPE \$48 calls
Q3 Earnings Report		
	10/29/2013	bought 230 Nov 13 EXPE \$50 calls
	10/30/2013	bought 20 Nov 13 EXPE \$50 calls
	10/31/2013	sold 250 Nov 13 EXPE \$50 calls
Q1 Earnings Report		
	2/4/2014	bought 40 Feb 14 EXPE \$65 calls
	2/6/2014	bought 12 Feb 14 EXPE \$65 calls
	2/7/2014	bought 52 Feb 14 EXPE \$65 calls
	2/7/2014	sold 104 Feb 14 EXPE \$65 calls

1	Event	Trade Date	Transaction
2	Q2 Earnings Report		
3			
4		7/21/2014	bought 76 Aug 14 EXPE \$80 calls
5		7/22/2014	bought 19 Aug 14 EXPE \$80 calls
6		7/24/2014	bought 26 Aug 14 EXPE \$80 calls
7		7/25/2014	bought 12 Aug 14 EXPE \$79 calls
8		7/28/2014	bought 15 Aug 14 EXPE \$80 calls
9		7/30/2014	bought 14 Aug 14 EXPE \$80 calls
10		7/31/2014	bought 25 Aug 14 \$80 calls
11		8/1/2014	sold 12 Aug 14 EXPE \$79 calls
12		8/1/2014	sold 175 Aug 14 EXPE \$80 calls
13	Q2 Earnings Report		
14		7/24/2015	bought 77 Aug 15 EXPE \$105 calls
15		7/27/2015	bought 10 Aug 15 EXPE \$100 calls
16		7/31/2015	sold 77 Aug 15 EXPE \$105 calls
17		7/31/2015	sold 10 Aug 15 EXPE \$100 calls
18	9/16/2015 Expedia announced DOJ Antitrust approval for Expedia's purchase of Orbitz		
19		9/11/2015	bought 21 Oct 15 EXPE \$115 calls
20		9/14/2015	bought 2 Oct 15 EXPE \$115 calls
21		9/17/2015	sold 23 Oct 15 EXPE \$115 calls
22	Q3 Earnings Report		
23		10/29/2015	bought 30 Nov 15 EXPE \$125 calls
24		10/30/2015	sold 30 Nov 15 EXPE \$125 calls

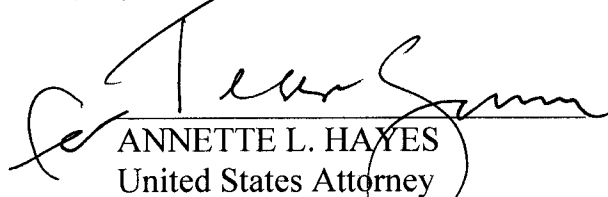
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1 **IV. Execution of the Scheme.**

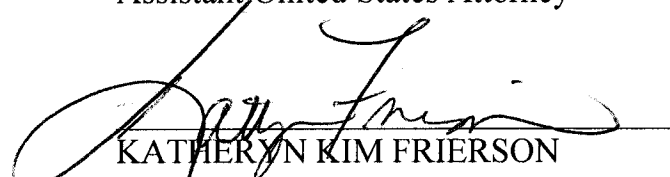
2 13. On October 29, 2015, in San Francisco, California, within the Northern
3 District of California, and elsewhere, having devised and participated in the above
4 described scheme and artifice, JONATHAN LY, for the purpose of executing the above-
5 described scheme and artifice, purchased through his online brokerage account options
6 contracts for Expedia, Inc. stock.

7 All in violation of Title 18, United States Code, Section 1348.

8
9 DATED this 1ST day of December, 2016

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11 
12 ANNETTE L. HAYES
13 United States Attorney

14 
15 ANDREW C. FRIEDMAN
16 Assistant United States Attorney

17
18 
19 KATHRYN KIM FRIERSON
20 Assistant United States Attorney