

1 Stuart G. Gross (#251019)
Benjamin H. Klein (#313922)
2 GROSS & KLEIN LLP
The Embarcadero, Pier 9, Suite 100
3 San Francisco, CA 94111
(415) 671-4628
4 sgross@grosskleinlaw.com
bklein@grosskleinlaw.com
5

6 Of counsel:

7 David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
8 BIRNBAUM & GODKIN, LLP
280 Summer Street
Boston, MA 02210
9 (617) 307-6100
godkin@birnbaumgodkin.com
10 kruzer@birnbaumgodkin.com

11 Attorneys for Plaintiff,
SIX4THREE, LLC, a Delaware
12 limited liability company

13 SUPERIOR COURT OF CALIFORNIA

14 COUNTY OF SAN MATEO

15 SIX4THREE, LLC, a Delaware limited
liability company,

16 Plaintiff,

17 v.

18 FACEBOOK, INC., a Delaware corporation;
MARK ZUCKERBERG, an individual;
19 CHRISTOPHER COX, an individual;
JAVIER OLIVAN, an individual;
20 SAMUEL LESSIN, an individual;
MICHAEL VERNAL, an individual;
21 ILYA SUKHAR, an individual; and
DOES 1 through 50, inclusive,

22 Defendants.
23 _____
24

) Case No. CIV 533328
)

) **Assigned For All Purposes To Hon. V.
Richard Swope, Dept. 23**
)

) **DECLARATION OF DAVID S. GODKIN IN
SUPPORT OF PLAINTIFF'S REQUEST FOR
20 JUDICIAL NOTICE
VOLUME 1, EXHIBITS 26-59**
) UNREDACTED VERSION OF DOCUMENT SOUGHT TO BE LODGED UNDER SEAL

HEARING DATE: July 2, 2018

HEARING TIME: 9:00 a.m.

DEPARTMENT 23

JUDGE: Hon. V. Richard Swope

FILING DATE: April 10, 2015

TRIAL DATE: April 25, 2019

26 DECLARATION OF DAVID S. GODKIN IN SUPPORT OF
27 PLAINTIFF'S REQUEST FOR JUDICIAL NOTICE / Case No. CIV 533328
28

1 I, David S. Godkin, declare:

2 1. I am an attorney at law and a member of the Law Offices of Birnbaum & Godkin,
3 LLP, counsel for plaintiff Six4Three, LLC ("643") in the above-captioned action.

4 2. A true and correct copy of <https://newsroom.fb.com/news/2018/05/f8-2018-day-1/>
5 is attached hereto as Exhibit 1.

6 3. A true and correct copy of [https://www.facebook.com/notes/facebook/platform-is-](https://www.facebook.com/notes/facebook/platform-is-here/2437282130/)
7 [here/2437282130/](https://www.facebook.com/notes/facebook/platform-is-here/2437282130/) is attached hereto as Exhibit 2.

8 4. A true and correct copy of [https://web.archive.org/web/20080902015608/](https://web.archive.org/web/20080902015608/developers.facebook.com//get_started.php?tab=principles)
9 [developers.facebook.com//get_started.php?tab=principles](https://web.archive.org/web/20080902015608/developers.facebook.com//get_started.php?tab=principles) is attached hereto as Exhibit 3.

10 5. A true and correct copy of [https://web.archive.org/web/20120531173429/](https://web.archive.org/web/20120531173429/http://developers.facebook.com/)
11 [http://developers.facebook.com/](https://web.archive.org/web/20120531173429/http://developers.facebook.com/) is attached hereto as Exhibit 4.

12 6. A true and correct copy of [http://web.archive.org/web/20120930042543/](http://web.archive.org/web/20120930042543/http://developers.facebook.com/)
13 [http://developers.facebook.com/](http://web.archive.org/web/20120930042543/http://developers.facebook.com/) is attached hereto as Exhibit 5.

14 7. A true and correct copy of [http://web.archive.org/web/20121211214019/](http://web.archive.org/web/20121211214019/http://developers.facebook.com/)
15 [http://developers.facebook.com/](http://web.archive.org/web/20121211214019/http://developers.facebook.com/) is attached hereto as Exhibit 6.

16 8. A true and correct copy of [http://web.archive.org/web/20121210224554/](http://web.archive.org/web/20121210224554/https://developers.facebook.com/docs/concepts/mobile-ads/)
17 [https://developers.facebook.com/docs/concepts/mobile-ads/](http://web.archive.org/web/20121210224554/https://developers.facebook.com/docs/concepts/mobile-ads/) is attached hereto as Exhibit 7.

18 9. A true and correct copy of [http://web.archive.org/web/20130106051121/](http://web.archive.org/web/20130106051121/http://developers.facebook.com/mobile/)
19 [http://developers.facebook.com/mobile/](http://web.archive.org/web/20130106051121/http://developers.facebook.com/mobile/) is attached hereto as Exhibit 8.

20 10. A true and correct copy of [http://web.archive.org/web/20130113190117/](http://web.archive.org/web/20130113190117/http://developers.facebook.com/policy/)
21 [http://developers.facebook.com/policy/](http://web.archive.org/web/20130113190117/http://developers.facebook.com/policy/) is attached hereto as Exhibit 9.

22 11. A true and correct copy of [https://developers.facebook.com/blog/post/](https://developers.facebook.com/blog/post/2013/01/25/clarifying-our-platform-policies/)
23 [2013/01/25/clarifying-our-platform-policies/](https://developers.facebook.com/blog/post/2013/01/25/clarifying-our-platform-policies/) is attached hereto as Exhibit 10.

24 12. A true and correct copy of [http://web.archive.org/web/20130307222802/](http://web.archive.org/web/20130307222802/http://developers.facebook.com/policy/)
25 [http://developers.facebook.com/policy/](http://web.archive.org/web/20130307222802/http://developers.facebook.com/policy/) is attached hereto as Exhibit 11.

26 13. A true and correct copy of [http://web.archive.org/web/20130423075009/](http://web.archive.org/web/20130423075009/http://developers.facebook.com/docs/guides/policy/examples_and_explanations/)
27 [http://developers.facebook.com/docs/guides/policy/examples_and_explanations/](http://web.archive.org/web/20130423075009/http://developers.facebook.com/docs/guides/policy/examples_and_explanations/) is attached
28 hereto as Exhibit 12.

- 1 14. A true and correct copy of [http://web.archive.org/web/20130601005922/
2 \[https://developers.facebook.com/ ios/\]\(https://developers.facebook.com/ios/\) is attached hereto as Exhibit 13.](http://web.archive.org/web/20130601005922/https://developers.facebook.com/ios/)
- 3 15. A true and correct copy of [http://web.archive.org/web/20130624083848/
4 \[https://developers.facebook.com/ ios/friendpicker-ui-control/\]\(https://developers.facebook.com/ios/friendpicker-ui-control/\) is attached hereto as Exhibit 14.](http://web.archive.org/web/20130624083848/https://developers.facebook.com/ios/friendpicker-ui-control/)
- 5 16. A true and correct copy of [http://web.archive.org/web/20130513221736/
6 \[http://developers.facebook.com/ docs/howtos/filter-devices-friend-selector-using-ios-sdk/\]\(http://developers.facebook.com/docs/howtos/filter-devices-friend-selector-using-ios-sdk/\) is
7 attached hereto as Exhibit 15.](http://web.archive.org/web/20130513221736/http://developers.facebook.com/docs/howtos/filter-devices-friend-selector-using-ios-sdk/)
- 8 17. A true and correct copy of [http://web.archive.org/web/20130512221944/
9 \[http://developers.facebook.com/ docs/reference/api/FriendList/\]\(http://developers.facebook.com/docs/reference/api/FriendList/\) is attached hereto as Exhibit 16.](http://web.archive.org/web/20130512221944/http://developers.facebook.com/docs/reference/api/FriendList/)
- 10 18. A true and correct copy of [http://web.archive.org/web/20130526131547/
11 \[https://developers.facebook.com/ docs/reference/api/album/\]\(https://developers.facebook.com/docs/reference/api/album/\) is attached hereto as Exhibit 17.](http://web.archive.org/web/20130526131547/https://developers.facebook.com/docs/reference/api/album/)
- 12 19. A true and correct copy of [http://web.archive.org/web/20130705154058/
13 \[https://developers.facebook.com/ events/mobiledevcon/newyork/\]\(https://developers.facebook.com/events/mobiledevcon/newyork/\) is attached hereto as Exhibit 18.](http://web.archive.org/web/20130705154058/https://developers.facebook.com/events/mobiledevcon/newyork/)
- 14 20. A true and correct copy of [http://web.archive.org/web/20130613061854/
15 \[https://developers.facebook.com/ blog/archive/#2013\]\(https://developers.facebook.com/blog/archive/#2013\) is attached hereto as Exhibit 19.](http://web.archive.org/web/20130613061854/https://developers.facebook.com/blog/archive/#2013)
- 16 21. A true and correct copy of [https://developers.facebook.com/blog/post/
17 \[2017/11/07/changes-developer-offerings/\]\(https://developers.facebook.com/blog/post/2017/11/07/changes-developer-offerings/\) is attached hereto as Exhibit 20.](https://developers.facebook.com/blog/post/2017/11/07/changes-developer-offerings/)
- 18 22. A true and correct copy of <https://developers.facebook.com/policy/> is attached
19 hereto as Exhibit 21.
- 20 23. A true and correct copy of [https://www.facebook.com/notes/facebook-
21 \[security/important-message-from-facebooks-white-hat-program/10151437074840766/\]\(https://www.facebook.com/notes/facebook-security/important-message-from-facebooks-white-hat-program/10151437074840766/\) is attached
22 hereto as Exhibit 22.](https://www.facebook.com/notes/facebook-security/important-message-from-facebooks-white-hat-program/10151437074840766/)
- 23 24. A true and correct copy of [https://newsroom.fb.com/news/2018/03/forensic-audits-
24 \[cambridge-analytica/\]\(https://newsroom.fb.com/news/2018/03/forensic-audits-cambridge-analytica/\) is attached hereto as Exhibit 23.](https://newsroom.fb.com/news/2018/03/forensic-audits-cambridge-analytica/)
- 25 25. A true and correct copy of [https://newsroom.fb.com/news/2018/03/suspending-
26 \[cambridge-analytica/\]\(https://newsroom.fb.com/news/2018/03/suspending-cambridge-analytica/\) is attached hereto as Exhibit 24.](https://newsroom.fb.com/news/2018/03/suspending-cambridge-analytica/)

- 1 26. A true and correct copy of [https://www.facebook.com/zuck/posts/](https://www.facebook.com/zuck/posts/10104712037900071)
2 [10104712037900071](https://www.facebook.com/zuck/posts/10104712037900071) is attached hereto as Exhibit 25.
- 3 27. A true and correct copy of [https://www.facebook.com/sheryl/posts/](https://www.facebook.com/sheryl/posts/10160055807270177?pnref=story)
4 [10160055807270177?pnref=story](https://www.facebook.com/sheryl/posts/10160055807270177?pnref=story) is attached hereto as Exhibit 26.
- 5 28. A true and correct copy of [https://newsroom.fb.com/news/2018/03/cracking-down-](https://newsroom.fb.com/news/2018/03/cracking-down-on-platform-abuse/)
6 [on-platform-abuse/](https://newsroom.fb.com/news/2018/03/cracking-down-on-platform-abuse/) is attached hereto as Exhibit 27.
- 7 29. A true and correct copy of [https://www.ftc.gov/news-events/press-](https://www.ftc.gov/news-events/press-releases/2011/11/facebook-settles-ftc-charges-it-deceived-consumers-failing-keep)
8 [releases/2011/11/facebook-settles-ftc-charges-it-deceived-consumers-failing-keep](https://www.ftc.gov/news-events/press-releases/2011/11/facebook-settles-ftc-charges-it-deceived-consumers-failing-keep) is attached
9 hereto as Exhibit 28.
- 10 30. A true and correct copy of [https://www.ftc.gov/sites/default/files/documents/cases/](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookdo.pdf)
11 [2012/08/120810facebookdo.pdf](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookdo.pdf) is attached hereto as Exhibit 29.
- 12 31. A true and correct copy of [https://www.ftc.gov/news-events/press-](https://www.ftc.gov/news-events/press-releases/2012/08/ftc-approves-final-settlement-facebook)
13 [releases/2012/08/ftc-approves-final-settlement-facebook](https://www.ftc.gov/news-events/press-releases/2012/08/ftc-approves-final-settlement-facebook) is attached hereto as Exhibit 30.
- 14 32. A true and correct copy of [https://www.ftc.gov/sites/default/files/documents/cases/](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookcmpt.pdf)
15 [2012/08/120810facebookcmpt.pdf](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookcmpt.pdf) is attached hereto as Exhibit 31.
- 16 33. A true and correct copy of [https://www.ftc.gov/sites/default/files/documents/cases/](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/111129facebookexha-s.pdf)
17 [2012/08/111129facebookexha-s.pdf](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/111129facebookexha-s.pdf) is attached hereto as Exhibit 32.
- 18 34. A true and correct copy of [https://www.ftc.gov/sites/default/files/documents/](https://www.ftc.gov/sites/default/files/documents/public_statements/dissenting-statement-commissioner-j.thomas-rosch-matter-facebook-inc./120810facebookstatement.pdf)
19 [public_statements/dissenting-statement-commissioner-j.thomas-rosch-matter-facebook-](https://www.ftc.gov/sites/default/files/documents/public_statements/dissenting-statement-commissioner-j.thomas-rosch-matter-facebook-inc./120810facebookstatement.pdf)
20 [inc./120810facebookstatement.pdf](https://www.ftc.gov/sites/default/files/documents/public_statements/dissenting-statement-commissioner-j.thomas-rosch-matter-facebook-inc./120810facebookstatement.pdf) is attached hereto as Exhibit 33.
- 21 35. A true and correct copy of [https://www.ftc.gov/system/files/documents/](https://www.ftc.gov/system/files/documents/public_statements/293551/120810facebookstatement.pdf)
22 [public_statements/293551/120810facebookstatement.pdf](https://www.ftc.gov/system/files/documents/public_statements/293551/120810facebookstatement.pdf) is attached hereto as Exhibit 34.
- 23 36. A true and correct copy of [https://www.ftc.gov/sites/default/files/documents/cases/](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookcmlbltrs.pdf)
24 [2012/08/120810facebookcmlbltrs.pdf](https://www.ftc.gov/sites/default/files/documents/cases/2012/08/120810facebookcmlbltrs.pdf) is attached hereto as Exhibit 35.
- 25 37. A true and correct copy of [http://money.cnn.com/2012/05/21/markets/facebook-](http://money.cnn.com/2012/05/21/markets/facebook-stock/index.htm)
26 [stock/index.htm](http://money.cnn.com/2012/05/21/markets/facebook-stock/index.htm) is attached hereto as Exhibit 36.
- 27 38. A true and correct copy of <https://investor.fb.com/stock-information/default.aspx> is
28 attached hereto as Exhibit 37.

1 39. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
3 details/2013/Facebook-Reports-Fourth-Quarter-and-Full-Year-2012-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
2 details/2013/Facebook-Reports-Fourth-Quarter-and-Full-Year-2012-Results/default.aspx) is
4 attached hereto as Exhibit 38.

5 40. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
7 details/2014/Facebook-Reports-Fourth-Quarter-and-Full-Year-2013-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
6 details/2014/Facebook-Reports-Fourth-Quarter-and-Full-Year-2013-Results/default.aspx) is
8 attached hereto as Exhibit 39.

9 41. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
11 details/2015/Facebook-Reports-Fourth-Quarter-and-Full-Year-2014-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
10 details/2015/Facebook-Reports-Fourth-Quarter-and-Full-Year-2014-Results/default.aspx) is
12 attached hereto as Exhibit 40.

13 42. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
15 details/2016/Facebook-Reports-Fourth-Quarter-and-Full-Year-2015-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
14 details/2016/Facebook-Reports-Fourth-Quarter-and-Full-Year-2015-Results/default.aspx) is
16 attached hereto as Exhibit 41.

17 43. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
19 details/2017/Facebook-Reports-Fourth-Quarter-and-Full-Year-2016-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
18 details/2017/Facebook-Reports-Fourth-Quarter-and-Full-Year-2016-Results/default.aspx) is
20 attached hereto as Exhibit 42.

21 44. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
23 details/2018/Facebook-Reports-Fourth-Quarter-and-Full-Year-2017-Results/default.aspx](https://investor.fb.com/investor-news/press-release-
22 details/2018/Facebook-Reports-Fourth-Quarter-and-Full-Year-2017-Results/default.aspx) is
24 attached hereto as Exhibit 43.

25 45. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
27 details/2012/Facebook-to-Acquire-Instagram/default.aspx](https://investor.fb.com/investor-news/press-release-
26 details/2012/Facebook-to-Acquire-Instagram/default.aspx) is attached hereto as Exhibit 44.

28 46. A true and correct copy of [https://investor.fb.com/investor-news/press-release-
details/2014/Facebook-to-Acquire-WhatsApp/default.aspx](https://investor.fb.com/investor-news/press-release-
details/2014/Facebook-to-Acquire-WhatsApp/default.aspx) is attached hereto as Exhibit 45.

 47. A true and correct copy of [https://techcrunch.com/2016/07/20/one-billion-
messaging/](https://techcrunch.com/2016/07/20/one-billion-
messaging/) is attached hereto as Exhibit 46.

 48. A true and correct copy of [https://www.statista.com/statistics/327292/number-of-
monthly-active-line-app-users/](https://www.statista.com/statistics/327292/number-of-
monthly-active-line-app-users/) is attached hereto as Exhibit 47.

 49. A true and correct copy of [http://investor.zynga.com/news-releases/news-release-
details/zynga-reports-fourth-quarter-and-full-year-2012-financial](http://investor.zynga.com/news-releases/news-release-
details/zynga-reports-fourth-quarter-and-full-year-2012-financial) is attached hereto as Exhibit 48.

1 50. A true and correct copy of [http://investor.zynga.com/news-releases/news-release-](http://investor.zynga.com/news-releases/news-release-details/zynga-announces-second-quarter-2014-financial-results)
2 [details/zynga-announces-second-quarter-2014-financial-results](http://investor.zynga.com/news-releases/news-release-details/zynga-announces-second-quarter-2014-financial-results) is attached hereto as Exhibit 49.

3 51. A true and correct copy of [http://files.shareholder.com/downloads/AMDA-](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x723507/EDD94403-569F-4160-8C2A-F713763BA7F0/2013%20Q4%20Earnings%20Slides.pdf)
4 [2F526X/6145255708x0x723507/EDD94403-569F-4160-8C2A-](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x723507/EDD94403-569F-4160-8C2A-F713763BA7F0/2013%20Q4%20Earnings%20Slides.pdf)
5 [F713763BA7F0/2013%20Q4%20Earnings%20Slides.pdf](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x723507/EDD94403-569F-4160-8C2A-F713763BA7F0/2013%20Q4%20Earnings%20Slides.pdf) is attached hereto as Exhibit 50.

6 52. A true and correct copy of [http://files.shareholder.com/downloads/AMDA-](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x874450/36429F80-3FCD-46FF-8AFF-232AE9B6CEDD/2015_Q4_Earnings_Slides.pdf)
7 [2F526X/6145255708 x0x874450/36429F80-3FCD-46FF-8AFF-](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x874450/36429F80-3FCD-46FF-8AFF-232AE9B6CEDD/2015_Q4_Earnings_Slides.pdf)
8 [232AE9B6CEDD/2015_Q4_Earnings_Slides.pdf](http://files.shareholder.com/downloads/AMDA-2F526X/6145255708x0x874450/36429F80-3FCD-46FF-8AFF-232AE9B6CEDD/2015_Q4_Earnings_Slides.pdf) is attached hereto as Exhibit 51.

9 53. True and correct copies of <https://www.youtube.com/watch?v=LcLRw5RxoWM>
10 and https://dc.uwm.edu/zuckerberg_files_transcripts/149 are attached hereto as Exhibit 52.

11 54. True and correct copies of
12 https://www.youtube.com/watch?feature=player_embedded&v=CRUOI03nZIc and
13 https://dc.uwm.edu/zuckerberg_files_transcripts/59 are attached hereto as Exhibit 53.

14 55. True and correct copies of [http://scobleizer.com/2010/11/03/great-interview-](http://scobleizer.com/2010/11/03/great-interview-candid-disruptive-mark-zuckerberg/)
15 [candid-disruptive-mark-zuckerberg/](http://scobleizer.com/2010/11/03/great-interview-candid-disruptive-mark-zuckerberg/) and https://dc.uwm.edu/zuckerberg_files_transcripts/36 are
16 attached hereto as Exhibit 54.

17 56. True and correct copies of [http://files.shareholder.com/downloads/AMDA-](http://files.shareholder.com/downloads/AMDA-NJ5DZ/2299012687x0x608800/1070cac6-c01c-4439-bab9-5c25d3ffd434/Facebook_Q32012EarningsTranscript102312.pdf)
18 [NJ5DZ/2299012687x0x608800/1070cac6-c01c-4439-bab9-](http://files.shareholder.com/downloads/AMDA-NJ5DZ/2299012687x0x608800/1070cac6-c01c-4439-bab9-5c25d3ffd434/Facebook_Q32012EarningsTranscript102312.pdf)
19 [5c25d3ffd434/Facebook_Q32012EarningsTranscript102312.pdf](http://files.shareholder.com/downloads/AMDA-NJ5DZ/2299012687x0x608800/1070cac6-c01c-4439-bab9-5c25d3ffd434/Facebook_Q32012EarningsTranscript102312.pdf) and
20 https://dc.uwm.edu/zuckerberg_files_transcripts/3 are attached hereto as Exhibit 55.

21 57. True and correct copies of
22 [http://www.youtube.com/watch?v= TuFkupUn7k&feature=related](http://www.youtube.com/watch?v=TuFkupUn7k&feature=related) and
23 https://dc.uwm.edu/zuckerberg_files_transcripts/30 are attached hereto as Exhibit 56.

24 58. True and correct copies of [https://seekingalpha.com/article/755071-facebook-](https://seekingalpha.com/article/755071-facebook-management-discusses-q2-2012-results-earnings-call-transcript)
25 [management-discusses-q2-2012-results-earnings-call-transcript](https://seekingalpha.com/article/755071-facebook-management-discusses-q2-2012-results-earnings-call-transcript) and
26 https://dc.uwm.edu/zuckerberg_files_transcripts/239 are attached hereto as Exhibit 57.

1 59. True and correct copies of http://allthingsd.com/video/?video_id=29CC1557-56A9-4484-90B4-539E282F6F9A and https://dc.uwm.edu/zuckerberg_files_transcripts/57 are attached
2
3 hereto as Exhibit 58.

4 60. True and correct copies of [http://www.youtube.com/watch?v=](http://www.youtube.com/watch?v=TuFkupUn7k&feature=related)
5 [TuFkupUn7k&feature=related](http://www.youtube.com/watch?v=TuFkupUn7k&feature=related) and https://dc.uwm.edu/zuckerberg_files_transcripts/30 are
6 attached hereto as Exhibit 59.

7 61. True and correct copies of [http://ppe.cnbc.com/id/15840232?video=](http://ppe.cnbc.com/id/15840232?video=3000047318&play=1)
8 [3000047318&play=1](http://ppe.cnbc.com/id/15840232?video=3000047318&play=1) and https://dc.uwm.edu/zuckerberg_files_transcripts/68 are attached hereto
9 as Exhibit 60.

10 62. True and correct copies of [http://techcrunch.com/2012/09/11/the-best-soundbites-](http://techcrunch.com/2012/09/11/the-best-soundbites-from-mark-zuckerberg-michael-arrington-interview-vid/)
11 [from-mark-zuckerberg-michael-arrington-interview-vid/](http://techcrunch.com/2012/09/11/the-best-soundbites-from-mark-zuckerberg-michael-arrington-interview-vid/) and [https://dc.uwm.edu/zuckerberg](https://dc.uwm.edu/zuckerberg_files_transcripts/9)
12 [files_transcripts/9](https://dc.uwm.edu/zuckerberg_files_transcripts/9) are attached hereto as Exhibit 61.

13 63. True and correct copies of <http://techcrunch.com/events/disrupt-sf-2013/agenda/>
14 and https://dc.uwm.edu/zuckerberg_files_transcripts/94 are attached hereto as Exhibit 62.

15 64. True and correct copies of [https://seekingalpha.com/article/1569862-facebook-inc-](https://seekingalpha.com/article/1569862-facebook-inc-fb-ceo-discusses-q2-2013-results-earnings-call-transcript)
16 [fb-ceo-discusses-q2-2013-results-earnings-call-transcript](https://seekingalpha.com/article/1569862-facebook-inc-fb-ceo-discusses-q2-2013-results-earnings-call-transcript) and [https://dc.uwm.edu/zuckerberg](https://dc.uwm.edu/zuckerberg_files_transcripts/238)
17 [files_transcripts/238](https://dc.uwm.edu/zuckerberg_files_transcripts/238) are attached hereto as Exhibit 63.

18 65. True and correct copies of [https://seekingalpha.com/article/2159613-facebooks-](https://seekingalpha.com/article/2159613-facebooks-ceo-discusses-q1-2014-results-earnings-call-transcript)
19 [ceo-discusses-q1-2014-results-earnings-call-transcript](https://seekingalpha.com/article/2159613-facebooks-ceo-discusses-q1-2014-results-earnings-call-transcript) and [https://dc.uwm.edu/zuckerberg](https://dc.uwm.edu/zuckerberg_files_transcripts/233)
20 [files_transcripts/233](https://dc.uwm.edu/zuckerberg_files_transcripts/233) are attached hereto as Exhibit 64.

21 66. True and correct copies of [https://www.nasdaq.com/aspx/call-](https://www.nasdaq.com/aspx/call-transcript.aspx?StoryId=1392101&Title=facebook-s-ceo-discusses-q1-2013-results-earnings-call-transcript)
22 [transcript.aspx?StoryId=1392101&Title= facebook-s-ceo-discusses-q1-2013-results-earnings-call-](https://www.nasdaq.com/aspx/call-transcript.aspx?StoryId=1392101&Title=facebook-s-ceo-discusses-q1-2013-results-earnings-call-transcript)
23 [transcript](https://www.nasdaq.com/aspx/call-transcript.aspx?StoryId=1392101&Title=facebook-s-ceo-discusses-q1-2013-results-earnings-call-transcript) and https://dc.uwm.edu/zuckerberg_files_transcripts/237 are attached hereto as Exhibit
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25 67. True and correct copies of [http://www.insidefacebook.com/2010/06/22/exclusive-](http://www.insidefacebook.com/2010/06/22/exclusive-discussing-the-future-of-facebook-and-the-facebook-ecosystem-with-ceo-mark-zuckerberg/)
26 [discussing-the-future-of-facebook-and-the-facebook-ecosystem-with-ceo-mark-zuckerberg/](http://www.insidefacebook.com/2010/06/22/exclusive-discussing-the-future-of-facebook-and-the-facebook-ecosystem-with-ceo-mark-zuckerberg/) and
27 https://dc.uwm.edu/zuckerberg_files_transcripts/55 are attached hereto as Exhibit 66.

- 1 68. True and correct copies of <http://www.youtube.com/watch?v=Gy0bq9FAJR8> and
2 https://dc.uwm.edu/zuckerberg_files_transcripts/79 are attached hereto as Exhibit 67.
- 3 69. A true and correct copy of [https://s21.q4cdn.com/399680738/files/
4 doc_financials/annual_reports/FB_2012_10K.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/FB_2012_10K.pdf) is attached hereto as Exhibit 68.
- 5 70. A true and correct copy of [https://s21.q4cdn.com/399680738/files/
6 doc_financials/annual_reports/FB_AR_33501_FINAL.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/FB_AR_33501_FINAL.pdf) is attached hereto as Exhibit 69.
- 7 71. A true and correct copy of [https://s21.q4cdn.com/399680738/files/
8 doc_financials/annual_reports/FB2014AR.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/FB2014AR.pdf) is attached hereto as Exhibit 70.
- 9 72. A true and correct copy of [https://s21.q4cdn.com/399680738/files/
10 doc_financials/annual_reports/2015-Annual-Report.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/2015-Annual-Report.pdf) is attached hereto as Exhibit 71.
- 11 73. A true and correct copy of [http://www.adweek.com/digital/facebook-formalizes-
12 reciprocity-policy-and-clearly-prohibits-replicating-core-features/](http://www.adweek.com/digital/facebook-formalizes-reciprocity-policy-and-clearly-prohibits-replicating-core-features/) is attached hereto as Exhibit 72.
- 13 74. A true and correct copy of [https://techcrunch.com/2007/05/24/facebook-launches-
14 facebook-platform-they-are-the-anti-myspace/](https://techcrunch.com/2007/05/24/facebook-launches-facebook-platform-they-are-the-anti-myspace/) is attached hereto as Exhibit 73.
- 15 75. A true and correct copy of [https://mashable.com/2012/05/24/facebook-developer-
16 platform-infographic/#H0prSqnY_Zqh](https://mashable.com/2012/05/24/facebook-developer-platform-infographic/#H0prSqnY_Zqh) is attached hereto as Exhibit 74.
- 17 76. A true and correct copy of [https://www.wsj.com/articles/
18 SB10001424127887324392804578363033497647670](https://www.wsj.com/articles/SB10001424127887324392804578363033497647670) is attached hereto as Exhibit 75.
- 19 77. A true and correct copy of [https://techcrunch.com/2013/01/04/early-studies-show-
20 facebook-mobile-app-install-ads-perform-well-for-devs-indicating-big-revenue-potential/](https://techcrunch.com/2013/01/04/early-studies-show-facebook-mobile-app-install-ads-perform-well-for-devs-indicating-big-revenue-potential/) is
21 attached hereto as Exhibit 76.
- 22 78. A true and correct copy of [https://www.wsj.com/articles/
23 SB10001424052702304141204577510951953200634](https://www.wsj.com/articles/SB10001424052702304141204577510951953200634) is attached hereto as Exhibit 77.
- 24 79. A true and correct copy of [https://www.buzzfeed.com/mattlynley/how-facebook-
25 decides-which-apps-get-to-use-your-data?utm_term=.cfKJpnmxwq#.dxaVK9L3E8](https://www.buzzfeed.com/mattlynley/how-facebook-decides-which-apps-get-to-use-your-data?utm_term=.cfKJpnmxwq#.dxaVK9L3E8) is attached
26 hereto as Exhibit 78.
- 27 80. A true and correct copy of [https://www.cnbc.com/2016/04/12/mark-zuckerberg-at-
28 facebook-f8-latest-news.html](https://www.cnbc.com/2016/04/12/mark-zuckerberg-at-facebook-f8-latest-news.html) is attached hereto as Exhibit 79.

1 81. A true and correct copy of <https://finance.yahoo.com/news/facebook-opens-instant-games-developers-153919562.html?.tsrc=applewf> is attached hereto as Exhibit 80.

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3 82. A true and correct copy of <http://www.businessinsider.com/r-facebook-settles-lawsuit-over-2012-ipo-for-35-million-2018-2> is attached hereto as Exhibit 81.

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5 83. A true and correct copy of <https://www.cnbc.com/2018/03/15/citi-launches-chatbot-on-facebook-messenger-for-singapore-customers.html> is attached hereto as Exhibit 82.

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7 84. A true and correct copy of <https://developers.facebook.com/blog/post/2017/04/18/facebook-introduces-developer-circles/> is attached hereto as Exhibit 83.

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9 85. A true and correct copy of <https://www.theverge.com/2018/5/1/17307782/facebook-tinder-dating-app-f8-match-okcupid> is attached hereto as Exhibit 84.

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11 86. A true and correct copy of <https://www.nytimes.com/2018/04/30/technology/facebook-privacy-developers.html> is attached hereto as Exhibit 85.

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13 87. A true and correct copy of https://www.cnbc.com/2017/05/18/facebook-fine-eu-whatsapp-takeover.html?_source=yahoo%7Cfinance%7Cheadline%7Cheadline%7Cstory&par=yahoo&doc=104477516&yptr=yahoo is attached hereto as Exhibit 86.

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15 88. A true and correct copy of <https://techcrunch.com/2017/06/08/facebook-is-speeding-up-training-for-visual-recognition-models/> is attached hereto as Exhibit 87.

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17 89. A true and correct copy of <https://techcrunch.com/2017/06/20/phhphoto-shuts-down/> is attached hereto as Exhibit 88.

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19 90. A true and correct copy of <https://techcrunch.com/2017/06/27/facebook-2-billion-users/> is attached hereto as Exhibit 89.

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21 91. A true and correct copy of <https://www.wired.com/2015/08/how-facebook-works/> is attached hereto as Exhibit 90.

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23 92. A true and correct copy of https://www.bloomberg.com/news/articles/2017-07-13/antitrust-built-for-rockefeller-baffled-by-bezos-quicktake-q-a?utm_campaign=news&utm_medium=bd&utm_source=applenews is attached hereto as Exhibit 91.

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25 93. A true and correct copy of <https://techcrunch.com/2017/07/25/facebook-twitter-google-warned-over-eu-consumer-rights/> is attached hereto as Exhibit 92.

1 94. A true and correct copy of [https://techcrunch.com/2017/07/27/wit-ai-is-shutting-](https://techcrunch.com/2017/07/27/wit-ai-is-shutting-down-bot-engine-as-facebook-rolls-nlp-into-its-updated-messenger-platform/)
2 [down-bot-engine-as-facebook-rolls-nlp-into-its-updated-messenger-platform/](https://techcrunch.com/2017/07/27/wit-ai-is-shutting-down-bot-engine-as-facebook-rolls-nlp-into-its-updated-messenger-platform/) is attached hereto as
3 Exhibit 93.

4 95. A true and correct copy of [https://arstechnica.com/tech-policy/2017/07/linkedin-its-](https://arstechnica.com/tech-policy/2017/07/linkedin-its-illegal-to-scrape-our-website-without-permission/)
5 [illegal-to-scrape-our-website-without-permission/](https://arstechnica.com/tech-policy/2017/07/linkedin-its-illegal-to-scrape-our-website-without-permission/) is attached hereto as Exhibit 94.

6 96. A true and correct copy of [http://www.businessinsider.com/mark-zuckerberg-](http://www.businessinsider.com/mark-zuckerberg-texted-his-wife-about-cancelling-facebooks-ipo-2017-8)
7 [texted-his-wife-about-cancelling-facebooks-ipo-2017-8](http://www.businessinsider.com/mark-zuckerberg-texted-his-wife-about-cancelling-facebooks-ipo-2017-8) is attached hereto as Exhibit 95.

8 97. A true and correct copy of [http://www.businessinsider.com/half-of-facebooks-](http://www.businessinsider.com/half-of-facebooks-revenue-now-comes-from-mobile-advertising-2013-10)
9 [revenue-now-comes-from-mobile-advertising-2013-10](http://www.businessinsider.com/half-of-facebooks-revenue-now-comes-from-mobile-advertising-2013-10) is attached hereto as Exhibit 96.

10 98. A true and correct copy of [https://techcrunch.com/2017/05/03/facebook-q1-2017-](https://techcrunch.com/2017/05/03/facebook-q1-2017-earnings/)
11 [earnings/](https://techcrunch.com/2017/05/03/facebook-q1-2017-earnings/) is attached hereto as Exhibit 97.

12 99. A true and correct copy of [https://web.archive.org/web/20170810112443/](https://web.archive.org/web/20170810112443/https://www.foxbusiness.com/features/2017/08/09/new-copycats-how-facebook-squashes-2.amp.html)
13 [https://www.foxbusiness.com/ features/2017/08/09/new-copycats-how-facebook-squashes-](https://web.archive.org/web/20170810112443/https://www.foxbusiness.com/features/2017/08/09/new-copycats-how-facebook-squashes-2.amp.html)
14 [2.amp.html](https://web.archive.org/web/20170810112443/https://www.foxbusiness.com/features/2017/08/09/new-copycats-how-facebook-squashes-2.amp.html) is attached hereto as Exhibit 98.

15 100. A true and correct copy of [https://www.wsj.com/articles/facebook-onavo-gives-](https://www.wsj.com/articles/facebook-onavo-gives-social-media-firm-inside-peek-at-rivals-users-1502622003?mod=yahoo_hs&yptr=yahoo)
16 [social-media-firm-inside-peek-at-rivals-users-1502622003?mod=yahoo_hs&yptr=yahoo](https://www.wsj.com/articles/facebook-onavo-gives-social-media-firm-inside-peek-at-rivals-users-1502622003?mod=yahoo_hs&yptr=yahoo) is
17 attached hereto as Exhibit 99.

18 101. A true and correct copy of [https://techcrunch.com/2017/09/07/facebook-is-testing-](https://techcrunch.com/2017/09/07/facebook-is-testing-features-to-help-you-make-new-friends/)
19 [features-to-help-you-make-new-friends/](https://techcrunch.com/2017/09/07/facebook-is-testing-features-to-help-you-make-new-friends/) is attached hereto as Exhibit 100.

20 102. A true and correct copy of
21 [https://www.bizjournals.com/losangeles/news/2017/09/08/facebook-budgets-for-original-](https://www.bizjournals.com/losangeles/news/2017/09/08/facebook-budgets-for-original-video.html?ana=yahoo&yptr=yahoo)
22 [video.html?ana=yahoo&yptr=yahoo](https://www.bizjournals.com/losangeles/news/2017/09/08/facebook-budgets-for-original-video.html?ana=yahoo&yptr=yahoo) is attached hereto as Exhibit 101.

23 103. A true and correct copy of <https://techcrunch.com/2017/09/08/whatsapp-ads/> is
24 attached hereto as Exhibit 102.

25 104. A true and correct copy of [https://techcrunch.com/2017/09/11/facebook-fined-e1-](https://techcrunch.com/2017/09/11/facebook-fined-e1-2m-for-privacy-violations-in-spain/)
26 [2m-for-privacy-violations-in-spain/](https://techcrunch.com/2017/09/11/facebook-fined-e1-2m-for-privacy-violations-in-spain/) is attached hereto as Exhibit 103.

27 105. A true and correct copy of [https://techcrunch.com/2017/09/13/facebook-tries-its-](https://techcrunch.com/2017/09/13/facebook-tries-its-hand-at-group-video-chat-with-bonfire/)
28 [hand-at-group-video-chat-with-bonfire/](https://techcrunch.com/2017/09/13/facebook-tries-its-hand-at-group-video-chat-with-bonfire/) is attached hereto as Exhibit 104.

1 106. A true and correct copy of [https://techcrunch.com/2017/09/13/facebook-](https://techcrunch.com/2017/09/13/facebook-platform/?ncid=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+TechCrunch+%28TechCrunch%29)
2 [platform/?ncid=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+Te](https://techcrunch.com/2017/09/13/facebook-platform/?ncid=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+TechCrunch+%28TechCrunch%29)
3 [chcrunch+%28TechCrunch%29](https://techcrunch.com/2017/09/13/facebook-platform/?ncid=rss&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+TechCrunch+%28TechCrunch%29) is attached hereto as Exhibit 105.

4 107. A true and correct copy of [https://www.propublica.org/article/facebook-doesnt-tell-](https://www.propublica.org/article/facebook-doesnt-tell-users-everything-it-really-knows-about-them)
5 [users-everything-it-really-knows-about-them](https://www.propublica.org/article/facebook-doesnt-tell-users-everything-it-really-knows-about-them) is attached hereto as Exhibit 106.

6 108. A true and correct copy of [https://www.wired.com/story/to-fix-its-toxic-ad-](https://www.wired.com/story/to-fix-its-toxic-ad-problem-facebook-must-break-itself?mbid=nl_091817_daily&CNDID=%CUST_ID%)
7 [problem-facebook-must-break-itself?mbid=nl_091817_daily&CNDID=%CUST_ID%](https://www.wired.com/story/to-fix-its-toxic-ad-problem-facebook-must-break-itself?mbid=nl_091817_daily&CNDID=%CUST_ID%) is
8 attached hereto as Exhibit 107.

9 109. A true and correct copy of [https://mashable.com/2017/09/21/google-facebook-](https://mashable.com/2017/09/21/google-facebook-dominate-online-ads-now-and-forever/#vVvkplJEmmqY)
10 [dominate-online-ads-now-and-forever/#vVvkplJEmmqY](https://mashable.com/2017/09/21/google-facebook-dominate-online-ads-now-and-forever/#vVvkplJEmmqY) is attached hereto as Exhibit 108.

11 110. A true and correct copy of [https://www.nytimes.com/2017/09/22/technology/ mark-](https://www.nytimes.com/2017/09/22/technology/mark-zuckerberg-facebook-russian-ads.html)
12 [zuckerberg-facebook-russian-ads.html](https://www.nytimes.com/2017/09/22/technology/mark-zuckerberg-facebook-russian-ads.html) is attached hereto as Exhibit 109.

13 111. A true and correct copy of [https://www.cnbc.com/2017/10/05/facebook-users-](https://www.cnbc.com/2017/10/05/facebook-users-could-outnumber-christians-before-year-end-nymag.html)
14 [could-outnumber-christians-before-year-end-nymag.html](https://www.cnbc.com/2017/10/05/facebook-users-could-outnumber-christians-before-year-end-nymag.html) is attached hereto as Exhibit 110.

15 112. A true and correct copy of [https://www.cnbc.com/2017/10/13/facebook-food-](https://www.cnbc.com/2017/10/13/facebook-food-ordering-service-goes-live.html)
16 [ordering-service-goes-live.html](https://www.cnbc.com/2017/10/13/facebook-food-ordering-service-goes-live.html) is attached hereto as Exhibit 111.

17 113. A true and correct copy of [https://www.vanityfair.com/news/2017/10/early-](https://www.vanityfair.com/news/2017/10/early-facebook-employees-regret-the-monster-they-created)
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19 114. A true and correct copy of <http://time.com/4984426/russia-facebook-ads-user-data/>
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21 115. A true and correct copy of [https://qz.com/1107036/facebook-treats-its-ethical-](https://qz.com/1107036/facebook-treats-its-ethical-failures-like-software-bugs-and-thats-why-they-keep-happening/)
22 [failures-like-software-bugs-and-thats-why-they-keep-happening/](https://qz.com/1107036/facebook-treats-its-ethical-failures-like-software-bugs-and-thats-why-they-keep-happening/) is attached hereto as Exhibit 114.

23 116. A true and correct copy of [https://www.washingtonpost.com/news/the-](https://www.washingtonpost.com/news/the-switch/wp/2017/10/12/facebook-takes-down-data-and-thousands-of-posts-obscuring-reach-of-russian-disinformation/?utm_term=.7780b8dcfe21)
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26 117. A true and correct copy of [https://www.forbes.com/sites/johnkoetsier/2017/10/23/](https://www.forbes.com/sites/johnkoetsier/2017/10/23/apple-vs-facebook-38-of-mobile-gamers-have-used-facebooks-app-store/#1d97bc312ae0)
27 [apple-vs-facebook-38-of-mobile-gamers-have-used-facebooks-app-store/#1d97bc312ae0](https://www.forbes.com/sites/johnkoetsier/2017/10/23/apple-vs-facebook-38-of-mobile-gamers-have-used-facebooks-app-store/#1d97bc312ae0) is
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- 1 118. A true and correct copy of [https://thenextweb.com/apps/2017/04/18/facebook-](https://thenextweb.com/apps/2017/04/18/facebook-downloaded-app-netflix/)
2 [downloaded-app-netflix/](https://thenextweb.com/apps/2017/04/18/facebook-downloaded-app-netflix/) is attached hereto as Exhibit 117.
- 3 119. A true and correct copy of [https://gizmodo.com/facebook-hey-nice-media-you-got-](https://gizmodo.com/facebook-hey-nice-media-you-got-there-shame-if-some-1819791648)
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- 5 120. A true and correct copy of [https://www.nytimes.com/2016/01/21/technology/techs-](https://www.nytimes.com/2016/01/21/technology/techs-frightful-5-will-dominate-digital-life-for-foreseeable-future.html?mtrref=undefined&gwh=A35C9035054C312F8A8EFF83402928CA&gwt=pay)
6 [frightful-5-will-dominate-digital-life-for-foreseeable-future.html?mtrref=undefined&gwh=](https://www.nytimes.com/2016/01/21/technology/techs-frightful-5-will-dominate-digital-life-for-foreseeable-future.html?mtrref=undefined&gwh=A35C9035054C312F8A8EFF83402928CA&gwt=pay)
7 [A35C9035054C312F8A8EFF83402928CA&gwt=pay](https://www.nytimes.com/2016/01/21/technology/techs-frightful-5-will-dominate-digital-life-for-foreseeable-future.html?mtrref=undefined&gwh=A35C9035054C312F8A8EFF83402928CA&gwt=pay) is attached hereto as Exhibit 119.
- 8 121. A true and correct copy of [https://www.digitaltrends.com/social-media/facebook-](https://www.digitaltrends.com/social-media/facebook-denies-mining-conversations-for-ads/)
9 [denies-mining-conversations-for-ads/](https://www.digitaltrends.com/social-media/facebook-denies-mining-conversations-for-ads/) is attached hereto as Exhibit 120.
- 10 122. A true and correct copy of [https://finance.yahoo.com/news/mojiworks-raises-2-1m-](https://finance.yahoo.com/news/mojiworks-raises-2-1m-series-070044061.html)
11 [series-070044061.html](https://finance.yahoo.com/news/mojiworks-raises-2-1m-series-070044061.html) is attached hereto as Exhibit 121.
- 12 123. A true and correct copy of [https://gizmodo.com/how-facebook-figures-out-](https://gizmodo.com/how-facebook-figures-out-everyone-youve-ever-met-1819822691)
13 [everyone-youve-ever-met-1819822691](https://gizmodo.com/how-facebook-figures-out-everyone-youve-ever-met-1819822691) is attached hereto as Exhibit 122.
- 14 124. A true and correct copy of [https://www.wsj.com/amp/articles/facebooks-identity-](https://www.wsj.com/amp/articles/facebooks-identity-crisis-looms-1521579929)
15 [crisis-looms-1521579929](https://www.wsj.com/amp/articles/facebooks-identity-crisis-looms-1521579929) is attached hereto as Exhibit 123.
- 16 125. A true and correct copy of [https://www.wsj.com/articles/facebooks-restrictions-on-](https://www.wsj.com/articles/facebooks-restrictions-on-user-data-cast-a-long-shadow-1442881332)
17 [user-data-cast-a-long-shadow-1442881332](https://www.wsj.com/articles/facebooks-restrictions-on-user-data-cast-a-long-shadow-1442881332) is attached hereto as Exhibit 124.
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- 20 127. A true and correct copy of [http://www.businessinsider.com/remove-apps-facebook-](http://www.businessinsider.com/remove-apps-facebook-privacy-issue-data-tip-fix-2017-11)
21 [privacy-issue-data-tip-fix-2017-11](http://www.businessinsider.com/remove-apps-facebook-privacy-issue-data-tip-fix-2017-11) is attached hereto as Exhibit 126.
- 22 128. A true and correct copy of [https://techcrunch.com/2017/11/30/theres-an-implosion-](https://techcrunch.com/2017/11/30/theres-an-implosion-of-early-stage-vc-funding-and-no-ones-talking-about-it/)
23 [of-early-stage-vc-funding-and-no-ones-talking-about-it/](https://techcrunch.com/2017/11/30/theres-an-implosion-of-early-stage-vc-funding-and-no-ones-talking-about-it/) is attached hereto as Exhibit 127.
- 24 129. A true and correct copy of [https://techcrunch.com/2017/12/04/the-loss-of-first-](https://techcrunch.com/2017/12/04/the-loss-of-first-check-investors/)
25 [check-investors/](https://techcrunch.com/2017/12/04/the-loss-of-first-check-investors/) is attached hereto as Exhibit 128.
- 26 130. A true and correct copy of [https://qz.com/1146007/australias-competition-](https://qz.com/1146007/australias-competition-watchdog-wants-to-see-if-facebook-and-google-are-destroying-journalism/)
27 [watchdog-wants-to-see-if-facebook-and-google-are-destroying-journalism/](https://qz.com/1146007/australias-competition-watchdog-wants-to-see-if-facebook-and-google-are-destroying-journalism/) is attached hereto as
28 Exhibit 129.

- 1 131. A true and correct copy of <https://www.theverge.com/2017/12/5/16738266/messenger-kids-facebook-privacy-data-real-names> is attached hereto as Exhibit 130.
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- 3 132. A true and correct copy of <https://techcrunch.com/2017/12/05/pinterest-integrates-deeper-with-facebook-with-a-new-bot-and-messenger-extension/> is attached hereto as Exhibit 131.
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- 5 133. A true and correct copy of <https://finance.yahoo.com/news/facebook-opens-instant-games-developers-153919562.html?.tsrc=applewf> is attached hereto as Exhibit 132.
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- 7 134. A true and correct copy of <https://techcrunch.com/2018/04/26/what-we-learned-from-facebooks-latest-data-misuse-grilling/> is attached hereto as Exhibit 133.
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- 9 135. A true and correct copy of <https://www.theguardian.com/commentisfree/2018/mar/09/google-facebook-first-amendment-protections> is attached hereto as Exhibit 134.
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- 11 136. A true and correct copy of <https://www.wsj.com/articles/facebook-really-is-spying-on-you-just-not-through-your-phones-mic-1520448644> is attached hereto as Exhibit 135.
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- 13 137. A true and correct copy of <https://www.forbes.com/sites/kathleenchaykowski/2018/03/06/facebooks-latest-algorithm-change-here-are-the-news-sites-that-stand-to-lose-the-most/#5b39418b34ec> is attached hereto as Exhibit 136.
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- 16 138. A true and correct copy of <http://www.businessinsider.com/littlethings-online-publisher-shuts-down-and-blames-facebook-algorithm-2018-2> is attached hereto as Exhibit 137.
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- 18 139. A true and correct copy of <http://www.businessinsider.com/what-is-facebooks-onavo-protect-virtual-private-network-app-2018-2> is attached hereto as Exhibit 138.
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- 20 140. A true and correct copy of <https://finance.yahoo.com/news/german-court-finds-fault-facebook-155202613.html?.tsrc=applewf> is attached hereto as Exhibit 139.
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- 22 141. A true and correct copy of <https://www.wired.com/story/inside-facebook-mark-zuckerberg-2-years-of-hell/> is attached hereto as Exhibit 140.
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- 24 142. A true and correct copy of <https://techcrunch.com/2018/02/12/facebook-starts-pushing-its-data-tracking-onavo-vpn-within-its-main-mobile-app/> is attached hereto as Exhibit
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- 26 141.
- 27 143. A true and correct copy of <http://time.com/5125267/mark-zuckerberg-facebook-news-feed-regulations/> is attached hereto as Exhibit 142.
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1 144. A true and correct copy of <https://www.youtube.com/watch?v=XCvwCcEP74Q> is
2 attached hereto as Exhibit 143.

3 145. A true and correct copy of https://www.youtube.com/watch?v=1ebKI4x_k8A is
4 attached hereto as Exhibit 144.

5 146. A true and correct copy of <https://www.youtube.com/watch?v=GWBjUsmO-Lw> is
6 attached hereto as Exhibit 145.

7 147. A true and correct copy of [https://newsroom.fb.com/news/2015/06/introducing-
8 moments/](https://newsroom.fb.com/news/2015/06/introducing-moments/) is attached hereto as Exhibit 146.

9 148. A true and correct copy of [https://slate.com/technology/2018/01/facebook-crushed-
10 everyones-pivot-to-video-except-its-own.html](https://slate.com/technology/2018/01/facebook-crushed-everyones-pivot-to-video-except-its-own.html) is attached hereto as Exhibit 147.

11 149. A true and correct copy of [https://www.wsj.com/articles/the-antitrust-case-against-
12 facebook-google-amazon-and-apple-1516121561?mod=trending_now_1](https://www.wsj.com/articles/the-antitrust-case-against-facebook-google-amazon-and-apple-1516121561?mod=trending_now_1) is attached hereto as
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15 facebook-messenger-app-complicated-ads-clutter-david-marcus](https://www.theverge.com/2018/1/16/16894946/facebook-messenger-app-complicated-ads-clutter-david-marcus) is attached hereto as Exhibit 149.

16 151. A true and correct copy of [https://www.wsj.com/articles/marketers-say-facebooks-
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18 cx_picks&cx_navSource=cx_picks&cx_tag=collabctx&cx_artPos=1#cxrecs_s](https://www.wsj.com/articles/marketers-say-facebooks-news-feed-update-will-be-nail-in-the-coffin-for-organic-posts-1515785725?mod=cx_picks&cx_navSource=cx_picks&cx_tag=collabctx&cx_artPos=1#cxrecs_s) is attached hereto
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20 152. A true and correct copy of [https://venturebeat.com/2018/01/14/facebook-punks-
21 partners-again-how-publishers-can-fight-back/](https://venturebeat.com/2018/01/14/facebook-punks-partners-again-how-publishers-can-fight-back/) is attached hereto as Exhibit 151.

22 153. A true and correct copy of [https://marketingland.com/facebook-tries-to-explain-
23 why-it-cut-vines-others-api-access-31804](https://marketingland.com/facebook-tries-to-explain-why-it-cut-vines-others-api-access-31804) is attached hereto as Exhibit 152.

24 154. A true and correct copy of [https://finance.yahoo.com/news/apps-were-listening-
25 smartphone-apos-193341328.html?.tsrc=applewf](https://finance.yahoo.com/news/apps-were-listening-smartphone-apos-193341328.html?.tsrc=applewf) is attached hereto as Exhibit 153.

26 155. A true and correct copy of [https://techcrunch.com/2018/03/17/facebook-cambridge-
27 analytica-regulation-klobuchar-warner/](https://techcrunch.com/2018/03/17/facebook-cambridge-analytica-regulation-klobuchar-warner/) is attached hereto as Exhibit 154.

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1 156. A true and correct copy of <https://abcnews.go.com/Technology/facebook-users-privacy-check/story?id=23826215> is attached hereto as Exhibit 155.

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3 157. A true and correct copy of <https://www.forbes.com/sites/larrymagid/2014/05/22/facebook-changes-default-privacy-setting-for-new-users/#72c85a7659ac> is attached
4 hereto as Exhibit 156.

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6 158. A true and correct copy of <https://www.cbsnews.com/live-news/facebook-under-fire-the-latest-on-cambridge-analytica-scandal-live-updates/?ftag=CNM-00-10aac3a> is attached
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9 159. A true and correct copy of <https://www.fastcompany.com/3030984/facebook-switches-default-share-setting-to-friends-instead-of-ever> is attached hereto as Exhibit 158.

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11 160. A true and correct copy of <https://www.cnn.com/2014/05/22/tech/social-media/facebook-privacy/index.html> is attached hereto as Exhibit 159.

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13 161. A true and correct copy of <https://www.theguardian.com/news/2018/mar/20/facebook-data-cambridge-analytica-sandy-parakilas> is attached hereto as Exhibit 160.

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15 162. A true and correct copy of <https://www.nytimes.com/2018/03/20/business/ftc-facebook-privacy-investigation.html> is attached hereto as Exhibit 161.

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19 164. A true and correct copy of <https://www.wyden.senate.gov/imo/media/doc/wyden-cambridge-analytica-to-facebook.pdf> is attached hereto as Exhibit 163.

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21 165. A true and correct copy of <https://www.theguardian.com/commentisfree/2018/mar/22/restructure-facebook-ftc-regulate-9-steps-now> is attached hereto as Exhibit 164.

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23 166. A true and correct copy of <https://www.theverge.com/2018/3/22/17152922/delete-facebook-boycott-cambridge-analytica-tech-monopoly-data-privacy> is attached hereto as Exhibit
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26 167. A true and correct copy of <https://www.cnbc.com/2018/03/22/facebook-was-duped-in-recent-scandal-zuckerbergs-harvard-classmate.html> is attached hereto as Exhibit 166.

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1 168. A true and correct copy of [https://qz.com/1234829/california-has-a-plan-to-police-](https://qz.com/1234829/california-has-a-plan-to-police-facebook/)
2 [facebook/](https://qz.com/1234829/california-has-a-plan-to-police-facebook/) is attached hereto as Exhibit 167.

3 169. A true and correct copy of [https://www.vanityfair.com/news/2018/03/mark-](https://www.vanityfair.com/news/2018/03/mark-zuckerberg-cambridge-analytica-apology)
4 [zuckerberg-cambridge-analytica-apology](https://www.vanityfair.com/news/2018/03/mark-zuckerberg-cambridge-analytica-apology) is attached hereto as Exhibit 168.

5 170. A true and correct copy of [https://techcrunch.com/2018/03/21/did-cambridge-get-](https://techcrunch.com/2018/03/21/did-cambridge-get-other-data/)
6 [other-data/](https://techcrunch.com/2018/03/21/did-cambridge-get-other-data/) is attached hereto as Exhibit 169.

7 171. A true and correct copy of [https://www.cnet.com/news/facebooks-app-cleanup-](https://www.cnet.com/news/facebooks-app-cleanup-may-be-harder-than-mark-zuckerberg-thinks-apple-samsung/)
8 [may-be-harder-than-mark-zuckerberg-thinks-apple-samsung/](https://www.cnet.com/news/facebooks-app-cleanup-may-be-harder-than-mark-zuckerberg-thinks-apple-samsung/) is attached hereto as Exhibit 170.

9 172. A true and correct copy of [https://www.wsj.com/articles/how-to-dump-facebook-](https://www.wsj.com/articles/how-to-dump-facebook-or-at-least-put-it-in-the-dog-house-for-a-while-1521846110)
10 [or-at-least-put-it-in-the-dog-house-for-a-while-1521846110](https://www.wsj.com/articles/how-to-dump-facebook-or-at-least-put-it-in-the-dog-house-for-a-while-1521846110) is attached hereto as Exhibit 171.

11 173. A true and correct copy of [https://arstechnica.com/information-](https://arstechnica.com/information-technology/2018/03/facebook-scraped-call-text-message-data-for-years-from-android-phones/)
12 [technology/2018/03/facebook-scraped-call-text-message-data-for-years-from-android-phones/](https://arstechnica.com/information-technology/2018/03/facebook-scraped-call-text-message-data-for-years-from-android-phones/) is
13 attached hereto as Exhibit 172.

14 174. A true and correct copy of [https://finance.yahoo.com/news/german-cartel-office-](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH)
15 [investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeX](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH)
16 [JpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTT](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH)
17 [BNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNl](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH)
18 [bi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH)
19 [N5bWJvbANGQg--?.tsrc=applewf](https://finance.yahoo.com/news/german-cartel-office-investigates-facebooks-142125419.html;_ylc=X1MDMTE5Nzc4NDE4NQRfZXgDMQRfeXJpZAMydTRtaHI1ZGJpNGZpBGcDZFhWcFpEeHVjejVtTURKbFlqVmhaaTFqWTJWbExUTTBNek10WVRjMVlpMDRORE0wT1dSbFpXTmlOamQxZFdsa1BHNXpQa1pDDQoEbGFuZwNlbi1VUwRvcmlnX2xhbmcDZW4Eb3JpZ19yZWdpb24DVVMEcG9zAzMEcmVnaW9uA1VTBH) is attached hereto as Exhibit 173.

20 175. A true and correct copy of [https://www.barrons.com/articles/facebook-drops-5-as-](https://www.barrons.com/articles/facebook-drops-5-as-ftc-confirms-investigating-with-substantial-concerns-1522077851)
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23 176. A true and correct copy of [https://www.ftc.gov/news-events/press-](https://www.ftc.gov/news-events/press-releases/2018/03/statement-acting-director-ftcs-bureau-consumer-protection)
24 [releases/2018/03/statement-acting-director-ftcs-bureau-consumer-protection](https://www.ftc.gov/news-events/press-releases/2018/03/statement-acting-director-ftcs-bureau-consumer-protection) is attached hereto as
25 Exhibit 175.

26 177. A true and correct copy of [https://www.wired.com/story/facebook-privacy-setting-](https://www.wired.com/story/facebook-privacy-setting-doesnt-do-anything/)
27 [doesnt-do-anything/](https://www.wired.com/story/facebook-privacy-setting-doesnt-do-anything/) is attached hereto as Exhibit 176.

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2 doc_financials/2017/Q4/Q4-2017-Earnings-Presentation.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/2017/Q4/Q4-2017-Earnings-Presentation.pdf) is attached hereto as Exhibit 177.

3 179. A true and correct copy of [https://www.buzzfeed.com/ryanmac/growth-at-any-cost-
4 top-facebook-executive-defended-data?utm_term=.kwG3Oz2wJZ#.fm9bLk7GEa](https://www.buzzfeed.com/ryanmac/growth-at-any-cost-top-facebook-executive-defended-data?utm_term=.kwG3Oz2wJZ#.fm9bLk7GEa) is attached
5 hereto as Exhibit 178.

6 180. A true and correct copy of [https://www.wired.com/story/facebook-a-history-of-
7 mark-zuckerberg-apologizing/](https://www.wired.com/story/facebook-a-history-of-mark-zuckerberg-apologizing/) is attached hereto as Exhibit 179.

8 181. A true and correct copy of [https://techcrunch.com/2018/03/30/loose-lips-sink-apps/
9 is attached hereto as Exhibit 180.](https://techcrunch.com/2018/03/30/loose-lips-sink-apps/)

10 182. A true and correct copy of [https://www.aclu.org/blog/privacy-technology/internet-
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12 181.

13 183. A true and correct copy of [https://www.nytimes.com/2018/04/04/ technology/mark-
14 zuckerberg-testify-congress.html](https://www.nytimes.com/2018/04/04/technology/mark-zuckerberg-testify-congress.html) attached hereto as Exhibit 182.

15 184. A true and correct copy of [https://finance.yahoo.com/news/latest-practices-
16 unchanged-facebook-privacy-160313827.html?.tsrc=applewf](https://finance.yahoo.com/news/latest-practices-unchanged-facebook-privacy-160313827.html?.tsrc=applewf) is attached hereto as Exhibit 183.

17 185. A true and correct copy of [https://www.cnbc.com/2018/04/26/facebook-warns-
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19 186. A true and correct copy of [https://www.wired.com/story/mark-zuckerberg-
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23 188. A true and correct copy of [https://techcrunch.com/2018/04/06/facebook-
24 zuckerberg-regulation-wyden/amp/](https://techcrunch.com/2018/04/06/facebook-zuckerberg-regulation-wyden/amp/) is attached hereto as Exhibit 187.

25 189. A true and correct copy of [https://www.wired.com/story/why-zuckerberg-15-year-
26 apology-tour-hasnt-fixed-facebook/](https://www.wired.com/story/why-zuckerberg-15-year-apology-tour-hasnt-fixed-facebook/) is attached hereto as Exhibit 188.

27 190. A true and correct copy of [https://www.today.com/news/sheryl-sandberg-today-
28 other-facebook-data-breaches-possible-t126579](https://www.today.com/news/sheryl-sandberg-today-other-facebook-data-breaches-possible-t126579) is attached hereto as Exhibit 189.

1 191. A true and correct copy of [https://arstechnica-](https://arstechnica-com.cdn.ampproject.org/c/s/arstechnica.com/tech-policy/2018/04/hours-after-zuck-deletion-scandal-facebook-announces-new-unsend-feature/?amp=1)
2 [com.cdn.ampproject.org/c/s/arstechnica.com/tech-policy/2018/04/hours-after-zuck-deletion-](https://arstechnica-com.cdn.ampproject.org/c/s/arstechnica.com/tech-policy/2018/04/hours-after-zuck-deletion-scandal-facebook-announces-new-unsend-feature/?amp=1)
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4 192. A true and correct copy of [https://www.cnbc.com/2018/04/09/congress-released-](https://www.cnbc.com/2018/04/09/congress-released-mark-zuckerbergs-prepared-testimony-ahead-of-wednesdays-hearing.html?_source=yahoo%7Cfinance%7Cheadline%7Cstory%7C&par=yahoo&yptr=yahoo)
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6 [finance%7Cheadline%7Cstory%7C&par=yahoo&yptr=yahoo](https://www.cnbc.com/2018/04/09/congress-released-mark-zuckerbergs-prepared-testimony-ahead-of-wednesdays-hearing.html?_source=yahoo%7Cfinance%7Cheadline%7Cstory%7C&par=yahoo&yptr=yahoo) is attached hereto as Exhibit 191.

7 193. A true and correct copy of [https://www.washingtonpost.com/graphics/](https://www.washingtonpost.com/graphics/2018/business/facebook-zuckerberg-apologies/?utm_term=.747b85a5eb80)
8 [2018/business/facebook-zuckerberg-apologies/?utm_term=.747b85a5eb80](https://www.washingtonpost.com/graphics/2018/business/facebook-zuckerberg-apologies/?utm_term=.747b85a5eb80) is attached hereto as
9 Exhibit 192.

10 194. A true and correct copy of [https://www.washingtonpost.com/news/the-](https://www.washingtonpost.com/news/the-switch/wp/2018/04/10/transcript-of-mark-zuckerbergs-senate-hearing/?utm_term=.ca45bb66e1db)
11 [switch/wp/2018/04/10/transcript-of-mark-zuckerbergs-senate-hearing/?utm_term=.ca45bb66e1db](https://www.washingtonpost.com/news/the-switch/wp/2018/04/10/transcript-of-mark-zuckerbergs-senate-hearing/?utm_term=.ca45bb66e1db)
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13 195. A true and correct copy of [https://www.washingtonpost.com/news/the-](https://www.washingtonpost.com/news/the-switch/wp/2018/04/11/transcript-of-zuckerbergs-appearance-before-house-committee/?utm_term=.1062ca3e398a)
14 [switch/wp/2018/04/11/transcript-of-zuckerbergs-appearance-before-house-](https://www.washingtonpost.com/news/the-switch/wp/2018/04/11/transcript-of-zuckerbergs-appearance-before-house-committee/?utm_term=.1062ca3e398a)
15 [committee/?utm_term=.1062ca3e398a](https://www.washingtonpost.com/news/the-switch/wp/2018/04/11/transcript-of-zuckerbergs-appearance-before-house-committee/?utm_term=.1062ca3e398a) is attached hereto as Exhibit 194.

16 196. A true and correct copy of [https://www.cnet.com/news/facebooks-ftc-consent-](https://www.cnet.com/news/facebooks-ftc-consent-decree-deal-what-you-need-to-know/#ftag=CAD-09-10aai5b)
17 [decree-deal-what-you-need-to-know/#ftag=CAD-09-10aai5b](https://www.cnet.com/news/facebooks-ftc-consent-decree-deal-what-you-need-to-know/#ftag=CAD-09-10aai5b) is attached hereto as Exhibit 195.

18 197. A true and correct copy of [http://www.businessinsider.com/mark-zuckerberg-](http://www.businessinsider.com/mark-zuckerberg-shares-great-regret-facebook-2018-4)
19 [shares-great-regret-facebook-2018-4](http://www.businessinsider.com/mark-zuckerberg-shares-great-regret-facebook-2018-4) is attached hereto as Exhibit 196.

20 198. A true and correct copy of [https://www.theverge.com/2018/4/25/17282538/](https://www.theverge.com/2018/4/25/17282538/facebook-zuckerberg-testimony-answers-congress)
21 [facebook-zuckerberg-testimony-answers-congress](https://www.theverge.com/2018/4/25/17282538/facebook-zuckerberg-testimony-answers-congress) is attached hereto as Exhibit 197.

22 199. A true and correct copy of [https://www.wsj.com/articles/facebook-has-a-new-data-](https://www.wsj.com/articles/facebook-has-a-new-data-policyheres-the-short-version-1524230950)
23 [policyheres-the-short-version-1524230950](https://www.wsj.com/articles/facebook-has-a-new-data-policyheres-the-short-version-1524230950) is attached hereto as Exhibit 198.

24 200. A true and correct copy of [https://www.parliament.uk/business/committees/](https://www.parliament.uk/business/committees/committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/fake-news-post-facebook-evidence-17-19/)
25 [committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/fake-news-post-](https://www.parliament.uk/business/committees/committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/fake-news-post-facebook-evidence-17-19/)
26 [facebook-evidence-17-19/](https://www.parliament.uk/business/committees/committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/fake-news-post-facebook-evidence-17-19/) is attached hereto as Exhibit 199.

1 201. A true and correct copy of [http://nymag.com/selectall/2018/04/cant-log-into-tinder-](http://nymag.com/selectall/2018/04/cant-log-into-tinder-blame-facebook.html?utm_source=tw&utm_medium=s3&utm_campaign=sharebutton-t)
2 [blame-facebook.html?utm_source=tw&utm_medium=s3&utm_campaign=sharebutton-t](http://nymag.com/selectall/2018/04/cant-log-into-tinder-blame-facebook.html?utm_source=tw&utm_medium=s3&utm_campaign=sharebutton-t) is
3 attached hereto as Exhibit 200.

4 202. A true and correct copy of Defendant Facebook, Inc.'s First Supplemental
5 Responses and Objections to Plaintiff's Third Set of Demands for Inspection of Documents filed
6 on July 31, 2017 is attached hereto as Exhibit 201.

7 203. A true and correct copy of Defendant Facebook Inc.'s Supplemental Responses and
8 Objections to Plaintiff's Third Set of Demands for Inspection of Documents filed on October 20,
9 2017 is attached hereto as Exhibit 202.

10 204. A true and correct copy of Case Management Order #9 filed on December 5, 2017
11 is attached hereto as Exhibit 203.

12 205. A true and correct copy of Defendants Mark Zuckerberg, Christopher Cox, Javier
13 Oliven, Samuel Lessin, Michael Vernal, and Ilya Sukhar's Peremptory Challenge Pursuant to
14 California Code of Civil Procedure Section 170.6 and Declaration of Joshua Lerner filed on
15 January 19, 2018 is attached hereto as Exhibit 204.

16 206. A true and correct copy of Case Management Order #11 filed on December 11,
17 2017 is attached hereto as Exhibit 205.

18 207. A true and correct copy of Transcript of Proceedings of September 11, 2017 is
19 attached hereto as Exhibit 206.

20 208. A true and correct copy of California Code of Civil Procedure § 437c(f)(1) is
21 attached hereto as Exhibit 207.

22 209. A true and correct copy of Plaintiff's Opposition to Defendant's Motion for
23 Summary Adjudication filed on August 18, 2017 is attached hereto as Exhibit 208.

24 210. A true and correct copy of Notice of Motion and Special Motion to Strike and For
25 Attorney's Fees and Costs Pursuant to C.C.P. 425.16 filed on November 21, 2017 is attached
26 hereto as Exhibit 209.

27
28

1 211. A true and correct copy of Opinion of Court of Appeal of California, Second
2 Appellate District, Division One in *Demetriades v. Yelp, Inc.*, filed on July 24, 2014 (*Demetriades*
3 *v. Yelp, Inc.* (2014) 228 Cal.App.4th 294 [175 Cal.Rptr.3d 131]) is attached hereto as Exhibit 210.

4 212. A true and correct copy of *Newport Harbor Ventures, LLC v. Morris Cerullo World*
5 *Evangelism* (2018) 4 Cal.5th 637 is attached hereto as Exhibit 211.

6 213. A true and correct copy of Exhibit A to the Supplemental Declaration of David S.
7 Godkin In Opposition to Defendant’s Special Motion to Strike (Anti-SLAPP Prong One), filed on
8 January 24, 2018 is attached hereto as Exhibit 212.

9 214. A true and correct copy of Plaintiff’s Opposition to Facebook’s Special Motion to
10 Strike (Anti-SLAPP) filed on December 12, 2017 is attached hereto as Exhibit 213.

11 215. A true and correct copy of Plaintiff’s Supplemental Opposition to Facebook’s
12 Special Motion to Strike (Prong 1) filed on January 24, 2018 is attached hereto as Exhibit 214.

13 216. A true and correct copy of Plaintiff’s Reply to Defendant’s Supplemental
14 Memorandum in Support of Anti-SLAPP Motion (Prong 1) filed on March 7, 2018 is attached
15 hereto as Exhibit 215.

16 217. A true and correct copy of Plaintiff’s Supplemental Memorandum of Points and
17 Authorities in Opposition to Special Motions to Strike (*Newport Harbor*) filed on May 3, 2018 is
18 attached hereto as Exhibit 216.

19 218. A true and correct copy of the Court’s Order on Demurrer of June 30, 2016 is
20 attached hereto as Exhibit 217.

21 219. A true and correct copy of Case Management Order #7 is attached hereto as Exhibit
22 218.

23 220. A true and correct copy of the standard adhesion contract into which Facebook and
24 643 entered on December 11, 2012 (FB-0000017 - FB-0000026) is attached hereto as Exhibit 219.

25 I declare under penalty of perjury that the foregoing is true and correct.

26 Executed on May 17, 2018 in Boston, Massachusetts.

27
28 /s/ David S. Godkin

David S. Godkin, Esq.

1 **PROOF OF SERVICE**

2 I, Cheryl A. McDuffee, declare:

3 I am a citizen of the United States and employed in Suffolk County, Massachusetts. I am
4 over the age of eighteen years and not a party to the within-entitled action. My business address is
5 280 Summer Street, Boston, MA 02210. On May 17, 2018, I served a copy of the within
6 document(s):

7 **DECLARATION OF DAVID S. GODKIN IN SUPPORT OF PLAINTIFF’S**
8 **REQUEST FOR JUDICIAL NOTICE**

9 by electronic service, per the agreement of the parties, by emailing a true and
10 correct copy through counsel’s email address to Defendant’s counsel of record at
the email addresses set forth below.

11 Joshua H. Lerner (jlerner@durietangri.com)
12 Sonal N. Mehta (smehta@durietangri.com)
13 Laura Miller (lmiller@durietangri.com)
14 Catherine Kim (ckim@durietangri.com)
15 Durie Tangri (service-six4three@durietangri.com)
217 Leidesdorff Street
16 San Francisco, CA 94111
P (415) 376 - 6427
17 Attorney for Defendant
FACEBOOK, INC.

18 and

19 Judge V. Raymond Swope (By hand)
20 Department 23
Complex Civil Litigation

21 I declare under penalty of perjury under the laws of the State of California that the above is
22 true and correct.

23 Executed May 17, 2018, at Boston, Massachusetts.

24
25
26 /s/ Cheryl A. McDuffee
Cheryl A. McDuffee
27
28

EXHIBIT 1



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May 1, 2018

F8 2018: Sharing to Stories, AR Camera Effects, Oculus Go and More Highlights from Day 1



Today, our global developer community gathered in San Jose for F8, an annual two-day event where developers come together to explore the future of technology.

Mark Zuckerberg kicked off the day with a keynote on how we're taking a broader view of our responsibility by not only giving people powerful tools, but also making sure those tools

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are used for good. He discussed our responsibility to keep building new services that bring people together in meaningful new ways across Facebook, Instagram, WhatsApp, Messenger and Oculus.

Other keynote speakers today included Chief Product Officer Chris Cox, Instagram Product Managers Jyoti Sood and Shilpa Sarkar, Instagram Data Science Manager Tamar Shapiro, WhatsApp Director Mubarik Imam, VP of Messaging Products David Marcus, VP of Product Partnerships Ime Archibong, VP of VR Hugo Barra, and Head of Social VR Rachel Franklin.

Here are some of the announcements made today.

Facebook

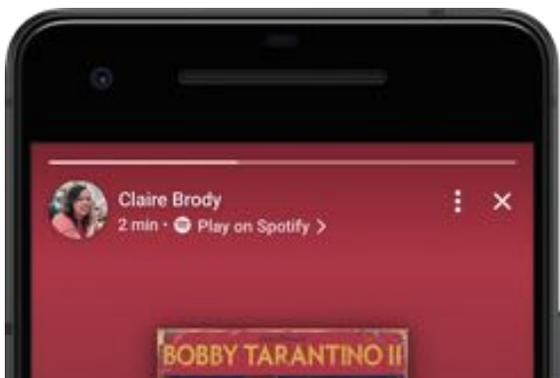
Clear History

Today, we're announcing plans to build Clear History. This feature will enable you to see the websites and apps that send us information when you use them, delete this information from your account, and turn off our ability to store it associated with your account going forward. [Learn more here.](#)

Sharing to Stories

We're introducing a [new way for people to share](#) from their favorite apps to both Facebook and Instagram Stories.

People already share their interests on our platforms, and now we're making that experience faster, easier and more creative on Stories.



2008

2007

2006

Featured News



Introducing New Tools for Facebook Fundraisers

April 27, 2018

By Asha Sharma, Head of Product, Social Good Every day, people start Facebook Fundraisers to support the causes that...

[Read more](#)



Hard Questions: Why Do You Leave Up Some Posts But Take Down Others?

April 24, 2018

We want Facebook to be a safe place where people can also freely discuss different points of view.

[Read more](#)



Just tap the share button in an app like Spotify to share what you're listening to directly into the camera. From there you can edit and share to your story or feed. You don't have to connect your Facebook or Instagram account to other apps in order to share to Stories.

Groups

We're introducing the Groups tab, which helps you navigate to your existing groups more easily and interact with content from all your groups. Later this year, you'll be able to discover and join new groups through the tab.

Dating

We're building a feature for dating and relationships within the Facebook app. People already use Facebook to meet new people, and we want to make that experience better. People will be able to create a dating profile that is separate from their Facebook profile — and potential matches will be recommended based on dating preferences, things in common, and mutual friends. They'll have the option to discover others with similar interests through their Groups or Events. However, what people do within the dating feature

will not be shown to their friends. We'll share more information when this begins testing later this year.

Crisis Response

Last year we [announced Crisis Response](#), a center on Facebook where people can get information about recent crises and access Safety Check, Community Help and Fundraisers. We're always looking for ways to make it easier for people to support each other during a crisis, and people have told us that information from others is most helpful. Today we're introducing a feature that will enable people affected by a crisis to share firsthand accounts of timely information, like road closures and damage photos and videos, making it easier to get real-time updates. The feature will be rolling out later this year.

Blood Donations on Facebook

We recently [launched](#) a new feature for people in India, Bangladesh and Pakistan to register as blood donors on Facebook. We know that donors want to step up to help their community, but often don't know when or where to donate. So today, we're announcing Blood Donations on Facebook to make it easier for people who want to donate to find opportunities nearby. In a few weeks, people in India, Bangladesh and Pakistan will be able to view nearby blood donation camps, requests for blood donations and blood banks from one place on Facebook.

Investing in our Developer Community

We recently took a number of steps to better protect people's information on Facebook. Today, we are making several important improvements to our policies and programs for the developer community with a focus on building trust with the people who use our products. We are re-opening our app review process after making some changes to make it more comprehensive and grounded on ensuring that each of our APIs creates value for people, is transparent and builds trust. Learn more about these principles and the ways we are investing in our developer community [here](#).

Instagram

AR Camera Effects for Instagram

Last year at F8 we announced the AR camera platform, and today we're bringing it to Instagram. Using AR Studio, creators will be able to design unique, interactive camera experiences, including face filters and world effects, for their followers on Instagram.

Video Chat

We're announcing video chat, a new way people can use real-time video to connect, even when they can't be together. Video chat will be available in Instagram Direct and will empower both one-on-one and group conversations.

New Explore

We're redesigning Explore to make it easier to discover things you're interested in. The new Explore will organize suggested content into relevant topic channels, making it easier than ever to browse across your interests, while going deeper into any specific area.

Video chat and the new Explore are both testing now and will soon be rolling out globally. Read more in Instagram's blog post [here](#).

WhatsApp

WhatsApp Group Calling and Stickers

Voice and video calling are very popular on WhatsApp, and we're excited to share that group calling will be coming in the months ahead. Stickers are also coming to WhatsApp soon.

Messenger

AR for the Messenger Platform

We're launching the ability for brands to integrate AR camera effects into their Messenger experience. This feature, launching in closed beta, helps people get valuable, instant

feedback about purchases, and more. Developers will be able to build experiences that let people virtually customize or try on merchandise, walk through new products, or simply express themselves in a fun way.

M Translations

We're announcing that buyers and sellers in [Marketplace](#), a place on Facebook to buy and sell things locally, will be able to communicate across languages with M suggestions for translations. Now when people who connect through Marketplace receive a message in a language that is different from their default language in Messenger, M will ask if they want to translate the message. At launch, translations from English to Spanish (and vice-versa) will be available in Marketplace conversations taking place in the US. We plan to expand this feature and gradually roll out M suggestions for translations to people using Messenger in the US in the coming weeks. Learn more [here](#).

AR/VR

Bringing VR Mainstream

We announced new ways people for people to express themselves and connect with friends and family in AR/VR:

- **Oculus Go Available Now:** Oculus' first standalone VR headset is [available globally today](#), starting at \$199 USD. With more than [1,000 apps, games and experiences](#) available at launch, there's never been an easier way to jump into VR than with this all-in-one headset. Visit the [website](#) to learn more or order.
- **New Apps for Shared VR Experiences:** We're introducing new ways to experience VR with friends and connect with your favorite entertainment. Oculus Venues is your ticket to live social events in VR including concerts, sports and comedy nights with friends and thousands of other people. Oculus Rooms, originally released for Gear VR, has been redesigned with the launch of Oculus Go and lets friends play board games, watch movies and more. Oculus TV gives you a virtual big

screen TV, where you can watch live or on-demand content – and will allow up to four people to watch together starting this summer. Oculus Venues and Oculus TV launch later this month.

- **More Immersive Ways to Share:** Recently, [Facebook introduced 3D posts](#) and today, we’re announcing that people will soon be able to take 3D objects from News Feed into Facebook Camera AR experiences with one tap. We also announced 3D Photos, coming this summer — this is a new media type that lets people capture 3D moments in time using a smartphone and share on Facebook.

Watch the full keynote here.

Watch F8 Live

Posted by **Facebook for...**

2,618,053 Views

For more details on today’s news, see our [Developer Blog](#), [Engineering Blog](#), [Oculus Blog](#), [Messenger Blog](#), [Instagram Press Center](#) and [Newsroom](#). You can also watch all F8 keynotes on the [Facebook for Developers Page](#).

Downloads:

- [F8 Day 1 B-roll](#)
- [Sharing to Stories](#)

- [Dating](#)
- [Social Good](#)
- [Instagram](#)
- [WhatsApp](#)
- [Messenger](#)
- [Oculus](#)
- [Social VR](#)

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 Like 48
  Share
  Email

Getting Feedback on New Tools to Protect People’s Privacy

F8 2018: New Tools for Businesses and People to Deepen Connections in Messenger

Related News

April 4, 2018

We’re Making Our Terms and Data Policy Clearer, Without New Rights to Use Your Data on Facebook

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EXHIBIT 2

[Sign Up](#)

[Join or Log Into Facebook](#)

Platform is here.

June 1, 2007 at 5:36pm

Last Friday, we promised more information, so here it is. We've purposely been keeping kind of quiet about Platform on the site in order to give all the new applications and functionality—on our side and on the developers' side—time to breathe and grow virally. Now that we've seen a week of activity, it's time to give you the full story on Platform and what it means for you.

When we made changes to the site back in April, we broke up the menus to differentiate between the **applications** people use on Facebook and the **core** of the site. Applications are things like Photos, Notes, Groups and Events. They live in the left hand menu and they use different parts of the core, which tend to live in the top menu—things like Facebook profiles and News Feed. But most importantly, applications use the real connections people have to help them share information more efficiently.

For example, the Facebook Photos application is actually the #1 most trafficked photo application on the entire web because it uses people's real connections—what we call the **social graph**—to help people efficiently share their photos. Facebook has this graph of increasingly powerful connections that people use to communicate.

We started working on Platform a little more than a year ago. Since then we've taken Platform out of beta, written FQL(Facebook Query Language), and various other tools for developers, and now we're ready for the next step. With this evolution of Facebook Platform, we've made it so that any developer can build the same applications that we can. And by that, we mean that they can integrate their application into Facebook—into the social graph—the same way that our applications like Photos and Notes are integrated.

You'll see applications integrating into Facebook in a lot of familiar ways. Applications can have a box on the profile. They may also have an item in the profile actions menu (below your profile picture). They can also have a link in the profile drop-down menu and put stories in Mini-Feed.

That's just profile integration though. Applications can also have a presence in the left hand menu, and that link can take you to whole pages that are generated within the Facebook site. These pages are in many ways the part of Platform that really enables developers to build full applications for Facebook. Applications can have anything they want on these home pages, and they can have as many pages like them as they want. It's not just a widget; it's a full application.

Since there will be a lot of applications, you will have the choice of adding and removing any applications you like. You can add new ones and even remove ours if you like. Wherever applications are displayed in some order, we try to let you reorder them. This means that you can reorder the boxes in your profile and the applications in your left hand menu in any way you want.

Maintaining the user experience is important, so we've made it so that you have to click to activate any flash object before it can start playing. This will prevent animations or videos or music from playing when a profile loads.

It's important to remember that simply seeing an application is not the same as interacting with it or granting it the ability to see your information. You will have to opt-in to any application in order for it to access your information or be put on your profile. Also, please note that we never sell your information or expose your contact information. You can manage your applications—ones you've added to your account, used on other sites or on your desktop—and use granular privacy controls for other applications in the "Applications" section of the Privacy page. If you see an application that you think is offensive or worrisome, you can report it, block it from ever interacting with your profile or information, or do both.



[All Notes](#)

[Embed Post](#)

You can get a taste of how this all works by [adding our Video application](#) to your profile, or looking for an "add" link when you discover a new application on your friends' profile or within your News Feed.

Katie is Facebook's Director of Product.

70 Likes 17 Shares

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EXHIBIT 3

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Documentation **Resources** Tools News

Get Started

- [Tutorial](#)
- [Anatomy of an App](#)
- [Guiding Principles](#)

Our vision for Facebook Platform is to empower the world’s developers to make the Web more social for users. To help you get a better idea of what we mean, we’re publishing our Guiding Principles for Social Applications.

These principles articulate the potential we think your applications have to offer value to users. This list also brings together the aspirations we’ve heard from passionate developers and avid application users since Facebook Platform launched in May 2007. In brief, great social applications are meaningful in the value they offer users, trustworthy as they respect users, and well-designed so they are usable and built to scale.

Great social applications are meaningful as they offer users value, trustworthy when they respect users, and well-designed when they are usable and built to scale. An application doesn’t need to meet all of the guiding principles to be a good experience for users. However, these principles will help you design your application to provide a powerful social experience for users.

Since each guiding principle can be represented in many ways, soon we'll expand this page with examples and resources to help you understand each principle.

Applications should be Meaningful.

- 1. Social: Helps users interact and communicate more effectively by using information from the social graph**
 A social application is one that is made better by the presence or involvement of friends. At minimum, applications are social when they use information from the social graph to help users interact and communicate more effectively. An indicator of when they are deeply social is when the involvement from friends actually improves the core user experience of the application itself.
- 2. Useful: Delivers value to users by addressing real world needs, from entertainment to practical tasks**
 Users value applications that solve everyday problems for them, or make tasks less arduous. Useful applications often address challenges that existed before Facebook even existed. Consider how often and for what areas you turn to friends and family to answer questions or solve problems. Useful social applications can address those areas at a scale impossible in the offline world.
- 3. Expressive: Enables users to share more about who they are and about the world around them.**
 At the core of Facebook are real users with real identities. An expressive application helps users to share more about themselves with their friends and family. Whether applications help users create their own written, graphical, or video content; or affiliate with hobby or interest; or take a political stance; they can help users give those around them a new, personal perspective on the world.
- 4. Engaging: Provides a deep experience that users want to come back to regularly**
 Engaging applications naturally compel users to come back again, and again... and again. Applications that are interesting, useful, or entertaining may draw users in to engage with it for long periods of time. Other highly relevant applications may experience shorter bursts of engagement (just a couple of minutes), but users might come back daily or multiple-times per day (or hour!) to use it. Either way, applications can offer a compelling value proposition that draws users back.

Applications should be Trustworthy.

- 5. Secure: Protects user data and honors privacy choices for everyone across the social graph**
 Facebook users are deliberate and specific about which data they choose to share, how they share it, and with whom. All applications must respect users' choices and the choices of their friends by only accessing, using and sharing data users have explicitly allowed. Users put their trust in Facebook, our Platform and your applications. This trust enables us to provide with social information for your applications. So it is up to all of us to earn and maintain user trust.
- 6. Respectful: Values user attention and honors their intentions in communications and actions**
 Users trust that when they use your application, you will represent their intent and best interests, especially the messages you send about them or on their behalf. The more control you give them over

Helpful Links

- [Developer App](#)
- [PHP Client Libraries](#)
- [Hosting Services](#)

Learn More

After you've added the Developer Application and downloaded a client library, use these resources to learn more about building a Facebook application.

- [Platform Documentation](#)
- [Anatomy of a Facebook App](#)
- [Forums](#)

14 captures
2 Sep 2008 – 21 Mar 2016

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02
2007 2008 2009 About this capture

user-to-user communications

Nothing is more frustrating than to click a button expecting one thing to happen and having something entirely different and confusing happen instead. Even worse is sending communications to a user's friends that the user did not intend or want to send. This can undermine a user's personal relationships and deters users from freely communicating on Facebook and through applications. The best applications are clear about their features and don't try to deceive users.

Applications should be Well-Designed.

8. Clean: Designed to be intuitive, easy to use and free of mistakes

Clean applications are straightforward and easy to navigate. Users are able to easily move between different portions of your applications and intuitively understand where to find and how to use each feature. Over-investing in testing the design of your application to make sure it is intuitive will help ensure users can understand it quickly and easily, and are more likely to use it again.

9. Fast: Achieves low latency while scaled to handle user demand

The faster an application loads, the more likely users are to continue to use it. We have seen that applications with faster loading times have longer engagement times because users find them very efficient to use and are willing to do even more with the application. Being fast is something Facebook continues to strive for at scale for all our products and our Platform.

10. Robust: Maintains reliable uptime and minimizes error rates

Users have limited time, and so have limited attention spans or patience for applications that are down or broken. Investing in the necessary resources to ensure a robust and reliable application will increase users' trust and interest in your application.

EXHIBIT 4



Hack the Graph

Build with the Open Graph. Integrate deeply into the Facebook experience. Grow lasting connections with your users.

[Get Started](#) or [Learn More](#)



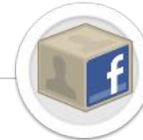
Build for Websites

Drive growth and engagement on your site through Facebook Login and Social Plugins.



Build for Mobile

Let users find and connect to their friends in mobile apps and games.



Build Apps on Facebook

Integrate with our core experience by building apps that operate within Facebook.

Latest Updates

Platform Status: FBML app issues resolved

Platform Updates: Operation Developer Love

May 30 by Jeff Bowen

Play Games Directly in News Feed

May 25 by Gareth Morris

[More](#)

Introducing the App Center



Now there is a new way to grow your app on web or mobile. [Learn more](#)

Showcase



See how companies make their sites personalized and social with Facebook

EXHIBIT 5



Facebook SDK 3.1 for iOS

iOS 6 support. Native UI views. Better APIs.

[Learn More](#) or [See What's New](#)



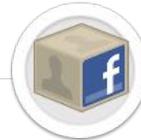
Build for Websites

Drive growth and engagement on your site through Facebook Login and Social Plugins.



Build for Mobile

Let users find and connect to their friends in mobile apps and games.



Build Apps on Facebook

Integrate with our core experience by building apps that operate within Facebook.

Latest Updates

[Platform Status: Facebook Platform is Healthy](#)

[Platform Updates: Operation Developer Love](#)
September 26 by Jeff Bowen

[Facebook SDK for iOS and the iOS 6 Facebook Integration](#)
September 25 by Eddie O'Neil

[More](#)

World HACK 2012



Roll up your sleeves with Facebook engineers and build awesome social apps. Coming to a city near you... [Learn more](#)

Showcase



See how companies make their sites personalized and social with Facebook

EXHIBIT 6



Mobile App Install Ads

An effective new way to grow your mobile app.

[Learn More](#)



iOS

Integrate Facebook with your native iOS apps.



Android

Integrate Facebook with your native Android apps.



Web

Integrate Facebook with your website or host your apps on Facebook.com.

Latest Updates

Platform Status: Facebook Platform is Healthy

Announcing the Preferred Marketing Developer Center
December 10 by Edward Esslemont

Making Our Documentation Better
December 6 by Lei Lei

[More](#)

Facebook SDK 3.0 Beta for Android



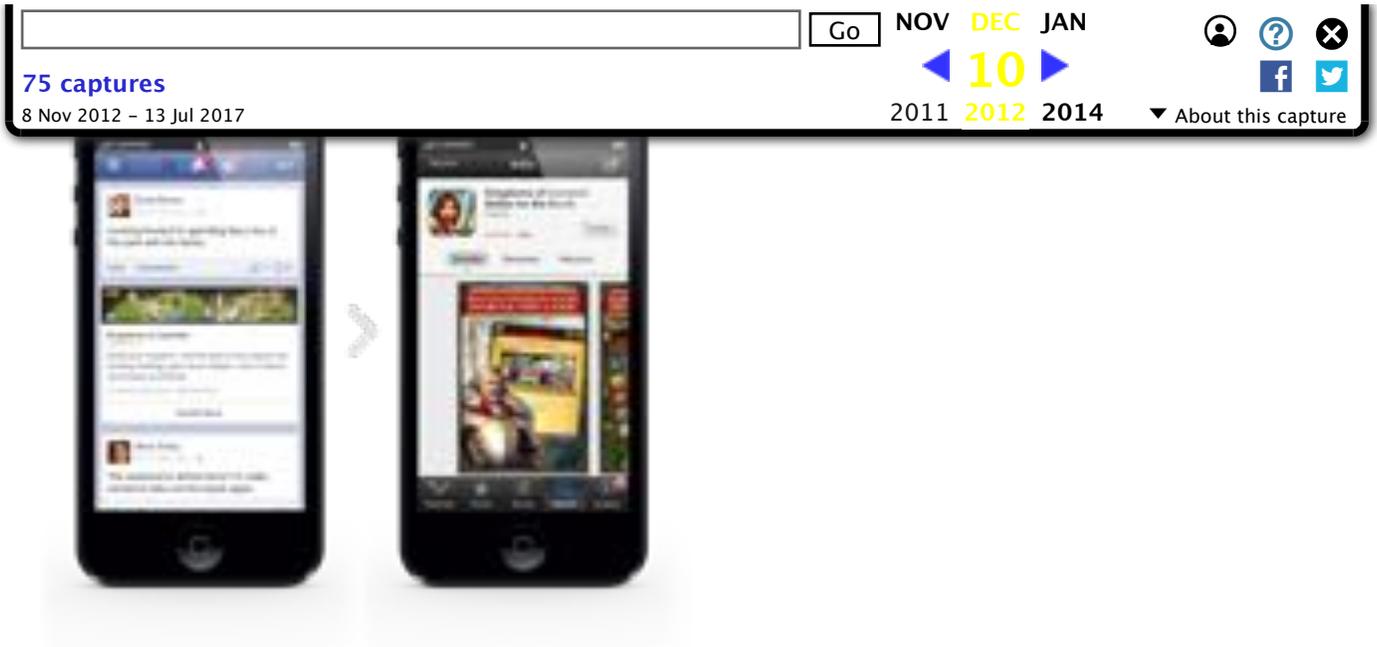
Now it is faster and easier to integrate Facebook into your Android apps. [Learn more](#)

Showcase



See how companies make their sites personalized and social with Facebook

EXHIBIT 7

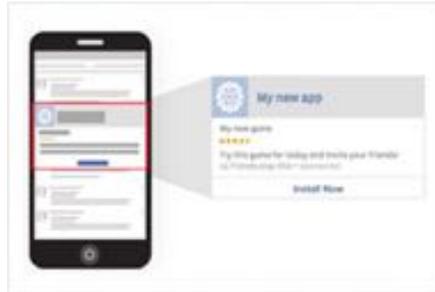


How it works



Register your app

If you don't have a Facebook App ID, register your native app with Facebook.



Build and launch your ad

Launch with a simple flow in the App Dashboard.

Go NOV DEC JAN
75 captures
8 Nov 2012 - 13 Jul 2017
◀ 10 ▶
2011 2012 2014
About this capture



See how the ad performs

By installing our latest SDK for iOS and Android, you can see clicks, installs and more.

Updated about 2 months ago

Facebook © 2012 · English (US)
[About](#)[Advertising](#)[Careers](#)[Platform](#) [Policies](#)[Privacy](#) [Policy](#)

EXHIBIT 8

Mobile



Grow faster with Facebook

Reach millions of people on mobile each month by integrating your app with our tools and SDKs.



Get More Users

Find new users with the App Center, Open Graph and requests.



Retain More Users

Keep people coming back with bookmarks, notifications and search.



iOS

Start building native iOS apps.



Android

Start building native Android apps.



Mobile Web

Start building mobile web apps.

[Updated about 3 months ago](#)

EXHIBIT 9

Facebook Platform Policies

This agreement was written in English (US). To the extent any translated version of this agreement conflicts with the English version, the English version controls.

[Additional Languages](#)

Introduction

Date of Last Revision: December 12, 2012

Facebook Platform is an extension of Facebook, whose mission is to make the world more open and connected.

Platform applications and developers are required to comply with, and are subject to, the following documents:

- [Statement of Rights and Responsibilities](#): requirements for anyone who uses Facebook.
- [Principles](#): the spirit of the law for Platform.
- [Policies](#): the letter of the law for Platform.

Here are some [Examples and Explanations](#) for specifics.

Principles

Create a great user experience

- Build social and engaging applications
- Give users choice and control
- Help users share expressive and relevant content

Be trustworthy

- Respect privacy
 - Don't mislead, confuse, defraud, or surprise users
 - Don't spam - encourage authentic communications
-

Policies

I. Features and Functionality

1. You must not violate any law or the rights of any individual or entity, and must not expose Facebook or Facebook users to harm or legal liability as determined by us in our sole discretion. In particular you will (if applicable): comply with the Video Privacy Protection Act (VPPA), and obtain any opt-in consent necessary from users so that user data subject to the VPPA may be shared on Facebook. You represent that any disclosure to us will not be incidental to the ordinary course of your business.
2. You must not include functionality that proxies, requests or collects Facebook usernames or passwords.
3. You must not circumvent (or claim to circumvent) our intended limitations on core Facebook features and functionality.
4. If you offer a service for a user that integrates user data into a physical product (such as a scrapbook or calendar), you must only create a physical product for that user's personal and non-commercial use.
5. If you exceed, or plan to exceed, any of the following thresholds please [contact us](#) as you may be subject to additional terms: (>5M MAU) or (>100M API calls per day) or (>50M impressions per day).
6. Your website must offer an explicit "Log Out" option that also logs the user out of Facebook.
7. Special provision for apps on Pages: When a user visits your Page, if they have not given explicit permission by authorizing your Facebook app or directly providing information to your Page, you may only use information obtained from us and the user's interaction with your Page in connection with that Page. For example, although you may use aggregate analytics for your individual Page, you must not combine information from any other sources to customize the user's experience on your Page and may not use any information about the user's interaction with your Page in any other context (such as analytics or customization across other Pages or websites).
8. You must not use or make derivative use of Facebook icons, or use terms for Facebook features and functionality, if such use could confuse users into thinking that the reference is to Facebook features or functionality.
9. [Mobile Web Apps](#) that are running within the Facebook iOS app must not accept payments. In particular, these apps must not reference, use, or otherwise encourage the use of Facebook Payments or other non-iOS approved payment methods.
10. Competing social networks: (a) You may not use Facebook Platform to export user data into a competing social network without our permission; (b) [Apps on Facebook](#) may not integrate, link to, promote, distribute, or redirect to any app on any other competing social network.
11. The primary purpose of your Canvas or Page Tab app on Facebook must not be to simply redirect users out of the Facebook experience and onto an external site.
12. You must not include data obtained from us in any search engine or directory without our written permission.
13. Special provisions for games:
 - a. Desktop web games off of [Facebook.com](#) may only use Facebook Login

([Authentication](#), excluding user connections such as friend list), [Social Plugins](#) and publishing (e.g., Feed Dialog, Stream Publish, or Open Graph). When authenticating, these games may not request [additional permissions](#) other than age, email, and our [Publishing Permissions](#).

b. Games on [Facebook.com](#) and mobile must not share the same app ID with desktop web games off of [Facebook.com](#). You must not use [Canvas](#) apps to promote or link to game sites off of Facebook, and must not use emails obtained from us to promote or link to desktop web games off of [Facebook.com](#).

c. Games on [Facebook.com](#) or [Mobile Web](#) must use Facebook Payments as their sole and exclusive payment method for all virtual goods and currencies made available to users within the game. All other payment options are prohibited within games on [Facebook.com](#) or [Mobile Web](#) unless they go through Facebook Payments rather than directly through that payment option. By “Payment Method” we mean any method that allows a user to complete a transaction in a game that is on [Facebook.com](#) or [Mobile Web](#), including, without limitation, by exchanging monetary value for virtual currency or virtual goods, whether directly at the time of purchase or via any previous transaction such as the user's earlier purchase of a prepaid gift card or electronic code. In-game rewards of virtual currency or virtual goods earned by users through game-play activity alone are exempt from this definition.

d. Games on [Facebook.com](#) or [Mobile Web](#) may reward users with virtual currency or virtual goods in exchange for user actions that do not involve third parties, but rewards for user actions that involve third parties must be powered by Facebook Payments by integrating Facebook Payments offers. For example, you may not reward users with virtual currency or virtual goods in exchange for any action in which personally identifiable information is shared with a third party, you may not reward users with virtual currency or virtual goods in exchange for third party downloads, such as toolbars or ringtones, and you may not reward users with virtual currency for engaging in passive actions offered by third parties, such as watching a video, playing a mini-game, or taking an anonymous poll.

II. Storing and Using Data You Receive From Us

1. You will only request the data you need to operate your application.
2. You may cache data you receive through use of the Facebook API in order to improve your application's user experience, but you should try to keep the data up to date. This permission does not give you any rights to such data.
3. You will have a privacy policy that tells users what user data you are going to use and how you will use, display, share, or transfer that data. In addition, you will include your privacy policy URL in the App Dashboard, and must also include a link to your app's privacy policy in any app marketplace that provides you with the functionality to do so.
4. Until you display a conspicuous link to your privacy policy in your app, any data accessed by your app (including basic account information) may only be used in the context of the user's experience in that app. A user's friends' data can only be used in the context of the user's experience on your application.
5. Subject to certain restrictions, including on use and transfer, users give you their [basic account information](#) when they connect with your application. For all other data obtained

through use of the Facebook API, you must obtain explicit consent from the user who provided the data to us before using it for any purpose other than displaying it back to the user on your application.

6. You will not directly or indirectly transfer any data you receive from us, including user data or Facebook User IDs, to (or use such data in connection with) any ad network, ad exchange, data broker, or other advertising or monetization related toolset, even if a user consents to such transfer or use. By indirectly we mean you cannot, for example, transfer data to a third party who then transfers the data to an ad network. By any data we mean all data obtained through use of the Facebook Platform (API, Social Plugins, etc.), including aggregate, anonymous or derivative data.
7. You will not use Facebook User IDs for any purpose outside your application (e.g., your infrastructure, code, or services necessary to build and run your application). Facebook User IDs may be used with external services that you use to build and run your application, such as a web infrastructure service or a distributed computing platform, but only if those services are necessary to running your application and the service has a contractual obligation with you to keep Facebook User IDs confidential.
8. If you need an anonymous unique identifier to share outside your application with third parties such as content partners, advertisers, or ad networks, you must use our [mechanism](#). You must never share this anonymous unique identifier with a data broker, information broker, or any other service that we may define as such under our sole discretion.
9. You will not sell or purchase any data obtained from us by anyone. If you are acquired by or merge with a third party, you can continue to use user data within your application, but you cannot transfer data outside your application.
10. If you stop using Platform or we disable your application, you must delete all information about a user you have received from us unless: (a) it is basic account information; or (b) you have received explicit consent from the user to retain their data.
11. You cannot use a user's friend list outside of your application, even if a user consents to such use, but you can use connections between users who have both connected to your application.
12. You will delete all data you receive from us concerning a user if the user asks you to do so, and will provide an easily accessible mechanism for users to make such a request. We may require you to delete data you receive from the Facebook API if you violate our terms.
13. You will not include data you receive from us concerning a user in any advertising creative, even if a user consents to such use.
14. You must not give your secret key and access tokens to another party, unless that party is an agent acting on your behalf as an operator of your application. You are responsible for all activities that occur under your account identifiers.

III. Content

A. General

1. Responsibility for content: You are responsible for all content of and within your application, including advertisements, user-generated content, and any content hosted,

streamed or otherwise delivered to users by third parties. You must make it clear that this content is not provided by Facebook. You must also comply with the [Facebook Community Standards](#).

2. Demographic restrictions: You are responsible for restricting access to your content in accordance with our content policies and all applicable laws and regulations. Although we [provide controls](#) to assist with this, please note that we make no representations regarding the sufficiency of any controls provided to you and that you are ultimately responsible for establishing legally compliant restrictions for each country where your app is visible.
3. Advertisements and cross-promotions:
 - a. You must not include advertisements, cross-promote other applications, or provide web search functionality in content distributed through [Facebook social channels](#).
 - b. You can only utilize advertising or similar monetization related products or services from companies that appear on this [list of Advertising Providers](#) within [Apps on Facebook.com](#).
4. Promotions: If you run, reference, or facilitate a promotion (contest, competition, or sweepstake) on Facebook, you must comply with Facebook's [Promotions Guidelines](#).
5. Permission from Facebook: You must not promote, or provide content referencing, facilitating, or containing online gambling, online real money games of skill or online lotteries without our written permission.
6. Quality of content: you are responsible for providing users with a quality experience and must not confuse, defraud, mislead, spam or surprise users. For example, you must monitor your app's negative feedback in [Application Insights](#) to ensure it stays below our thresholds, avoid excessive advertisements or bugs, and ensure the description of your app is consistent with your app's content.

B. Content Rights

1. You agree that you will not promote or provide content that references, facilitates, contains or uses content that infringes upon the rights of any third party, including intellectual property rights, privacy, publicity, moral or other personal or proprietary rights, or that is deceptive or fraudulent.
2. You must ensure that you own or have secured all rights necessary to copy, display, distribute, deliver, render and publicly perform all content of or within your application to Facebook users in all countries where you make the content available.
3. You are responsible for all licensing, reporting and payout obligations to third parties required in connection with content of or within your application.
4. You must use commercially reasonable geo-filtering technology to block access to your application's content in countries where you are unauthorized to deliver such content, or where delivery of such content would otherwise infringe the rights of a third party.
5. Although we have no obligation to do so, in our sole discretion we may request, and you are required to provide us, proof that your application and any content of or within your application is properly licensed.

C. Third Party Content

If your application contains content submitted or provided by third parties, you must comply with the following rules:

1. In the United States you must take all steps required to fall within the applicable safe harbors of the Digital Millennium Copyright Act including designating an agent to receive notices of claimed infringement, instituting a repeat infringer termination policy and implementing a "notice and takedown" process. In other countries, you must comply with local copyright laws and implement an appropriate "notice and takedown" process upon receiving a notice of claimed infringement.

IV. Application Integration Points

1. You must not incentivize users to use (or gate content behind the use of) [Facebook social channels](#), or imply that an incentive is directly tied to the use of our channels.
2. You must not pre-fill any of the fields associated with the following products, unless the user manually generated the content earlier in the workflow: Stream stories (user_message parameter for Facebook.streamPublish and FB.Connect.streamPublish, and message parameter for stream.publish), Photos (caption), Videos (description), Notes (title and content), Links (comment), and Jabber/XMPP.
3. If a user grants you a publishing [permission](#), actions you take on the user's behalf must be expected by the user and consistent with the user's actions within your app.
4. Platform integrations, including social plugins:
 - a. Your advertisements must not include or be paired with any Platform integrations, including social plugins such as the Like button, without our written permission.
 - b. You must not sell or purchase placement of our [Social Plugins](#), and must not facilitate or participate in any like exchange program.
 - c. You must not incentivize users to Like any Page other than your own site or application, and any incentive you provide must be available to new and existing users who Like your Page.
 - d. You must not obscure or cover elements of our social plugins, such as the Like button or Like box plugin.
 - e. Ad networks, ad exchanges, and data brokers must not use Facebook's Platform, logos, and trademarks (including, but not limited to, Platform APIs, social plugins, the Share button, and the F logo).
5. Facebook messaging (i.e., email sent to an @facebook.com address) is designed for communication between users, and not a channel for applications to communicate directly with users.

V. Enforcement

We can take enforcement action against you and any or all of your applications if we determine in our sole judgment that you or your application violates Facebook Platform Terms and Policies. Enforcement action is both automated and manual, and can include disabling your application, restricting you and your application's access to Platform functionality, terminating our agreements with you, or any other action as we in our sole discretion deem appropriate.

Communication with developers takes place via an email sent from the facebook.com or facebookmail.com domain to the contact email address registered to the application. To stay in touch, please ensure that your email address is current and that you do not filter out any such messages.

VI. Changes

We can change these Platform Policies at any time without prior notice as we deem necessary. Your continued use of Platform constitutes acceptance of those changes.

VII. Definitions

1. By "Application" we mean canvas page application, Platform integration, or any other technical integration we have assigned an application identification number.
2. By "Facebook social channel" we mean Application Info Section, Page Tab, Feed, Requests (including invites), inbox attachments, Chat, Cover, Bookmarks, or any other feature of a user profile or Facebook communication channel in which or through which an application can provide, display, or deliver content directed at, on behalf of, or by permission of a user.
3. By "basic account information" we mean: name, email, gender, birthday, current city, and profile picture URL.
4. By "Facebook Platform Terms and Policies" we mean the Statement of Rights and Responsibilities and the Platform Policies.
5. By "User data you receive from Facebook" we mean any data or content (including any images, text, or other information or materials) you receive from us, that was provided by users to us, or was associated by us with a particular user.

VIII. Branding and Promotion Policy

You must follow the guidelines set forth in the [Facebook Brand Resource and Permissions Center](#).

IX. [Advertising Guidelines](#)

X. [Facebook Developer Payments Terms](#)

Developers participating in the program for accepting payments are subject to [these terms](#).

XI. Ads API

1. You must use separate accounts for each client and use our multi-client manager functionality to structure your client accounts.
2. You may offer a white-label version of your application to third parties, but may only do so by creating a unique application for each third party (or requiring each third party to create their own application), and then requesting that we grant these applications access

to our Ads API. If you create a unique application on behalf of the third party, you must include a required field for your clients to agree to Facebook Terms and Policies.

3. You may place 1x1 pixel view tags on certain advertisements with our prior authorization. All data collected or obtained by you or the advertiser, including but not limited to all view tag data that is not otherwise available through the Facebook service, and all data derived therefrom, may only be used by you or the advertiser on an anonymous basis to optimize and measure the performance of that advertiser's Facebook campaign. Neither you nor the advertiser may use data for the following purposes: retargeting whether on or off of the Facebook service; to commingle the data across multiple campaigns; to build or augment any user profiles, or to use piggybacking or redirects with the 1x1 pixel tags, or for any other purpose not expressly authorized by us.

Examples and Explanations

We want you to be successful on Facebook Platform, and we believe that the best way to do so is to provide a great user experience. Our Platform Policies will help you do this by explaining what's required; these [examples and explanations](#) will help you understand how to put that into practice.

EXHIBIT 10



Log In

Developer News



by Justin Osofsky
January 25, 2013

Developer News

[Ads News](#)

[Instant Articles News](#)

[Archive](#)

[2018](#)

[2017](#)

[2016](#)

[2015](#)

[2014](#)

[2013](#)

[2012](#)

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Like 17 Share

Clarifying Our Platform Policies

Over the past few days, we've received questions about a few of our [platform policies](#) and want to clarify our thinking.

For the vast majority of developers building social apps and games, keep doing what you're doing. Our goal is to provide a platform that gives people an easy way to login to your apps, create personalized and social experiences, and easily share what they're doing in your apps with people on Facebook. This is how our platform has been used by the most popular categories of apps, such as games, music, fitness, news and general lifestyle apps.

For a much smaller number of apps that are using Facebook to either replicate our functionality or bootstrap their growth in a way that creates little value for people on Facebook, such as not providing users an easy way to share back to Facebook, we've had [policies](#) against this that we are further clarifying today ([see I.10](#)).

We are committed to helping you build great apps with Facebook, and will continue to invest in products that help you succeed while creating a healthy ecosystem.

[Show Comments](#)

LANGUAGES

[English \(US\)](#) [Español](#) [Français \(France\)](#) [中文\(简体\)](#) [العربية](#) [Português \(Brasil\)](#) [Italiano](#) [한국어](#)
[Deutsch](#) [日本語](#)

Products

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[Sharing on Facebook](#)
[Games](#)
[Facebook App Ads](#)

SDKs

[iOS SDK](#)
[Android SDK](#)
[JavaScript SDK](#)
[PHP SDK](#)
[Unity SDK](#)

Tools

[Graph API Explorer](#)
[Open Graph Debugger](#)
[Object Browser](#)

[JavaScript Test Console](#)

[API Upgrade Tool](#)

[Facebook Analytics](#)

Support

[Platform Status](#)

[Developers Group](#)

[Marketing Partners](#)

[Bugs](#)

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[Success Stories](#)

[Videos](#)

[About](#) [Create Ad](#) [Careers](#) [Platform Policy](#) [Privacy Policy](#) [Cookies](#) [Terms](#)

Facebook © 2018

EXHIBIT 11

<http://web.archive.org/web/20130307222802/http://developers.facebook.com/policy/>

Facebook Platform Policies

This agreement was written in English (US). To the extent any translated version of this agreement conflicts with the English version, the English version controls.

[Additional Languages](#)

Introduction

Date of Last Revision: February 20, 2013

Facebook Platform is an extension of Facebook, whose mission is to make the world more open and connected.

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- [Principles](#): the spirit of the law for Platform.
- [Policies](#): the letter of the law for Platform.

Here are some [Examples and Explanations](#) for specifics.

Principles

Create a great user experience

- Build social and engaging applications
- Give users choice and control
- Help users share expressive and relevant content

Be trustworthy

- Respect privacy
- Don't mislead, confuse, defraud, or surprise users
- Don't spam - encourage authentic communications

Policies

I. Features and Functionality

1. You must not violate any law or the rights of any individual or entity, and must not expose Facebook or Facebook users to harm or legal liability as determined by us in our sole discretion. In particular you will (if applicable): comply with the Video Privacy Protection Act (VPPA), and obtain any opt-in consent necessary from users so that user data subject to the VPPA may be shared on Facebook. You represent that any disclosure to us will not be incidental to the ordinary course of your business.
2. You must not include functionality that proxies, requests or collects Facebook usernames or passwords.
3. You must not circumvent (or claim to circumvent) our intended limitations on core Facebook features and functionality.
4. If you offer a service for a user that integrates user data into a physical product (such as a scrapbook or calendar), you must only create a physical product for that user's personal and non-commercial use.
5. If you exceed, or plan to exceed, any of the following thresholds please [contact us](#) as you may be subject to additional terms: (>5M MAU) or (>100M API calls per day) or (>50M impressions per day).
6. Your website must offer an explicit "Log Out" option that also logs the user out of Facebook.
7. Special provision for apps on Pages: When a user visits your Page, if they have not given explicit permission by authorizing your Facebook app or directly providing information to your Page, you may only use information obtained from us and the user's interaction with your Page in connection with that Page. For example, although you may use aggregate analytics for your individual Page, you must not combine information from any other sources to customize the user's experience on your Page and may not use any information about the user's interaction with your Page in any other context (such as analytics or customization across other Pages or websites).
8. You must not use or make derivative use of Facebook icons, or use terms for Facebook features and functionality, if such use could confuse users into thinking that the reference is to Facebook features or functionality.
9. [Mobile Web Apps](#) that are running within the Facebook iOS app must not accept payments. In particular, these apps must not reference, use, or otherwise encourage the use of Facebook Payments or other non-iOS approved payment methods.
10. Reciprocity and Replicating core functionality: (a) Reciprocity: Facebook Platform enables developers to build personalized, social experiences via the Graph API and related APIs. If you use any Facebook APIs to build personalized or social experiences, you must also enable people to easily share their experiences back with people on Facebook. (b) Replicating core functionality: You may not use Facebook Platform to promote, or to export user data to, a product or service that replicates a core Facebook product or service without our permission.

11. The primary purpose of your Canvas or Page Tab app on Facebook must not be to simply redirect users out of the Facebook experience and onto an external site.
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 - a. Desktop web games off of [Facebook.com](https://www.facebook.com) may only use Facebook Login ([Authentication](#), excluding user connections such as friend list), [Social Plugins](#) and publishing (e.g., Feed Dialog, Stream Publish, or Open Graph). When authenticating, these games may not request [additional permissions](#) other than age, email, and our [Publishing Permissions](#).
 - b. Games on [Facebook.com](https://www.facebook.com) and mobile must not share the same app ID with desktop web games off of [Facebook.com](https://www.facebook.com). You must not use [Canvas](#) apps to promote or link to game sites off of Facebook, and must not use emails obtained from us to promote or link to desktop web games off of [Facebook.com](https://www.facebook.com).
 - c. Games on [Facebook.com](https://www.facebook.com) or [Mobile Web](#) must use Facebook Payments as their sole and exclusive payment method for all virtual goods and currencies made available to users within the game. All other payment options are prohibited within games on [Facebook.com](https://www.facebook.com) or [Mobile Web](#) unless they go through Facebook Payments rather than directly through that payment option. By “Payment Method” we mean any method that allows a user to complete a transaction in a game that is on [Facebook.com](https://www.facebook.com) or [Mobile Web](#), including, without limitation, by exchanging monetary value for virtual currency or virtual goods, whether directly at the time of purchase or via any previous transaction such as the user's earlier purchase of a prepaid gift card or electronic code. In-game rewards of virtual currency or virtual goods earned by users through game-play activity alone are exempt from this definition.
 - d. Games on [Facebook.com](https://www.facebook.com) or [Mobile Web](#) may reward users with virtual currency or virtual goods in exchange for user actions that do not involve third parties, but rewards for user actions that involve third parties must be powered by Facebook Payments by integrating Facebook Payments offers. For example, you may not reward users with virtual currency or virtual goods in exchange for any action in which personally identifiable information is shared with a third party, you may not reward users with virtual currency or virtual goods in exchange for third party downloads, such as toolbars or ringtones, and you may not reward users with virtual currency for engaging in passive actions offered by third parties, such as watching a video, playing a mini-game, or taking an anonymous poll.

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5. Subject to certain restrictions, including on use and transfer, users give you their [basic account information](#) when they connect with your application. For all other data obtained through use of the Facebook API, you must obtain explicit consent from the user who provided the data to us before using it for any purpose other than displaying it back to the user on your application.
6. You will not directly or indirectly transfer any data you receive from us, including user data or Facebook User IDs, to (or use such data in connection with) any ad network, ad exchange, data broker, or other advertising or monetization related toolset, even if a user consents to such transfer or use. By indirectly we mean you cannot, for example, transfer data to a third party who then transfers the data to an ad network. By any data we mean all data obtained through use of the Facebook Platform (API, Social Plugins, etc.), including aggregate, anonymous or derivative data.
7. You will not use Facebook User IDs for any purpose outside your application (e.g., your infrastructure, code, or services necessary to build and run your application). Facebook User IDs may be used with external services that you use to build and run your application, such as a web infrastructure service or a distributed computing platform, but only if those services are necessary to running your application and the service has a contractual obligation with you to keep Facebook User IDs confidential.
8. If you need an anonymous unique identifier to share outside your application with third parties such as content partners, advertisers, or ad networks, you must use our [mechanism](#). You must never share this anonymous unique identifier with a data broker, information broker, or any other service that we may define as such under our sole discretion.
9. You will not sell or purchase any data obtained from us by anyone. If you are acquired by or merge with a third party, you can continue to use user data within your application, but you cannot transfer data outside your application.
10. If you stop using Platform or we disable your application, you must delete all information about a user you have received from us unless: (a) it is basic account information; or (b) you have received explicit consent from the user to retain their data.
11. You cannot use a user's friend list outside of your application, even if a user consents to such use, but you can use connections between users who have both connected to your application.
12. You will delete all data you receive from us concerning a user if the user asks you to do so, and will provide an easily accessible mechanism for users to make such a request. We may require you to delete data you receive from the Facebook API if you violate our terms.
13. You will not include data you receive from us concerning a user in any advertising creative, even if a user consents to such use.
14. You must not give your secret key and access tokens to another party, unless that party is an agent acting on your behalf as an operator of your application. You are responsible for all activities that occur under your account identifiers.

III. Content

A. General

1. Responsibility for content: You are responsible for all content of and within your application, including advertisements, user-generated content, and any content hosted, streamed or otherwise delivered to users by third parties. You must make it clear that this content is not provided by Facebook. You must also comply with the [Facebook Community Standards](#).
2. Demographic restrictions: You are responsible for restricting access to your content in accordance with our content policies and all applicable laws and regulations. Although we [provide controls](#) to assist with this, please note that we make no representations regarding the sufficiency of any controls provided to you and that you are ultimately responsible for establishing legally compliant restrictions for each country where your app is visible.
3. Advertisements and cross-promotions:
 - a. You must not include advertisements, cross-promote other applications, or provide web search functionality in content distributed through [Facebook social channels](#).
 - b. You can only utilize advertising or similar monetization related products or services from companies that appear on this [list of Advertising Providers](#) within [Apps on Facebook.com](#).
4. Promotions: If you run, reference, or facilitate a promotion (contest, competition, or sweepstake) on Facebook, you must comply with Facebook's [Promotions Guidelines](#).
5. Permission from Facebook: You must not promote, or provide content referencing, facilitating, or containing online gambling, online real money games of skill or online lotteries without our written permission.
6. Quality of content: you are responsible for providing users with a quality experience and must not confuse, defraud, mislead, spam or surprise users. For example, you must monitor your app's negative feedback in [Application Insights](#) to ensure it stays below our thresholds, avoid excessive advertisements or bugs, and ensure the description of your app is consistent with your app's content.

B. Content Rights

1. You agree that you will not promote or provide content that references, facilitates, contains or uses content that infringes upon the rights of any third party, including intellectual property rights, privacy, publicity, moral or other personal or proprietary rights, or that is deceptive or fraudulent.
2. You must ensure that you own or have secured all rights necessary to copy, display, distribute, deliver, render and publicly perform all content of or within your application to Facebook users in all countries where you make the content available.
3. You are responsible for all licensing, reporting and payout obligations to third parties required in connection with content of or within your application.
4. You must use commercially reasonable geo-filtering technology to block access to your application's content in countries where you are unauthorized to deliver such content, or where delivery of such content would otherwise infringe the rights of a third party.

5. Although we have no obligation to do so, in our sole discretion we may request, and you are required to provide us, proof that your application and any content of or within your application is properly licensed.

C. Third Party Content

If your application contains content submitted or provided by third parties, you must comply with the following rules:

1. In the United States you must take all steps required to fall within the applicable safe harbors of the Digital Millennium Copyright Act including designating an agent to receive notices of claimed infringement, instituting a repeat infringer termination policy and implementing a "notice and takedown" process. In other countries, you must comply with local copyright laws and implement an appropriate "notice and takedown" process upon receiving a notice of claimed infringement.

IV. Application Integration Points

1. You must not incentivize users to use (or gate content behind the use of) [Facebook social channels](#), or imply that an incentive is directly tied to the use of our channels.
2. You must not pre-fill any of the fields associated with the following products, unless the user manually generated the content earlier in the workflow: Stream stories (user_message parameter for Facebook.streamPublish and FB.Connect.streamPublish, and message parameter for stream.publish), Photos (caption), Videos (description), Notes (title and content), Links (comment), and Jabber/XMPP.
3. If a user grants you a publishing [permission](#), actions you take on the user's behalf must be expected by the user and consistent with the user's actions within your app.
4. Platform integrations, including social plugins:
 - a. Your advertisements must not include or be paired with any Platform integrations, including social plugins such as the Like button, without our written permission.
 - b. You must not sell or purchase placement of our [Social Plugins](#), and must not facilitate or participate in any like exchange program.
 - c. You must not incentivize users to Like any Page other than your own site or application, and any incentive you provide must be available to new and existing users who Like your Page.
 - d. You must not obscure or cover elements of our social plugins, such as the Like button or Like box plugin.
 - e. Ad networks, ad exchanges, and data brokers must not use Facebook's Platform, logos, and trademarks (including, but not limited to, Platform APIs, social plugins, the Share button, and the F logo).
5. Facebook messaging (i.e., email sent to an @facebook.com address) is designed for communication between users, and not a channel for applications to communicate directly with users.

V. Enforcement

We can take enforcement action against you and any or all of your applications if we determine in our sole judgment that you or your application violates Facebook Platform Terms and Policies. Enforcement action is both automated and manual, and can include disabling your application, restricting you and your application's access to Platform functionality, terminating our agreements with you, or any other action as we in our sole discretion deem appropriate.

Communication with developers takes place via an email sent from the facebook.com or facebookmail.com domain to the contact email address registered to the application. To stay in touch, please ensure that your email address is current and that you do not filter out any such messages.

VI. Changes

We can change these Platform Policies at any time without prior notice as we deem necessary. Your continued use of Platform constitutes acceptance of those changes.

VII. Definitions

1. By "Application" we mean canvas page application, Platform integration, or any other technical integration we have assigned an application identification number.
2. By "Facebook social channel" we mean Application Info Section, Page Tab, Feed, Requests (including invites), inbox attachments, Chat, Cover, Bookmarks, or any other feature of a user profile or Facebook communication channel in which or through which an application can provide, display, or deliver content directed at, on behalf of, or by permission of a user.
3. By "basic account information" we mean: name, email, gender, birthday, current city, and profile picture URL.
4. By "Facebook Platform Terms and Policies" we mean the Statement of Rights and Responsibilities and the Platform Policies.
5. By "User data you receive from Facebook" we mean any data or content (including any images, text, or other information or materials) you receive from us, that was provided by users to us, or was associated by us with a particular user.

VIII. Branding and Promotion Policy

1. You must follow the guidelines set forth in the [Facebook Brand Resource and Permissions Center](#).
2. Your app's description, display name and icons must adhere to our [Advertising Guidelines](#).

IX. [Advertising Guidelines](#)

X. [Facebook Developer Payments Terms](#)

Developers participating in the program for accepting payments are subject to [these terms](#).

XI. Ads API

1. You must use separate accounts for each client and use our multi-client manager functionality to structure your client accounts.
2. You may offer a white-label version of your application to third parties, but may only do so by creating a unique application for each third party (or requiring each third party to create their own application), and then requesting that we grant these applications access to our Ads API. If you create a unique application on behalf of the third party, you must include a required field for your clients to agree to Facebook Terms and Policies.
3. You may place 1x1 pixel view tags on certain advertisements with our prior authorization. All data collected or obtained by you or the advertiser, including but not limited to all view tag data that is not otherwise available through the Facebook service, and all data derived therefrom, may only be used by you or the advertiser on an anonymous basis to optimize and measure the performance of that advertiser's Facebook campaign. Neither you nor the advertiser may use data for the following purposes: retargeting whether on or off of the Facebook service; to commingle the data across multiple campaigns; to build or augment any user profiles, or to use piggybacking or redirects with the 1x1 pixel tags, or for any other purpose not expressly authorized by us.
4. Pricing transparency: You must disclose to end-advertisers the actual amount that you spent on Facebook advertising based on the auction pricing, including the actual Facebook metrics (e.g. CPC, CPM rate) and the amount you charged as fees. We reserve the right to disclose this information to the end-advertiser upon their request. We may require documentation from you to ensure your compliance with this policy.

Examples and Explanations

We want you to be successful on Facebook Platform, and we believe that the best way to do so is to provide a great user experience. Our Platform Policies will help you do this by explaining what's required; these [examples and explanations](#) will help you understand how to put that into practice.

EXHIBIT 12

Platform Policies

Supplemental Mat...

Platform Policy Checklist

Examples and Explanations

Training Videos

Open Source

Guides

Branding

Communicating With Your Users

Extended Permissions

Photos

Prohibited Functionality

Rewarding Users

Social Channels

User Feedback

Examples and Explanations

Supplemental Materials > Examples and Explanations

While our [Principles and Policies](#) explain what's required, these examples and explanations are regularly updated to help you understand how our policies are reflected in the functionality of a live app. The following is for illustrative purposes only and is not intended to limit the generality of the Facebook Platform Policies.

[Additional Languages](#)

Communicating With Your Users

We have built specific products which allow apps to communicate directly to their user base in an appropriate manner. Here are examples of "app to user" communication tools.

Extended Permissions

Best practices to consider when utilizing extended permissions to create a rich social experience for your users.

Photos

Usage notes regarding the Photos product to help you avoid both policy and negative user feedback issues.

Prohibited Functionality

The Facebook Platform is open to all developers, but we prohibit certain functionality to protect the user experience.

Rewarding Users

While our policies prohibit directly tying incentives to the use of our Social Channels, e.g. rewarding users for the sole act of posting a Stream stories, we do allow for specific types of incentives.

Social Channels

Best practices to consider when utilizing Facebook Social Channels, especially the Stream.

User Feedback

These signals can help you better understand how users and their friends are responding to your app and its content. Such feedback also contributes to our automated and manual enforcement of apps live on Platform, as monitoring the user experience helps us determine which apps are positively or negatively impacting the Platform ecosystem.

Branding

Guidelines to follow when designing icons and choosing a name for your app to help you avoid causing user confusion or damaging Facebook's brand assets.

Additional Languages

العربية	中文(香港)	中文(台灣)	Deutsch	Español	Français	עברית
Italiano	日本語	한국어	Polski	Português (Brasil)	Türkçe	

Updated about 9 months ago.

122 captures
5 Dec 2010 - 19 Oct 2016

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◀ 23 ▶
2012 2013 2014 About this capture

EXHIBIT 13

Social Plugins

Facebook Login

Open Graph

Facebook APIs

Games

Payments

App Center

Promote Your App

iOS

Getting Started

Concepts

Reference

Android

JavaScript

PHP

More SDKs



Facebook SDK for iOS

Build great social apps and get more installs.

[Download the SDK](#)

(v3.5.1 as of April 24th, 2013. See [what's new in 3.5.](#))



Getting Started

Get up and running with our iOS SDK in six easy steps.



Concepts

Learn the basics of building and growing your app.



SDK Reference

Start coding with our documentation and sample code.

Tutorials

iOS SDK Tutorial

This multi-part tutorial walks you through building a Facebook integrated iOS app.

iOS Games Tutorial

This tutorial shows how to use the Facebook SDK for iOS to add Facebook features to your game.

Upgrading SDKs

This tutorial shows you how to upgrade to the latest version of the Facebook SDK for iOS.

Promote Your App

Mobile App Install Ads

Mobile app install ads appear in mobile news feed and are a new, effective way to reach more people with your mobile apps.

App Center

For the over one billion people that use Facebook, the App Center is the central place to find great social apps.

Setup for App Center

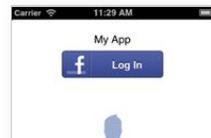
The App Center is a great way to drive growth and this article will help you get your app setup for App Center.

Controls & UI



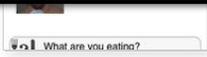
Share Dialog

The Share Dialog lets apps build great, native sharing experiences for their users.



Login

User interface component that you can use to implement Facebook Login.



such as a user, place or event.



Friend Picker

User interface component that you can use to display a user's friends. You can use this to add a user's friends to a story.



Place Picker

User interface component that you can use to show places near the user. You can use this to add a user's location to a story.

Authentication

Use Facebook Login

Facebook Login for iOS allows you to obtain an access token to access Facebook services on behalf of a user.

iOS 6 Integration

Apple added features in iOS 6 that help native mobile developers build great user experiences on iOS devices.

Session

The FBSession class is used to manage, store, and refresh user tokens by default.

Handling App Links

The FBAppCall class is used to help you manage incoming links from Facebook for iOS app during the Facebook Login flow.

Data Access

Fetch User Data

The Facebook SDK for iOS includes methods to access the Graph API User object. It also supports strongly-typed access to common User properties.

Run FQL Queries

FQL, the Facebook Query Language, allows you to use a SQL-style interface to query data exposed by the Graph API.

Sharing & Distribution

Sharing

The Facebook SDK for iOS provides various methods that your app can use to implement sharing.

Publish to Feed

The Facebook SDK for iOS provides a way to publish to a user's timeline with the Graph API.

iOS Share Sheet

The Facebook SDK for iOS provides hooks into the iOS6 share sheet so your app can use a native share dialog if the user has an iOS 6+ device.

with the Feed Dialogs, that publishes posts to News Feed. through the Facebook for iOS app. to one or more friends.

Customization

Add Search to Friend Selector

The Facebook SDK for iOS includes a control object that makes it simple to add a friend selector to your app.

Manage Your Own Token Cache

The Facebook SDK for iOS automatically takes care of storing and fetching data related to Facebook session management for your app.

Share an App ID Across Apps

You can use one Facebook app ID in multiple iOS apps. One scenario where you could do this is if you have a free and paid version of your iOS app.

Optimization

Batch Requests

The Graph API supports batching of requests, so you can specify multiple requests in a single HTTP request.

Caching

The Facebook SDK for iOS provides a caching feature that lets you pre-fetch data for friends and nearby places.

Select Friends By Device

You may want to restrict the friends that display to show only those with specific devices.

Other Resources

Change Log

Changes and fixes in our iOS SDK releases.

SDK Downloads

Download previous versions of our iOS SDK.

Support Community

Helpful Stack Overflow Q&A forum for Facebook iOS SDK. Or you can [file a bug](#).

[日本語 \(Japanese\)](#)

[한국어 \(Korean\)](#)

[Updated 22 hours ago](#)

EXHIBIT 14

Topics

Facebook SDK for iOS

Controls & UI

Using the Share Dialog

Login

Profile Picture

Friend Picker

Place Picker

Friend Picker

Facebook iOS SDK > Friend Picker

In this document:

- Overview
- Adding the friend picker
- Handling friend picker events
- Customizing the friend picker
- Caching friend data
- Additional resources

Overview

The Facebook SDK for iOS provides prebuilt UI components, including the `FBFriendPickerViewController` class that can be used to pick friends.

Adding the friend picker

You can add the friend picker programmatically or graphically.

Programmatically

You can create a friend picker with the following code in your view controller class:

```
// Initialize the friend picker
FBFriendPickerViewController *friendPickerController =
    [[FBFriendPickerViewController alloc] init];
// Set the friend picker title
friendPickerController.title = @"Pick Friends";

// TODO: Set up the delegate to handle picker callbacks, ex: Done/Cancel button

// Load the friend data
[friendPickerController loadData];
// Show the picker modally
[friendPickerController presentModallyFromViewController:self animated:YES handler:nil];
```

This code initializes the friend picker with a title, triggers the data fetch and then presents the friend picker modally. You can also display the friend picker by pushing it onto a `UINavigationController`:

```
...
[self.navigationController pushViewController:friendPickerController
    animated:YES];
```

Graphically

You can add the friend picker graphically using the iOS Interface Builder. Do this by using a nib or a storyboard.

Next, open your new implementation class and add code to load the friend picker when the view is loaded:

```
- (void)viewDidLoad
{
    [super viewDidLoad];
    // Load the friend data
    [self loadData];
}
```

You can then display your friend picker from another view controller by presenting it modally or pushing it onto a `UINavigationController`.

Modally:

```
FPViewController *friendPickerController =
    [[FPViewController alloc] initWithNibName:@"FPViewController"
                                         bundle:nil];
[friendPickerController presentModallyFromViewController:self
                          animated:YES
                          handler:nil];
}
```

Pushing onto a `UINavigationController`:

```
FPViewController *friendPickerController =
    [[FPViewController alloc] initWithNibName:@"FPViewController"
                                         bundle:nil];
[self.navigationController pushViewController:friendPickerController
                                          animated:YES];
```

Creating the friend picker through a nib file lets you play with the layout of the picker. For example, let's say you don't want the friend list display to take over the whole screen, like this:

You accomplish this by making the following changes to your nib:

1. Add a **Table View** object to the layout.
2. Shrink the height of the table view.
3. Select the File's Owner placeholder.
4. In the Connections inspector, select the **tableView outlet** and connect it to your newly created table view.
5. Add a **Label** object to the layout and set the text to "My Friends"

After your changes, your layout should look like this:

Storyboard setup

You can make changes to a view controller you've set up inside a storyboard scene. To add the friend picker UI control:

1. Select the **View Controller** object in your layout.
2. In the Identity inspector, change the Class property to **FBFriendPickerViewController**

After your changes, your layout should look like this:

After setting up your layout, add code to configure the friend picker. The following code shows how you can do this assuming you've defined a segue named "SegueToFriendPicker" for the transition to the friend picker:

```
- (void)prepareForSegue:(UIStoryboardSegue *)segue sender:(id)sender
{
    if ([segue.identifier isEqualToString:@"SegueToFriendPicker"]) {
        // For storyboard, get the destination view controller which
        // is the friend picker view controller
        FBFriendPickerViewController *friendPickerController =
            (FBFriendPickerViewController *) segue.destinationViewController;
        // Set the friend picker title
        friendPickerController.title = @"Pick Friends";
        // TODO: Set up the delegate to handle picker callbacks, ex: Done/Cancel button
        // Load the friend data
        [friendPickerController loadData];
    }
}
```

You should then make the following change to the code that's invoked when your app launches. The changes make sure that the **FBFriendPickerViewController** class is loaded before the view is shown:

```
- (BOOL)application:(UIApplication *)application
didFinishLaunchingWithOptions:(NSDictionary *)launchOptions
{
    // Override point for customization after application launch.
    [FBFriendPickerViewController class];
    ...
    return YES;
}
```

Note: If you've added the **-ObjC** flag to your linker options, then you don't have to add this code. Adding that flag causes the linker to load all objects in the Facebook SDK including the **FBFriendPickerViewController** class.

Handling friend picker events

There are various events your app may need to handle when you use the friend picker.

During data fetch:

- A communication error

1 capture 24 Jun 2013 Go MAY JUN JUL 24 2012 2013 2014 About this capture

- A friend is about to be displayed in the list. Lets you filter out the friend
- A person using your app changes their selection
- On tap of Done button
- On tap of Cancel button

All these events can be handled by defining a class that conforms to the `FBFriendPickerDelegate` protocol and implementing the methods you're interested in.

First, add the protocol to the class you wish to handle the delegate callbacks:

```
@interface ViewController() <FBFriendPickerDelegate>
...
@end
```

Next, set up the delegate when configuring the friend picker.

If you set up your friend picker using a nib, you can set the delegate in the view controller's initialization method:

```
-(id)initWithNibName:(NSString *)nibNameOrNil
                bundle:(NSBundle *)nibBundleOrNil
{
    self = [super initWithNibName:nibNameOrNil bundle:nibBundleOrNil];
    if (self) {
        // Set up the delegate
        self.delegate = self;
        ...
    }
    return self;
}
```

If you set up your friend picker using a storyboard or programmatically, set the delegate before loading the picker data:

```
...
// Set up the delegate
friendPickerController.delegate = self;
// Load the friend data
[friendPickerController loadData];
...
```

Once the delegate is set up, implement the desired delegate methods. Example implementations are shown below:

```
/*
 * Event: Error during data fetch
 */
-(void)friendPickerController:(FBFriendPickerController *)friendPicker
    handleError:(NSError *)error
{
    NSLog(@"Error during data fetch.");
}

/*
 * Event: Data loaded
 */
-(void)friendPickerControllerDataDidChange:(FBFriendPickerController *)friendPicker
{
    NSLog(@"Friend data loaded.");
}

/*
 * Event: Decide if a given user should be displayed
 */
-(BOOL)friendPickerController:(FBFriendPickerController *)friendPicker
    shouldIncludeUser:(id <FBGraphUser>)user
{
    // Filtering example: only show users who have
    // "ch" in their names
    NSRange result = [user.name rangeOfString:@"ch"
                                options:NSCaseInsensitiveSearch];
    if (result.location != NSNotFound) {

```

```
}

/*
 * Event: Selection changed
 */
- (void)friendPickerControllerSelectionDidChange:
  (FBFriendPickerController *)friendPicker
{
  NSLog(@"Current friend selections: %@", friendPicker.selection);
}

/*
 * Event: Done button clicked
 */
- (void)facebookViewControllerDoneWasPressed:(id)sender {
  FBFriendPickerController *friendPickerController =
  (FBFriendPickerController*)sender;
  NSLog(@"Selected friends: %@", friendPickerController.selection);
  // Dismiss the friend picker
  [[sender presentingViewController] dismissModalViewControllerAnimated:YES];
}

/*
 * Event: Cancel button clicked
 */
- (void)facebookViewControllerCancelWasPressed:(id)sender {
  NSLog(@"Canceled");
  // Dismiss the friend picker
  [[sender presentingViewController] dismissModalViewControllerAnimated:YES];
}
```

The button click events can also be handled if you display the friend picker using the following method:

```
presentModallyFromViewController:animated:handler:
```

The block you provide to the `handler` parameter is called when a person taps the done or cancel buttons, letting you to respond to those events. The code below shows an example of using the block:

```
[friendPickerController presentModallyFromViewController:self
                        animated:YES
                        handler:
^ (FBViewController *sender, BOOL donePressed) {
  if(donePressed) {
    NSLog(@"Selected friends: %@", friendPickerController.selection);
  }
}];
```

Customizing the friend picker

The default friend picker is displayed in the following way:

- A done button is visible
- A cancel button is visible
- Friend profile pictures are shown
- Friends are sorted by first name
- Friend's names are displayed with the first name first

You can customize these default display features by configuring the relevant properties of `FBFriendPickerController`:

```
// Initialize the friend picker
FBFriendPickerController *friendPickerController =
  [[FBFriendPickerController alloc] init];

// Allow the selection of only one friend
friendPickerController.allowsMultipleSelection = NO;
```

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About this capture

```
// Configure how friends are sorted in the display.  
// Sort friends by their last names.  
friendPickerController.sortOrdering = FBFriendSortByLastName;  
  
// Configure how each friend's name is displayed.  
// Display the last name first.  
friendPickerController.displayOrdering = FBFriendDisplayByLastName;  
  
// Hide the done button  
friendPickerController.doneButton = nil;  
...  
  
// Hide the cancel button  
friendPickerController.cancelButton = nil;
```

You can also show the friend list for a friend of the person who's logged in:

```
// Initialize the friend picker  
FBFriendPickerViewController *friendPickerController =  
    [[FBFriendPickerViewController alloc] init];  
// Get friend's list from one of user's friends.  
// Hard-coded for now.  
friendPickerController.userID = @"100003086810435";  
...
```

Note: The friend list for the friend may not show up if that friend has turned all Facebook apps off.

If you need further customizations, such as changing the friend picker colors or adding more friend info to the display, consider building your own picker.

Caching friend data

By default, friend data is fetched from the server when the `loadData` method is called on an `FBFriendPickerViewController` instance. While data is being fetched, any previously cached data is used initially displayed in the picker. The fresh copy is then displayed once it is available.

You can pre-fetch and cache friend data before you need to display it. You do this by making use of a `FBCacheDescriptor` object that represents the friend data you wish to fetch. Once you've created the cache descriptor object you can call the `prefetchAndCacheForSession:` method on the object to fetch and cache the friend data. The example below shows how to do this when the view loads:

```
- (void)viewDidLoad {  
    [super viewDidLoad];  
  
    // Create a cache descriptor based on the default friend picker data fetch settings  
    FBCacheDescriptor *cacheDescriptor = [FBFriendPickerViewController cacheDescriptor];  
    // Pre-fetch and cache friend data  
    [cacheDescriptor prefetchAndCacheForSession:FBSession.activeSession];  
}
```

The example above caches data based on the default friend picker data fetch settings. By default, the following friend data is returned in the results: `id`, `name`, `first_name`, `middle_name`, `last_name` and `picture`. You can pre-fetch additional info by calling the `cacheDescriptorWithUserID:fieldsForRequest:` class method instead of `cacheDescriptor` and passing in the additional info you wish to get. The example below sets up a fetch for `birthday` and `location` data as well:

```
// Set up the additional fields needed  
NSSet *extraFieldsForFriendRequest = [NSSet setWithObjects:@"birthday", @"location", nil];  
// Create a cache descriptor for the additional fields needed  
FBCacheDescriptor *cacheDescriptor = [FBFriendPickerViewController  
    cacheDescriptorWithUserID:nil  
    fieldsForRequest:extraFieldsForFriendRequest];  
// Pre-fetch and cache friend data  
[cacheDescriptor prefetchAndCacheForSession:FBSession.activeSession];
```

Additional resources

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2012 2013 2014 About this capture

- [Add Search to Friend Selector](#)
- [Caching](#)

API reference

- [FBFriendPickerViewController](#)
- [FBViewController](#)
- [FBFriendPickerDelegate](#)
- [FBViewControllerDelegate](#)
- [FBCacheDescriptor](#)

Samples

Find these in the download folder for the [Facebook SDK for iOS](#).

- **FriendPickerSample**: shows how to use [FBFriendPickerViewController](#).
- **HelloFacebookSample**: shows basic usage of the Facebook SDK, including [FBFriendPickerViewController](#).
- **BooleanOGSample**: shows how to extend [FBFriendPickerViewController](#).
- **Scrumptious**: tutorial walk-through, including [FBFriendPickerViewController](#).

[Updated about a month ago](#)

EXHIBIT 15

Topics

Facebook SDK for iOS

Authentication

- Facebook Login with iOS
- iOS 6 Integration
- Understanding Sessions
- Handling App Links

Data Access

- Fetch User Data
- Run FQL Queries

Sharing & Distribution

- Sharing on iOS
- Publish to Feed
- iOS Share Sheet
- Feed Dialog
- Link To Your Native App
- Send Requests
- Setup for App Center

Customization

- Add Search to Friend Selector
- Manage Your Own Token Cache
- Share an App ID Across Apps

Optimization

- Batch Requests
- Caching
- Select Friends by Device
- Handling Errors

Select Friends by Device

Documentation > Select Friends by Device

The Facebook SDK for iOS includes an `FBFriendPickerViewController` control object that makes it simple to add a friend selector to your app. The friend selector can filter the friends you display.

You may want to restrict the friends that display to show only those with specific devices. As an example, you may want to target friends that use platforms you support for a subsequent invite to use your app. This article guides you through how you can use a query for friend device data to filter the friends in the friend selector.

This document walks through the following topics:

- Prerequisites
- Sample Overview
- Step 1: Set Up the Friend Selector Trigger
- Step 2: Set Up the Friend Selector and Query Device Data
- Step 3: Filter the Friend Selector with Device Data
- Troubleshooting
- Additional Info

Prerequisites

Before you begin, make sure you've already set up [Facebook Login](#). This ensures you have the prerequisites and your app is ready for additional Facebook integration.

Sample Overview

The completed sample allows users to log in with Facebook and select friends with iOS devices. In this simple sample, we'll echo back the selected friends.

The implementation builds on top of [Facebook Login](#), adding a button the user can click to show the friend selector. The friend selector is configured to display Done and Cancel buttons that dismiss the picker. The displayed friends are filtered to only include friends with iOS devices.

The friend selector displays with the `FBFriendPickerViewController` Facebook SDK object. After the object is initialized, call the `loadData` instance method to load and set up the initial friend selection. During the initialization step, the object is configured to request friend device data. During the display step, the `FBFriendPickerDelegate` protocol's `friendPickerViewController:shouldIncludeUser:` method is used to filter the friends.

Additional `FBFriendPickerDelegate` methods are defined to handle the friend selector Cancel and Done button actions. If the Done button is tapped, the selected friends echo through `NSLog`. Both cases dismiss the modal view controller.

Now that you have an overview of the UI and functionality, let's show you the code.

Step 1: Set Up the Friend Selector Trigger

In this step, you'll add a button in the initial view controller. When the user clicks the button, the friend selector displays.

Make the following changes in your main view controller's nib file:

- Add a `Round Rect Button` object to the view. Set the button title to "Select Friends".
- Make the "Select Friends" button hidden initially. You only want to display the button after the user authenticates.
- Add an `action` to the "Select Friends" button and attach this `action` to your main view controller's implementation file. Name the `action` "selectFriendsButtonAction".
- Add an `outlet` for the "Select Friends" button to your view controller's implementation file so that it's private. Name the `outlet` "selectFriendsButton".

When you've completed these steps, your implementation file should have the defined `outlet` and an empty `selectFriendsButtonAction:` `action` method.

3 captures
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2012 2013 2014 About this capture

```
- (void)sessionStateChanged:(NSNotification*)notification {
    if (FBSession.activeSession.isOpen) {
        self.selectFriendsButton.hidden = NO;
        [self.authButton setTitle:@"Logout" forState:UIControlStateNormal];
    } else {
        self.selectFriendsButton.hidden = YES;
        [self.authButton setTitle:@"Login" forState:UIControlStateNormal];
    }
}
```

Step 2: Set Up the Friend Selector and Query Device Data

In this step, you'll set up the friend selector and ask for friend device data when requesting the friend data. You won't do anything with the device data, so the friends in the selector won't be filtered. You'll handle filtering based on device data in the next step.

Open the view controller implementation file and add the `FBFriendPickerDelegate` as one of the protocols the view controller implementation conforms to. Add this delegate to the view controller implementation.

```
@interface ViewController ()
<FBFriendPickerDelegate>
```

Next, fill out the `selectFriendsButtonAction:` method implementation to trigger the friend selector display. In the code, you'll do the following:

- Initialize a `FBFriendPickerViewController` object.
- Configure the properties, which includes asking for friend device data.
- Set the delegate to the current class.
- Load the data.
- Show the friend selector modally.

```
- (IBAction)selectFriendsButtonAction:(id)sender {
    // Initialize the friend picker
    FBFriendPickerViewController *friendPickerController =
        [[FBFriendPickerViewController alloc] init];

    // Configure the picker ...
    friendPickerController.title = @"Select Friends";
    // Set this view controller as the friend picker delegate
    friendPickerController.delegate = self;
    // Ask for friend device data
    friendPickerController.fieldsForRequest =
        [NSSet setWithObjects:@"devices", nil];

    // Fetch the data
    [friendPickerController loadData];

    // Present view controller modally. The deprecated
    if ([self
        respondsToSelector:@selector(presentViewController:animated:completion:)]) {
        // iOS 5+
        [self presentViewController:friendPickerController
            animated:YES
            completion:nil];
    } else {
        [self presentModalViewController:friendPickerController animated:YES];
    }
}
```

Note the configuration that requests device data along with basic friend data:

```
friendPickerController.fieldsForRequest = [NSSet setWithObjects:@"devices", nil];
```

Next, implement the `FBFriendPickerDelegate` delegate methods to handle the Done and Cancel buttons. For the Done button, you'll log any friends selected and dismiss the modal view controller:

3 captures
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2012 2013 2014 About this capture

```
[self dismissModalViewControllerAnimated:YES];
}

- (void)facebookViewControllerDoneWasPressed:(id)sender
{
    FBFriendPickerViewController *fpc = (FBFriendPickerViewController *)sender;
    for (id user in fpc.selection) {
        NSLog(@"Friend selected: %@", user.name);
    }
    [self dismissModalViewControllerAnimated:YES];
}
```

Build and run the project to make sure it runs without errors. Tap the "Login" button to log in with Facebook. Once you're authenticated, you should see the "Select Friends" button. Click "Select Friends" to show the friend selector. Select a few friends and tap on the Done button. You should see an Xcode console log similar to the following:

```
2012-09-07 09:43:32.084 FriendPickerDeviceFilterHowTo[84313:c07] Friend selected: Alan McConnell
2012-09-07 09:43:32.085 FriendPickerDeviceFilterHowTo[84313:c07] Friend selected: Ali Parr
```

Step 3: Filter the Friend Selector with Device Data

In the previous step, you requested device data to be returned with default friend data. The friend data looks similar to this:

```
devices = (
    {
        hardware = iPhone;
        os = iOS;
    },
    {
        os = Android;
    },
    {
        hardware = iPad;
        os = iOS;
    }
);
"first_name" = Zoran;
id = 15150;
...
```

In this step, you'll use the `FBFriendPickerDelegate` to filter the friend device data returned and show only friends using iOS devices. The `friendPickerViewController:shouldIncludeUser:` method of the `FBFriendPickerDelegate` protocol filters the friends.

First, you need to define a new protocol to represent friend info that includes device data. This new protocol should also conform to `FBGraphUser`, the protocol that defines basic friend info. To define the new protocol, add a new file to the project. Select the Objective-C protocol template and name the protocol `FriendProtocols`.

Next, open up the newly added `FriendProtocols.h` file. You'll create your own protocol definition, so replace the contents of the file with the following:

```
#import <Foundation/Foundation.h>
#import <FacebookSDK/FacebookSDK.h>

@protocol FBGraphUserExtraFields <FBGraphUser>

@property (nonatomic, retain) NSArray *devices;

@end
```

Now, open up your view controller implementation file and include your new protocol:

```
#import "FriendProtocols.h"
```

Finally, implement the following `FBFriendPickerDelegate` method to show friends with iOS devices:

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```
NSArray *deviceData = user.devices;
// Loop through list of devices
for (NSDictionary *deviceObject in deviceData) {
    // Check if there is a device match
    if ([@"iOS" isEqualToString:
        [deviceObject objectForKey:@"os"]]) {
        // Friend is an iOS user, include them in the display
        return YES;
    }
}
// Friend is not an iOS user, do not include them
return NO;
}
```

Build and run the project to make sure it runs without errors. Once you're authenticated, click Select Friends to show the friend selector. Verify that only iOS friends display by using the [Graph API Explorer](#) and entering the query `me/friends?fields=name,devices:`

Troubleshooting

If you have any issues with custom filtering you need to do, turn on debugging for the requests. Add this code before any requests:

```
[FBSettings setLoggingBehavior:
 [NSSet setWithObject:FBLoggingBehaviorFBRequests]];
```

You'll be able to debug any issues by viewing requests and responses from the servers.

Additional Info

- [How Tos Samples](#): includes the completed sample.
- [FBFriendPickerViewController](#): reference for the friend selector class.
- [FBFriendPickerDelegate](#): reference for the friend selector delegate protocol.

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▼ About this capture

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Updated about 3 months ago

EXHIBIT 16

- Social Plugins
- Facebook Login
- Open Graph
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 - Dialogs
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 - Pagination
 - Payment
 - Photo
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 - Privacy Parameter
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 - QuestionOption
 - Realtime Updates
 - Review
 - Search

FriendList

Facebook APIs > Graph API > FriendList

A Facebook friend list. This object represents the list itself and not the members of the list. The `User` object has a `friendlists` connection

To read a `FriendList`, issue an HTTP GET request to `/FRIENDLIST_ID` with the `read_friendlists` permission.

Fields

Name	Description	Permissions	Returns
<code>id</code>	The friend list ID	<code>read_friendlists</code>	string
<code>name</code>	The name of the friend list	<code>read_friendlists</code>	string
<code>list_type</code>	The type of the friends list; Possible values are: <code>close_friends</code> , <code>acquaintances</code> , <code>restricted</code> , <code>user_created</code> , <code>education</code> , <code>work</code> , <code>current_city</code> or <code>family</code>	<code>read_friendlists</code>	string

Creating

You can create a `FriendList` for a user by issuing an HTTP POST request to `PROFILE_ID/friendlists` with the `manage_friendlists` permissions and the following parameter:

Parameter	Description	Type	Required
<code>name</code>	Friend list name. Maximum length is 25 characters	string	yes

If the create is successful, you get the following return.

Name	Description	Type
<code>id</code>	The new friend list ID	string

Deleting

You can delete a `FriendList` for a user by issuing an HTTP DELETE request to `/FRIENDLIST_ID` with the `manage_friendlists` permission.

The HTTP request will return `true` if the delete succeeded, or `false` otherwise.

Connections

Name	Description	Permissions	Returns
<code>members</code>	All of the users who are members of this list.	<code>read_friendlists</code>	An array of objects containing friend <code>id</code> and <code>name</code> fields.

members

Create

You can add multiple users to a `FriendList` in a single request by issuing an HTTP POST request to `/FRIENDLIST_ID/members` and setting the `members` parameter to a comma-separated list of `USER_IDS`. An example request would look like `/FRIENDLIST_ID/members?members=1,2,3`. Alternatively, a single user can be added by issuing an HTTP POST request to `/FRIENDLIST_ID/members/USER_ID`. These operations require the `manage_friendlists` permission.

For adding multiple users to the same list, using the single request call is preferred for performance reasons.

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About this capture

User

Video

If the add is successful, the following will be returned.

Description	Type
If the add succeeded	boolean

Delete

You can remove multiple users from a `FriendList` in a single request by issuing an HTTP DELETE request to `/FRIENDLIST_ID/members` and setting the `members` parameter to a comma-separated list of `USER_IDs`. An example request would look like `/FRIENDLIST_ID/members?members=1,2,3`. Alternatively, a single user can be removed by issuing an HTTP DELETE request to `/FRIENDLIST_ID/members/USER_ID`. These operations require the `manage_friendlists` permission.

For deleting multiple users from the same list, using the single request call is preferred for performance reasons.

Parameter	Description	Type	Required
<code>members</code>	Comma separated list of <code>USER_IDs</code> .	string	yes

If the delete is successful, the following will be returned.

Description	Type
If the delete succeeded	boolean

[Updated about 8 months ago.](#)

EXHIBIT 17

- Social Plugins
- Facebook Login
- Open Graph
- Facebook APIs**
 - Graph API**
 - FQL
 - Open Graph
 - Dialogs
 - Chat
 - Internationalization
 - Ads
- Games
- Payments
- App Center
- Promote Your App
- iOS
- Android
- JavaScript
- PHP
- More SDKs

- Objects**
- Achievement(Instance)
 - Album
 - App and Game Groups
 - Application
 - Checkin
 - Comment
 - Domain
 - Errors
 - Event
 - Field Expansion
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 - Insights
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 - Message
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 - Pagination
 - Payment
 - Photo
 - Pictures
 - Post
 - Privacy Parameter
 - Publishing
 - Question
 - QuestionOption

Album

Facebook APIs > Graph API > Album

An album of [photos](#) as represented in the [Graph API](#).

The [User](#), [Page](#) and [Application](#) objects have an `albums` connection of type `album`.

To read an `Album` you need

- Any valid access token if it is public and belongs to a [Page](#)
- The `user_photos` permission if it belongs to a [User](#)
- The `friends_photos` permission if it belongs to a [User's](#) friend

If an app lets a user choose an album when uploading photos, the app should check the `can_upload` flag to be sure that the app is allowed to add new photos to the album.

Example

An album on the [Facebook Page](#):

<https://graph.facebook.com/10150146071791729>

Fields

The `Album` object has the following fields.

Name	Description	Permissions	Returns
<code>id</code>	The album ID	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>from</code>	The profile that created this album	Any valid <code>access_token</code>	object containing <code>id</code> and <code>name</code> fields
<code>name</code>	The title of the album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>description</code>	The description of the album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>location</code>	The location of the album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>link</code>	A link to this album on Facebook	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code> containing a valid URL
<code>cover_photo</code>	The album cover photo ID	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>privacy</code>	The privacy settings for the album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>count</code>	The number of photos in this album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>type</code>	The type of the album: <code>profile</code> , <code>mobile</code> , <code>wall</code> , <code>normal</code> or <code>album</code>	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code>
<code>created_time</code>	The time the photo album was initially created	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>string</code> containing

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5 Dec 2010 - 9 Mar 2018

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- Selecting Results
- Status message
- Thread
- User
- Video

		<code>user_photos</code> or <code>friends_photos</code>	containing ISO-8601 date-time
<code>can_upload</code>	Determines whether the UID can upload to the album and returns <code>true</code> if the user owns the album, the album is not full, and the app can add photos to the album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	<code>boolean</code>

Connections

The Album object has the following connections.

Name	Description	Permissions	Returns
<code>photos</code>	The photos contained in this album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	array of <code>photo</code> objects
<code>likes</code>	The likes made on this album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	array of objects containing <code>id</code> and <code>name</code> fields.
<code>comments</code>	The comments made on this album	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	array of objects containing <code>id</code> , <code>from</code> , <code>message</code> and <code>created_time</code> fields.
<code>picture</code>	The album's cover photo, the first picture uploaded to an album becomes the cover photo for the album.	Any valid <code>access_token</code> or <code>user_photos</code> or <code>friends_photos</code>	HTTP 302 redirect to URL of the album's cover picture

photos

Create

You can add `photos` to an album by issuing an HTTP POST request to `ALBUM_ID/photos` with the `publish_stream` permissions and the following parameters.

Parameter	Description	Type	Required
<code>source</code>	Photo content	<code>multipart/form-data</code>	yes
<code>message</code>	Photo description	<code>string</code>	no

If the create is successful, you get the following return.

Name	Description	Type
<code>id</code>	The new photo ID	<code>string</code>

album

Create

You can create an empty album of a page by issuing an HTTP Post request to `PAGE_ID/albums` with following parameters.

Parameter	Description	Type	Required
<code>name</code>	The name of the album	<code>string</code>	yes
<code>message</code>	The description of the album	<code>string</code>	yes

If the create is successful, you get the following return.

Name	Description	Type
<code>id</code>	The new album ID	<code>string</code>

comments

Create

message	Comment text	string	yes
---------	--------------	--------	-----

If the create is successful, you get the following return.

Name	Description	Type
id	The new comment ID	string

likes

Create

You can like an Album by issuing an HTTP POST request to `ALBUM_ID/likes` with the `publish_stream` permission. No parameters necessary.

If the create is successful, you get the following return.

Description	Type
If the create succeeded.	boolean

Delete

You can unlike an album by issuing an HTTP DELETE request to `ALBUM_ID/likes` with the `publish_stream` permission.

If the delete is successful, you get the following return.

Description	Type
If the unlike succeeded	boolean

How-Tos

[How-To: Use the Graph API to Upload Photos to a user's profile \(php\)](#)

~~Updated on Thursday.~~

EXHIBIT 18



facebook developers Mobile DevCon 2013

[Program](#) [Speakers](#) [Travel Info](#) [FAQ's](#)

[London](#) [Seoul](#)

Discovery and engagement are critical to the success of any mobile app. Mobile DevCon New York 2013 was a chance spend the day with Facebook's mobile engineers and product managers to helping developers grow their iOS, Android and Mobile Web apps.



New York

When was it?

Thursday April 18th, 2013

Where was it?

Center548
548 West 22nd Street
New York, NY 10011



Program

9:00am	Registration & Breakfast	
10:00am	Welcome to Mobile DevCon	
10:10am	<p>The Next Evolution of Facebook Platform for Mobile Doug Purdy As the world transitions from Web to Mobile, Facebook has been on the same journey as developers. Doug talks about the problems mobile developers face, and how Facebook can help make it easy to build on mobile, and how we can help your apps get discovered. Download Doug's Slides (PDF, 55.9MB)</p>	

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27 Mar 2013 – 21 Feb 2017

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	<p>stories with their Friends. And Apps can tell stories through Facebook using Open Graph. Rose talks about how apps can help users tell stories through Facebook, and how this helps people use Timeline to define who they are.</p> <p>Download Rose's Slides (PDF, 35.7MB)</p>	
11:00am	<p>Making Open Graph easy on Mobile Eddie O'Neil Open Graph used to be centered around the Web. To use Open Graph, you needed a webserver which hosted URLs containing Open Graph markup. As developers transition to Mobile, we wanted to make it easy for developers building for iOS and Android to use Open Graph too. Eddie talks through our new products to make Open Graph easy on Mobile: The Object API, the Object Browser, User-owned Objects and the Native Share Dialog.</p> <p>Download Eddie's Slides (PDF, 2.4MB)</p>	
11:20am	<p>Social, Mobile Games Simon Cross Facebook plus Games is 50% of all time spent on Mobile devices. Because Games are special, Facebook has extra features and APIs for Game developers and for Apps seeking to use Game mechanics. Simon talks through Facebook's new discovery channels for mobile Games, and some common game scenarios which Facebook can help to enable.</p> <p>Download Simon's Slides (PDF 25.1MB)</p>	
12:00pm	LUNCH	
	Track 1	Track 2
1:00pm	<p>The Facebook SDK for iOS Prashant Sridharan Prashant talks about the features of the Facebook SDK for iOS including how to implement Facebook Login and the new Native Share Dialog</p> <p>Download Prashant's Slides (PDF, 12.7MB)</p>	<p>The Facebook SDK for Android Bear Douglas Bear shows how to implement Facebook Login on Android and shows how to use native UI elements like the Feed Dialog, and the Friend and Place pickers</p> <p>Download Bear's Slides (PDF, 7MB)</p>
1:50pm	<p>Open Graph and the Object API Christine Abernathy Christine shows how to publish Common and Custom Open Graph actions from mobile using the new Native Share Dialog and the new Object API</p> <p>Download Christine's Slides (PDF, 8.9MB)</p>	<p>Implementing Social Channels for Mobile Games Prashant Sridharan See how to implement Scores, Achievements and Open Graph in a Games context</p> <p>Download Prashant's Slides (PDF, 14MB)</p>
2:40pm	<p>Promoting your App on Facebook Christine Lu Find out how to use Mobile App</p>	<p>Facebook for Mobile Web apps Connor Treacy The Mobile Web is extremely important to Facebook. We have more daily visitors to our mobile web site than our Android or iOS apps combined.</p>

	Download Christine's Slides (PDF, 14.3MB)	
3:20pm	Break	
3:40pm	<p>How Facebook builds Facebook for iOS Adam Ernst Find out how we converted Facebook's iOS app to fully native code – and the changes we had to make to our skills, processes and toolchain to enable that transition. Download Adam's Slides (PDF, 21.9MB)</p>	<p>Growing Cross-Platform Apps Simon Cross The best mobile apps aren't apps at all – they're services which span Platforms. Find out how to use Facebook as the glue to provide a consistent user identity and social graph across the Web, iOS and Android – and how this helps your app get discovered on every platform. Download Simon's Slides (PDF, 20.2MB)</p>
4:30pm	<p>How Facebook builds Facebook for Android Michael Bolin Facebook for Android is one of the most downloaded Android apps of all time. Michael covers the challenges we had scaling our Java codebase, and the custom tools like Buck that we had to build to make it possible. Download Michael's Slides (PDF, 3.8MB)</p>	<p>The Facebook Technology Partners Program Presentations from Parse, Microsoft and Adobe PhoneGap. The Facebook Technology Partners Program showcases third-party companies and technology that make it really easy to help you build social experiences into your mobile apps.</p> <p>Sorry, the Wayback Machine does not have this video (CdNw6mRpsDI) archived/indexed.</p>
5:10pm	<p>Developer Panel Hear from some top developers about their experiences building for mobile.</p> <p>Chris Ackermann, Partner Manager, Facebook New York Devin Flaherty, SVP of User Experience, Fab.com Nghia Bui, Director of User Growth, Poshmark Kyle Teague, VP Engineering and Data Science, GetGlue Phil Newman, Director of Social Products, Nike</p>	<p>Sorry, the Wayback Machine does not have this video (o3Xq9ve3Pul) archived/indexed.</p>
6:00pm–8:00pm	<p>Office Hours & Drinks</p>	<p>Spend time with Facebook's engineers and product managers reviewing your apps, code, and helping you with any implementation issues you may have.</p>

Speakers



Christine Abernathy

Christine is an Engineer at Facebook. She works on the iOS and Android SDKs. Prior to Facebook, Christine headed up engineering at Mshift, a mobile banking software provider, delivering iPhone apps and mobile browser-based products.

Follow @abernathyca



Chris Ackermann

Chris works on Platform Partnerships at Facebook, helping companies build awesome experiences on Facebook Platform. Previously, he was Director of Emerging Platforms in the New York Times R&D; Lab.

Follow @chris_ackermann



team at Facebook HQ in Menlo Park, CA.

Follow @bolinfest



Poshmark. Nigma leads a cross-functional team responsible for devising strategies to drive, track, and predict community growth and engagement. Before Poshmark, he was Director of Engineering at Kaboodle.



Simon Cross

Simon is an engineer at Facebook where he builds tools and works with companies to help them integrate Facebook into their iOS, Android and Mobile Web apps. He also built the Facebook Graph API Explorer.

Follow @sicross

Bear Douglas

Bear Douglas

Bear is a Developer Advocate at Facebook where she works with mobile developers to help them implement Facebook Login and Open Graph. Before Facebook, she was at Strobe working on their HTML5 app platform.

Follow @beardigsit

Adam Ernst

Adam Ernst

As an engineer on the iOS Core team at Facebook, Adam helped relaunch the iOS mobile experience to use native code. He was previously an independent developer.

Follow @adamjrnst

Devin Flaherty

Devin Flaherty

Devin is the Senior Vice President of User Experience at Fab. One of Devin's key responsibilities is Fab's award-winning mobile apps, which currently account for over 30% of the business. Prior to Fab, he was part of Boston-based WHERE, a mobile-centric consumer application and ad network, which sold to eBay to 2011.

Follow @devfab

Christine Lu

Christine is an engineer at Facebook where she focuses on the Ads API and PMD program. She works as a partner-facing engineer, launching new ads products and scaling the ads ecosystem.

Phil Newman

Phil Newman

Phil Newman is Director of Social Product for Nike where he manages a social consulting team and software platform that motivates, challenges and encourages millions of people every day. Previously, he's lead technology development at The Home Depot, Mirant, Earthlink, Turner Broadcasting and The Weather Channel.

Doug Purdy

Doug Purdy

Doug is the director of product for Platform at Facebook. He drives the development of features such as Open Graph, Payments and the overall developer experience. Before Facebook, Doug was at Microsoft in senior engineering and evangelism roles.

Prashant Sridharan

Prashant Sridharan

Prashant Sridharan is a Developer Advocate at Facebook. Prior to Facebook, Prashant was the Director of Marketing for Amazon Web Services and the chief Product Manager for Microsoft Visual Studio. He spends every moment of his free time either snowboarding or training for snowboarding season.

Follow @coolasspuppy

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27 Mar 2013 – 21 Feb 2017

Data Science at GetGlue, a social TV leader that offers a personalized guide for TV, movies and sports, to help users discover what to watch. Kyle oversees the development of GetGlue's webservice, website, and mobile applications. Prior to GetGlue, Kyle worked in Northrop Grumman's Advanced Technology Group on machine learning based security projects.

[Follow @kyteague](#)

uses his knowledge of Graph API and Open Graph to help developers integrate Facebook into their app experiences. When not coding, Connor is usually found behind a pair of turntables.

[Follow @connortreacy](#)

Rose Yao

Rose Yao

Rose is a Product Manager at Facebook where she currently focuses on making Open Graph a great experience for users. Prior to Facebook, Rose was a product manager at Google where she worked on Gmail, iGoogle, and various client products for Mac platform.

FAQ's

Will the videos of this event be online?

Some of the sessions were filmed and the videos of these will be uploaded soon. Check this page, and the [Facebook Developers YouTube channel](#) for more information.

Will you be hosting more events like this in the future?

We love spending time 1:1 with developers – helping them understand how best to use our products, and getting feedback on how our platform is working for them. We regularly hold developer events – you can read about upcoming events on our [Events page](#).

[Updated about 2 months ago.](#)

EXHIBIT 19

Blog

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- [2008](#)
- [2007](#)
- [2006](#)

[Developer Roadmap](#)

[Developer Events](#)

Developer Blog

June 2013

[Platform Updates: Parse Reaches 100,000 Apps and More](#)

This week, Parse reached a new milestone of 100,000 apps. We also rolled out Android device targeting and a new version of our iOS SDK. Finally, we launched hashtags to make it easier for people to engage in public conversations on Facebook.

Today at 6:55pm

[Platform Updates: New Open Graph Business Object Type](#)

We are introducing a new OG (Open Graph) Business object type to allow us to better surface local business information in News Feed, Graph Search, Check-Ins, and Pages. Although this is not a breaking change, we recommend that developers start using this new OG Business object type over custom OG objects to represent local business information.

Wednesday, June 5, 2013 at 5:00pm

[Local Currency Payments Breaking Change](#)

Today we are launching the local currency payments API for all game developers to integrate into their current and future apps. Per our breaking change policy, we are giving developers 90 days to migrate to local currency payments. After September 12, 2013, we will no longer be able to support Facebook Credits. In order to continue accepting payments, please plan to migrate your app before that date.

Wednesday, June 5, 2013 at 11:15am

[June Developer Events](#)

Find the Facebook team at conferences and developer events in June

Tuesday, June 4, 2013 at 1:00pm

[Using Facebook to Grow Your Traffic: Best Practices for Publishers](#)

People love sharing news articles with their friends. According a recent SimpleReach study, social networks drive 23% of external traffic to news publishers. Facebook is the top source of social referrals. As a news publisher, you can grow your traffic with Facebook by following these best practices.

Tuesday, June 4, 2013 at 10:00am

In April and May we hosted over 1000 iOS, Android and Mobile Web developers at in New York, London and Seoul for Mobile DevCon 2013. For those who couldn't attend, we filmed many of the sessions, and have posted every slide deck online for you to download.

Wednesday, May 29, 2013 at 9:00am

[Platform Updates: Operation Developer Love](#)

We provide a recap of this week's announcements and share the progress we've made with bugs and StackOverflow.

Wednesday, May 22, 2013 at 6:30pm

[Sharing made simple for iOS apps](#)

Starting today, we're making sharing from your iOS apps easy. With the native Share Dialog, you can significantly improve people's sharing experiences from your mobile app.

Monday, May 20, 2013 at 1:00pm

[Platform Updates: Operation Developer Love](#)

We provide a recap of this week's announcements and share the progress we've made with bugs and StackOverflow.

Wednesday, May 15, 2013 at 6:30pm

[Create Beautiful Sections for Your App on Timeline](#)

We've rolled out timeline sections to everyone and many developers have already integrated with sections to make their apps a core part of people's identities on timeline. We've highlighted a few integrations along with best practices and a new App Insights tool for creating yours.

Tuesday, May 14, 2013 at 1:00pm

[Platform Updates: Operation Developer Love](#)

Platform Updates: Operation Developer Love – Wed May 8, 2013.

Wednesday, May 8, 2013 at 6:00pm

[Platform Updates: Operation Developer Love](#)

Platform Updates: Operation Developer Love – Wed May 1, 2013. New FQL Tables: table, column.

Wednesday, May 1, 2013 at 3:45pm

April 2013

[Game Developers Conference SF: Video Recap](#)

Last month, more than 300 mobile and desktop game developers joined our all-day event at GDC in San Francisco. For those who couldn't attend, we've provided a summary of the day's sessions with links to the videos.

Monday, April 29, 2013 at 11:00am

[Welcoming Parse to Facebook](#)

We're making it even easier to build mobile apps with Facebook Platform by by announcing that we have entered into an agreement to acquire Parse, a cloud-based platform that provides scalable cross-platform services and tools for developers.

Thursday, April 25, 2013 at 2:00pm

[Showing Our Android Community Developer Love in May](#)

It's been a big year for Facebook and Android, with a new app, new SDK, and the release of our own Android build tool, Buck. Join us at Google I/O and AnDevCon as we keep the Android developer love going.

Thursday, April 25, 2013 at 10:00am

[Platform Updates: Operation Developer Love](#)

Recap of last week's launches iOS SDK 3.5.1 Bug and stackoverflow summary

Wednesday, April 24, 2013 at 3:25pm

[Next Evolution of Facebook Platform for Mobile](#)

Today, we are hosting our Mobile Developer Conference in New York City, where we're introducing the next evolution of Facebook Platform for mobile. We're now launching three important products that further our transition to a mobile-first platform. We're making it easier to implement Open Graph on mobile, improving Facebook Login, and releasing a new Facebook SDK 3.5 for iOS.

Thursday, April 18, 2013 at 7:30am

[Platform Updates: Operation Developer Love](#)

* Platform Updates: Operation Developer Love 4/17 * Weekly stats

Wednesday, April 17, 2013 at 3:00pm

[Platform Updates: Operation Developer Love](#)

Platform Updates: Operation Developer Love 4/10

Wednesday, April 10, 2013 at 5:00pm

[Create Rich User Stories with New Open Graph Tools](#)

Today we are rolling out new tools to make it easier for you to set up your app's Open Graph stories and timeline collections.

Monday, April 8, 2013 at 10:00am

Thursday, April 4, 2013 at 11:00am

[New APIs for Comment Replies](#)

We're updating the API so developers can build tools that make it easier for brands to monitor and respond to comment replies.

Wednesday, April 3, 2013 at 5:38pm

[Platform Updates: Operation Developer Love](#)

Platform Updates: * Defaulting new apps to sandbox mode * April 2013 breaking changes take effect * July 2013 breaking changes (90-day notice)

Wednesday, April 3, 2013 at 5:27pm

March 2013

[April Developer Events](#)

In April, the Facebook team will be kicking off Mobile DevCon 2013, speaking at Droidcon, hosting two Game On days, and sponsoring Photo Hack Day, HackEd 2.0, and TechCrunch Disrupt.

Friday, March 29, 2013 at 11:00am

[Platform Updates: Operation Developer Love](#)

Weekly updates, breaking changes and stats.

Wednesday, March 27, 2013 at 3:42pm

[New ways to reach the right people with mobile app install ads](#)

New ways to reach the right people with mobile app install ads, which includes enhanced device targeting and addition to Ads Create Tool. Register for Live Q&A with the product team today!

Wednesday, March 27, 2013 at 11:00am

[Local Currency Payments Preview for Game Developers](#)

Local Currency Payments Preview for Game Developers

Monday, March 25, 2013 at 10:00am

[Platform Updates: Operation Developer Love](#)

Facebook SDK 3.2.1 for iOS Facebook SDK 3.0.1 for Android Changes to mobile bookmarks Preferred Marketing Developer Innovation Competition April 2013 changes reminder Weekly stats

Wednesday, March 20, 2013 at 5:30pm

[March 26: Facebook Developer Day at GDC SF](#)

March 26: Facebook Dev Day at GDC SF

Tuesday, March 19, 2013 at 4:45pm

[Platform Updates: Operation Developer Love](#)

Summary of this week's launches April 2013 changes reminder Changes to mobile bookmarks Weekly stats

Wednesday, March 13, 2013 at 1:00pm

[Making Apps a Bigger Part of Timeline](#)

We're introducing better ways for apps to appear on timeline, improved controls for users, and a streamlined tool for setting up Open Graph.

Wednesday, March 13, 2013 at 10:00am

[Facebook Mobile Developer Conference 2013](#)

Facebook Mobile Developer Conference is coming to New York, London and Seoul in April & May 2013. If you're an iOS, Android or Mobile Web developer – come and spend the day with Facebook engineers and product managers to learn how to grow your apps, drive installs and re-engage your existing users.

Tuesday, March 12, 2013 at 9:00am

[Improving Facebook for Books, Movies, TV and Fitness](#)

Books, movies, TV and fitness comprise an important part of who people are, so today we're announcing new actions to give people better ways to express those things.

Friday, March 8, 2013 at 10:30am

[Get to Know the New Design for News Feed](#)

Get to Know the New Design of News Feed

Thursday, March 7, 2013 at 11:00am

[Platform Updates: Operation Developer Love](#)

March 6 2013 Breaking Changes, Updated policy for developer payment registration, New Preferred Marketing Developer Program Requirements and Weekly stats

Wednesday, March 6, 2013 at 5:00pm

* Recap of launches in the past week * Reminder on March breaking changes * Weekly bug summary

Wednesday, February 27, 2013 at 3:52pm

[March Developer Events](#)

Find the Facebook team at events in March

Tuesday, February 26, 2013 at 11:30am

[Facebook SDK 3.2 for iOS](#)

We're happy to announce an update to the Facebook SDK for iOS that makes it easier and faster to develop Facebook-integrated iOS apps. We've also revamped the iOS Dev Center so you can quickly access the tools and resources you need to build great social apps.

Monday, February 25, 2013 at 1:00pm

[Join the Facebook Games Team at GDC SF on March 26](#)

Facebook Developer Day at GDC SF

Monday, February 25, 2013 at 10:00am

[Platform Updates: Operation Developer Love](#)

- upcoming march breaking changes - Realtime Updates extended for Pages - Update to Platform policies - Search insights now available

Wednesday, February 20, 2013 at 6:00pm

[Platform Updates: Operation Developer Love](#)

weekly roundup ## Developer Alerts: API Errors ## March 2013 Breaking Changes ##Weekly stats

Wednesday, February 13, 2013 at 6:00pm

[Platform Updates: Operation Developer Love](#)

Updates since last week, Feb 6th Breaking Changes, Weekly Stats

Wednesday, February 6, 2013 at 5:00pm

[A New Video Channel for Developers: Facebook Developers Live](#)

Today we're announcing a new way for developers to stay up to date on the latest news, tutorials, speaking sessions and more via Facebook Developers Live.

Wednesday, February 6, 2013 at 11:00am

[Where to Find Us in February](#)

Where to find the Facebook team in February.

Friday, February 1, 2013 at 9:00am

January 2013

[Platform Updates: Operation Developer Love](#)

Pages Insights Changes. Updated App Center Game Categories. Weekly Update.

Wednesday, January 30, 2013 at 12:45pm

[Clarifying Our Platform Policies](#)

Over the past few days, we've received questions about a few of our platform policies and want to clarify our thinking.

Friday, January 25, 2013 at 12:00pm

[The Value of a Facebook-connected Mobile User](#)

As an increasing number of developers integrate their mobile apps with Facebook we've learned more about the benefits for developers of offering Facebook Login as a registration option. Specifically, people who discover apps through Facebook and connect to apps using Facebook, tend to spend more time in the apps, come back more often, and are more likely to become paying customers. Many top game developers, for example, have also found that Facebook-connected users generate more referral traffic as they share achievements through social channels.

Thursday, January 24, 2013 at 1:00pm

[Platform Updates: Operation Developer Love](#)

Improved support for age-sensitive content, Developer Alert contact settings, new ad policy upcoming breaking changes, weekly stats

Wednesday, January 23, 2013 at 6:00pm

[Platform Updates: Operation Developer Love](#)

Weekly roundup - Graph Search - Larger Images - Breaking Changes - Bug stats

Wednesday, January 16, 2013 at 3:45pm

[Platform Updates: Operation Developer Love](#)

Weekly roundup - Updates since last week - Bugs status - New app metrics

Wednesday, January 9, 2013 at 3:00pm

[Meet Us in January](#)

See where the Facebook team will be speaking in January!

Thursday, January 3, 2013 at 10:30am

[Platform Updates: Operation Developer Love](#)

Bundling breaking changes to quarterly; Announcing April 2013 changes

Wednesday, January 2, 2013 at 5:14pm

December 2012

[2012 in Review](#)

We're proud of your successes and are looking forward to a great 2013. Before we head into the holidays, let's take a look at what we've accomplished together in 2012.

Thursday, December 20, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

Weekly roundup – Updates since last week – Bugs status – New page metrics

Wednesday, December 19, 2012 at 3:30pm

[Developer Spotlight: SoundCloud](#)

SoundCloud is a social app that lets anyone create, record, promote and share sounds with friends. In addition, SoundCloud provides a platform for bands, musicians, comedians, politicians, and podcasters to instantly share original music and audio content, embed sound across websites and blogs, and receive feedback from the community directly onto the audio track.

Wednesday, December 19, 2012 at 8:15am

[New Features to Mobile App Install Ads](#)

New Features to Mobile App Install Ads: 1) customize your ads, 2) install apps without leaving Facebook, 3) access additional app insights

Tuesday, December 18, 2012 at 10:00am

[Facebook SDK 3.0 for Android and Native Login](#)

The Facebook SDK 3.0 for Android makes it easier to build social Android apps by providing native UI controls, simplifying session management, and improving API support.

Thursday, December 13, 2012 at 3:00pm

[Platform Updates: Operation Developer Love](#)

Weekly Roundup: – New Resources to Promote Your Apps – Ability to link App Pages to App Detail Pages – Subscribe button becomes the Follow button – Platform Policies Update – Upcoming breaking changes – Weekly Stats

Wednesday, December 12, 2012 at 6:30pm

[Providing People Greater Clarity and Control](#)

We are introducing a series of updates to the Login dialog to improve the clarity and control of the app permissions process. We have already launched many of these improvements as part of our iOS6 integration and are now rolling them out more broadly.

Wednesday, December 12, 2012 at 8:45am

[Announcing the Preferred Marketing Developer Center](#)

We are launching a new Preferred Marketing Developer Center so marketers can more easily find the companies they need to build enterprise tools and apps – all in one place.

Monday, December 10, 2012 at 9:00am

[Making Our Documentation Better](#)

Announcing improved referenced docs: FQL, Android SDK, iOS SDK

Thursday, December 6, 2012 at 3:34pm

[Platform Updates: Operation Developer Love](#)

March 2013 Breaking Changes

Wednesday, December 5, 2012 at 7:00pm

[Facebook at LeWeb 2012](#)

We're at the LeWeb conference in Paris this week to connect with the global developer community about the latest with Open Graph and mobile platform. As the number of European developers building on Facebook increases, Paris has become one of the top places for timeline app development, as the number two city, after San Francisco, for Open Graph submissions.

Wednesday, December 5, 2012 at 5:00am

[Top Rated Social Games of 2012](#)

In the social games world this year we saw the emergence of new categories of games, high quality graphics and immersive gameplay, and games built by big and small developers from around the world. It was the most diverse and global year for social games to date – for those on Facebook.com, as well as games built with Facebook for iPhone, iPad and Android.

Wednesday, December 5, 2012 at 12:00am

November 2012

[Platform Updates: Operation Developer Love](#)

Recap of Developer Alerts launch, mobile Insights for Open Graph, update to Facebook SDK 3.0 Beta for Android, new tool to download daily payment reports, upcoming breaking changes, and weekly stats

Wednesday, November 21, 2012 at 1:30pm

[Delivering important alerts about your app](#)

Introducing Developer Alerts, a new way for developers to receive critical information about their apps via email and notifications on Facebook.com.

Thursday, November 15, 2012 at 11:00am

[Platform Updates: Operation Developer Love](#)

Create Groups for your App or Game (Beta); Streamlined Open Graph Approvals with Screenshots; Debug version of the JavaScript SDK; Update to Facebook for WordPress; February 2013 Breaking Changes; Rolling out HTTPS for all Users

Wednesday, November 14, 2012 at 7:30pm

[BlackBerry 10 Passes Ring 1 and Other Updates](#)

It's been eight months since the Ringmark mobile browser test suite was announced at Mobile World Congress and since then the industry has been hard at work using it to fine-tune hardware and mobile browsers to better support functionality of modern web apps. We've seen a lot of progress and wanted to share some of it with you.

Thursday, November 8, 2012 at 9:00am

[Platform Updates: Operation Developer Love](#)

November 2012 Breaking Changes

Wednesday, November 7, 2012 at 3:30pm

[Multiplayer Games Using HTML5](#)

Pascal Boudier of Gamorlive walks through how to handle game state, animation, and more in multiplayer HTML5 games.

Tuesday, November 6, 2012 at 10:00am

[Open Graph and Music, a Year Later](#)

The launch of Open Graph last year enabled app developers to re-think how people discover, share and consume music. Most important, many developers have brought what was traditionally only possible offline – music discovery through friends – into all types of music apps on web and mobile.

Tuesday, November 6, 2012 at 9:00am

[Find the Facebook Team in November](#)

The Facebook team will be out at several conferences, hackathons, and meetups this month. Come meet us at an event near you!

Friday, November 2, 2012 at 1:00pm

[Developer Spotlight: Songza](#)

Songza is a music delivery app with an extensive collection of unique playlists. People use Songza to discover music that is designed to go well with any mood or activity, making it easy to find a soundtrack for whatever it is they may be doing throughout the day.

Thursday, November 1, 2012 at 11:00am

October 2012

[Platform Updates: Operation Developer Love](#)

Reminder on November 2012 breaking changes to take place next week; Search in App Center; App dashboard updates: transparent icons, sponsored results, easier process to update company info;

Wednesday, October 31, 2012 at 5:42pm

[Notifications API Update](#)

In August, we announced a beta of the Notifications API, a way for developers on Facebook.com to communicate directly with their users through the notifications jewel, and published guidelines to help you create compelling notifications. Today, we are sharing some of the early results from developers using this new service and announcing improvements that make it easier for you to optimize and maintain the quality of your notifications.

Friday, October 26, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

Platform updates and announcement for this week. Quick start guide for building social mobile games on iOS and external bugs stats

Wednesday, October 24, 2012 at 4:00pm

[Developer Spotlight: BINGO Blitz](#)

BINGO Blitz from Buffalo Studios mixes the classic game of bingo with arcade-style gameplay, power-ups, shadow cards, XP and coins to create a unique social game experience.

Monday, October 22, 2012 at 10:15am

[Facebook SDK 3.0 Beta for Android](#)

We're happy to announce a major update to the Facebook SDK for Android that makes it easier and faster to develop Facebook-integrated Android apps. We've also introduced a new Android Dev Center so you can quickly access the tools and resources you need to build great social apps for Android.

84 captures
27 May 2010 – 15 Aug 2017

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2012 2013 2014 About this capture

Wednesday, October 17, 2012 at 5:00pm

[Drive Installs and Discovery with Mobile App Install Ads](#)

Mobile App Install global launch

Wednesday, October 17, 2012 at 10:00am

[World HACK Recap and Winners](#)

Recap of World Hack, an announcement of the Grand Prize winners, and links to hacks that were built at the events.

Monday, October 15, 2012 at 8:30am

[Platform Updates: Operation Developer Love](#)

Recap, More time to migrate to Graph API picture field change, JS SDK reminder, breaking changes, weekly stats

Wednesday, October 10, 2012 at 6:00pm

[Growing Quality Apps with Open Graph](#)

Over the past six months we've launched new channels, such as App Center with our improved recommendations engine, to drive distribution to the highest quality apps. As part of these ongoing updates, today we're releasing improvements to how we present Open Graph stories in news feed and on timeline to drive growth and engagement to your app. In order to provide users with experiences that meet their expectations, we will no longer approve custom actions that publish stories as people consume content. These apps must use the appropriate built-in actions or create a different sharing experience. We are also deprecating a handful of features that led to low quality user experiences. Our goal is to help you build quality apps that people will love. On average, Open Graph stories now have 50% higher click through rates than similar stories published using non-Open Graph API's (stream.publish). To help you build great Open Graph apps, we are also releasing new Open Graph guidelines and clarifying our Platform Policies to better reflect our expectations.

Wednesday, October 10, 2012 at 11:30am

[Web Platform Docs Alpha Release](#)

Proudly donating to the alpha launch of WebPlatform.org

Monday, October 8, 2012 at 11:00am

[Meet Us in October](#)

The Facebook team will be at many conferences, hackathons, and meetups this month. Come meet us at an event near you!

Thursday, October 4, 2012 at 11:45am

[Making a Social Impact: Innovating with Facebook to Engage and Inspire](#)

In this post, we highlight some of the causes and nonprofits that are using Facebook and Open Graph to drive awareness, raise money, mobilize quickly, and enable supporters to make a bigger impact by simply and easily sharing with friends.

Thursday, October 4, 2012 at 9:00am

[Platform Updates: Operation Developer Love](#)

Facebook SDK 3.1.1 for iOS Update Privacy Policy Alert Announcing Breaking Changes for Jan 2013

Wednesday, October 3, 2012 at 4:30pm

[Developer Spotlight: Mixcloud](#)

Mixcloud is a web app that streams a unique catalogue of high quality DJ mixes, radio shows and podcasts – known as Cloudcasts – from users, including Fatboy Slim, Moby, WIRED and NPR's Radiolab. Through the app, friends can share new discoveries and comment on what someone's listening to.

Monday, October 1, 2012 at 9:10am

September 2012

[Platform Updates: Operation Developer Love](#)

Recap of past week's activity, Offers API updates, Upcoming breaking changes, Weekly stats

Wednesday, September 26, 2012 at 5:15pm

[Facebook SDK for iOS and the iOS 6 Facebook Integration](#)

We're happy to announce the Facebook SDK 3.1 for iOS that adds support for the Facebook integration in iOS 6. This integration opens up new opportunities for mobile app developers as you can easily build the foundation for a social app, Facebook Login and sharing functionality, into your product.

Tuesday, September 25, 2012 at 1:30pm

[Bringing Real-time Updates to the App Dashboard](#)

Today, we're happy to announce support for easily configuring Real-time Updates (RTU) subscriptions for certain objects directly from the App Dashboard.

Friday, September 21, 2012 at 1:00pm

[A new way for people to manage app activity](#)

Today we are launching the Shared Activity plugin, which gives people a way to control the activity they share to Facebook directly from your web app. The plugin provides a simple solution for implementing the user controls required when working with Open Graph built-in actions. From the plugin on sites such as Airbnb, people can set the default Facebook audience for activity shared from your app, or manage the settings for stories previously published to Facebook, including selecting an audience or removing it altogether.

Thursday, September 20, 2012 at 10:00am

84 captures
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2012 2013 2014 About this capture

Wednesday, September 19, 2012 at 5:15pm

[HACK the Social Web Winners](#)

Winners of the Facebook and Heroku hackathon, Hack the Social Web!

Sunday, September 16, 2012 at 8:00am

[Facebook @ GDC Europe: Developer Day Recap](#)

In August, the Facebook games team hosted a Developer Day at GDC Europe, where we were joined by more than 300 game developers who build for mobile and desktop. For those of you who could not join us, we've provided a rundown of the day, as well as links to videos, presentations and code samples.

Friday, September 14, 2012 at 8:00am

[Developer Spotlight: Cooliris](#)

Cooliris, an app for iOS, lets people browse through their various image collections, bringing photos from Facebook, Instagram, Picasa, desktop, and mobile together in one simple interface. People can quickly find photos they like, make new albums and share with friends on timeline, news feed or by email.

Thursday, September 13, 2012 at 10:30am

[Platform Updates: Operation Developer Love](#)

Updating the Facebook SDK with support for iOS 6.0 Option to suppress notifications for Like stories Update to privacy policy requirements

Wednesday, September 12, 2012 at 5:30pm

[Associating Custom Actions with Like](#)

Since we launched Open Graph nearly a year ago, actions that express affinity have become one of the most popular custom action types. Millions of people "favorite", "heart" and "love" experiences in apps daily and share these stories back to Facebook. We strongly encourage you to use the built-in Like action for these relationships where possible. However, if you want to use custom verbiage to express affinity, you must now associate these actions with the built-in [Like action](https://developers.facebook.com/docs/opengraph/actions/builtin/likes/) to ensure we're displaying these important relationships prominently across Facebook.

Wednesday, September 12, 2012 at 9:00am

[Supporting Multiple Screen Formats in HTML5](#)

Teemu Ikonen of NonStop Games gives an overview of a simplified model to support multiple screen formats in HTML5.

Monday, September 10, 2012 at 7:15am

[Platform Updates: Operation Developer Love](#)

Update to Graph API for Scores and Achievements Update the Facebook SDK for Android Announcing December 2012 breaking changes Fix for iOS app login URL issue Subscriptions now supports test users

Wednesday, September 5, 2012 at 6:18pm

[Developer Spotlight: Tripl](#)

Tripl is a web and mobile app that lets people explore their friends' travels visually. Using Tripl, people see where their friends are going and check out interesting places they visit on a beautiful backdrop. Friends can also react and comment on check-ins and photos.

Monday, September 3, 2012 at 9:30am

August 2012

[Reach users 1:1 with the Notifications API](#)

We're launching a beta version of the new Notifications API for apps on Facebook.com that enables you to send short, custom messages to your existing users through the Facebook notifications jewel. Notifications are a great way to re-engage users by informing them of important events, invites from friends, or actions they need to take in your app.

Friday, August 31, 2012 at 8:00am

[Updates to the Graph API](#)

We're happy to announce several improvements to the Graph API, which make it easier and faster to access data from the social graph.

Thursday, August 30, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

Updates since last Wednesday's blog post, next week's breaking changes, November breaking changes and bugs stats. Also announced App Dashboard Update and Platform Policy Update for Games

Wednesday, August 29, 2012 at 3:00pm

[Early Success Stories: Fitness and Open Graph](#)

With more than 7,000 Open Graph apps, there's something for everyone - including fitness fanatics. As people run, hike, bike and walk, they're using mobile apps to share their fitness activity with friends, giving developers new ways to improve app discovery, drive installs and increase app activity. Read about success stories from Nike+ Running, Endomondo, RunKeeper and runtastic.

Wednesday, August 29, 2012 at 6:00am

[Changes to the App Dashboard](#)

Today, we're announcing updates to the App Dashboard that make it faster to integrate with Facebook.

Tuesday, August 21, 2012 at 6:00pm

[Bringing Mention Tagging to Open Graph](#)

World Hack 2012 begins this week. We're opening more spots in a few cities, and taking the top team in each continent to Facebook HQ!

Monday, August 20, 2012 at 8:00am

[Third-Party Plugins, Services and SDKs](#)

We've been working with other communities and companies so that it's even easier for you to integrate with Facebook.

Thursday, August 16, 2012 at 8:00am

[Dolphin First to Pass Ring 1, Ringmark and Coremob Updates](#)

We've made many updates to Ringmark over the past couple of months that we'd like to share with you. Also, we're excited to announce that, at over 260 participants, the Coremob W3C Community Group is now the largest Community Group in the W3C, and the second largest group overall, next to the HTML5 Working Group.

Thursday, August 16, 2012 at 5:00am

[Platform Updates: Operation Developer Love](#)

Recap of past week's blog posts, App Dashboard updates, Upcoming September Breaking Changes

Wednesday, August 15, 2012 at 2:00pm

[Discover New Sample Apps](#)

We're always looking for ways to make the experience of integrating with Facebook easier. Today, we're happy to announce several tools and resources that will help you build great social apps.

Wednesday, August 15, 2012 at 8:00am

[Early Results from the App Center](#)

We are excited with the initial performance of the App Center for developers and wanted to share some results.

Tuesday, August 14, 2012 at 2:00pm

[Building User Intent into the Open Graph](#)

We're introducing explicitly shared actions to let apps notify us when a user wants to prominently share something like they would through posting it directly on Facebook.

Monday, August 13, 2012 at 1:00pm

[Drive Payer Conversion With New API](#)

Many developers have implemented Payer Promotion and have seen increased payer conversion and revenue. Today, we're launching a new API that tells you whether a person is eligible for the offer.

Monday, August 13, 2012 at 10:00am

[Join Facebook and Heroku to HACK the Social Web](#)

Announcing HACK the Social Web, a HACK co-hosted by Facebook and Heroku

Friday, August 10, 2012 at 12:15pm

[Platform Updates: Operation Developer Love](#)

Recap of past week's blog posts, Policy Change, New Metrics Added to Insights, Upcoming September Breaking Changes

Wednesday, August 8, 2012 at 5:45pm

[Developer Spotlight: Stitcher](#)

Stitcher is a mobile app that enables people to discover the podcasts their friends are listening to and share their favorite selections. People can also receive recommendations for new radio shows based on their listening activity.

Wednesday, August 8, 2012 at 1:00pm

[Subscriptions now available](#)

Today we're making subscriptions available to all developers with apps on Facebook.com as a new way for you to grow your business with Facebook.

Wednesday, August 8, 2012 at 10:00am

[Facebook Developer World HACK 2012](#)

Today we're very happy to announce the Facebook Developer World HACK 2012, a series of events we're hosting around the world throughout August and September. Build an amazing Facebook app in a day and you could win yourself a trip to San Francisco.

Wednesday, August 8, 2012 at 8:50am

[Introducing New Mobile Ads for Apps](#)

Today we're announcing a new way for mobile app developers to grow their business with an ad unit that helps them reach and reengage their users.

Tuesday, August 7, 2012 at 1:30pm

[Facebook SDK 3.0 for iOS](#)

We're releasing the Facebook SDK for iOS today, which makes it easier and faster to integrate iOS apps with Facebook. This release enables several new features: ready-to-use native UI controls, better session management, improved support for APIs and support for modern Objective-C language features.

Tuesday, August 7, 2012 at 1:30pm

[Facebook team at GDC Europe](#)

The Facebook team will be at GDC Europe in Cologne on Tuesday, August 14th to host a Developer Day. In this full-day session, Facebook engineers will deep dive into the fundamentals of building successful mobile and web games with Facebook.

information via email. This new reporting system is more reliable, secure, and flexible.

Monday, August 6, 2012 at 12:00pm

[Platform Migration: Events Timezone Support](#)

We are adding timezone support to the events APIs on Facebook. Event times will be expressed as ISO-8601 strings, with added support for date-only events, and optional end time.

Wednesday, August 1, 2012 at 7:00pm

[Platform Updates: Operation Developer Love](#)

Recap of past week's blog posts, App Center Now Available Worldwide, New Support for Localized Images, Support for Specifying IDs Parameter as an Array, August Breaking Changes Now Live, Upcoming September Breaking Changes

Wednesday, August 1, 2012 at 6:30pm

July 2012

[Re-Introducing Canvas](#)

Reconsider the possibilities of <canvas> with Christian Heilmann of Mozilla

Tuesday, July 31, 2012 at 7:15am

[Join Facebook at TechCrunch CrunchUp: The Facebook Ecosystem](#)

Later this week, TechCrunch will be hosting its annual CrunchUp conference, where members of the Facebook team will discuss our Platform, mobile and ads products alongside members of the Facebook developer and advertising community.

Monday, July 30, 2012 at 2:00pm

[Introducing the Recommendations Bar](#)

Today we're launching the Recommendations Bar, a new [social plug-in](https://developers.facebook.com/docs/plugins/) that helps people find articles based on what their friends like and share from your site.

Thursday, July 26, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

Updates since last Wednesday's blog post, App Center Global Rollout announcement, next week's breaking changes, October breaking changes and bugs stats. Also, announced Facebook SDK 3.0 Beta for iOS and Like Buttons and Stories to the Right Audience

Wednesday, July 25, 2012 at 5:00pm

[Photo Hack Day Winner](#)

Announcing the winner of Photo Hack Day 3

Wednesday, July 25, 2012 at 1:15pm

[Game Spotlight: War Commander](#)

War Commander's gamers play long sessions multiple times a day, and the game has increased its revenue with specific monetization features. Learn about what War Commander does well.

Tuesday, July 24, 2012 at 10:00am

[New Marketing Tools for Pages](#)

Marketing API for Pages

Monday, July 23, 2012 at 5:00pm

[Platform Updates: Operation Developer Love](#)

Updates since last week, Javascript SDK Cleanup, 'Translate your app' link moving into the Localize tab, Facebook at Casual Connect Seattle, Stack Overflow and Bugs.

Wednesday, July 18, 2012 at 7:00pm

[Capturing Growth: Photo Apps and Open Graph](#)

People upload an average of more than 300 million images to Facebook every day, making photos a core part of the Facebook experience. Developers tap into this enthusiasm by creating a variety of apps that make sharing photos more fun and that help people to easily enhance images. They are effectively incorporating Open Graph into apps and tapping into Facebook's key social points -- timeline, news feed, and ticker -- to increase referrals, signups and engagement.

Tuesday, July 17, 2012 at 10:00am

[Mastering the Application Cache Manifest for Offline Web Apps and Performance](#)

Guest post from Cinemur.fr about their use of AppCache

Monday, July 16, 2012 at 7:00am

[Game Spotlight: SongPop](#)

SongPop is a music recognition game by FreshPlanet where people challenge their friends to identify songs and artists from various eras. It uses Login with Facebook, so people can play with friends, no matter if they use the app on Facebook.com, iPhone, iPad, or Android.

Friday, July 13, 2012 at 9:00am

[Platform Updates: Operation Developer Love](#)

Last week's recap JS SDK cleanup Bugs Stats

Wednesday, July 11, 2012 at 5:00pm

Wednesday, July 11, 2012 at 11:00am

[Join Facebook at Photo Hack Day in San Francisco](#)

Announcing Photo Hack Day 3 in San Francisco July 14-15

Monday, July 9, 2012 at 2:22pm

[App Center Global Rollout](#)

Today we're turning on the App Center in seven additional countries, and we're launching a new localization tool for developers.

Monday, July 9, 2012 at 6:00am

[Platform Updates: Operation Developer Love](#)

Recap of the week's blog posts, upcoming breaking changes, Javascript SDK cleanup, and weekly stats

Thursday, July 5, 2012 at 5:00pm

June 2012

[Pricing in a User's Preferred Currency](#)

To help you improve monetization in your game, we are launching an API that gives you access to the user's preferred currency and the conversion rate to Credits. This lets you show prices in the user's preferred currency in your in-game stores.

Thursday, June 28, 2012 at 11:50am

[Platform Updates: Operation Developer Love](#)

Recap of the week's blog posts, adding location and multiple photos to Open Graph actions, new summary count fields in event FQL table, upcoming breaking changes, Javascript SDK cleanup, check your privacy policy, and weekly stats

Wednesday, June 27, 2012 at 6:00pm

[Enable Followers in Your App](#)

Today we are launching the Open Graph built-in follow action. The follow action makes it easier for people to keep tabs on the stories people tell from within your app in their News Feed, Timeline and through the notifications channel.

Wednesday, June 27, 2012 at 2:45pm

[Growing Mobile Games and Apps with Facebook](#)

Many times I get asked by developers, "should I build for Facebook or mobile?*", and the answer is, "both!". It's not a question of one or the other. Mobile apps, just like apps on Facebook.com, can benefit from an audience of 900 million users, 500 million of whom are active Facebook mobile users.

Tuesday, June 26, 2012 at 10:00am

[Stay Connected with Facebook Developer Meetups](#)

Announcement about Meetup sponsorship and community page

Friday, June 22, 2012 at 1:32pm

[Platform Updates: Operation Developer Love](#)

Weekly Post – Recap of recent posts – Developer Updates – Breaking changes reminder – Bugs Activity – Stackoverflow Activity

Wednesday, June 20, 2012 at 2:00pm

[Bringing Like to Mobile](#)

The new Open Graph built-in like action makes it easier for people to share content from your app. While the Like button is a great way to let friends share content from the web back to Facebook, the like action enables you to build your own like buttons for your mobile or web app and drive distribution across Facebook.

Wednesday, June 20, 2012 at 11:25am

[Introducing subscriptions and local currency pricing](#)

We're announcing two updates to our payments product: subscriptions and local currency pricing.

Tuesday, June 19, 2012 at 1:30pm

[Toronto HACK Winners](#)

Summary of results from Toronto HACK

Monday, June 18, 2012 at 4:58pm

[iOS and Facebook](#)

We're very excited about the Facebook integration in iOS 6 that Apple announced last week at WWDC 2012. We're working on a major update to the Facebook SDK for iOS that will launch in the coming weeks. It includes significant new features and enhancements that make it easier to add Facebook to your iOS apps, along with support for the Facebook integration in iOS 6. Stay tuned!

Monday, June 18, 2012 at 9:00am

[Game Spotlight: Candy Crush Saga](#)

King.com's puzzle game, Candy Crush Saga, is growing quickly on Facebook and the engaging game play and integration of Facebook features keeps bringing people back. The game grew 100% in May and has driven 800 million game plays to date. Find out what the game does well.

Friday, June 15, 2012 at 9:00am

Ringmark.

Thursday, June 14, 2012 at 8:30am

[Platform Updates: Operation Developer Love](#)

Weekly Roundup – last week’s articles – Adding locations to OG actions – Identifying a user’s device – App Center available on iPad – Bug stats

Wednesday, June 13, 2012 at 5:00pm

[Facebook Integration for WordPress](#)

Starting today WordPress publishers can easily integrate Facebook features, such as social publishing and mentions, through the new Facebook for WordPress plugin. The plugin was built by Facebook engineers in collaboration with open source partners, and makes it simple for anyone to make their WordPress site more social – no coding required. The plugin will also work on mobile and support internationalization.

Tuesday, June 12, 2012 at 9:00am

[Join the Facebook Team at Our Toronto HACK](#)

Blog post announcement for Toronto event 6/16

Thursday, June 7, 2012 at 6:56pm

[Growing quality apps with the App Center](#)

Today we’re launching the App Center, the place for people to find great social apps on the web and mobile.

Thursday, June 7, 2012 at 5:00pm

[Platform Updates: Operation Developer Love](#)

Breaking changes, September migrations

Wednesday, June 6, 2012 at 2:00pm

[Helping Monetize The Mobile Web](#)

At Mobile World Congress this year we announced an improved mobile payments flow for mobile web apps. Today we are starting to roll it out. This low friction (two steps) carrier billing is now available on the majority of carriers in the US and the UK and will be rolled out to additional operators worldwide.

Wednesday, June 6, 2012 at 8:45am

[Games Round-Up](#)

The Games Round-up covers the recently released product features and best practices that game developers should know about. Read this round-up to learn about feed gaming, App Center and new Insights as well as best practices for creating custom friend selectors for requests and for making your game social.

Tuesday, June 5, 2012 at 1:00pm

[Early Success Stories: Shopping, Fashion and Open Graph](#)

Over the past few months, shopping and fashion has become one of the faster-growing categories of timeline apps. Companies in this space are attracting a new type of user – shopaholics and fashionistas. These social apps are developing a global presence, securing funding and building across web and mobile, and they’re seeing new traffic to their websites and increased mobile installs through their use of Open Graph.

Tuesday, June 5, 2012 at 10:00am

May 2012

[Developer Spotlight: NBC's The Voice](#)

Today's developer spotlight is on NBC's The Voice's web and mobile app.

Thursday, May 31, 2012 at 1:00pm

[Platform Updates: Operation Developer Love](#)

Testing FQL in the Graph API Explorer, Updated Open Graph Publishing Guidelines, and stats updates

Wednesday, May 30, 2012 at 4:00pm

[Play Games Directly in News Feed](#)

We’re launching the ability for people to try games directly in news feed. Feed gaming enables developers to share a playable version of their game within news feed and timeline stories, reaching new users through some of our main distribution channels.

Friday, May 25, 2012 at 10:00am

[Game Spotlight: Bingo Bash](#)

Bingo Bash from BitRhymes is a multi-player, synchronous bingo game for web and iPad. Bingo Bash drives engagement among users with their Facebook integrations and has seen significant results.

Thursday, May 24, 2012 at 11:00am

[Platform Updates: Operation Developer Love](#)

Recap of last week’s blog posts. Upcoming breaking changes. Bugs and Stackoverflow activity from the last week.

Wednesday, May 23, 2012 at 1:30pm

[Get to Know Your Unique Users](#)

Wednesday, May 23, 2012 at 1:00pm

[Join the Facebook Platform team at Over The Air](#)

The Facebook team will be at Over The Air 2012 on 1st & 2nd of June – in Bletchley Park, UK. Join us to hack on Mobile and Open Graph. The team that builds the best mobile Open Graph app in 24 hours will win Samsung Galaxy SII phones for each team member. And bragging rights.

Wednesday, May 23, 2012 at 2:00am

[Driving mobile app installs with the App Center](#)

Soon, with the App Center, it will be easier than ever to drive mobile app installs and reach the over 500 million people using Facebook on mobile devices.

Tuesday, May 22, 2012 at 3:00pm

[Developer Spotlight: Tumblr](#)

Today's developer spotlight is on blogging web and mobile app, Tumblr.

Thursday, May 17, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

recap, js sdk update, bug stats.

Wednesday, May 16, 2012 at 5:00pm

[App Center Best Practices](#)

This blog post highlights some of the most important things to consider when you're creating your app detail page for the App Center.

Wednesday, May 16, 2012 at 1:00pm

[Monitoring App Quality with Insights](#)

We're introducing two new features in [Insights](https://www.facebook.com/insights/): App Ratings and Negative Feedback. They both help you monitor positive and negative user signals.

Tuesday, May 15, 2012 at 12:00pm

[Preview sponsored stories with the Action Spec Preview Tool](#)

The preview tool that shows the action estimate and matching stories for action specs.

Thursday, May 10, 2012 at 3:00pm

[Developer Spotlight: Endomondo](#)

Today's developer spotlight is on workout tracking app, Endomondo.

Thursday, May 10, 2012 at 10:00am

[Platform Updates: Operation Developer Love](#)

Recap of this week's launches: App Center Action Links for Timeline Apps Developer Spotlight on Kobo How-To Improve Experience for Returning Users Bug and StackOverflow Stats for the week

Wednesday, May 9, 2012 at 5:45pm

[Introducing the App Center](#)

Today, we're announcing App Center, a new place for people to find social apps. App Center gives developers an additional way to grow their apps and creates opportunities for more types of apps to be successful.

Wednesday, May 9, 2012 at 1:30pm

[How-to: Improve the Experience for Returning Users](#)

Using FB.getLoginStatus is an easy way to immediately make your site more engaging and provide a better experience for returning users.

Tuesday, May 8, 2012 at 10:00am

[Developer Spotlight: Kobo](#)

Today's developer spotlight is on eReading device and mobile app, Kobo.

Thursday, May 3, 2012 at 2:00pm

[Action Links: A New Way to Interact with Apps](#)

Starting today, there's a new way for people to interact with your timeline app directly from Facebook: action links. These customizable links provide another way for people to do something within your app when your Open Graph stories appear in news feed, timeline, or ticker.

Wednesday, May 2, 2012 at 1:00pm

[Platform Updates: Operation Developer Love](#)

New breaking changes for August, Breaking changes effective today and more.

Wednesday, May 2, 2012 at 11:30am

[Growth and Mobile Apps](#)

Facebook Platform continues to help mobile apps and games grow. Traffic sent to developers more than tripled and number of visitors more than doubled. Seven of the top ten grossing iOS apps and six of the top ten grossing Android apps are integrated with Facebook. Facebook Platform sent more than 160 million visitors last month to mobile apps and games. These mobile visitors were responsible for more than 1.1B visits to mobile apps last month.

Tuesday, May 1, 2012 at 2:00pm

April 2012

[Developer Spotlight: Deezer](#)

Today's developer spotlight is on music streaming web and mobile app, Deezer.

Friday, April 27, 2012 at 12:00am

[Android and iOS: Discovery via Requests Best Practices](#)

This post walks through the best practices you can use to increase social engagement for your Android and iOS app via invites and requests.

Thursday, April 26, 2012 at 9:59am

[Build Locally, Grow Globally](#)

Developers are growing their timeline apps internationally, across web and mobile.

Thursday, April 26, 2012 at 8:00am

[Platform Updates: Operation Developer Love](#)

Recap of this week's blog posts, Facebook Offers Now Accessible via the API, Real-time Insights, and next week's breaking changes.

Wednesday, April 25, 2012 at 4:30pm

[Streamlining publish_stream and publish_actions permissions](#)

We are combining publishing permissions so that apps only have to ask users once to publish on their behalf.

Wednesday, April 25, 2012 at 3:00pm

[Discover native Android apps through Facebook](#)

With the latest update to Facebook for Android, social app discovery for native apps are available on both Android and iOS.

Tuesday, April 24, 2012 at 1:00pm

[Developer Spotlight: Diamond Dash Mobile](#)

Diamond Dash has seen rapid growth since launching a Facebook-integrated iOS game. Using Single Sign On, requests and Open Graph, Wooga was able to drive great traffic from Facebook Platform.

Thursday, April 19, 2012 at 9:00am

[Platform Updates: Operation Developer Love](#)

IPv6, JS SDK Updates

Wednesday, April 18, 2012 at 4:00pm

[The New Preferred Marketing Developer Program](#)

Today we're announcing the new Preferred Marketing Developer program.

Wednesday, April 18, 2012 at 12:00pm

[Making a Speedy HTML5 Game](#)

Back when we started Gamzee, a lot of people in the game industry were down on HTML5. The hopeful ones said that HTML5 was the wave of the future, but it just wasn't stable or fast enough to make the big sort of 'Ville-type Flash games that dominate social gaming today. So what did we do? We set out to make a big, isometric game in HTML5. And not only would it run on Facebook on desktop Web, but it would also run on mobile Web, utilizing Facebook Platform. On all iOS devices and Android phones.

Tuesday, April 17, 2012 at 8:00am

[Developer Spotlight: iHeartRadio](#)

Today's developer spotlight is on social music web and mobile app, iHeartRadio.

Monday, April 16, 2012 at 10:00am

[Mobile Hacks Roadshow: And the Winners Are...](#)

In the past two months we've visited some of the world's most exciting mobile development hubs, including New York, Boston, London, Stockholm, Tel Aviv, Hong Kong, Singapore, Seoul and Tokyo. Over the course of nine mobile Hacks, we've had over 2,000 attendees, 450 hours of code writing, 200 mobile projects and many cool hack projects.

Thursday, April 12, 2012 at 8:00am

[Platform Updates: Operation Developer Love](#)

Blog post 4/11, photo_src, default page tab image, best practices, bug stats

Wednesday, April 11, 2012 at 6:30pm

[Developer Spotlight: Fab.com](#)

Today's developer spotlight is on e-commerce site, Fab.com.

Thursday, April 5, 2012 at 10:30am

[Platform Updates: Operation Developer Love](#)

New App Insights, Migration now available for upcoming breaking changes

Wednesday, April 4, 2012 at 10:30pm

[The Methodology Behind Ringmark](#)

Developers want to build a great user experience on mobile. They want the experience to be fast, easy, and rewarding for the user. However, because of a mix of performance issues, broken features, or worse—missing features, this is quite difficult with the current state of the mobile web. The best way to fix this is by focusing on those features that will actually help developers build high-quality apps. And since the web is constantly evolving, we're taking a versioned approach to this effort, starting from the basics and building up, as illustrated by "Rings".

Wednesday, April 4, 2012 at 9:00am

[Ringmark is Now Open Source](#)

At Mobile World Congress, we announced Ringmark, a mobile web browser test suite. We've received overwhelmingly feedback and much interest in helping us build Ringmark in order to make the mobile web better. Today, we're excited to announce that we've begun open sourcing Ringmark. As part of this announcement, we've submitted it to the [Core Mobile Web Platform Community Group] (<http://www.coremob.org/>) in the W3C. It's our goal that Ringmark becomes the canonical test suite for the group. As a result, we will be baking the specs and feedback of the group into Ringmark.

Tuesday, April 3, 2012 at 9:00am

March 2012

[Developer Spotlight: Cities I've Visited](#)

Today's developer spotlight is on TripAdvisor's social travel app, Cities I've Visited.

Thursday, March 29, 2012 at 2:00pm

[Platform Updates: Operation Developer Love](#)

Update on new launches – this week we launched New Payer Promotions and spotlighted Foodspotting, upcoming breaking changes on April 1, 2012, update about breaking change policy and an update on bugs and Stack Overflow activity for the past week

Wednesday, March 28, 2012 at 9:30am

[Facebook-Sponsored Payer Promotions](#)

Payer Promotions are Facebook Sponsored offers that encourage game players to make a first-time purchase using their credit card or PayPal account. Starting today, developers can place Payer Promotion offers inside their games by using a new DealSpot unit that is dedicated to this promotion.

Thursday, March 22, 2012 at 4:35pm

[Developer Spotlight: Foodspotting](#)

Today's developer spotlight is on visual food guide, Foodspotting.

Thursday, March 22, 2012 at 2:00pm

[Platform Updates: Operation Developer Love](#)

Update on Open Graph submissions, upcoming breaking changes on April 1, 2012, and an update on bugs and Stack Overflow activity for the past week

Thursday, March 22, 2012 at 9:15am

[Facebook @ GDC: Developer Day Recap](#)

Earlier this month, the Facebook games team hosted a Developer Day at GDC in San Francisco, where we connected with about 250 game developers building games for desktop, console and mobile. For those who could not join us, we've provided a rundown of the day, as well as links to videos and additional code samples.

Thursday, March 22, 2012 at 8:00am

[Making HTML5 Audio Ring True](#)

A lot of developers would like to get the benefits of working with HTML5 Audio. But, unfortunately, all of us – game developers, music services, journalists – are eventually going to find out that the HTML5 audio tag is not exactly ready to meet our expectations. In this post, SoundCloud describe some of the issues that still surround HTML5 audio, and the creation of their AreWePlayingYet? test suite.

Tuesday, March 20, 2012 at 4:17pm

[Mobile referrals now available on App Insights](#)

Check out the new Mobile Referrals Insights dashboard to help you understand the traffic your app receives from mobile sources.

Friday, March 16, 2012 at 11:15am

[Developer Spotlight: Izlesene](#)

We are highlighting timeline apps that have great users experiences and give you an idea of what is possible with the Platform. Today's developer spotlight is on Izlesene.

Friday, March 16, 2012 at 11:00am

[Platform Updates: Operation Developer Love](#)

Weekly developer blog update : Updates to payments daily detailed reporting, Open Graph Action Approval Process and Platform Showcase, and Pages.

Wednesday, March 14, 2012 at 6:15pm

[New Page APIs](#)

Highlights of New Page APIs with examples and links to developer docs.

Wednesday, March 14, 2012 at 7:15am

Thursday, March 8, 2012 at 1:00pm

Platform Updates: Operation Developer Love

Partnered with Pluralsight to provide an online course for developers. We also updated Facebook Platform Policy: (1) removed policy which prohibited Page Apps from hosting media that played automatically without a user's interaction, (2) revised the Mobile Web App policy to prohibit mobile web apps running within a Facebook iOS app may only use iOS approved payment methods and may not reference, use, or otherwise encourage use of Facebook Credits or other non-iOS payment methods, (3) Developers must be sure to comply with the Video Privacy Protection Act (VPPA). Introduced a European Incentive Program. Removed App Profile Pages.

Wednesday, March 7, 2012 at 11:00pm

Building Better Stories with Location and Friends

Today we're introducing several improvements to the Facebook Platform that allow people to do all of the things they can do in a status update - add friends, location, photos and video - directly from the apps they're using.

Wednesday, March 7, 2012 at 11:00am

Updated Open Graph Submissions Flow

Updated the Dev Tool to have more up-front checks to prevent incomplete Open Graph submissions. Made clear that action properties are optional and require specific repro steps.

Tuesday, March 6, 2012 at 8:30pm

Category Spotlight: Arcade game best practices

A classic game that has been played by diverse audiences over the years, arcade games such as Bubble Witch Saga, Fruit Ninja Frenzy, and Diamond Dash have been picking up momentum on Facebook Platform lately. Whether on mobile or desktop, these short-session games use a variety of tactics to keep people coming back week after week and to encourage friendly competition.

Monday, March 5, 2012 at 10:00am

Games Update: Expanding distribution for Scores and Achievements

As we continue to drive greater discovery and re-engagement for games on Facebook, today we are announcing scores and achievements stories in the news feed and support for weekly tournaments with our Graph API for scores.

Monday, March 5, 2012 at 7:00am

Enhanced Auth Dialog and Updates to Permissions

The enhanced auth dialog will be rolled out more broadly starting on March 9th 2012 with updated button text, and some functionality of the publish_stream permission will be available as a part of the publish_action permission.

Friday, March 2, 2012 at 4:15pm

Developer Spotlight: The Guardian

We are highlighting timeline apps that have great users experiences and give you an idea of what is possible with the Platform. Today's developer spotlight is on The Guardian.

Friday, March 2, 2012 at 6:00am

Announcing the AT&T & Facebook Mobile App Hackathon in Palo Alto

Join us for the AT&T and Facebook Mobile App Hackathon in Palo Alto in May.

Thursday, March 1, 2012 at 1:00pm

Join the Facebook Platform team at GDC this Monday

The Facebook Developer Day is on Monday March, 5th at the Game Developer Conference in San Francisco. Don't forget to register for an "All-Access" or "Summit & Tutorials" pass to GDC San Francisco to secure your spot!

Thursday, March 1, 2012 at 12:30pm

February 2012

Platform Updates: Operation Developer Love

This week we spotlighted Goodread's use of the Open Graph, announced our commitment to providing distribution across all platforms, provided some new Page APIs, and completed 90% of the Open Graph Submissions.

Wednesday, February 29, 2012 at 4:05pm

Helping Improve the Mobile Web

Facebook and partners announce initiative to help mobile web developers distribute, monetize and battle mobile browser technology fragmentation.

Monday, February 27, 2012 at 4:45am

Introducing the Mobile W3C Community Group

Facebook and a group of operators, device makers, developers and technology companies are joining together to form the Core Mobile Web Platform Community Group. This Community Group will help drive feature prioritization on the mobile web, which will garner support for specifications in the W3C, help push forward deliverables like a test suite, and help browser vendors prioritize functionality. We believe that if there's a consistent methodology and approach to the problem, it will help mobile browsers get better faster, and reduce fragmentation.

Monday, February 27, 2012 at 4:45am

Announcing Ringmark, a Mobile Browser Test Suite

As part of our work on the mobile web over the past year, we've wished there had been a test suite for mobile browsers that is comprehensive, fair, and tests the feature sets that developers really need. We've decided to turn this into a real project and started

[Growing Mobile Apps and Games with Facebook Platform](#)

Facebook Mobile Platform has been gaining momentum rapidly. More than 60 million monthly visitors are sent to apps and games from Facebook Mobile every month. Many mobile apps have seen 3x to 20x growth using the platform.

Friday, February 24, 2012 at 6:00am

[Developer Spotlight: Goodreads](#)

We are highlighting timeline apps that have great users experiences and give you an idea of what is possible with the Platform. Today's developer spotlight is on Goodreads.

Friday, February 24, 2012 at 12:00am

[Open Graph Submissions Update](#)

As of today, over 90% of the thousands of Open Graph submissions we have received since f8 have been fully reviewed and responded to. The remainder is on track to be completed within the next few weeks.

Thursday, February 23, 2012 at 4:30pm

[Platform Updates: Operation Developer Love](#)

This week, we spotlighted Pinterest's use of the open graph, gave some tips on improving app distribution on iOS, and announced that the Mobile Hack Roadshow is coming to Asia.

Wednesday, February 22, 2012 at 7:42pm

[The Facebook Mobile Hack Roadshow – coming to Asia](#)

Facebook Mobile Hacks are coming to Asia: Singapore, Hong Kong, Seoul, Tokyo. Sign up now!

Wednesday, February 22, 2012 at 11:45am

[Improving App Distribution on iOS](#)

Facebook has introduced controls that will allow you to optimize the user experience when traffic is sent from the Facebook iOS app to your app (native or web app). This post talks about how you can set up these controls. We also show you how you can implement deep linking to ensure users end up at the appropriate content in your app when clicking on stories.

Tuesday, February 21, 2012 at 10:01am

[Developer Spotlight: Pinterest](#)

We are beginning to highlight timeline apps that have great users experiences and give you an idea of what is possible with the Platform. Today's developer spotlight is on Pinterest.

Friday, February 17, 2012 at 1:00pm

[Platform Updates: Operation Developer Love](#)

This week, we posted few updates for developers using Payments on Facebook Platform. Additionally, we invited developers to Facebook Mobile Platform Global Hacks Roadshow – Europe.

Thursday, February 16, 2012 at 4:31am

[Early Success Stories: Timeline Apps and Open Graph](#)

Millions of people are using timeline apps on Facebook to experience and share what love with their friends.

Wednesday, February 15, 2012 at 11:00am

[Announcing The Facebook Mobile Platform Global Hacks Roadshow– Europe](#)

Facebook Mobile Hack Series is going international. Announcing the first set of locations in Europe, including London, Stockholm and Tel Aviv.

Tuesday, February 14, 2012 at 7:45am

[Platform Updates: Operation Developer Love](#)

This week we posted blogs on Creating Featured Stories with Action Specs and Developer Blog Subscriptions. Additionally, we invited developers to come talk to us at the Games Developer Conference in San Francisco in March

Friday, February 10, 2012 at 5:45pm

[Payments update](#)

We have a few updates for developers using Payments on Facebook Platform, including updates to the Pay Dialog, payout reports as well as payer promotion.

Friday, February 10, 2012 at 4:05pm

[Developer Blog Subscriptions](#)

Developer Blog Email Subscriptions update

Wednesday, February 8, 2012 at 6:45pm

[Join the Facebook Platform team at GDC in March](#)

We're excited to announce Facebook Developer Day at Game Developer Conference in San Francisco on Monday, March 5th. Conference attendees are invited to join the Facebook Platform team for interactive discussions throughout the day on best practices and pro-tips for building social games.

Monday, February 6, 2012 at 2:30pm

[Creating Sponsored Stories with Action Specs](#)

We are announcing a new way of creating Sponsored Stories on the Ads API by using [action specs](https://developers.facebook.com/docs/reference/ads-api/start-action-specs/). These changes make the Ads API more flexible and will make it easier for developers to adapt to new story types as we launch them. We will be deprecating the old sponsored stories types as of May 1.

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changes of group FQL table changes, required use of STARTTLS for XMPP connections and insights updates.

Friday, February 3, 2012 at 6:00pm

[HTML5 News Recap](#)

Here's the latest selection of HTML5 news, demos, and code from the past month. Highlights include Cut the Rope, Responsive Design, and a bunch of new open source HTML5 technology.

Thursday, February 2, 2012 at 10:00am

[How-To: Migrate your App Profile Page](#)

Many developers have asked for some tips on how to smoothly migrate their App Profile Page. Below are some common issues, questions, and pro-tips for how to handle.

Wednesday, February 1, 2012 at 5:00pm

January 2012

[How-To: Subscribing to data changes using the Real-time Updates API](#)

Optimizing your facebook apps by subscribing to data changes using the Real-time Updates API

Tuesday, January 31, 2012 at 12:15pm

[Games Update : Driving more discovery for games](#)

Today we are announcing new ways to drive greater discovery and engagement with games on Facebook, including games stories in News Feed and a games Timeline unit. We are also testing the addition of a prominent link to app requests on the homepage, a games-only activity feed and changes to the live ticker.

Monday, January 30, 2012 at 5:45pm

[iOS and Android: Single Sign-On Best Practices](#)

For iOS and Android App Developers, Single-Sign-On (SSO) provides a quick way for users to Register, Login, and enable social features in your mobile app. This post provides an update on using SSO in your app, and 4 best practices to leverage when implementing it.

Thursday, January 26, 2012 at 11:45am

[Platform Updates: Operation Developer Love](#)

Subscribe to and subscriber graph api; Insights metric deprecations; Throwing exception for invalid filter key; Upcoming breaking changes; Bug Activities, fixes, Stackoverflow.

Wednesday, January 25, 2012 at 6:20pm

[Device Experiences & Responsive Design](#)

While the task of designing Web applications and sites for multiple devices can be daunting, two techniques can make the process more manageable: classifying device experiences and designing/building responsively. Here's how these two approaches can work together to optimize interface designs across a wide range of connected devices.

Tuesday, January 24, 2012 at 10:30am

[How-To: Implementing hideFlashCallback to support "wmode=window"](#)

How-To in implementing hideFlashCallback effectively for Flash Apps that use wmode=window

Monday, January 23, 2012 at 3:30pm

[Platform Updates: Operation Developer Love](#)

Improved Auth Dialog, 60 launched Open Graph apps, Writing Questions via Graph API, Poligy Training videos, Email subscriptions, Search typeahead, Upcoming breaking changes, Bug Activity, Stack Overflow Activity

Friday, January 20, 2012 at 3:00pm

[Open Graph now available](#)

With Timeline and Open Graph, people can tell their stories through the apps they use. Starting today, developers can build apps that let people add anything they love to their Timelines – whether it is eating, traveling, shopping, running or taking pictures. Get started now!

Wednesday, January 18, 2012 at 5:00pm

[Launching the Improved Auth Dialog](#)

We're making the improved Auth Dialog available and announcing the migration plan for developers.

Wednesday, January 18, 2012 at 11:00am

[Platform Updates: Operation Developer Love](#)

Platform Updates for 01/11/2012, including improved comments box for mobile, filter support for the Graph API, infinite scrolling in the Games Dash, Breaking Change announcement for User Support Email and reminders for Requests 2.0, removing canvas_name, and remove app profile pages.

Wednesday, January 11, 2012 at 5:15pm

[Additional tickets now available for Mobile Hack in New York and Boston](#)

Additional tickets available for Facebook Mobile Hack in New York and Boston, on 18th and 20th of January respectively. Boston event is free for students. Register now, before tickets run out.

Tuesday, January 10, 2012 at 2:30pm

[How-To: Optimize the Graph API data fetch using ETags](#)

Today we're launching in-app currency offers, which lets developers award users with their own in-app currency (e.g., Fred Currency in Fred's game) upon completing an offer.

Friday, January 6, 2012 at 1:00pm

[Platform Updates: Operation Developer Love](#)

Platform Updates for 2011/01/04, including app stories show in app tab, improved Web Site Insights and a reminder on breaking changes for Requests 2.0 Efficient and FB.Canvas.getPageInfo.

Wednesday, January 4, 2012 at 6:30pm

December 2011

[Facebook Platform SDK Support](#)

Facebook Platform supports the following SDKs: JavaScript, PHP, iOS, and Android. All other SDKs have been deprecated.

Friday, December 30, 2011 at 5:00pm

[2011 In Review](#)

Key highlights of Facebook Platform (new features, new tools, etc.) in 2011.

Thursday, December 29, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

The weekly update of platform changes for the week of December 21 – 28 including a reminder about upcoming deprecations for January 2012

Wednesday, December 28, 2011 at 1:00pm

[Mobile Hack Coming To Boston and New York](#)

After successful Mobile Hack in Palo Alto, we are bringing the event to New York and Boston. First, in New York City on the 18th of January. Then in Boston on the 20th of January. Join us to learn everything you need to know about Facebook Platform for Mobile, and get a chance work on your projects with Facebook engineers.

Thursday, December 22, 2011 at 5:30pm

[Platform Updates for Games Developers](#)

We've recently made updates to the games categories as well as Bookmarks and Apps and Games Dashboard to optimize the platform for game developers. In addition we are testing new feed stories on mobile, to improve app engagement. Finally also launching a games tutorial to provide best practices for building games on Facebook.

Thursday, December 22, 2011 at 4:30pm

[Platform Updates: Operation Developer Love](#)

The weekly update of platform changes for the week of December 13 – 20. Highlights the deprecation of the REST API and upcoming deprecations for January 2012.

Wednesday, December 21, 2011 at 7:15pm

[Deprecating the REST API](#)

Today, we are launching the last two remaining APIs that we intend to port to the Graph API. With this we are officially deprecating the REST API.

Wednesday, December 21, 2011 at 11:30am

[Platform Updates: Operation Developer Love](#)

The weekly update of platform changes for the week of December 7 – 13. Announces the discontinuation of the majority of the Dashboard APIs and upcoming deprecations for January 2012.

Wednesday, December 14, 2011 at 2:39pm

[Breaking Change: JavaScript SDK to oauth:true on December 13th](#)

If you are using the new JS SDK, please upgrade your apps to support OAuth 2.0.

Monday, December 12, 2011 at 5:00pm

[Facebook Social Games Hack Recap](#)

Last week we hosted our first Facebook games Hack, at the Facebook HQ in Palo Alto. Check out this post to see the videos from the sessions as well as the winners of the Hack!

Monday, December 12, 2011 at 4:45pm

[Debugging in the Open Graph](#)

A guide on techniques and tools for debugging open graph apps.

Monday, December 12, 2011 at 3:30pm

[Removing App Profile Pages](#)

Today, we are announcing the removal of all App Profile Pages on February 1st, 2012. Existing apps can migrate the Likes and the Vanity URL from their App Profile Page to a Facebook Page. New apps can create a new Facebook Page. Related APIs will be deprecated and no longer supported on March 1, 2012. Page Tab apps can use the Add to Page dialog.

Friday, December 9, 2011 at 5:00pm

[Building Games that Run on Poor Mobile Connections](#)

broadly applicable and go beyond just games, but we'll focus on games in this post.

Thursday, December 8, 2011 at 4:38pm

[Introducing the Subscribe Button for Websites](#)

Subscribe from anywhere with the Subscribe button.

Thursday, December 8, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

Upload videos to events via Graph API; Developer News Page; Reminder on upcoming deprecations on 1/1/12;

Wednesday, December 7, 2011 at 6:30pm

[Bringing Facebook Platform to Android Devices](#)

Today, we are bringing Facebook Platform on Mobile to Android. Users can discover and engage in your mobile web apps directly in the newly released Facebook for Android 1.8 via Requests, Bookmarks, News Feed, Search, Authenticated Referrals, and Facebook Credits.

Wednesday, December 7, 2011 at 6:00pm

[Games Hack Tickets Available, but Going Fast](#)

Last week we announced the Games Hack on Thursday, December 8. Already, registrations are filling up. Register now to reserve your spot.

Monday, December 5, 2011 at 10:00am

[Internationalizing Open Graph Apps](#)

Internationalizing Open Graph Apps

Friday, December 2, 2011 at 8:00am

November 2011

[Platform Updates: Operation Developer Love](#)

Search typeahead traffic now goes directly to Apps. The Change Log will only exist in the weekly update. Please attend the Social Games Hack on 12/8.

Wednesday, November 30, 2011 at 10:00am

[Early Results: Social News and the Open Graph](#)

Early results and best practices for social news apps.

Tuesday, November 29, 2011 at 10:23am

[Platform Updates: Operation Developer Love](#)

Social Games Hack, Breaking change for size of photos, Secure Open Graph Videos, Updates to Canvas layout and improving Dev App requests.

Wednesday, November 23, 2011 at 3:45pm

[Announcing Games Hack on December 8](#)

Register now for our Social Games Hack on December 8th at Facebook HQ in Palo Alto, CA.

Monday, November 21, 2011 at 3:03pm

[Platform Updates: Operation Developer Love](#)

Summary added to notifications, bug and stack overflow updates.

Friday, November 18, 2011 at 5:00pm

[Responsive Design Essentials: Look Great on any Device](#)

Over the years, my work flow has shifted as browsers and design trends have evolved. Recently, mobile and tablet device capabilities and usage has exploded. As a result, it's incredibly important for your web app to look great everywhere, even on small screens. It's no longer adequate to banish a mobile user to a simplified version of your site.

Friday, November 18, 2011 at 10:00am

[Facebook Credits Updates](#)

This week we are announcing several updates to Facebook Credits, including a breaking change for the Credits callback, new payment methods, a new policy, updated documentation as well as a reminder to add your company information for payouts.

Thursday, November 17, 2011 at 5:45pm

[Testing against Beta Tier](#)

Please test your apps against beta tier.

Wednesday, November 16, 2011 at 8:15pm

[Platform Updates: Operation Developer Love](#)

Our Friday Rollup of the latest changes in Facebook Platform, including App Reviews and Discussions, Batch API Exception Format Migration, Getting Page Questions via the Graph API and Open Graph Action

Friday, November 11, 2011 at 5:20pm

[Announcing the Fall Submission Round for the PDC Program](#)

A summary of early results from music partners that have implemented the Open Graph.

Tuesday, November 8, 2011 at 10:31am

[Platform Updates: Operation Developer Love](#)

Recent activity stories available via stream FQL table and Graph API; High Scores stores shown for Games; Location available for posts; Upgrading old Comments Box users.

Friday, November 4, 2011 at 3:45pm

[Steps Toward the New Messaging System](#)

Details about the migration steps from the old messaging APIs. Covers the FQL and Graph APIs that are effected and possible issues that may arise.

Wednesday, November 2, 2011 at 1:52pm

October 2011

[Platform Updates: Operation Developer Love](#)

Introducing the Questions Graph endpoint. Various bug fixes.

Friday, October 28, 2011 at 12:24pm

[Open Graph Roadshow: More tickets available](#)

Additional tickets now available for the Open Graph Roadshow in Seattle and Austin.

Tuesday, October 25, 2011 at 3:30pm

[Additional tickets now available for Mobile Hack](#)

Mobile Hack event now has additional spots available. Sign up today.

Monday, October 24, 2011 at 5:00pm

[Platform Updates: Operation Developer Love](#)

Announcing Graph API to check if an app is installed on a Page tab; Expanding Facebook Credits to over 50 countries and 80 payment methods; Announcing app specific privacy FQL table; Open Graph guide for building private mode and best practices for sharing controls.

Friday, October 21, 2011 at 5:48pm

[Building Private Mode and Other Sharing Controls into Your App](#)

Examples of in-app privacy controls and methods for allowing users to modify historical actions inside an app.

Tuesday, October 18, 2011 at 1:00pm

[Mobile Hack](#)

Join us for the Mobile Hack in Palo Alto. At this all-day event you will learn about building social mobile apps and then do some hacking on your own apps.

Tuesday, October 18, 2011 at 11:45am

[Introducing HTML5 Resource Center](#)

Announcing a new HTML5 resource center for Facebook Developers

Tuesday, October 18, 2011 at 10:30am

[Platform Updates: Operation Developer Love](#)

Graph API for issuing FQL queries, adding namespace property to application endpoint in Graph API, detecting visibility of Flash objects in Canvas apps functionality not working.

Friday, October 14, 2011 at 6:05pm

[New Tools to Optimize App Authentication](#)

At f8, we announced a redesigned Auth Dialog and a new authentication flow to give developers more control over people's first experience with their apps. Today, we're making these new tools available to all developers.

Friday, October 14, 2011 at 10:00am

[Open Graph Roadshow](#)

Join the Facebook Platform team as we travel through the United States to tell developers about the Open Graph and Timeline.

Wednesday, October 12, 2011 at 3:00pm

[How-To: Handle Revoked Auth Permissions](#)

This how-to document will help developers check a user's permissions and prompt that user for any missing permissions.

Wednesday, October 12, 2011 at 1:00pm

[Bringing Social App Discovery to Mobile](#)

Today, we are extending Facebook Platform on mobile, bringing all the social channels that have helped apps and games reach hundreds of millions of users on the Web to mobile apps and websites. You can now easily reach the 350 million people who use Facebook every month on a mobile device, including iPad, iPhone, iPod touch, and our mobile web site.

Monday, October 10, 2011 at 1:00pm

Friday, October 7, 2011 at 4:19pm

[Introducing new Page Insights](#)

Introducing new Page Insights and "People Talking About This"

Thursday, October 6, 2011 at 8:00pm

[Next steps towards a modern Platform: OAuth 2.0 and HTTPS](#)

Next steps towards a modern Platform: OAuth 2.0 and HTTPS

Tuesday, October 4, 2011 at 5:30pm

September 2011

[Platform Updates: Operation Developer Love](#)

f8 Recap; Scraping OG Objects; Ticker Flyouts; Multiple Domains in the Dev App; Resources from "Making Fast Social Apps"

Friday, September 30, 2011 at 6:00pm

[Improvements to Requests 2.0](#)

Today we're announcing several new features to Requests 2.0 to make the process of sending and receiving requests even more efficient for users and developers.

Thursday, September 29, 2011 at 5:30pm

[Moving to a Modern Platform](#)

Today we're updating our Developer Roadmap with the FBML deprecation schedule. FBML will no longer be supported as of January 1, 2012. FBML apps will no longer work on Facebook as of June 1, 2012. We strongly recommend all developers and Page Admins to migrate from FBML by January 1, 2012.

Thursday, September 29, 2011 at 5:00pm

[Meeting the Oct. 1 HTTPS Deadline: Updating Secure URLs via API](#)

To help Canvas and Page Tab App developers more easily update their secure URLs, we have pushed changes to `admin.setAppProperties` to set your `secure_callback_url` and `secure_page_tab_url`.

Thursday, September 29, 2011 at 10:15am

[Platform Updates: Operation Developer Love](#)

f8 recap, Renaming `setAutoResize` to `setAutoGrow`, Getting mutual friends in the Graph API, More fields available for the Application object in the Graph API, Reminder: Breaking Changes coming on Oct 1st, How apps are indexed in search

Friday, September 23, 2011 at 4:00pm

[How To: Get Started with the Open Graph](#)

At Facebook's core is the social graph; people and the connections they have to everything they care about. Historically, Facebook has managed this graph and has expanded it over time as we launch new products (photos, places, etc.). In 2010, we extended the social graph, via the Open Graph protocol, to include websites and pages that people liked throughout the web. We are now extending the Open Graph to include other actions and objects created by apps and enabling these apps to integrate deeply into the Facebook experience. This "How-To" video walks you through our tutorial showing you step-by-step how to build an Open Graph app that allows users to publish stories about cooking recipes.

Friday, September 23, 2011 at 9:30am

[f8: A New Class of Apps](#)

We are hosting our fourth f8 conference today in San Francisco, where we're introducing the the next evolution of Facebook Platform and the Open Graph. The Open Graph is the most significant update to Platform since it launched in 2007, expanding the capabilities and opportunities for social apps, from music to TV to news to lifestyle apps such as cooking, fitness, and travel.

Thursday, September 22, 2011 at 11:30am

[f8 is almost here!](#)

With just 2 days until f8, we are in the final stages of preparation! Providing updated information on the Transforming Industries track, our mobile app to stay sync'ed at f8 and all the ways to join the f8 conversation.

Tuesday, September 20, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

New bug tool, ability to deploy test apps directly from the Dev App with Heroku, a redesign of Platform Status page, update to special incentives for Facebook Credits, new `/me/events` endpoint for Graph API, OAuth 2.0 migration reminder.

Friday, September 16, 2011 at 6:59pm

[How-To: Use the Graph API to Manage Events](#)

How-To for managing events using the Graph API.

Friday, September 16, 2011 at 5:30pm

[A New Way to Report Bugs](#)

Today we are launching a new bug tool to replace Bugzilla.

Friday, September 16, 2011 at 3:00pm

[Facebook and Heroku: an even easier way to get started](#)

We continue to make it even easier to get started building apps on Facebook Platform. We know that one of the most difficult things to

Thursday, September 15, 2011 at 11:00am

[Tracking Platform Status](#)

Today we are launching a redesign of Platform Status to make it easier for you to see the current status, issue history, and API health of our Platform.

Wednesday, September 14, 2011 at 6:00pm

[Countdown to f8](#)

With fewer than 2 weeks to f8 the countdown has begun! Check out the session tracks, details on After8 and information about f8 Live, the livestream of the event.

Tuesday, September 13, 2011 at 2:25pm

[Platform Updates: Operation Developer Love](#)

Breaking changes now on 1st of every month, Reminder: Breaking Changes coming on Oct 1st, OAuth 2.0 for XMPP, Enable support for 960px uploads in the photos.upload API, FB.Canvas.SetUrlHandler, Detecting visibility of Flash objects in Canvas apps, Dev App Updates.

Friday, September 9, 2011 at 7:45pm

[App Insights Now Available in Dev App](#)

Today we are integrating App Insights into the Dev App to make it convenient for you to view analytics for your app as you are configuring your app.

Wednesday, September 7, 2011 at 10:45am

[Platform Updates: Labor Day Edition](#)

Making the Graph API more complete: Reading Friend Requests, Managing Banned App Users, Getting and Setting Migrations on your App, Checking if a user is an admin of a Page; Activity Feed and Recommendations Plugins Support Multiple Domains; Streamlined payment flows; Support Section; OAuth 2.0 Encrypted Access Tokens

Monday, September 5, 2011 at 7:30pm

[Platform Updates: Operation Developer Love](#)

Platform Updates: Exporting data from Facebook, Reading and Managing Notifications, Reading Achievements, App Attribution in Photo Tag Stories, Reminders: Migrate to OAuth 2.0 + SSL by October 1, 2011, Increasing transparency around policy enforcement, Deprecating Dashboard APIs, Change in OAuth Redirect Behavior, FB.Canvas.setAutoResize Issues, Dev Blog Email Issues

Friday, September 2, 2011 at 12:00pm

[More f8 Tickets Available Tomorrow](#)

The tickets we made available last week for f8 sold out in just a few hours. We are making more tickets available tomorrow, Friday, September 2nd, at 9:00am PDT.

Thursday, September 1, 2011 at 9:00am

August 2011

[A Stable Platform](#)

Platform stability initiative – 90 day commitment and beta tier enhancements

Wednesday, August 31, 2011 at 11:20am

[How-To: Build an app on Facebook with Fluid Canvas](#)

Today we are rolling this out to all our users, making some changes to the app settings as well as providing a How-To to make it easy for you to get started with taking advantage of Fluid Canvas.

Tuesday, August 30, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

f8 date; Forums move to Stack Overflow; Developer App Updates; Changes to iOS SDK auth methods; real-time ticker and fluid canvas not rolled out to everyone.

Friday, August 26, 2011 at 7:00pm

[Announcing f8 2011](#)

Announcing f8 2011 on Sept 22nd at the Concourse at the San Francisco Design Center.

Thursday, August 25, 2011 at 9:00am

[Supporting Developers on Stack Overflow](#)

Today we are excited to launch facebook.stackoverflow.com and announce that Facebook and Stack Exchange have partnered to support the Facebook Developer community on Stack Overflow.

Wednesday, August 24, 2011 at 10:30am

[Updates to photo and video permissions](#)

Updates to photo and video permissions: user_photos, user_videos, user_photo_video_tags

Tuesday, August 23, 2011 at 5:45pm

[Platform Updates: Operation Developer Love](#)

Blocking users from Pages via the Graph API, Breaking Change: FB.Canvas.getPageInfo now takes a callback, New per-app post privacy control

Wednesday, August 17, 2011 at 11:00am

[Social Design Guidelines to help you build great social experiences](#)

Today we have published the Social Design Guidelines on our Developer Site to help you understand why you should build great social experiences as well as how to use Facebook Platform effectively to create them.

Tuesday, August 16, 2011 at 9:49am

[Platform Updates: Operation Developer Love](#)

Games launch, update to policies, insights for credits, marketing api, manage app roles with Facebook groups and the new PHP SDK 3.1.1

Friday, August 12, 2011 at 7:15pm

[How-To: Publish scores and achievements for a user](#)

Tutorial for how to obtain the publish_actions permission, publishing scores and achievements for a user

Friday, August 12, 2011 at 10:30am

[Making Apps on Facebook more engaging and social](#)

Today we're excited to make some of the biggest updates to the apps experience on Facebook since we first launched Platform four years ago. We are launching a major re-design to the Canvas Page to give your app greater real-estate on the user's browser, and including a live ticker of real-time game related updates to keep the users constantly engaged and updated with their friends' activity on apps and games as they play.

Thursday, August 11, 2011 at 5:00pm

[Insights for Credits](#)

Today we are launching Insights for Credits to help you more efficiently analyze your business.

Thursday, August 11, 2011 at 11:30am

[Marketing API Program and Power Editor](#)

Apply for the Facebook Marketing API Program. Ads API is officially out of beta. We have also releasing the Power Editor.

Wednesday, August 10, 2011 at 4:30pm

[Manage App Roles with Facebook Groups](#)

Manage app roles with Facebook Groups

Wednesday, August 10, 2011 at 11:00am

[Migrating to OAuth 2.0 update: PHP SDK v.3.1.1](#)

Update to PHP SDK v.3.1.1

Tuesday, August 9, 2011 at 8:00pm

[Platform Updates: Operation Developer Love](#)

PHP sdk on Aug 9th, changes to Auth spec

Friday, August 5, 2011 at 6:30pm

[How-To: Use the Graph API to Upload a Video \(iOS\)](#)

How-To for uploading videos on iOS

Thursday, August 4, 2011 at 7:30pm

[How-To: Optimize Social Plugin Performance](#)

This How-To covers how to use channelId and asynchronous loading to optimize social plugin performance.

Tuesday, August 2, 2011 at 10:00am

July 2011

[Platform Updates: Operation Developer Love](#)

Feed story ref parameter, manage_notifications permission, excluding specific IDs and limiting number of recipients in the Request Dialog, reauthorizing and app and revoking permissions via the Graph API, new Insights metrics, and avoiding open redirectors.

Friday, July 29, 2011 at 6:45pm

[Making it easier to create and manage Test Users](#)

Today we are announcing the ability to create and add Test Users to your apps from the Developer Site.

Wednesday, July 27, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

Updated JS SDK; Photo Upload to Graph API via URL; Attach photos to posts via fbid.

Friday, July 22, 2011 at 6:00pm

[Updated JavaScript SDK and OAuth 2.0 Roadmap](#)

We have released an updated version of the JavaScript SDK to provide OAuth 2.0 support.

Thursday, July 21, 2011 at 1:45pm

Friday, July 15, 2011 at 6:30pm

[Getting your apps into Facebook search faster](#)

Today, we are announcing two updates to decouple the search submission from the App directory to make it easier for you to get your app into the Facebook search index.

Tuesday, July 12, 2011 at 1:45pm

[Platform Updates: Operation Developer Love](#)

graph api ref docs update completed, ability to specify name in test users, use app id instead of api key.

Friday, July 8, 2011 at 5:48pm

[Using Feedback to Shape Distribution](#)

Announcing improvements to our enforcement systems that will provide more user feedback directly to developers and will use that feedback to shape app distribution in a more granular way.

Thursday, July 7, 2011 at 3:00pm

[Platform Updates: Operation Developer Love](#)

Adding non-friends in any role to the Developer App, JavaScript SDK with OAuth now available for upgrade on July 20, New Comments Box Features: Sort Preference and Boosted Comments, Force wall option for Place Likebox.

Friday, July 1, 2011 at 5:00pm

[Facebook Credits: Concluding the Migration](#)

As we announced in [January](https://developers.facebook.com/blog/post/451/), we are requiring all social game developers who deliver apps on Facebook (i.e., canvas) to process payments through Facebook Credits as of today.

Friday, July 1, 2011 at 12:30pm

June 2011

[A New Take on the Developer App](#)

Today we're announcing major updates to the Developer App to help you easily access, edit and manage your apps on the Developer Site.

Wednesday, June 29, 2011 at 10:00am

[Introducing the Graph API Explorer](#)

The Graph API Explorer makes it easy to get started with the Graph API and test the API as you program against it and build your app.

Wednesday, June 29, 2011 at 8:00am

[Platform Updates: Operation Developer Love](#)

Permission changes to access user accounts, Required Migration to Facebook Credits by July 1st, Reducing spam on News Feed and Profile

Friday, June 24, 2011 at 5:00pm

[Platform Updates: Operation Developer Love](#)

Credits Migration; New Credits Payment Methods and Workflows; Send Dialog; Video Upload to Apps, Pages, Groups via the Graph API.

Friday, June 17, 2011 at 5:00pm

[The Send Dialog, for Integrated Private Sharing](#)

Building on the popularity of the Send button, today we are introducing another way for developers to let people share private content - the Send Dialog.

Thursday, June 16, 2011 at 10:40am

[Facebook Credits: New Payment Methods and Workflows Extend Global Reach](#)

<p>Today we're announcing new international payment methods and improved payout workflows for developers using Facebook Credits. Through these improvements, we're now able to support developers in virtually all countries.</p>

Wednesday, June 15, 2011 at 3:50pm

[Platform Updates: Operation Developer Love](#)

New insights graph for page load times, "iframe" dialog no longer allowed when requesting certain permissions, and minimum width for Open Graph page images

Friday, June 10, 2011 at 6:45pm

[Platform Updates: Operation Developer Love](#)

Message parameter ignored in feed dialog, added border_color parameter to like box plugin, new insights graph for page load times and credits migration reminder.

Friday, June 3, 2011 at 7:00pm

May 2011

Friday, May 27, 2011 at 6:15pm

[PayPal Payouts with Facebook Credits](#)

Starting today, developers signing up for Facebook Credits will have the option to use PayPal as a payout option. Adding PayPal offers more flexibility and choice for payouts and makes it even easier to monetize your app with Facebook Credits.

Thursday, May 26, 2011 at 9:15pm

[Platform Updates: Operation Developer Love](#)

Handling invalidated session tokens, new PHP SDK, Client-side re-authentication flow, Old Insights dashboard

Friday, May 20, 2011 at 6:00pm

[Upgrade to PHP SDK v3.0.0](#)

As part of our Developer Roadmap update requiring all apps to use OAuth 2.0 and HTTPS, we planned to make available an updated PHP SDK that uses OAuth 2.0. Although we originally planned to release the PHP SDK on July 1st, we moved fast and completed the update to version 3.0.0. This SDK is now available for download on GitHub.

Friday, May 20, 2011 at 4:40pm

[Improvements to the Preferred Developer Consultant Program](#)

This February, we opened up a new round of submissions for the PDC program. As businesses across the world look to get smarter about integrating Facebook, we seek to ensure that the PDC program continues to meet these needs everywhere that people use Facebook. We've selected 25 new companies, including 13 internationally-based companies, to join the PDC program. Our 90 PDCs now span across 170 offices and dozens of countries, with 67 offices outside of the US.

Thursday, May 19, 2011 at 9:15am

[Platform Updates: Operation Developer Love](#)

Subscribing to threads in Comment Box; Like Story Dashboard; API access to Send button metrics; Reference Documentation.

Friday, May 13, 2011 at 10:15pm

[How-To: Handle expired access tokens](#)

One of the most frequently asked for "How-To" requests from developers is how to handle invalid access tokens. Access tokens for users can become invalid due to various reasons. In most cases, they can expire if it's past the time specified by 'expires' field (by default access token have a 2 hour lifetime). What many developers do not realize is that an access token can also expire if a user changes her password, logs out or if she de-authorizes the app via the App Dashboard. It is very important that your apps handle such situations. If your access token expires, you need to reacquire a valid access token.

Friday, May 13, 2011 at 9:45pm

[Keeping Users Safe](#)

Earlier this week, we updated our Developer Roadmap to require the use of OAuth 2.0 and HTTPS. These updates are part of a continual process to make our Platform more secure for developers and users. Over the past few days, we received several questions from developers about these updates. We wanted to provide more context around why we are requiring these changes and how we can work together to provide a safer online experience.

Friday, May 13, 2011 at 6:00pm

[How-To: Use the Graph API to Upload Photos to a user's profile](#)

As part of our continuing series of "how tos," we thought it'd be interesting to show how you can easily upload photos to a user's profile.

Thursday, May 12, 2011 at 7:35pm

[Developer Roadmap Update: Moving to OAuth 2.0 + HTTPS](#)

Important Developer Roadmap updates: OAuth 2.0 + HTTPS migration

Tuesday, May 10, 2011 at 11:25am

[Platform Updates: Operation Developer Love](#)

Test Users: Updated response, increased limit, and ability to reset passwords, Prompting users to re-authenticate

Friday, May 6, 2011 at 5:00pm

April 2011

[Platform Updates: Operation Developer Love](#)

Using the Graph API permissions to get a list of user granted permissions for your application, and improving developer site performance.

Friday, April 29, 2011 at 4:10pm

[The Send Button, Because Sometimes It's Private](#)

Send button launch

Monday, April 25, 2011 at 12:00pm

[Platform Updates: Operation Developer Love](#)

Added a link back to Video object, where we will list the video formats we support for uploading.

Friday, April 22, 2011 at 5:15pm

[HTML5 Games 0.4: Memory](#)

[Platform Updates: Operation Developer Love](#)

This week, we added new features to the Comments Box, published a "How-To: Implement Facebook Credits" guide and filmed a tutorial to help canvas game developers begin the migration process to Facebook...

Friday, April 15, 2011 at 4:00pm

[Adding new features to Comments Box](#)

Since the updated Comments Box plugin launched last month, more than 50,000 websites have added it to their site. Today we're launching new features to help increase traffic, engagement, and the qual...

Tuesday, April 12, 2011 at 11:30am

[How-To: Implement Facebook Credits](#)

Facebook Credits is the easiest way for people to buy digital goods and services on Facebook. As announced in January and on our Developer Roadmap, we will require canvas game developers on Facebook...

Tuesday, April 12, 2011 at 10:45am

[Platform Updates: Operation Developer Love](#)

This week, we shared videos, presentations, and sample code from the Paris Developer Garage to the Dev Site to help educate developers on Facebook Platform basics. Per-post impressions added to st...

Friday, April 8, 2011 at 5:35pm

[Operation Developer Love: Europe Recap](#)

One of our goals with Operation Developer Love is to have more opportunities to hear from you and accelerate your app development on Facebook Platform. We recently hosted events in Berlin, Paris, and...

Wednesday, April 6, 2011 at 6:10pm

[Platform Updates: Operation Developer Love](#)

This weekly update comes from Dublin, Ireland, where we've concluded Operation Developer Love: Europe 2011. We want to thank the hundreds of developers that spoke to us and came out to our events. T...

Friday, April 1, 2011 at 5:35pm

March 2011

[Build. Social. Web.](#)

Operation Developer Love is now in Paris, France at the Facebook Developer Garage, where we are completely sold out. Because of the demand, we are also livestreaming the video. Agenda: Welcome So...

Tuesday, March 29, 2011 at 12:30am

[Platform Updates: Operation Developer Love](#)

This week, Operation Developer Love is coming from Facebook HACK: Berlin, where we presented and demoed Platform bootcamp, hacked with over 375 developers, and announced a partnership with Seedcamp t...

Friday, March 25, 2011 at 7:30am

[Helping build the next generation of social apps in Europe](#)

As part of our ongoing efforts to engage with developers locally, we are partnering with Seedcamp, an early stage micro seed investment and mentoring program, to help encourage and support startups i...

Friday, March 25, 2011 at 2:50am

[Platform Updates: Operation Developer Love](#)

HTTPS URLs for Page tabs We recently introduced the ability for users to browse Facebook over HTTPS. At the same time, we began providing a "Secure Canvas URL" field in the Developer App for developo...

Friday, March 18, 2011 at 6:05pm

[How-To: Use the Graph API to pull the movies friends like](#)

Fixed some OAuth deprecation related issues.

Friday, March 18, 2011 at 2:30pm

[Batch requests in Graph API](#)

correcting sample code

Thursday, March 17, 2011 at 4:55am

[Platform Updates: Operation Developer Love](#)

This week, we sent a reminder about the POST to Canvas migration happening tomorrow and shared how to implement paging via the Graph API and FQL. No new FBML apps With our recent launch of Req...

Friday, March 11, 2011 at 6:40pm

[Reminder: POST for Canvas migration](#)

Whenever we anticipate an intentional breaking change, we update the Platform Roadmap and provide a migration to give developers the ability to upgrade and test their apps. Last week, we posted a rem...

Wednesday, March 9, 2011 at 4:05pm

[How-To: Paging with the Graph API and FQL](#)

Real-Time Analytics For Social Plugins

Over the past year, social plugins have become an important and growing source of traffic for millions of websites. Today we're releasing a new version of Insights for Websites to give you better an...

Tuesday, March 8, 2011 at 10:00am

Platform Updates: Operation Developer Love

New This Week This week, we updated the Comments Plugin to give site owners better moderation tools and distribution, while improving commenting quality. We also resolved a launch issue with Setting...

Friday, March 4, 2011 at 5:00pm

Improving Comments Across The Web

Today, we're launching updates to the Comments Box plugin with new moderation tools as well as features to improve the distribution and quality of comments on your site. More Social Relevance...

Tuesday, March 1, 2011 at 5:20pm

An Update on Facebook Credits and In-Game Offers

As announced in January, we will require social game developers on the Facebook canvas platform to process all payments through Facebook Credits starting July 1. While we are requiring social game d...

Tuesday, March 1, 2011 at 3:00pm

Payments and Reporting Updates for Facebook Credits

Today we're announcing three updates to the payments and reporting features of Facebook Credits to better serve our developers: Faster payment schedules. Starting this month, Facebook will issue paym...

Tuesday, March 1, 2011 at 2:20pm

February 2011

New Preferred Developers and Open Application Round

We often hear from companies looking for guidance on maximizing their Facebook presence. To better meet each entity's needs, we introduced the Preferred Developer Consultant (PDC) program in December...

Monday, February 28, 2011 at 10:25am

Platform Updates: Operation Developer Love

This week, we made it easier to find and accept developer requests and made more progress improving browser performance for HTML5 Games by releasing JSGameBench version 0.3. Startup Day As pa...

Saturday, February 26, 2011 at 9:20am

HTML5 Games 0.3: Seeing the Future

Two weeks ago, Cory, Conor and I released version 0.2 of JSGameBench with increased performance and more refined recommendations. Today, with the release of version 0.3, we get our first taste of t...

Thursday, February 24, 2011 at 2:00pm

Surfacing Developer Requests

Developers often tell us that it can be difficult to find and accept requests to confirm their role (administrator, developer, tester, or insights user) within an app. These developer requests are us...

Thursday, February 24, 2011 at 9:40am

Platform Updates: Operation Developer Love

This week, we encouraged all apps to upgrade to Requests 2.0 so that as a developer, you only need to worry about one way of updating users about outstanding items in your app – send requests. D...

Friday, February 18, 2011 at 4:00pm

How-To: Publish updates to people who like your Open Graph Page

As part of Operation Developer Love, we are continuing to update our documentation. Recently, I was talking with some developers in New York, and they were surprised to learn that they could pub...

Friday, February 18, 2011 at 2:30pm

Upgrade to Requests 2.0

Requests and Bookmarks help users more easily reengage with apps they use. Whenever a user has an action to take within an app, a counter appears next to the bookmark. Instead of manually managing...

Wednesday, February 16, 2011 at 2:05pm

Platform Updates: Operation Developer Love

Operation Developer Love This week, we introduced iframe Tabs for Pages, made progress improving browser performance for HTML5 Games by releasing JSGameBench version 0.2, and updated our Platform...

Friday, February 11, 2011 at 3:20pm

Introducing iframe Tabs for Pages

Today we announced major updates to Facebook Pages to help Page admins manage communications, express their brands, and increase engagement. As part of these changes, we are also updating the model f...

Thursday, February 10, 2011 at 12:00pm

84 captures
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13
2012 2013 2014 About this capture

Wednesday, February 9, 2011 at 2:00pm

[Update to Platform Developer Policies](#)

For the past year, we've required ad providers operating on Apps on Facebook.com (i.e., Canvas apps) to sign terms with us. These terms ensure that these ad providers are committed to conforming to...

Wednesday, February 9, 2011 at 10:00am

[Platform Updates: Operation Developer Love](#)

Operation Developer Love This week, we launched two new features for apps that use Facebook Credits within their games: buy with friends and frictionless payments. Sharing test accounts between...

Friday, February 4, 2011 at 6:00pm

[Two New Features for Facebook Credits](#)

Today, we're introducing two features for developers that use Facebook Credits as the primary virtual currency within their games: buy with friends and frictionless payments. These features enhance t...

Thursday, February 3, 2011 at 2:30pm

January 2011

[Calling All Entrepreneurs - Come Hack with Us!](#)

This morning, the White House introduced the Startup America Partnership to bring people across public and private industries together to foster entrepreneurship. As a company with strong entrepreneu...

Monday, January 31, 2011 at 3:00am

[Platform Updates: Improved Dev Site, Documentation, and More](#)

Operation Developer Love We're continuing to gather and address the feedback you've provided about your experiences building on Facebook Platform. Thank you for your help filing bugs, your participat...

Friday, January 28, 2011 at 6:40pm

[Application Roles and Security Features](#)

Yesterday we announced new security features to protect users' accounts, and today we're releasing security features for Platform applications. As companies building on Platform grow, they develop th...

Thursday, January 27, 2011 at 2:30pm

[HTML5 Games 0.1](#)

This evening we hosted a standing room only HTML5 Tech Talk with Charles Jolley (SproutCore) and Laurent Desegur (Zynga) that was joined by over 900 people on the livestream. Before the event, Cory O...

Wednesday, January 26, 2011 at 11:55pm

[Faster, Simpler Requests](#)

Requests are one of the key communication channels on Facebook Platform. Today, we're announcing a new, faster Requests Dialog that is easier for developers to use and enables people to send more re...

Wednesday, January 26, 2011 at 5:00pm

[Building More Secure Applications for Users](#)

At Facebook, we devote significant resources to improving the security of people's accounts. We have a variety of internal systems that detect and block suspicious behavior, and today we announced th...

Wednesday, January 26, 2011 at 6:30am

[New updates and best practices for implementing Registration](#)

We launched the Registration plugin in mid-December to help streamline the way users can sign up for accounts on your site, and connect those accounts with Facebook. We've received great feedback fro...

Tuesday, January 25, 2011 at 11:55am

[The Next Step for Facebook Credits](#)

Facebook Credits is a virtual currency that enables fast and easy transactions across games on Facebook. With Facebook Credits, people enter their payment information once and can buy, earn and spend...

Monday, January 24, 2011 at 11:50am

[Platform Updates: Developer Love](#)

Developer Love Bugzilla activity for the past 7 days: 97 new bugs were reported 10 bugs were reproducible and accepted (after duplicates removed) 3 bugs were fixed (2 previously reported bugs and 1 ne...

Friday, January 21, 2011 at 6:00pm

[Building with HTML5 Tech Talk](#)

HTML5 (HTML, JavaScript and CSS) is really pushing forward what's possible inside of your Web browser, blurring the line between Web and native apps. We have high hopes for HTML5 and have already be...

Wednesday, January 19, 2011 at 7:00pm

[Improvements to Permissions for Address and Mobile Number](#)

On Friday, we expanded the information you are able to share with external websites and applications to include your address and mobile number. With this change, you could, for example, easily share...

Friday, January 14, 2011 at 6:00pm

[Platform Updates: Insights, Migrations and More](#)

Old Insights Dashboard We have completed migrating all data available in the old version of Insights to the new Insights dashboard. With this and other recent improvements, you can now view and export...

Friday, January 7, 2011 at 6:00pm

December 2010

[Platform Updates: Beta Tier and Developer Love](#)

On the last day of 2010, we only have a few updates to share. We are looking forward to an exciting 2011, with more great products, better reliability and improved documentation for developers. Test...

Friday, December 31, 2010 at 6:00pm

[Making News and Entertainment More Social in 2011](#)

Throughout this year, we have worked closely with media organizations to make their content even more social by empowering readers to experience media through their friends and easily discover and share...

Tuesday, December 28, 2010 at 7:00am

[Platform Updates: Extending the Third-Party ID Deadline, Insights and More](#)

Extending the Third-Party Identifier Deadline In November, we outlined our technical solution to address the use of UIDs on Facebook Platform. Since that time, we have worked closely with the develop...

Friday, December 24, 2010 at 5:00pm

[Platform Updates: Change Log, Third Party IDs and More](#)

Platform Change Log We generally announce notable changes on the Developer Blog and minor changes in these Friday blog posts. We're now also providing a change log for developers to identify changes...

Friday, December 17, 2010 at 3:30pm

[Making registration simple and social in just a few steps](#)

Today we're launching a new registration plugin that gives website owners the ability to offer quick, easy and social options for sign-up. It is an excellent alternative to using Facebook Login (form...

Thursday, December 16, 2010 at 8:25am

[Platform Updates: Requests Testing, Migrations and More](#)

Testing App Requests in Notifications Games and applications are core to many people's experience on Facebook, which is why we're constantly working to improve how people discover, engage and interact...

Friday, December 10, 2010 at 2:30pm

[Testing Using The Beta Tier](#)

A long-standing but often forgotten tip for building on Platform is to test your app against our beta tier (<http://www.beta.facebook.com>), which we push to every Sunday night. This gives you around 48...

Thursday, December 9, 2010 at 5:45pm

[Platform Dialogs, Reloaded](#)

Today we are releasing improvements to our Platform Dialogs, which let users take actions, like publishing a stream story or sending a friend request, from your application. Dialogs allow developers...

Wednesday, December 8, 2010 at 8:00pm

[Join us at Le Web](#)

This week we're excited to join European entrepreneurs, industry influencers, and business leaders at the Le Web conference in Paris to discuss Platforms and their importance to businesses, developers...

Monday, December 6, 2010 at 9:00am

[Platform Updates: Promotion Policies, Facepile and More](#)

New Promotion Policies Based on feedback from the community, we have modified our policies to let businesses run promotions on Facebook without seeking our approval or permission. We're excited about...

Friday, December 3, 2010 at 6:00pm

November 2010

[Platform Updates: Targeted Publishing, New Page Insights, and More](#)

It is Thanksgiving week in the US, so we are posting our weekly roundup early. This seems like an ideal time to say thanks to the Facebook developer community. We believe strongly in the future of s...

Wednesday, November 24, 2010 at 2:30pm

[An Update on Encrypted UIDs](#)

Last month, we outlined an initial proposal to address the inadvertent sharing of User IDs (UIDs) via the HTTP Referral header. Further, we announced our intention to provide a unique, but anonymous...

and apps request links on the right side of the homepage. These links wi...

Friday, November 19, 2010 at 4:30pm

[Making it Easier to Test Platform Applications](#)

Facebook is built on authentic relationships and the ability for real people to connect to what's important to them. As such, we have internal systems designed to detect and disable fake profiles, bu...

Wednesday, November 17, 2010 at 1:10pm

[Delivering Read APIs for the New Messages](#)

Today, we announced the new Messages, which simplifies conversations with friends by combining messages, texts, chats and emails into a single thread. This update to our existing messages product is d...

Monday, November 15, 2010 at 10:30am

[Platform Updates: API Fixes, iOS SDK and More](#)

API fixes and minor features We are rolling up several bug fixes and minor features that could break existing applications into a new migration called "November 2010 Rollup," which you can enable from...

Friday, November 12, 2010 at 6:00pm

[Platform Updates: Bug Progress, Profile Tabs, and Third Party IDs](#)

Operation Developer Love Over the last month, we have focused on triaging bugs filed by developers and reporting our progress. Last week, the team dedicated an entire day to bugs, which resulted in 3...

Friday, November 5, 2010 at 5:00pm

[Building a More Social Mobile Platform](#)

Today marks a significant milestone in the evolution of Facebook for mobile. We now reach 200 million monthly active users, making Facebook one of the most popular mobile applications in the world....

Wednesday, November 3, 2010 at 11:00am

October 2010

[An Update on Facebook UIDs](#)

As we outlined previously, we recently learned that some developers on Facebook Platform were inadvertently sharing User IDs (UIDs) due to an issue with the way that web browsers work. While we found...

Friday, October 29, 2010 at 3:15pm

[Platform Updates: Bug fixes, Open Graph, and Social plugins](#)

Operation Developer Love Update We're continuing to work hard to improve our responsiveness on bugs reported in Bugzilla. In fact, right now, a bunch of us are together in a room going through the bac...

Friday, October 29, 2010 at 3:00pm

[Platform Updates: Bug Progress, Graph API Improvements and More](#)

Operation Developer Love As we mentioned last week, we are working hard to improve our response to bugs and the other issues you have raised with Facebook Platform. We are reporting our progress on b...

Friday, October 22, 2010 at 4:00pm

[Encrypting Facebook UIDs](#)

Over the past few days, we have been investigating a technical solution to the issue of sharing Facebook User IDs (UIDs). While initial press reports greatly exaggerated the implications of sharing a...

Thursday, October 21, 2010 at 8:40am

[Using Facebook UIDs](#)

We take user privacy seriously. We are dedicated to protecting private user data while letting users enjoy rich experiences with their friends. This more social Web will only occur if users trust tha...

Sunday, October 17, 2010 at 9:30pm

[Operation Developer Love](#)

We have received a great deal of feedback recently about things we should do to improve Facebook Platform. The themes are clear: "fix the bugs," "update the documentation," "talk to us more," and "ma...

Friday, October 15, 2010 at 5:45pm

[Expanding Facebook Credits](#)

Today, we're announcing a significant expansion in the number of developers that can be part of Facebook Credits, the virtual currency used in games and applications on Facebook. And working with our...

Wednesday, October 13, 2010 at 2:15pm

[Platform Updates: Requests, Profile Tabs and More](#)

Here is a round up of recent Platform updates: Read and Revoke Requests At our recent event for Game developers, we announced new Graph API calls to read a user's existing requests and delete all of...

Friday, October 8, 2010 at 3:00pm

[New Groups, New Opportunities](#)

[Giving People More Visibility and Control](#)

Today, we announced several changes to help people better manage their Facebook experience around the web. One important change is the addition of a dashboard that adds more visibility and control fo...

Wednesday, October 6, 2010 at 11:15am

September 2010

[Platform Updates: Live Stream, Like Button and Real-time](#)

We want share a few new features that we recently released: Updated Live Stream Plugin We're rolling out an update to the Live Stream plugin for all new and existing applications to be more consisten...

Monday, September 27, 2010 at 11:15am

[Making Games on Facebook Better](#)

First, hello from the new Games team! Over the last few months, we've assembled a team of dedicated engineers and product managers who are focused exclusively on designing the platform you need to ma...

Tuesday, September 21, 2010 at 5:20pm

[Simplifying Policies to Make Developing with Platform Better](#)

We're simplifying our Developer Principles & Policies to make building with Facebook Platform easier. Based on feedback from many of you, our new policies are shorter and easier to understand; they g...

Tuesday, September 21, 2010 at 5:00pm

[Join us: Facebook Developer Garage Palo Alto with Girls in Tech](#)

This weekend we'll be co-hosting our first 24-hour Developer Garage / Hackathon, with Girls in Tech. The event begins tomorrow at 12:00 PM PDT and will be taking place at Facebook headquarters in Palo...

Friday, September 10, 2010 at 2:05pm

[New Like Button Features Mean More Opportunities for Liking](#)

Since we launched social plugins in April, we've been listening to user feedback and working with developers to optimize the Like button to make it as seamless as possible for people to like content a...

Thursday, September 9, 2010 at 12:30pm

To celebrate women in technology and provide education and community around building social experiences across the web, we're excited to announce that we've partnered with Girls in Tech for our first...

Tuesday, August 31, 2010 at 4:50am

[Social From the Ground Up](#)

At Facebook, we are huge believers in what a small dedicated team with a unique perspective can accomplish. We've already seen how a group of startups who built social interactions into the core of t...

Thursday, August 26, 2010 at 5:30pm

[Facebook Platform Roadmap Update](#)

We announced a number of new products and updates to Facebook Platform at f8 in April, including the Graph API, social plugins, and support for OAuth 2.0. Over the next few months we will be making u...

Thursday, August 19, 2010 at 12:15pm

[Going Places with Facebook](#)

Today we released Places, a new way for people on Facebook to share where they are, see where their friends have checked in, and discover interesting places nearby. As part of the rollout, we're maki...

Wednesday, August 18, 2010 at 5:30pm

[Extending the Developer Garage Program with Intel](#)

We're excited to announce that Intel is continuing its sponsorship of the Facebook Developer Garage Program. Last year, Intel sponsored 25 Developer Garages. Intel's developer program supports talen...

Monday, August 16, 2010 at 12:15pm

[Making Your iOS Apps Social](#)

As we continue to provide developers with the tools to make applications social across platforms, today we're launching an updated Facebook SDK for iOS (formerly iPhone SDK) for use with iPhone, iPod...

Thursday, August 12, 2010 at 11:00am

[Profile and Page Roadmap Update](#)

We announced plans last October to remove application boxes and application info sections as well as reduce the width of application tabs to optimize for the new profile and Facebook Pages format. We...

Friday, August 6, 2010 at 2:15pm

July 2010

[Working with Media Organizations to Build Social News](#)

Small blogs to major media organizations focus on producing great content and surfacing it to the right people. Facebook Platform offers the ability to supplement this content by making the experience...

Monday, July 26, 2010 at 2:30pm

[Adding More Features to the Like Button](#)

Since it launched in April, the Like button has given you the opportunity to make your websites more social in just a few steps. Today, we're releasing more features for the Like button to add even m...

Friday, July 23, 2010 at 11:15am

[Making Home Page Navigation More Efficient](#)

We're updating the left hand navigation of the home page to simplify users' access to the bookmarks to their most used applications. As part of this, we're making it easier for your users to easily a...

Thursday, July 22, 2010 at 3:15pm

[Announcing the Facebook C# SDK](#)

We're excited to announce the Facebook C# SDK alpha release. This is our first official C# SDK, built to meet the needs of the significant community of Facebook developers using C#. The SDK has a n...

Friday, July 16, 2010 at 11:15am

[Expanding Your Application's User Base](#)

Facebook is growing rapidly in countries like Japan, Korea, Russia, Brazil, India, Germany, Poland, and the Netherlands. And as more users adopt Facebook, your applications have the opportunity to ga...

Monday, July 12, 2010 at 9:00am

June 2010

[Data Model Migration Under Way](#)

As a reminder, today we will begin rolling out our new data model to all applications and websites that use Facebook Platform. To ensure a smooth transition for this major change, we provided devel...

Wednesday, June 30, 2010 at 9:45am

[Reminder: Upgrade to New Data Model by June 30](#)

Connect With Us: Facebook Developer Garage London – Special Edition

We're in England for Facebook Developer Garage London – Special Edition, taking place Monday, June 21st. Facebook CEO and founder, Mark Zuckerberg, will connect with European developers and share hi...

Monday, June 21, 2010 at 12:00am

[Debugging URLs with the Facebook URL Linter](#)

Debugging URLs with the Facebook URL Linter

Friday, June 11, 2010 at 9:45am

[Join Us for Two London Developer Events](#)

Connect with the Facebook team in London on June 20th and June 21st to explore the next evolution of Facebook Platform at Facebook Developer Garage – Hackathon and Facebook Developer Garage London – ...

Tuesday, June 8, 2010 at 11:55pm

[Improved Analytics for Websites, Applications, and Pages](#)

Having good analytics is a key to successfully growing a business. To provide you with even better metrics for your Facebook applications, websites, and Pages, we recently launched an improved Insight...

Monday, June 7, 2010 at 1:00pm

[Confirming Developer Accounts](#)

Starting this week, we are requiring every developer to verify his or her Facebook account to create new applications. This is the same quick process that users go through when they want to do things...

Wednesday, June 2, 2010 at 2:30pm

[Come Find Us at Open Source Bridge](#)

We hope those in the Portland area this week will join us for the second Open Source Bridge conference. As a co-sponsor of the event, Facebook will participate with more than 100 other presenters to...

Tuesday, June 1, 2010 at 1:45pm

May 2010

[The Official Facebook SDK for Android](#)

We're really excited to launch the beta version of the Facebook SDK for Android, which we demoed at Google I/O in San Francisco last week. Over 100 million people use Facebook on their mobile phones...

Thursday, May 27, 2010 at 11:00am

[Building Simplified Platform Experiences for Users](#)

We announced a redesign of our Privacy Settings page today to make it simpler for people to control how public or private they want to be through Facebook. These changes, along with the updates we re...

Wednesday, May 26, 2010 at 11:00am

[Facebook Developer News May 19, 2010](#)

We're excited to announce some new features we've released recently: the ability to get your stream stories translated and programmatically control migrations and block users on Facebook Pages. Gett...

Wednesday, May 19, 2010 at 5:15am

[After f8: Personalized Social Plugins Now on 100,000+ Sites](#)

Facebook Platform's tools enable you to capture the power of the social graph. On Facebook, we've seen how much more people engage with different content — such as photos, events, and games &md...

Tuesday, May 11, 2010 at 9:15am

[After f8: Implementing the Open Graph Protocol around the Web](#)

We shared an update last week about the products launched at f8 and that over 50,000 websites have already implemented the new social plugins to become more personalized. We created the Open Graph pr...

Monday, May 3, 2010 at 4:00pm

April 2010

[Improving the Platform Experience and Policy Transparency](#)

As stewards of the rapidly growing Facebook Platform, we're committed to creating an ecosystem that developers find compelling and encourages them to build engaging applications. We believe a strong...

Friday, April 30, 2010 at 5:30pm

[After f8 – Resources for Building the Personalized Web](#)

After f8 – Resources for Building the Personalized Web

Wednesday, April 28, 2010 at 12:45pm

[A New Data Model](#)

We're hosting our third f8 conference in San Francisco today. There are two important themes behind everything we're delivering today. First, the Web is moving to a model based on the connections bet...

Wednesday, April 21, 2010 at 11:00am

[The Final Countdown to f8](#)

Tuesday, April 20, 2010 at 11:00am

[Announcing f8 Session Details](#)

f8, our developer conference, is five days away and we're excited to release more details on the four tracks we're hosting: New Tools: Everything you need to know about our new tools (we'll share mor...

Friday, April 16, 2010 at 1:00pm

[Facebook Developer News April 16, 2010](#)

Facebook Platform engineers added Translations and iPad support to the Facebook iPhone SDK this past week. Also, Facebook and iSEC Partners wrote about secure Facebook application development. Read o...

Friday, April 16, 2010 at 11:00am

[Connecting with f8](#)

Whether you're joining us in person at f8, or will be following the event from afar, we're looking forward to celebrating the developer community with everyone on April 21. Preparing for f8, Taking...

Tuesday, April 6, 2010 at 2:00pm

[Facebook Developer News April 6, 2010](#)

New features released this week include the ability to render a button so users can add application tabs to their profiles as well as updated Adobe ActionScript 3.0 tutorials and documentation. Promp...

Tuesday, April 6, 2010 at 12:15pm

March 2010

[Stream Publishing: Policy Update and Product Intent](#)

We introduced the Open Stream API nearly a year ago, which opened one of our core products -- the stream -- to developers. In that time, we've watched how the developer community has innovated and ma...

Wednesday, March 24, 2010 at 1:30pm

[More f8 Tickets Available Tomorrow](#)

The developer community's response to registration for f8 has been overwhelming. The first wave of tickets sold out in two days, and nearly 7000 users are now fans of the f8 Page. In response to the...

Tuesday, March 23, 2010 at 12:00pm

[Facebook Developer News March 16, 2010](#)

We're excited to announce a number of new features this week, including ways to retrieve friends, applications, and Pages a user has tagged in a post; to query the stream without the read_stream exten...

Tuesday, March 16, 2010 at 3:45pm

[f8 Registration: Now Open](#)

f8 Registration: Now Open

Thursday, March 11, 2010 at 2:30pm

[Connect with Us at SXSW Interactive](#)

Connect with Us at SXSW Interactive

Monday, March 8, 2010 at 4:30pm

[Expanding the Preferred Developer Consultant Program](#)

We often hear from brands, celebrities, companies, and organizations who are looking for the best resources to start building an application on Facebook.com, optimize a Facebook Connect integra...

Monday, March 8, 2010 at 8:00am

February 2010

[Continuing to Simplify Facebook: Removing Application Notifications](#)

When we launched Facebook Platform in 2007 there were just 40 million users on Facebook. Since then, in less than three years, more than 350 million users have joined Facebook, and more than one milli...

Friday, February 26, 2010 at 10:30am

[Expanding Our Commitment to Facebook Credits](#)

Expanding Our Commitment to Facebook Credits

Thursday, February 25, 2010 at 2:30pm

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2012 2013 2014 About this capture

Wednesday, February 24, 2010 at 11:30am

[Facebook Platform News 2/17/10](#)

Facebook Platform News 2/17/10

Wednesday, February 17, 2010 at 1:00pm

[Integrating Facebook Chat Everywhere](#)

Integrating Facebook Chat Everywhere

Wednesday, February 10, 2010 at 11:30am

[Updates to the Facebook Home Page](#)

Updates to the Facebook Home Page

Thursday, February 4, 2010 at 7:00pm

[New Terms for Advertising Providers on Facebook Platform](#)

Over the past year, we've focused on providing an environment for developers that rewards high-quality, third-party advertising and monetization practices. Through this process, it's become clear tha...

Wednesday, February 3, 2010 at 11:00am

[HipHop for PHP: Move Fast](#)

HipHop for PHP

Tuesday, February 2, 2010 at 9:30am

January 2010

[Preparing for the Launch of the Games and Applications Dashboards](#)

Preparing for the Launch of the Games and Applications Dashboards

Thursday, January 21, 2010 at 1:00pm

[Communicating Directly with Your Users via Email](#)

Facebook Platform has evolved since its launch in 2007, providing developers with a number of different communication channels to interact with their users. In October 2009 we announced a roadmap for...

Wednesday, January 20, 2010 at 10:00am

[Building on our Commitment to Open Source Software](#)

From the day Mark Zuckerberg started building Facebook in his Harvard dorm room in 2004, the site has been built on common open source software such as Linux, Apache, memcached, MySQL, and PHP. In t...

Tuesday, January 12, 2010 at 10:00am

[Postcards from December Developer Events](#)

Postcards from December Developer Events

Wednesday, January 6, 2010 at 1:45pm

December 2009

[December 2009 Platform News](#)

We close the year with important updates to the new JavaScript SDK, stream publishing policies, and stream API methods; a quartet of new FQL tables; and the new dashboard API, among other highlights...

Thursday, December 31, 2009 at 2:00pm

[A Look Back on the App Economy of Facebook in 2009](#)

A Look Back on the App Economy of Facebook in 2009

Tuesday, December 22, 2009 at 11:20am

[Implementing the New OAuth WRAP](#)

We've shipped a prototype implementation of the emerging OAuth WRAP specification on FriendFeed. If you're a developer working with RESTful APIs, you'll want to check this out! OAuth is a technolog...

Monday, December 21, 2009 at 1:30pm

[Updating the New Facebook Connect JavaScript SDK](#)

We're excited to release the first update to our open source Facebook Connect JavaScript SDK, currently in alpha. The SDK has two key pieces of new functionality: basic support for XFBML and an advan...

Monday, December 21, 2009 at 12:25pm

[Using Developer Principles as a Guide to Creating Good Experiences](#)

As we pass the December 16th and 20th deadlines for enforcement of our new Developer Principles and Policies, we wanted to talk more about Facebook Platform's principles, including the role they play...

Friday, December 18, 2009 at 2:45pm

Friday, December 18, 2009 at 11:05am

[Introducing the Preferred Developer Consultant Program](#)

We often hear from brands, celebrities, companies, and organizations who are looking for the best resources to start building an application on Facebook.com, optimize a Facebook Connect integration o...

Wednesday, December 16, 2009 at 1:00pm

[Facebook Platform News 12/8/09](#)

With this week's code push we've released the Dashboard API and the family FQL table, updated some API calls so they work without session keys, and soon will start returning English-only strings for...

Wednesday, December 9, 2009 at 4:00pm

[Facebook Connect: One Year Later](#)

Facebook Connect: One Year Later

Wednesday, December 9, 2009 at 11:05am

[Le Web is Here!](#)

We're at the Le Web conference in Paris this week to discuss the social Web and Facebook Connect, which launched one year ago this month. Whether you're in town for the event too, or can catch the f...

Tuesday, December 8, 2009 at 10:40am

[Postcards from November Developer Events](#)

Postcards from November Developer Events

Wednesday, December 2, 2009 at 3:15pm

[Developer Roadmap: Keeping You Up to Date](#)

We launched a Developer Roadmap this past October to keep you up to date on changes to Facebook Platform. As we roll these updates out, we wanted to call special attention to a few of the recent and u...

Wednesday, December 2, 2009 at 10:00am

November 2009

[November 2009 Platform News](#)

As part of our ongoing effort to improve communication with our developer community, we offer you the latest monthly roundup of the announcements, new features, and updates to Facebook Platform that...

Monday, November 30, 2009 at 4:00pm

[Choosing the Right Ad Networks](#)

Applications on Facebook Platform are businesses, and we want those businesses to succeed. That's why there is a variety of ways to monetize your applications, including using third-party providers of...

Wednesday, November 25, 2009 at 4:15pm

[Join Us at Le Web!](#)

The Facebook team will say bonjour to Paris at the annual technology conference, Le Web on December 9th and 10th, where we'll discuss the latest in the real time Web. If you plan on attending, we ho...

Wednesday, November 25, 2009 at 2:00pm

[Update on Simpler Policies and Enhanced Enforcement](#)

When we announced the Developer Roadmap, we also simplified our policies by replacing the Facebook Platform Guidelines with the new Developer Principles and Policies, and posted Examples and Explana...

Tuesday, November 24, 2009 at 10:00am

[Facebook Platform News 11/17/09](#)

We're releasing some updates to stream story formatting, FQL, and finding fans this week. These changes are going live with the weekly code push, which takes place Tuesday evening, Pacific Time. Swi...

Tuesday, November 17, 2009 at 3:20pm

[Evolving OAuth via the Open Web Foundation](#)

Over the past few years, we've worked hard to open source large pieces of our infrastructure such as Thrift, Scribe, and Hive, as we continue to take steps to support the open community and build a s...

Tuesday, November 17, 2009 at 11:35am

[Start Building with the Microsoft SDK for Facebook Platform](#)

We're excited to announce our official support for the Microsoft SDK for Facebook Platform, which Microsoft released today. This SDK contains rich social features and offers something for almost any...

Monday, November 9, 2009 at 10:00am

[Continued Action Against Deceptive Ads](#)

As part of an ongoing effort we've had underway to address the quality of third-party ads running inside applications, we wanted to offer some clarifications, reminders, and information on our action...

Thursday, November 5, 2009 at 4:15pm

84 captures

27 May 2010 – 15 Aug 2017

Thursday, November 5, 2009 at 1:05pm

[Security and Facebook Platform](#)

At Facebook we work overtime to protect users' experience from hackers, phishers, fraudsters, and other bad actors across the Web. Our users trust Facebook with their personal data, which is somethin...

Thursday, November 5, 2009 at 9:55am

[Keep Your Users Coming Back for More](#)

Keep Your Users Coming Back for More

Wednesday, November 4, 2009 at 11:35am

[Postcards from October Developer Events](#)

Postcards from October Developer Events

Tuesday, November 3, 2009 at 12:55pm

[October 2009 Platform News](#)

As part of our ongoing effort to improve communication with our developer community, we offer you the latest monthly roundup of the announcements, new features, and updates to Facebook Platform that...

Tuesday, November 3, 2009 at 11:25am

October 2009

[Platform Live Status -- It's What's Up](#)

Platform Live Status -- It's What's Up

Thursday, October 29, 2009 at 11:45am

[Facebook Platform: A Roadmap for the Future](#)

At Facebook, we focus on providing our developer community with simple building blocks to speed innovation and create an environment where small teams quickly push new products that can rapidly disru...

Wednesday, October 28, 2009 at 3:40pm

[Tune in to Facebook Developer Garage Palo Alto - Roadmap Edition!](#)

The Facebook team will share a sneak peek of the Facebook Platform roadmap at a special Facebook Developer Garage Palo Alto today starting at 3:30 PM PDT. Live TV by Ustream Julia, who manages De...

Wednesday, October 28, 2009 at 10:00am

[Facebook Platform News 10/27/09](#)

We've released a few updates to our APIs this week that are aimed at enhancing users' experience with your applications and make building on Facebook easier. Extending the Comments API Commenting on...

Tuesday, October 27, 2009 at 1:09pm

[Extending Facebook Share](#)

Extending Facebook Share

Monday, October 26, 2009 at 10:00am

[Simplifying the Stream](#)

Simplifying the Stream

Friday, October 23, 2009 at 10:20am

[New Adobe ActionScript 3.0 Client Library](#)

Flash continues to be one of the most popular languages for building engaging user experiences with Facebook, whether it's an application on Facebook like FarmVille or iLike, or Ben and Jerry's Flash...

Thursday, October 22, 2009 at 2:50pm

[Making It Easier to Build with Facebook](#)

Making It Easier to Build with Facebook

Tuesday, October 13, 2009 at 2:16pm

[Upload Photos from the Desktop Using Facebook for Adobe AIR](#)

Desktop applications can now upload photos using our open source library, which is based on Adobe AIR. The new version of the library makes it easy to upload photos directly to Facebook using photos...

Thursday, October 8, 2009 at 1:23pm

[Announcing the Applications on Facebook Page](#)

Announcing the Applications on Facebook Page

Wednesday, October 7, 2009 at 11:26am

[Facebook Events: See You There!](#)

More people create events on Facebook than on any other website, and last year we created the Events API to extend the reach to applications. Today we're announcing a number of changes to the Events...

Monday, October 5, 2009 at 12:32pm

[September 2009 Platform News](#)

As part of our ongoing effort to improve communication with our developer community, we offer you the latest monthly roundup of the announcements, new features, and updates to Facebook Platform that...

Thursday, October 1, 2009 at 12:08pm

September 2009

[Facebook Connect, Easy as 1, 2, 3](#)

Earlier today, we announced Translations for Facebook Connect, which simplifies and streamlines the process of translating a website into to any of the more than 65 different languages Facebook curre...

Wednesday, September 30, 2009 at 9:00am

[Introducing Translations for Facebook Connect](#)

Introducing Translations for Facebook Connect

Tuesday, September 29, 2009 at 9:01pm

[Developers Everywhere: Join Us at FOWA London!](#)

Developers Everywhere: Join Us at FOWA London!

Monday, September 28, 2009 at 3:18pm

[Talking about Tornado](#)

We announced and open sourced Tornado two weeks ago. Tornado is a relatively simple, non-blocking Web server framework written in Python. It's designed to handle thousands of simultaneous connections,...

Thursday, September 24, 2009 at 3:26pm

[Automating Functional Tests of Your Connect Implementation](#)

Automating Functional Tests of Your Connect Implementation

Tuesday, September 22, 2009 at 11:50am

[Facebook Connect for Entrepreneurs](#)

Facebook Connect for Entrepreneurs

Tuesday, September 15, 2009 at 1:34pm

[Celebrating Facebook Developers](#)

We launched the Facebook Developer Garage program shortly after f8 in 2007 to encourage local communities worldwide to unite, share information, and create businesses that leverage Facebook Platform....

Tuesday, September 15, 2009 at 11:00am

[Join Us Tomorrow at TechCrunch50!](#)

At Facebook, we enable developers and entrepreneurs large and small to leverage our tools to build social features into their sites and applications. Tomorrow, we'll be at the TechCrunch50 conference...

Monday, September 14, 2009 at 9:58am

[Tornado: Facebook's Real-Time Web Framework for Python](#)

Real-time updates have become an important aspect of the social Web that make it easier to share with friends. In March, we introduced a real-time News Feed to make the stream as relevant and engaging as possible for users. Similarly, FriendFeed, which we recently acquired, built their entire site to support real-time updates. It hasn't been easy to build and scale these features, so today we're open-sourcing a core piece of infrastructure called Tornado, which was originally developed by the FriendFeed team.

Thursday, September 10, 2009 at 10:01am

[Advancing Open Standards in Germany](#)

We are big fans of open source software and standards. Whenever one of our internal projects will benefit the developer community at large, we try to make the jump by turning it into an open source p...

Tuesday, September 8, 2009 at 9:06am

[Introducing Facebook Connect for Mobile Web](#)

Introducing Facebook Connect for Mobile Web

Thursday, September 3, 2009 at 8:30am

[Postcards from August Developer Events](#)

Postcards from August Developer Events

Wednesday, September 2, 2009 at 12:42pm

[fbFund REV: "Oh! The Places You'll Go!"](#)

Yesterday, we wrapped up a great event for our first fbFund REV social incubator. Congratulations to the fbFund REV companies! They showcased their progress and accomplishments to over 300 investor...

Wednesday, September 2, 2009 at 11:20am

[Graduation Day for fbFund REV is Here!](#)

August 2009

[August 2009 Platform News](#)

As part of our ongoing effort to improve communication with our developer community, we offer you the latest monthly roundup of the announcements, new features, and updates to Facebook Platform that...

Monday, August 31, 2009 at 4:38pm

[Improving Facebook Share](#)

Improving Facebook Share

Monday, August 31, 2009 at 10:42am

[Improving User Privacy on Platform](#)

We announced this morning plans to further improve users' control over their information. These changes are a result of our work with the Office of the Privacy Commissioner of Canada, which has spent...

Thursday, August 27, 2009 at 7:01am

[New Opportunities for Inbox and Notification Integration](#)

New Opportunities for Inbox and Notification Integration

Tuesday, August 11, 2009 at 2:03pm

[Adjusting the Total Users Statistic](#)

In a recent data review, we discovered a bug that was either under-reporting or over-reporting the total number of users who had authorized some Platform applications. We're correcting this number tod...

Tuesday, August 11, 2009 at 11:46am

[Simplifying the Desktop Authorization Flow](#)

Simplifying the Desktop Authorization Flow

Friday, August 7, 2009 at 1:25pm

[Streamlining the Open Stream APIs](#)

Streamlining the Open Stream APIs

Wednesday, August 5, 2009 at 1:57pm

[Tune in for the Facebook Developer Garage São Paulo](#)

We're at the Facebook Developer Garage São Paulo today and hope you'll join us to hear a few words from Facebook CEO, Mark Zuckerberg. Live video by Ustream Tune in at 1:30 PM PST to watch t...

Tuesday, August 4, 2009 at 12:48pm

[Postcards from July Developer Events](#)

Postcards from July Developer Events

Tuesday, August 4, 2009 at 10:48am

July 2009

[July 2009 Platform News](#)

With over 950,000 developers using Facebook Platform to build applications that engage millions of users every day, we are focused on making the developer experience as positive as possible. As part o...

Friday, July 31, 2009 at 4:29pm

[Tell Us Your Facebook Connect Story!](#)

We are always interested in hearing from developers and entrepreneurs about their experiences with Facebook Connect. Since the launch of Facebook Connect in December, 2008, more than 15,000 Facebook...

Thursday, July 30, 2009 at 12:13pm

[Making Facebook Platform Better, Faster, Stronger](#)

Facebook Platform has come a long way in the two years since its launch. What started out as a small collection of API methods allowing our developers to integrate some user information into their app...

Wednesday, July 29, 2009 at 1:40pm

[Good Ads Make for a Good Ecosystem](#)

The Facebook Platform team is excited by the innovation we're seeing as developers create new ways to bring value to users. The canvas is yours to fill -- your direct connection to users for deliverin...

Tuesday, July 28, 2009 at 6:50pm

[Rendering Facebook Connect in Other Languages](#)

Rendering Facebook Connect in Other Languages

Tuesday, July 21, 2009 at 12:10pm

[Turning Website Visitors into Facebook Fans with the Fan Box](#)

Over 8 million users become fans of Facebook Pages every day to connect with their favorite public figures and organizations and get updates directly in their streams. Now, users can connect with bra...

Wednesday, July 8, 2009 at 12:56pm

[June 2009 Platform News](#)

As part of our ongoing effort to improve our communication with our developer community, we offer you our latest monthly roundup of the announcements, new features, and updates to Facebook Platform t...

Thursday, July 2, 2009 at 7:17pm

[Postcards from June Developer Events](#)

Postcards from June Developer Events

Thursday, July 2, 2009 at 12:23pm

[Moving to the City](#)

As Facebook has grown internationally into a worldwide network, we've come to realize that organizing our users into geographic networks isn't as useful as knowing where a user is currently located....

Wednesday, July 1, 2009 at 4:16pm

June 2009

[Posting to the Stream in Real Time with the Live Stream Box](#)

Posting to the Stream in Real Time with the Live Stream Box

Wednesday, June 24, 2009 at 12:32pm

[Boosting the Power of FQL](#)

Many of you already use Facebook's query language, FQL, to quickly retrieve Facebook data and integrate it into your application experience. For the uninitiated, FQL uses a familiar, SQL-style interf...

Tuesday, June 16, 2009 at 3:21pm

[Developer Resource Update](#)

With over 950,000 developers using Facebook Platform to build applications that engage millions of users every day, we are focused on making the developer experience as positive as possible. To this...

Friday, June 12, 2009 at 10:18am

[Sharing with your friends across the Web, on iPhone, and now your TV](#)

In less than six months, over 10,000 websites, applications and devices like the Xbox and Nintendo DSi have implemented Facebook Connect to provide new social experiences. We're excited to share tod...

Thursday, June 11, 2009 at 2:06pm

[Facebook Usernames Coming Soon](#)

Facebook Usernames Coming Soon

Tuesday, June 9, 2009 at 1:17pm

[Happy 2nd Birthday, Facebook Platform!](#)

Last week was the two-year anniversary of our f8 conference, where Facebook Platform was first launched. I wanted to take this opportunity to provide an update on how far we've come and where Platfor...

Wednesday, June 3, 2009 at 10:29pm

[Postcards from May Developer Events](#)

Postcards from May Developer Events

Tuesday, June 2, 2009 at 12:23pm

[May 2009 Platform News](#)

As part of our ongoing effort to improve our communication with our developer community, we offer you our latest monthly roundup of the announcements, new features, and updates to Facebook Platform t...

Monday, June 1, 2009 at 7:12pm

May 2009

[Get Ready for fbFund REV 2009!](#)

Get Ready for fbFund REV 2009!

Thursday, May 28, 2009 at 1:00pm

[Join us in Boulder at TechStars](#)

A big part of Facebook Platform and Connect has always been mentoring and inspiring entrepreneurs to build new experiences using the power of the social graph. Here on the Facebook Platform team we s...

Wednesday, May 20, 2009 at 9:09am

[Facebook Supports OpenID for Automatic Login](#)

Facebook Supports OpenID for Automatic Login

Monday, May 18, 2009 at 1:54pm

[fbFund 2.0: It Takes a Village \(of Geeks\)... announcing our first 25 of 50 Finalists](#)

fbFund 2.0: It Takes a Village (of Geeks)... announcing our first 25 of 50 Finalists

Monday, May 18, 2009 at 11:03am

[Introducing New Application Directory and App Profile Pages](#)

In the nearly two years since Facebook Platform opened to developers, over 52,000 applications have gone live in the Application Directory. Ensuring that applications are trustworthy, meaningful (wh...

Thursday, May 14, 2009 at 1:32pm

[Using the Publisher on Facebook Pages](#)

The Publisher is a great way for your users to interact with your application, sharing content directly on their friends' profiles as well as posting content to their own profiles. And now, we've upd...

Tuesday, May 12, 2009 at 4:37pm

[Submitting Your Feedback to the Platform Team](#)

Facebook Platform developers are an active and critical part of making the Facebook experience rich and engaging, and the Platform team is working hard to give our developers improved support. We've l...

Monday, May 11, 2009 at 12:28pm

[Facebook Joins "Glue" Discussion](#)

Next week, we'll be in Denver to join a great group of speakers and panelists at the Glue Conference, an event dedicated to solving the Web application integration problem-set. This year's theme is th...

Friday, May 8, 2009 at 7:45pm

[Digg: Latest Site to Go More Social with Facebook Connect](#)

Since Facebook Connect launched in December 2008, over 8,000 websites, mobile applications and desktop clients have integrated the service. We've seen sites based around everything from photos to blo...

Wednesday, May 6, 2009 at 1:44pm

[Updates to Facebook Platform Policy](#)

After receiving input from the community and holding a vote, we recently put into place the new Facebook Principles and Statement of Rights and Responsibilities (SRR), which serve as the foundation f...

Tuesday, May 5, 2009 at 11:07am

[Postcards from April Developer Events](#)

Postcards from April Developer Events

Saturday, May 2, 2009 at 5:18pm

[April 2009 Platform News](#)

As part of our ongoing effort to improve our communication with our developer community, we offer you our latest monthly roundup of the announcements, new features, and updates to Facebook Platform t...

Friday, May 1, 2009 at 4:22pm

April 2009

[The Facebook Open Stream API](#)

Today we are excited to announce an important step toward greater openness through Facebook Platform. For the first time, we're opening the core Facebook product experience -- the stream -- with the...

Monday, April 27, 2009 at 9:00am

[The Publisher, a Great Way to Share](#)

The Publisher, a Great Way to Share

Friday, April 17, 2009 at 2:34pm

[Want to Get Connected? Apply for fbFund '09 Incubator Program and Come to California!](#)

Want to Get Connected? Apply for fbFund '09 Incubator Program and Come to California!

Thursday, April 16, 2009 at 1:32pm

[Improving Application Canvas Page Performance](#)

We've found that the performance of a website is one of the most important factors in increasing overall growth and usage. To help developers increase user engagement, we've released the quick transi...

Wednesday, April 15, 2009 at 11:23am

[Getting the Most Out of Feed and Streams](#)

[Understanding The Facebook Era](#)

Understanding The Facebook Era

Thursday, April 2, 2009 at 11:20am

[Postcards from March Developer Garages](#)

Postcards from March Developer Garages

Wednesday, April 1, 2009 at 12:47pm

March 2009

[March 2009 Platform News](#)

As part of our ongoing effort to improve our communication with our developer community, we offer you our latest monthly roundup of the announcements, new features, and updates to Facebook Platform t...

Tuesday, March 31, 2009 at 3:04pm

[Bringing Adobe Flash Platform and Facebook Platform Together](#)

Today we're excited to announce that Adobe and Facebook are working together to provide official support for building rich social applications in Flash. An updated version of the ActionScript 3.0 Clie...

Monday, March 30, 2009 at 9:00pm

[fbFund: Now Open for Submissions!](#)

Apply now with startup entries for Web & iPhone apps using Facebook Connect We're thrilled to see thousands of developers creating innovative, engaging, social experiences with Facebook Connect. N...

Monday, March 16, 2009 at 10:01am

[Extending Facebook Connect beyond the Web](#)

Extending Facebook Connect beyond the Web

Monday, March 16, 2009 at 8:56am

[Facebook Connect for iPhone. Friends Now Included.](#)

We're really excited to launch Facebook Connect for iPhone today. Facebook Connect easily lets developers make their websites and desktop applications more social. And with the explosion of iPhone ap...

Saturday, March 14, 2009 at 10:03am

[South by Southwest Interactive 2009](#)

South by Southwest Interactive 2009

Friday, March 13, 2009 at 3:05am

[Calling All Bracket Applications](#)

The NCAA Men's College Basketball Tournament, also known as March Madness, officially begins next Thursday, March 19. Building a bracket and challenging your friends has long been a special activity f...

Thursday, March 12, 2009 at 3:50pm

[How the New Stream Affects Applications and Feed Stories](#)

We announced last week that we're improving Feed and Feed forms in order to give your applications more effective and consistent distribution in the stream on the new Facebook home page. Today, we're...

Wednesday, March 11, 2009 at 2:58pm

[Join us at SXSW Interactive!](#)

Join us at SXSW Interactive!

Friday, March 6, 2009 at 2:49pm

[Inviting Users to Chat in Your Applications](#)

Inviting Users to Chat in Your Applications

Thursday, March 5, 2009 at 2:53pm

[Deeper Application Engagement on Facebook Pages](#)

We wanted to give you some details on what the changes to Facebook Pages announced today means to you and how your applications can benefit from them. The user profile design we launched last year f...

Wednesday, March 4, 2009 at 2:50pm

[More Sharing through The Stream](#)

More Sharing through The Stream

Wednesday, March 4, 2009 at 12:41pm

[Announcing: Winners of the French and Spanish App Contests](#)

With over 175 million users worldwide, Facebook is continuously exploring new ways to improve our international user experience. We recently challenged our international community of developers to bu...

Tuesday, March 3, 2009 at 12:45pm

84 captures
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2012 2013 2014 About this capture

Monday, March 2, 2009 at 3:20pm

[Postcards from February Developer Garages](#)

Postcards from February Developer Garages

Monday, March 2, 2009 at 11:21am

February 2009

[February 2009 Platform News](#)

As part of our ongoing effort to improve our communication with our developer community, we offer you our second monthly roundup of all the announcements, new features, and updates to Facebook Platfo...

Saturday, February 28, 2009 at 11:58am

[DEMO to Stream Facebook Live Feed with Facebook Connect Online and Onstage](#)

Beginning on March 2, Facebook users across the Web will have the opportunity to participate in DEMO 09 with Facebook's Live Feed technology, and comment on the latest class of companies selected to l...

Friday, February 27, 2009 at 4:34pm

[We Want Your Feedback](#)

Earlier today, we announced a new approach for users around the world to play a meaningful role in determining the future policies governing Facebook. As important members of the Facebook community,...

Thursday, February 26, 2009 at 3:04pm

[Intel to Sponsor Facebook Developer Garages](#)

Conceived shortly after the launch of Facebook Platform in 2007, the Facebook Developer Garage program is a community effort to bring the latest Facebook Platform information and technology to the ba...

Tuesday, February 24, 2009 at 3:25pm

[Commenting with Facebook Connect](#)

Commenting with Facebook Connect

Thursday, February 19, 2009 at 6:15pm

[Tune in to the Facebook Developer Garage Palo Alto](#)

We're looking forward to seeing you at the Facebook Developer Garage Palo Alto at 6:30pm PST! Even if you're not in the area, you can follow along with the action by watching our live UStream social...

Thursday, February 19, 2009 at 5:19pm

[Sharing Your Best Practices for Making Money on Facebook Platform](#)

We launched Facebook Platform to give you the opportunity to create innovative new experiences for our users, and with that gave you the flexibility to monetize those experiences in the ways you best...

Wednesday, February 18, 2009 at 4:17pm

[Facebook Developer Garage Palo Alto: Feeds and Social Distribution](#)

Come join us next Thursday at our Facebook Developer Garage Palo Alto and hear about some of the latest features on Facebook Platform. We'll focus on some of our core features around creating Feed...

Tuesday, February 10, 2009 at 3:06pm

[OpenID User Experience Summit at Facebook](#)

Today we are hosting the OpenID User Experience Summit here at Facebook. We have product managers, user experience designers, and social Web experts from a variety of companies such as Google, Yahoo,...

Tuesday, February 10, 2009 at 12:23pm

[Opening Up Facebook Status, Notes, Links, and Video to Facebook Platform](#)

We're launching several new APIs for Facebook Platform today. These new interfaces open up access to the content and methods for sharing through several Facebook Applications -- including Facebook St...

Friday, February 6, 2009 at 4:54pm

[Next Steps in Openness](#)

Enabling social information to flow through the Web is one of the core goals of Facebook. In the two months since Facebook Connect became generally available, over 4,000 sites and desktop application...

Thursday, February 5, 2009 at 3:30pm

[Postcards from January Garages](#)

Postcards from January Garages

Monday, February 2, 2009 at 11:46am

January 2009

[January Platform News](#)

Try Out the New FBJS

Today we are announcing a preview of a major update to FBJS. We're calling this FBJS2. We've completely rewritten FBJS from the ground-up to make it much more natural for Javascript developers – now...

Friday, January 30, 2009 at 3:54am

[Facebook Connect and Apple's iPhoto '09](#)

Facebook Connect and Apple's iPhoto '09

Thursday, January 29, 2009 at 6:15pm

[Shalom from Facebook Developer Garage Israel!](#)

Speaking at a Facebook Developer Garage is a fantastic opportunity for us at Facebook to connect with our developer community all over the world. At these Garages we can listen and learn firsthand how...

Friday, January 16, 2009 at 4:07pm

[Changes in Facebook Platform Leadership](#)

Hey Everyone --This is going to be an intense year for Facebook, and it's also going to be a big year for what we do with Facebook Connect and Platform. Our goal is to help people share information an...

Friday, January 16, 2009 at 1:58pm

[Extending FBML with Custom Tags](#)

When we released Facebook Platform in 2007 to our developer community, our goal was to enable you to build great social applications that are integrated with Facebook. FBML was one Platform component...

Tuesday, January 13, 2009 at 10:24am

[Minor change to JSON parsing for FBJSAjax + JSON](#)

Our JSON parsing engine will change slightly on the 20th of January. This affects you ONLY if you use FBJSAjax with the JSON responseType, and your application emits JSON which does not conform to the...

Saturday, January 10, 2009 at 8:11pm

[How To: Share to Facebook Feed with Facebook Connect in 10 Minutes](#)

Integrating Facebook Connect into your website to add social context is a quick and easy development process involving a few key features. In the first video in our Facebook Connect series we showed...

Tuesday, January 6, 2009 at 11:13pm

December 2008

[Happy Holidays from the Facebook Platform Team](#)

We wanted to take a moment and thank you for all of your great work and amazing applications that have helped make Facebook Platform the largest and fastest-growing social platform over the past year...

Monday, December 22, 2008 at 4:24pm

[Inviting anyone to your applications](#)

Inviting anyone to your applications

Monday, December 22, 2008 at 8:08am

[Applications Menu Updates](#)

Applications Menu Updates

Tuesday, December 16, 2008 at 8:47pm

[Announcing Plugins for Facebook Connect](#)

We opened Facebook Connect less than two weeks ago and have been excited to see over 80 sites go live. In addition to a variety of sites and several leading publications, you'll see that many major bl...

Tuesday, December 16, 2008 at 4:09pm

[Postcards from Developer Garages](#)

Postcards from Developer Garages

Monday, December 15, 2008 at 12:32pm

[Getting Started with Facebook Connect](#)

We've had an incredible week watching the Web become more social and authentic as sites are get started with Facebook Connect. Just today CNET launched their i...

Thursday, December 11, 2008 at 11:57pm

[Au Revoir Paris et Le Web!](#)

We have had a great time this week in Paris at the Le Web Conference and had the chance to meet with industry leaders from all over Europe to talk and discuss the future of a more social Web through F...

Thursday, December 11, 2008 at 5:51pm

[fbFund Awards \\$250,000 Each to Five Grand Prize Recipients](#)

fbFund Awards \$250,000 Each to Five Grand Prize Recipients

84 captures
27 May 2010 – 15 Aug 2017

Go MAY JUN SEP
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2012 2013 2014 About this capture

Platform has rapidly evolved from 100 early ideas to over 52,000...

Thursday, December 4, 2008 at 12:08pm

[Bonjour, Paris et Le Web](#)

Bonjour, Paris et Le Web

Wednesday, December 3, 2008 at 12:53pm

[Namaste, Delhi!](#)

We're excited that developers from all over the world are building on Facebook, and thrilled when we have the opportunity to meet them. This past weekend I spoke at the first ever Facebook Developer G...

Wednesday, December 3, 2008 at 12:40am

[Check Out the New Developer Application Settings Editor](#)

Check Out the New Developer Application Settings Editor

Monday, December 1, 2008 at 5:02pm

November 2008

[Improving Application Email](#)

We know that email can be an important channel for you to use to communicate with your users. To improve this channel, we've enhanced application email, letting you provide your users who've opted in...

Wednesday, November 19, 2008 at 4:45pm

[Application Verification Program – Frequently Asked Questions](#)

Since we announced our Application Verification Program yesterday, we've received quite a few questions about how it works and how it can benefit you as a developer. We really appreciate all of your f...

Tuesday, November 18, 2008 at 7:26pm

[Verifying Applications – a New Program Begins](#)

As members of the Facebook Platform developer community, many of you spend a lot of time thinking about how to create new social experiences that are valuable to users. We know that you want to make...

Monday, November 17, 2008 at 4:01pm

[Rock the Vote \(for fbFund apps\)](#)

We're in the final stage of our first fbFund competition. Help us choose the top five teams. Each will be awarded \$225,000 in addition to the \$25,000 they received in Round 1. Whether or not you've s...

Tuesday, November 11, 2008 at 12:04pm

[New Opportunities to Display New Content](#)

We want to help developers ensure that content is delivered only to those for whom it's appropriate. Along those lines, at the end of August we announced the new Demographic Restrictions feature,...

Friday, November 7, 2008 at 1:43pm

[New Feed Template Console](#)

The Feed system is the primary mechanism for sharing information about the actions users take within your application. Feed stories can be published in several different sizes, offering users multip...

Thursday, November 6, 2008 at 11:53am

[Ready to Connect](#)

We're excited for more users to begin sharing and connecting with their Facebook friends around the Web with Facebook Connect. We wanted to give you an update since we first announced the availabil...

Tuesday, November 4, 2008 at 1:55pm

[Introducing Force.com for Facebook](#)

To the Facebook Developer Community --Today, our cloud is your cloud. The leading social platform and the leading enterprise platform have come together. We're announcing Force.com for Facebook, which...

Monday, November 3, 2008 at 11:44am

October 2008

[World Series comes off the field and onto Facebook Platform](#)

We think one of the best things about Facebook Platform is that it inspires an ecosystem of developers to build creative and timely applications that provide users with social experiences around the...

Friday, October 24, 2008 at 6:13pm

[Action Links for Feed Stories](#)

Update link to action links.

Tuesday, October 21, 2008 at 10:23pm

Wednesday, October 15, 2008 at 11:30am

September 2008

[We'd Like Your Feedback on Our Blog](#)

Developers, we welcome your feedback on a new direction we're thinking with how we communicate with you. Currently, we have this blog, which provides important announcements and is the "official voice..."

Tuesday, September 30, 2008 at 9:17pm

[Facebook and Digg Coming to Future of Web Apps Expo](#)

Facebook and Digg have been working together quite a bit lately on integrating Facebook Connect into the Digg experience. In two short weeks we'll both be heading across the pond to London for the F...

Monday, September 29, 2008 at 10:38am

[fbFund – Identifying Talent: The Search Is On](#)

The search to identify new talent and the next great applications on Facebook Platform is well under way! Thanks to everyone who submitted by the August 29th deadline. Round 1 is now closed with ove...

Friday, September 12, 2008 at 12:01am

[New Application Navigation](#)

New Application Navigation

Wednesday, September 10, 2008 at 7:46pm

[The New Profile: Full Rollout Is Coming](#)

Over these past few weeks and months you've been able to see how your applications work on the new profile and how users are integrating them into their profiles. Over 30 million people have c...

Thursday, September 4, 2008 at 3:32pm

[Enhancing Your iFrame-based Applications](#)

Based on developer requests for greater flexibility and for better performance, we've added a number of new features for iframe canvas pages that provide them with much of the functionality previousl...

Tuesday, September 2, 2008 at 7:58pm

84 captures
27 May 2010 – 15 Aug 2017

Go MAY JUN SEP
13
2012 2013 2014 About this capture

We're putting the final touches on Facebook Connect as we speak. And, we'd like to welcome you to come learn, share, and "connect" with us at the Facebook Developer Garage Palo Alto – Connect Edition...

Wednesday, August 27, 2008 at 11:21am

[Delivering the Right Content to the Right Audience](#)

We have seen an increasing number of complex cases where certain applications and certain content may be appropriate or available to specific audiences and users, but not to others. For example, you...

Wednesday, August 20, 2008 at 4:10pm

[Integrating Events into Your Applications](#)

We've just released some changes to the API that allow your applications to integrate with Facebook's Events application. These new API calls allow applications to create, modify, and cancel events, a...

Tuesday, August 12, 2008 at 3:25pm

[Measure More with New Application Metrics and Visualizations](#)

Measure More with New Application Metrics and Visualizations

Thursday, August 7, 2008 at 2:17pm

[Updates to the Application Directory](#)

We've heard many of your ideas on improving the ways we help users find applications that are engaging and useful to them. Some recent changes to the Application Directory are some early steps to inc...

Tuesday, August 5, 2008 at 12:32pm

[Ready, Set, Connect](#)

During our f8 last conference last week, we were excited to release Facebook Connect to you, our developer community, so that you could start integrating Facebook Connect into your Web sites ahead of...

Monday, August 4, 2008 at 8:17pm

[fbFund Developer Competition: Apply Now](#)

Round 1 for the fbFund Developer Competition has begun! We are looking to fund talented developers and entrepreneurs with up to \$250,000 non-recourse grants to build great applications on Facebook P...

Monday, August 4, 2008 at 3:39pm

July 2008

[New Ways for Us to Partner Together](#)

Over the past year, we have been amazed and at times even overwhelmed by the sheer volume of development on Facebook Platform. During our f8 conference in San Francisco on Wednesday, we shared th...

Friday, July 25, 2008 at 11:53am

[f8: Live Webcast Link!](#)

f8 '08 is here!! It's gonna be a jam-packed event with something for everyone, and we're psyched to welcome folks to the Design Center in San Francisco in a couple hours. For those of you around the...

Wednesday, July 23, 2008 at 9:20am

[Facebook Apponomics \(aka the f8 Business Track\)](#)

The business track is an opportunity for developers to converse with colleagues and experts from the venture and start-up world. The panels and talks will be an end-to-end deep dive on building succes...

Tuesday, July 22, 2008 at 6:36pm

[A little more information about the technical track at f8](#)

f8 gives everyone a chance to come together and shop-talk about what folks have learned over the past year, what's brewing right now, and what the future of Facebook Platform can and should be. During...

Tuesday, July 22, 2008 at 4:21pm

[The User Experience track at f8](#)

It's been over a year since we launched Facebook Platform at the last f8 conference, and we're excited to see you again this year! We're looking forward to chatting with you about what we've all lea...

Tuesday, July 22, 2008 at 12:06pm

[New Design, New Powers, New Responsibilities](#)

With the launch of the new Facebook site comes all sorts of great ways for applications to deeply integrate into user profiles, and increase communication and interaction with users. Today we share...

Monday, July 21, 2008 at 1:57pm

[f8: A Chance for Everyone to Join](#)

We are thrilled with the positive response to f8 and wish all of you could attend. We know that with over 400,000 developers in 160+ countries, it's impossible to bring everyone together for a single...

Monday, July 21, 2008 at 1:10pm

[Accessing User Information with Your Applications](#)

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27 May 2010 – 15 Aug 2017

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2012 2013 2014 About this capture

There are so many great ideas floating around Facebook, but there is never enough time to implement them all. In order to attempt to solve this problem, we engineers throw a Hackathon at Facebook ev...

Thursday, July 17, 2008 at 12:23am

[8 days to f8](#)

The countdown to f8 has begun! The team here at Facebook is hard at work getting ready to see you to the San Francisco Design Center for f8 '08, on July 23. And, we wanted to take some time in the n...

Wednesday, July 16, 2008 at 11:32am

[New Features for the New Profile Design](#)

With the new profile design preview launching to our users some time this week, we'd like to call your attention to some new features and enhancements we've added to Platform. IFrame Popups. Now you...

Monday, July 14, 2008 at 11:45am

[100 Additional Tickets Released for f8 '08](#)

As you may or may not know, f8 '08 has officially sold out! Due to a continued high demand for tickets we are going to release 100 additional tickets now. Please register ASAP as this will be the l...

Thursday, July 10, 2008 at 5:47pm

[Supporting Your Applications During the Profile Transition](#)

Next week, we begin rolling out the new profile design to our users on an opt-in basis. Every user may not see it at first, but we'll keep extending the rollout to more users. You should continue up...

Thursday, July 10, 2008 at 1:41pm

[New Profile Design Beta Launching to Users Next Week](#)

We're getting close to launching the new profile design to our users, and we wanted to give you a heads up to make sure your applications will be fully ready by the launch. Users can start exploring...

Monday, July 7, 2008 at 3:32pm

[f8 '08 Session List](#)

Tickets are selling out quickly for f8 '08, so be sure to purchase yours before Monday, July 7th at the discounted rate of \$150. On July 7th ticket prices will go up to \$250. A limited amount of stu...

Tuesday, July 1, 2008 at 3:33pm

June 2008

[Building Trust and Protecting User Privacy](#)

Privacy is at the core of Facebook. Because we provide users with rich privacy controls and respect their choices, users feel safe using Facebook to share their information with their friends. By ope...

Friday, June 27, 2008 at 6:15pm

[f8 Registration Is Now Open!](#)

f8 registration is now live! Please join us at f8 '08 for an awesome day of learning, hacking, collaboration and diversion. The Platform team is working hard to put together eight hours of ric...

Wednesday, June 25, 2008 at 6:26pm

[Changes to Feed API Methods: Multiple Templates per Story Size](#)

We're changing the Feed API method set, which we feel will lead to better Mini-Feed stories while simultaneously offering many opportunities for the aggregation of stories for News Feed. As you alrea...

Friday, June 20, 2008 at 6:08pm

[New Profile Design Update, and New Metrics](#)

As you may have seen on the Facebook Profiles Preview Page last week, we're launching the new profile design in July. We've been going over all the feedback we've received from our developers as well...

Tuesday, June 17, 2008 at 8:05pm

[f8 '08 is coming](#)

On May 24th, 2007, we launched Facebook Platform in front of 800 developers and industry leaders. Since our inaugural f8 event, we've seen the rapid growth of our developer ecosystem: 400,000+ Dev...

Thursday, June 12, 2008 at 5:15pm

[Facebook at Graphing Social Patterns!](#)

Hey Developers! We're excited to be heading out to Graphing Social Patterns - East next week to deliver a keynote called "Poke Back: Facebook Live and Interactive." This is a new format we're giving...

Thursday, June 5, 2008 at 1:38pm

[Clarifying Application Authorization Changes](#)

Last week we announced the changes we're making to simplify how users first interact with new applications. We've received a lot of questions and concerns so we'd like to take some time to answer the...

Wednesday, June 4, 2008 at 3:06pm

Monday, June 2, 2008 at 11:57am

May 2008

[Streamlining Application Authorization](#)

Streamlining Application Authorization

Friday, May 30, 2008 at 3:27pm

[Facebook Platform Live & Interactive at GSP East 2008](#)

Join the Facebook Platform Team for a live discussion at Graphing Social Patterns East 2008 (in Washington DC) to discuss the latest Facebook platform technology features and architecture. Poke Back...

Thursday, May 29, 2008 at 9:50pm

[Creating Feed Stories](#)

Last week we released our beta sandbox to you all so you can start testing your applications with the new profile design. By now you've probably read the integration guide, too, so you have a sense of...

Wednesday, May 28, 2008 at 10:15am

[www.beta.facebook.com](#)

Last Monday evening, we staged [www.beta.facebook.com](#) with the code we planned on pushing to the full web tier the following day. We did so with the intent of giving developers a full 24 hours to con...

Monday, May 26, 2008 at 9:12pm

[The Sandbox for the New Profile Design Is Now Open](#)

As we promised recently, we've opened up our beta sandbox for the new profile design. You should have enough time to test the new design with your applications before we launch it to our users next...

Friday, May 23, 2008 at 2:30am

[Thoughts on Privacy](#)

As developers, you're probably curious about the recent initiatives we and other companies in the industry have taken to help you build applications that let users take their information around the w...

Thursday, May 15, 2008 at 11:40am

[Using Facebook Chat via Jabber](#)

Since the launch of Facebook Chat, we've received a lot of positive feedback from users about being able to connect instantly with their friends on Facebook. With Chat fully launched and growing stea...

Tuesday, May 13, 2008 at 6:57pm

[A Year In... Tell Us Your Stories](#)

Facebook Platform celebrates its first anniversary this month. We want to hear what you have to say about Platform, since your contributions have been instrumental in helping Platform grow as large a...

Tuesday, May 13, 2008 at 12:18am

[Announcing Facebook Connect](#)

Announcing Facebook Connect

Friday, May 9, 2008 at 12:32pm

[Preparing for the New Facebook Profile Design](#)

We're closing in on the launch of the new profile design. We want to make sure that we give you enough time to get your applications ready and take advantage of the new features that will be availabl...

Wednesday, May 7, 2008 at 5:42pm

[API Client Library Support](#)

As most of you no doubt have noticed, Facebook Platform has been evolving at a very rapid pace ever since its release. The result of this evolution is a constantly growing list of features and functi...

Monday, May 5, 2008 at 1:14am

April 2008

[Real-Time Notifications](#)

We finished rolling out Facebook Chat today. Along with this, we're excited to announce an important related feature -- real-time notifications. Just as users can communicate in real time with Facebo...

Wednesday, April 23, 2008 at 7:42pm

[An Update on the State of the Profile Redesign](#)

As you have probably noticed by now, we are not launching the updated Facebook profile in early April, as we mentioned earlier. But we thought we'd take this time to give you an update as to where thi...

Friday, April 11, 2008 at 2:07pm

Thursday, April 10, 2008 at 1:10am

[Respecting Rules about Reviews and Fake Accounts](#)

The Reviews application is provided on your application's About page by Facebook, as a venue for user comments and ratings. If you're listed as a developer on a particular application, you're technol...

Tuesday, April 8, 2008 at 3:53pm

[Ignoring application requests from specific friends](#)

On Friday, we rolled out a feature that allows users to ignore all application requests from specific friends. We've heard from developers and users that they feel certain friends seem to be a large...

Monday, April 7, 2008 at 3:17pm

[Application Security and CAPTCHAs](#)

Like most large Web sites, Facebook gets a lot of attention from spammers and other unscrupulous people. Over the last three years, we have developed many tools to stop this type of activity and prote...

Monday, April 7, 2008 at 2:57pm

[Give Us Your Feedback on the Facebook Developers Site](#)

We're always looking at ways to improve communications with our developer community. We're in the midst of redesigning the Facebook Developers Site and want to know what you think of the site, Faceboo...

Wednesday, April 2, 2008 at 2:19pm

March 2008

[Adobe Flash Player Update May Affect Platform Applications](#)

Adobe is planning to release a security update for Flash Player 9 next month (April 2008). Adobe informed Facebook that this update can potentially break Platform applications that use Flash. If any...

Saturday, March 29, 2008 at 9:23pm

[User Feedback-based Allocations for Email](#)

To increase the value of email that applications send to users and to give users control over what email they want to receive, we are rolling out a user feedback-based allocation system for email earl...

Friday, March 21, 2008 at 5:47pm

[Support for resizable iframe and fb:iframe in updated JavaScript client](#)

The default behavior for an iframe-based canvas page is for it to be "smartsized", in which the iframe fits the remaining space on the page. This option does not allow the application its...

Thursday, March 13, 2008 at 3:05pm

[Sitemaps for applications](#)

Starting today, you can serve XML sitemaps off apps.facebook.com domain, and notify search engines about changes on your pages. Naturally, this works better for pages that display content without requ...

Wednesday, March 12, 2008 at 4:58pm

[Feed Forms](#)

As we move towards the new Facebook profile, one of our major goals is to improve the quality of feed stories. We want users to have a sense of ownership of their Mini-Feed and trust in the stories...

Wednesday, March 12, 2008 at 1:06am

[Frequently Asked Questions about the Improved Profile](#)

Frequently Asked Questions about the Improved Profile

Thursday, March 6, 2008 at 11:24pm

[Want to Attend a Developer Roundtable?](#)

As part of our ongoing quest to improve Platform and communicate openly, we are going to hold a series of Developer Roundtable events at the Facebook offices in Palo Alto. You'll meet the Platform te...

Wednesday, March 5, 2008 at 3:02pm

February 2008

[A First Glimpse at the Improved Profile](#)

A First Glimpse at the Improved Profile

Tuesday, February 26, 2008 at 5:02pm

[Simpler, More Relevant Profiles](#)

Lately, Facebook profiles have become slower, more cluttered, and somewhat difficult to parse. Over the next few weeks, we'll roll out a number of improvements to the Facebook profile that are going t...

Friday, February 22, 2008 at 10:31pm

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27 May 2010 - 15 Aug 2017

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Friday, February 15, 2008 at 6:30pm

[Feedback-based allocations for requests and invites](#)

Following the positive feedback we received after introducing an allocation system for notifications, we will roll out a feedback-based allocation system for requests next week. Applications will no...

Wednesday, February 13, 2008 at 5:15pm

[Facebook Platform Policy](#)

We at Facebook are committed to fostering a positive environment for Facebook Platform. As Platform has quickly grown over the past few months we've noticed that, in order to provide the best experien...

Wednesday, February 13, 2008 at 10:47am

[DataStoreAdmin](#)

After speaking at conferences and talking with developers on IRC, we've discovered that most developers are excited about our Data Store API, but are unsure of how to get started. The documentation o...

Tuesday, February 12, 2008 at 10:09am

[Feedback-based allocations reporting now available](#)

The feedback-based allocation reporting mentioned in last week's developer blog post is now available under the Insights statistics page. There are two tabs: Allocations: Shows the current number o...

Monday, February 11, 2008 at 9:19pm

[Platform Internationalization](#)

Hola! Yesterday, we announced the release of Facebook in Spanish. We are really excited to bring Facebook to a whole new set of users in their native language. In the coming months, we plan to conti...

Friday, February 8, 2008 at 2:28pm

[Feedback-based allocations for notifications](#)

To improve the Facebook Platform user experience and to reward compelling applications, we will be rolling out a feedback-based system that allots notifications in proportion to user response. Applica...

Wednesday, February 6, 2008 at 12:47am

January 2008

[Facebook Platform Marketplace](#)

Are you a ninja developer looking to work with some of the biggest brands on earth? Are you the head of marketing at one of the biggest brands on earth looking for a killer developer to take your bran...

Thursday, January 31, 2008 at 2:32pm

[Upcoming Image Cache Changes](#)

In an effort to improve how application images are served on the Facebook Platform, we will be making some changes to the application image cache. These changes should be seamless for the most part:...

Tuesday, January 29, 2008 at 12:59pm

[JavaScript Client Library for Facebook API](#)

This JavaScript client library allows you to make Facebook API calls from any web site and makes it easy to create Ajax Facebook applications. Since the library does not require any server-side code...

Friday, January 25, 2008 at 5:03pm

[Amazon Web Services for Facebook Developers](#)

Today we announce a partnership with Amazon Web Services to provide Facebook Developers with quick and easy setup on AWS' instantly scalable infrastructure. Through this partnership we have worked alo...

Friday, January 25, 2008 at 12:51am

[Changes to the Application About Page](#)

Starting tonight, we are converting Facebook Application About pages to use the Facebook Pages infrastructure and format. This change enriches application About Pages and provides additional functiona...

Wednesday, January 23, 2008 at 11:45pm

[New Batch API](#)

The batch API allows you to combine multiple individual operations into a single request. This will significantly improve your application latency and reduce traffic load on Facebook servers. We have...

Wednesday, January 23, 2008 at 10:40pm

[New Rules for News Feed](#)

As part of the user experience improvements we announced yesterday, we're changing the rules for how Feed stories can be published with the feed.publishTemplatizedAction API method. The new policy m...

Thursday, January 17, 2008 at 11:30pm

[Enhancing the User Experience](#)

Since our launch in May 2007, we've been thrilled to see so many creative uses of Facebook Platform. We're delighted by the resources developers have invested, the value they've delivered to our comm...

in your applications. FBJS enables developers to create riche...

Wednesday, January 16, 2008 at 3:38am

[Upcoming Changes to User Profiles](#)

We wanted to give you a heads up about some upcoming changes to the profile and how your application's profile boxes will work. As time has gone on, we've received increased complaints from users tha...

Thursday, January 10, 2008 at 9:55pm

[New Year. New Rules.](#)

At Facebook, we care deeply about creating technologies that facilitate the sharing of information through the social graph in new and innovative ways. With Facebook Platform, as we iterate, make chan...

Tuesday, January 1, 2008 at 6:04pm

December 2007

[Holiday Presents from Facebook Platform](#)

The Facebook Platform team is always looking for ways to make your apps more responsive and simpler to manage. With these two goals in mind, we're happy to announce several new beta features. 1) Co...

Thursday, December 27, 2007 at 12:56pm

[Changes to profile.setFBML](#)

We are changing the way profile.setFBML works to break out the profile box FBML, profile action FBML, and mobile FBML. For those using the PHP client library, you'll want to make sure you have the...

Friday, December 14, 2007 at 3:26pm

[Opening up Facebook Platform Architecture](#)

At Facebook, we've always recognized that social context is an essential part of providing a great experience for our users, and we've wanted our users to have the best social experience whether they...

Thursday, December 13, 2007 at 12:33am

[Support for external FBJS reference in FBML](#)

We added a new feature to enable referencing FBJS scripts using the "src" attribute of <script> tag on a Canvas page. This feature is useful for referencing large FBJS s...

Thursday, December 6, 2007 at 1:29pm

[Public Canvas Pages](#)

At Facebook, we're always striving to make a more open environment for developers while respecting our users' privacy. So far, we've enforced this by requiring users to sign up for Facebook before be...

Wednesday, December 5, 2007 at 2:43am

November 2007

[Canvas page position fix](#)

A while ago, we announced that we would be making a change to the canvas page to prevent applications from displaying information in the Facebook chrome, outside the canvas portion of the page. The fi...

Thursday, November 22, 2007 at 5:07pm

[News Feed Improvements](#)

As part of our ongoing improvements to News Feed, we recently made it possible for users to see stories from applications they have not added. To help us choose the stories that are most interesting t...

Wednesday, November 21, 2007 at 11:27am

[Free, Fast, and Scalable Hosting from Joyent](#)

Today at the Facebook Developer Garage Dallas, we announce a partnership with Joyent to provide free, fast, and scalable hosting to Facebook Developers. Joyent's Accelerator on-demand infrastructure...

Tuesday, November 13, 2007 at 11:02am

[Promote Your Application More Effectively](#)

We've heard from many application developers that their pre-existing user communities include people who aren't yet on Facebook. We've created special registration links which give your non-Facebook u...

Friday, November 9, 2007 at 3:54pm

[Introducing Facebook Ads](#)

Today we announce Facebook Ads. As a developer, Facebook Ads provides you with new opportunities to get greater growth for your application with Facebook Social Ads and to create an entirely new class...

Tuesday, November 6, 2007 at 12:58pm

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If you look at your applications with the Developer application, you may notice a new link for each of the applications you own. Next to the "Edit Settings" link, there is a link to "Feed Templates",...

Wednesday, October 31, 2007 at 8:17pm

[Adding feedback to Mini-Feed stories published by applications](#)

In an effort to provide users more feedback options about the stories applications publish about them, we have added a new option to the process of hiding Mini-Feed stories. For application-published...

Wednesday, October 31, 2007 at 12:07am

[Introducing Facebook Platform for Mobile](#)

At Facebook, we care deeply about the future of mobile development. And, today we are taking an open approach to giving you access to two new ways to integrate with Facebook Mobile, making it easier t...

Wednesday, October 24, 2007 at 2:58pm

[More Distribution and Visibility](#)

In an effort to continue providing new ways to distribute your applications, we're making the Application Directory and app "about" pages available to people who are not logged in. We are also enablin...

Sunday, October 21, 2007 at 2:33pm

[64 Bit.](#)

We expect Facebook Platform to scale quickly in the upcoming years, we are making some significant changes to support this and thought it would be important that you know about ahead of time. We want...

Friday, October 19, 2007 at 4:55pm

[Adding sent notifications to the Notifications page](#)

We will be making a change to the notifications page to include notifications that have been sent by the user. We are doing this so that there is more transparency to users about their application act...

Friday, October 19, 2007 at 4:08pm

[fbFund info and submission process](#)

A couple weeks ago, we announced a new program called fbFund designed to encourage developers to build innovative and engaging new applications by awarding grants to people who are building their busi...

Monday, October 15, 2007 at 9:31am

[Marketplace API](#)

A few days ago we released API methods for interacting with Marketplace. The new methods (as described on the wiki) allow applications to search marketplace by keyword, category, and user. We also a...

Monday, October 15, 2007 at 3:49am

[Standardizing the requests UI](#)

Last night we rolled out some more enhancements to the standardized FBML-based requests UI. We added a condensed multi-friend-selector which we think will be a useful alternative way of selecting use...

Thursday, October 11, 2007 at 7:59pm

[New method for publishing user actions to feed](#)

We added a new method tonight: feed.publishTemplatizedAction This new method provides a superset of the functionality of feed.publishActionOfUser, which we will eventually be deprecating. It allows...

Wednesday, October 10, 2007 at 2:00am

[Test Accounts for App Developers](#)

UPDATE 2/23/2011: See the latest test user documentation. You can now make officially sanctioned test accounts Full details are posted on the wiki here: <http://wiki.developers.facebook.com/index.php...>

Wednesday, October 3, 2007 at 3:15am

September 2007

[New Application Stats Page](#)

Tonight we launched a stats page for applications in our effort to give you guys more information about how your apps are doing. Currently, the page displays some basic information about the number of...

Wednesday, September 26, 2007 at 12:53am

[New Bug Tracking System](#)

Hey folks - we're always working to make Facebook Platform better and more stable, and we've set up a public bug tracking system on our developers site at <http://bugs.developers.facebook.com/>. Ther...

Monday, September 24, 2007 at 12:01pm

[Javascript on Facebook](#)

Today we are moving Facebook Javascript (FBJS) out of beta and into version 1.0. FBJS was built to empower you with the scripting functionality that you need to make your Facebook Platform applicatio...

Tuesday, September 18, 2007 at 1:18am

[New requests interface](#)

August 2007

[A Shift to Engagement.](#)

As we indicated earlier, today we are introducing new guidelines that will change how applications are ranked in the application directory. Currently, the focus is on total number of users, but going...

Wednesday, August 29, 2007 at 12:37am

[Change is Coming.](#)

At Facebook we're focused on making Facebook Platform a better experience for both developers and users. To that end, we're working on some changes that we're planning to roll out within the coming we...

Monday, August 27, 2007 at 6:08pm

[Misleading Notifications To Users Will Be Blocked](#)

Over the last few weeks we have noticed several developers misleading our users into clicking on links, adding applications and taking actions. While the majority of developers are doing the right th...

Thursday, August 16, 2007 at 2:31pm

[FBML 1.1](#)

Today we are making a change that has to do with both technology and the philosophy behind the Facebook Platform. One of the key parts of the success of the design of the Facebook profile is that...

Tuesday, August 14, 2007 at 9:30pm

[Upcoming Registration Feature](#)

Hey folks - We wanted to give you a heads-up that we're designing a new promotional opportunity that'll give your users who aren't on Facebook yet a streamlined way to sign up on Facebook and immediat...

Friday, August 10, 2007 at 11:49am

July 2007

[Education Application Opportunity](#)

Developers - Now is the time to build education applications on Facebook Platform! Facebook will be phasing out its Courses feature in early August, and we wanted to make sure you were the first to kn...

Wednesday, July 25, 2007 at 4:48pm

[F8 Contest Winners Announced](#)

Congratulations to Trey Philips for winning the Red Bull Flight Experience Award for most users since the Facebook Platform Launch on May 24, 2007. Trey's app Extended Info has grown to over 130,000...

Monday, July 2, 2007 at 12:38pm

June 2007

[Developer Feed and Developer Meetups](#)

It has been just over a couple of weeks since the launch of Facebook Platform, and your response has been tremendous. We are excited to see so many new developers, new ideas, and new applications comi...

Wednesday, June 13, 2007 at 3:30pm

May 2007

[Facebook at MIX07 in Las Vegas](#)

Facebook at MIX07 in Las Vegas

Tuesday, May 29, 2007 at 4:23pm

[Facebook Platform Launches](#)

The next evolution of Facebook Platform was unveiled this week at the Facebook f8 developer event at the San Francisco Design Center. With this evolution of Facebook Platform you can now build the...

Sunday, May 27, 2007 at 8:14pm

April 2007

[Facebook at Web 2.0 Expo](#)

March 2007

[Infinite Sessions](#)

To improve the user experience for your application, we've added support for session keys that don't expire. This means that users will only have to log in to Facebook once for your application. If...

Wednesday, March 21, 2007 at 1:56am

[Facebook at South By Southwest](#)

Facebook at South By Southwest

Saturday, March 10, 2007 at 1:56pm

[JSON and Other Fun Stuff](#)

Tonight we added support for JSON as an alternative output format (just pass "format=json" to any of the methods). Hopefully this will make parsing things easier for some of you. Along with this,...

Thursday, March 8, 2007 at 12:04am

February 2007

[Photo Uploads with Platform](#)

Tonight we added a photo upload suite to Platform, which for the first time allows applications to contribute content directly to Facebook. The suite consists of three new methods: photos.addTag...

Wednesday, February 28, 2007 at 12:33am

[Introducing FQL: the Facebook Query Language](#)

Last week we released a whole new version of Platform. On the surface it may look similar to the old version, but under the hood it is a totally new implementation. And, starting today you can enjoy t...

Thursday, February 22, 2007 at 12:14am

[Facebook Platform matures to version 1.0](#)

Since launching the Facebook Platform in beta, we have heard some great feedback on our features from all of you. As we mature the Facebook Platform to 1.0, we've taken your suggestions seriously and...

Thursday, February 8, 2007 at 11:03pm

January 2007

[All-New Facebook API Test Console](#)

We've built an API Test Console that allows you to interactively experiment with the methods available in the Facebook API. Now you can see the functionality the API makes available without writing a...

Thursday, January 25, 2007 at 1:45am

[Slight change to API and updated PHP5 client](#)

Tonight we fixed a bug in the API involving UTF8 encoding. Client developers are encouraged to look out for changes in the way the API sends out non-ASCII characters, and developers using a client lib...

Wednesday, January 17, 2007 at 12:35am

[Updated TOS Provisions for User Data](#)

Facebook is all about responsibly managing your information, and the Facebook Development Platform serves to extend a user's Facebook experience to any outside application, while they have an active se...

Wednesday, January 10, 2007 at 11:09am

November 2006

[Login changes and Facebook's new app!](#)

As promised, we have changed the login procedure. This change should improve your users experience and requires no modifications to existing applications. Now, if a user was already using Facebook,...

Tuesday, November 7, 2006 at 12:55am

October 2006

[New and improved login procedure](#)

We've gotten a lot of feedback about the current login procedure, and we agree that it's awkward. For applications that have their own

We added a new function, `friends.getRequests`, which gives you a list of users who have requested to be the current user's friend. Hopefully this will be useful to notifier-style applications. We als...

Tuesday, October 24, 2006 at 12:44am

September 2006

[New batch of updates](#)

We've received lots of great feedback from all of you and made some changes to the API that we hope you'll like. This round of changes includes: New fields for `users.getInfo`: `status`, `wall_count`, `note...`

Tuesday, September 26, 2006 at 1:46am

[Facebook launches Development Platform!](#)

If you're reading this post it means we've officially launched our new developer portal. This is the beta version and we've been working hard to provide you with a sweet development platform. If you n...

Monday, September 18, 2006 at 6:27pm

[Additional API method: `friends.getAppUsers`](#)

At your request, a new convenience method, `friends.getAppUsers` is now available. This helps ease the computation on the developer side, and indicates which data is available from different Facebook u...

Friday, September 15, 2006 at 12:00am

August 2006

[Minor update](#)

Bunch of small improvements for you

Friday, August 25, 2006 at 12:33am

EXHIBIT 20



Log In

Developer News



by Ming Li
November 16, 2017

Developer News

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Changes to our Developer Offerings

We're continuously evaluating how to best serve our developer community. To support this effort, we recently reviewed our product offerings to ensure our resources are focused on building and enhancing the solutions that create the most value for developers.

As a result, some products will sunset in order for us to build new products for our developer community.

These products are deprecated today, and the deprecation cycle will run for 90 days until

2/5/2018:

- **App Invites:** App Invites will no longer be supported starting with Facebook SDK version 4.28 and above. Previous versions of the SDK can still access App Invites, but starting 2/6, App Invites will no longer be supported.
- **edge.create and edge.remove JS SDK Events:** These Events will no longer be accessible. As an alternative, you can use our Webhooks and be notified every time someone likes one of your Facebook Pages.
- **Native Like Button:** The Native Like Button, designed for mobile apps, will no longer be supported starting with Facebook SDK version 4.28 and above. Previous versions of the SDK can still use the Native Like Button, but starting 2/6, the Native Like Button will no longer be supported. After 2/6, the dialogs for Native Like will no longer appear and taps on any native like button will result in no action.
- **App Links Host:** Starting today, we will be sunsetting App Links Host. For the next 90 days, GET operations will still work, but POST will no longer be supported. On 2/6, all calls to the endpoint will fail with error.
- **Comment Mirroring:** Pages that currently have Comment Mirroring enabled will continue to mirror comments for the next 90 days. Full deprecation of Comment Mirroring will conclude on 2/6/2018. Comment Mirroring is no longer available for Pages that do not have it enabled already.
- **Send Button:** As there are many other options to sharing a link, the Send button will no longer be available. Developers should use the [Share dialog](#) instead.
- **Follow Button:** With multiple options to follow a person or a Page, the Follow button has become redundant. You can use the [Like button](#) plugin as an alternative, which provides the ability to subscribe to a public profile or a Facebook Page's public updates.
- **Sharing Insights:** The Sharing Insights link and tab from Facebook Analytics will be removed on 2/6.

Starting today, we are hosting a Q&A for you to ask questions about these changes on our [Facebook Developer Community Group](#).

Show Comments

LANGUAGES

[English \(US\)](#) [Español](#) [Français \(France\)](#) [中文\(简体\)](#) [العربية](#) [Português \(Brasil\)](#) [Italiano](#) [한국어](#)
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Products

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EXHIBIT 21



Log In

Facebook Platform Policy

1. Build a quality product

1. Build an app that is stable and easily navigable. Be sure your app insights reflect a positive experience. [?](#)
2. Ensure that your app's content (including ads and user-generated content) meets our [Community Standards](#).
3. Follow our [Advertising Policies](#) for your app name, icons, and description.
4. Keep your app or bot's description and categorization up-to-date. [?](#)
5. Don't include promotional content in your app's icon (ex: don't overlay your icon image with "new", "sale", "update" or any type of notification jewel).
6. Don't confuse, deceive, defraud, mislead, spam or surprise anyone. [?](#)
7. Keep your app's negative feedback below our thresholds. [?](#)
8. Follow any instructions we include in our [technical documentation](#).

2. Give people control

1. Obtain consent from people before publishing content on their behalf. [?](#)
2. Use publishing permissions to help people share on Facebook, not to send people messages from your app. [?](#)

3. Don't prefill captions, comments, messages, or the user message parameter of posts with content a person or business didn't create, even if the person can edit or remove the content before sharing. You may use our Share Dialogs to prefill a single hashtag in a post, but don't prefill any content a person or business didn't create via the API. 
4. Provide a publicly available and easily accessible privacy policy that explains what data you are collecting and how you will use that data.
5. You may use [Account Information](#) in accordance with your privacy policy and other Facebook policies. All other data may only be used outside your app after you have obtained explicit user consent.
6. Include your privacy policy URL in the App Dashboard. 
7. Link to your privacy policy in any app store that allows you to. 
8. Comply with your privacy policy.
9. Delete all of a person's data you have received from us (including friend data) if that person asks you to, unless you are required to keep it by law, regulation, or separate agreement with us. You may keep aggregated data only if no information identifying a specific person could be inferred or created from it.
10. Obtain consent from people before using their data in any ad.
11. Obtain adequate consent from people before using any Facebook technology that allows us to collect and process data about them, including for example, our SDKs and browser pixels. When you use such technology, provide an appropriate disclosure:
 - a. That third parties, including Facebook, may use cookies, web beacons, and other storage technologies to collect or receive information from your websites, apps and elsewhere on the internet and use that information to provide measurement services, target ads and as described in our [Data Policy](#); and
 - b. How users can opt-out of the collection and use of information for ad targeting and where a user can access a mechanism for exercising such choice. 
12. In jurisdictions that require informed consent for the storing and accessing of cookies or other information on an end user's device (such as the European Union), ensure, in a

verifiable manner, that an end user provides the necessary consent before you use Facebook technologies that enable us to store and access cookies or other information on the end user's device. For suggestions on implementing consent mechanisms, visit [Facebook's Cookie Consent Guide for Sites and Apps](#).

13. Obtain consent from people before you give us information that you independently collected from them.
14. Provide meaningful customer support for your app, and make it easy for people to contact you.
15. If people come to your app from the Facebook app on iOS, give them an option to go back to the Facebook app by using the Back to Facebook banner provided in our SDK.
16. If people come to your app from the Facebook app on Android, don't prevent them from going back to Facebook when they press the system back button.

3. Protect data

1. Protect the information you receive from us against unauthorized access, use, or disclosure. For example, don't use data obtained from us to provide tools that are used for surveillance.
2. Only show data obtained from a user access token on the devices associated with that token.
3. Only use friend data (including friends list) in the person's experience in your app.
4. If you cache data you receive from us, use it to improve your app's user experience and keep it up to date. 
5. Don't proxy, request or collect Facebook usernames or passwords.
6. Keep private your secret key and access tokens. You can share them with an agent acting to operate your app if they sign a confidentiality agreement.

7. If you use any partner services, make them sign a contract to protect any information you obtained from us, limit their use of that information, and keep it confidential.
8. Keep Facebook user IDs within your control. Contract with any providers who help you build or run your app to ensure that they keep the user IDs secure and confidential and comply with our policies. If you need an anonymous unique identifier to share with third parties, use our [mechanism](#).
9. Don't sell, license, or purchase any data obtained from us or our services.
10. Don't transfer any data that you receive from us (including anonymous, aggregate, or derived data) to any ad network, data broker or other advertising or monetization-related service.
11. Don't put Facebook data in a search engine or directory, or include web search functionality on Facebook.
12. If you are acquired by or merge with a third party, you can continue to use our data only within your app.
13. If you stop using Platform, promptly delete all user data you have received from us (absent explicit consent from people). You can keep [Account Information](#) if you have presented your privacy policy within your app.
14. If you use friend data from Facebook to establish social connections in your app, only do so if each person in that connection has granted you access to that information.
15. Don't use data obtained from Facebook to make decisions about eligibility, including whether to approve or reject an application or how much interest to charge on a loan.

4. Encourage proper use

1. Add something unique to the community. Don't replicate core functionality that Facebook already provides.
2. Respect the way Facebook looks and functions. Don't offer experiences that change it.



3. If you're building an app with a personalized or social experience, enable people to easily share on Facebook content they've created.
4. Respect the limits we've placed on Facebook functionality. 
5. Only incentivize a person to log into your app, enter a promotion on your app's Page, check-in at a place, or to use Messenger to communicate with your business. Don't incentivize other actions. 
6. Encourage people to accurately tag and share content. 
7. If your service integrates a person's data into a physical product, only create a physical product for that person's personal and non-commercial use. 
8. Don't build an app whose primary purpose is to redirect people off of Facebook. 
9. If you want to use our logos or brand, follow the guidelines in the [Facebook Brand Resource and Permissions Center](#) and [Brand Guidelines for Facebook Developers](#). Ad networks and data brokers must get our written permission before using our Platform, logos, or trademarks. 
10. Don't sell, transfer or sublicense our code, APIs, or tools to anyone.
11. Only use our SDKs to develop and distribute apps or content for use with the Facebook Platform. You may also distribute any object code or sample source code included in the SDKs for inclusion in such apps.
12. Don't modify, translate, create derivative works of, or reverse engineer any SDK or its components.
13. Be honest about your relationship with Facebook when talking to the press or users. Comply with our [Developer PR Guidelines](#) and get approval from us before issuing any formal press release or blog post mentioning Facebook.
14. If you use the Like button on iOS or Android, don't collect or use any information from it.

5. Follow the law

1. You are responsible for restricting access to your content in accordance with all applicable laws and regulations, including geo-filtering or age-gating access where required.
2. Don't provide or promote content that infringes upon the rights of any third party.
3. Ensure that you own or secure all rights necessary to display, distribute and deliver all content in your app.
4. Satisfy all licensing, reporting and payout obligations to third parties in connection with your app.
5. If your app contains content submitted or provided by third parties:
 - a. In the United States, you must take all steps required to fall within the applicable safe harbors of the Digital Millennium Copyright Act including designating an agent to receive notices of claimed infringement, instituting a repeat infringer termination policy and implementing a notice and takedown process.
 - b. In other countries, you must comply with local copyright laws and implement an appropriate notice and takedown process for when you receive a notice of claimed infringement.
6. Don't knowingly share information with us that you have collected from children under the age of 13.
7. Web sites or services directed to children under 13: If you use Social Plugins or our JavaScript SDK for Facebook on sites and services that are directed to children under 13, you are responsible for complying with all applicable laws. For example, if your web site or service is directed to children in the United States, or knowingly collects personal information from children in the United States, you must comply with the U.S. Children's Online Privacy Protection Act. You must also adhere to our [usage notes](#).
8. Comply with all applicable laws and regulations in the jurisdiction where your app is available. Do not expose Facebook or people who use Facebook to harm or legal

liability as determined by us in our sole discretion.

9. If applicable, comply with the Video Privacy Protection Act (VPPA) and obtain any opt-in consent necessary to share data on Facebook.
10. You agree to indemnify and hold us harmless from and against all damages, losses, and expenses of any kind (including reasonable legal fees and costs) related to any claim against us related to your service, actions, content or information.

6. Things you should know

1. We can analyze your app, website, content, and data for any purpose, including commercial. 
2. We can monitor or collect data related to your use of SDKs.
3. We will use information we receive from you or in connection with your Platform integration in accordance with our [Data Policy](#).
4. You give us all rights necessary to enable your app to work with Facebook, including the right to incorporate information you provide to us into other parts of Facebook, and the right to attribute the source of information using your name or logos.
5. We may share your contact info with people who want to contact you.
6. We may use your name, logos, content, and information, including screenshots and video captures of your app, to demonstrate or feature your use of Facebook, worldwide and royalty-free.
7. You give us the right to link to or frame your app, and place content, including ads, around your app. If you use our social plugins, feed dialog or share button, you also give us permission to use and allow others to use such links and content on Facebook.
8. We can audit your app to ensure it is safe and does not violate our Terms. If requested, you must provide us with proof that your app complies with our terms. 

9. We can create apps or products that offer features and services similar to your app.
10. We don't guarantee that Platform will always be free.
11. If you exceed 5M MAU, 100M API calls per day, or 50M impressions per day, you may be subject to additional terms.
12. Facebook and its licensors reserve all right, title and interest, including all intellectual property and other proprietary rights, in and to all SDKs.
13. Any SDKs you receive from us are provided to you on an "as is" basis, without warranty of any kind.
14. We can issue a press release describing our relationship with you.
15. We may enforce against your app or web site if we conclude that your app violates our terms or is negatively impacting the Platform. We may or may not notify you in advance.
16. Enforcement is both automated and manual, and can include disabling your app, restricting you and your app's access to platform functionality, requiring that you delete data, terminating our agreements with you or any other action that we deem appropriate.
17. We communicate with developers through Developer Alerts and email from the fb.com or facebookmail.com domain. Ensure that the email address associated with your Facebook account and the email address registered to the app are current and that you don't filter out these messages.
18. We may change these terms at any time without prior notice. Please check them regularly. Your continued use of Platform constitutes acceptance of those changes.
19. Your use of Facebook technology is subject to this Platform Policy, our [Statement of Rights and Responsibilities](#) and any other terms that apply to the applicable technology.

7. Login

1. Verify that you have integrated Login correctly. Your app shouldn't crash or hang during the testing process.
2. Native iOS and Android apps that implement Facebook Login must use our official SDKs for login. [?](#)
3. Use a clearly branded log in button that follows the guidelines in the [Facebook Brand Resource Center](#). [?](#)
4. Request only the data and publishing permissions your app needs. [?](#)
5. If a person declines a permission, you can prompt them again after they indicate an intent to grant you the permission. [?](#)
6. Provide a "Log Out" option that functions properly and is easy to find. [?](#)

8. Ads

1. If you have ads in your app on Facebook, comply with our [Advertising Policies](#).
2. Avoid excessive ads. Don't let ads distract from your app's functionality. [?](#)
3. Don't include ads in Page Tab apps.
4. If you use a third party ad provider to include ads in your app on Facebook, only use a provider from [this list](#).
5. Don't include third-party ads (including for other apps) in posts, comments, notifications, requests, invites or messages.
6. Don't include or pair Platform Integrations with non-Facebook ads. [?](#)
7. If you run a promotion, contest, competition, or sweepstake on Facebook, comply with

our [Promotions Policies](#).

9. Games

1. Games on Facebook.com:

- a. Don't share the same app ID with a desktop web game off of Facebook.com.
- b. Don't use your Facebook.com game or email addresses you've obtained from us to promote or link to a desktop web game off of Facebook. 
- c. Use Facebook Payments as your only payment method for all in-game purchases.
- d. Use Facebook Payments offers if you reward people for actions involving third parties. 

2. Desktop web games off Facebook.com:

- a. Only use Facebook Login, social plugins, and publishing channels. Don't use connections such as friends lists. 
- b. During authentication, only request age, email, and publishing permissions.

3. Games on mobile:

- a. Don't share the same app ID with a desktop web game off of Facebook.com.
- b. Don't use your mobile game or email addresses you've obtained from us to promote or link to a web game off of Facebook.

4. Instant Games:

- a. Don't charge for any items within your game. Games must be free to play.
- b. If you want to include ads within your game, only use the Games Ads API. Don't use a third party ad provider or include any other links to content off your game.

- c. Don't build, append to, edit, influence, or augment user profiles, including profiles associated with any mobile device identifier or other unique identifier that identifies any particular user, browser, computer or device.
 - d. Don't post more than one Context Update per gameplay, without our prior permission.
5. If you want to facilitate or promote online gambling, online real money games of skill, or online lotteries, get our written permission before using any of our products.
 6. If your game includes mandatory or optional in-app charges, explain this in your app's description.

10. Payments

1. If you use Facebook Payments, comply with the [Facebook Developer Payments Terms](#).
2. Don't use Facebook Payments to solicit, collect or transfer funds for charitable causes without our prior permission.
3. If you're using iOS to run your app, use an iOS approved payment method.
4. If you accept payments on Facebook, only do so in your app. 

11. App Center

1. Apps eligible for Facebook App Center must be games that use Facebook Login or games on Facebook.com.
2. App Detail and Description:
 - a. Ensure the app's name and information are grammatically correct. 

- b. Ensure the app's language matches the App Center locale. [?](#)
- c. Don't include URLs or use the Facebook brand. [?](#)
- d. Don't include keyword lists, excessive punctuation, or non-standard symbols. [?](#)

3. All Images:

- a. Use high quality, relevant images that reflect the app experience. [?](#)
- b. Keep any image text concise. Don't obstruct images with text. [?](#)
- c. Don't include ads, URLs or gimmicks such as Play buttons. [?](#)

4. Icons:

- a. Use a transparent or colored background. If your icon requires a white background, use a colored border. [?](#)
- b. If your logo has a drop shadow, use a colored background. [?](#)

5. Banners:

- a. Don't include rounded edges or borders. [?](#)
- b. Don't include third party logos.

6. Videos:

- a. Display the app's name. [?](#)
- b. Clearly represent the purpose of the app and show accurate, relevant in-app experiences.
- c. Keep your video high-quality and high-resolution. [?](#)
- d. Your video and its video cover image should be clear and recognizable. Don't include ads.

12. Open Graph

1. Open Graph Custom Actions:

- a. Don't recreate actions that are already supported.
- b. Write the action and object in a clear and simple way. [?](#)
- c. Make sure the story is grammatically correct. [?](#)
- d. Use English for your submission. [?](#)
- e. Don't indicate a person's consumption, browsing, discovering, or viewing of content. [?](#)
- f. Don't indicate a person has installed, visited, or connected to your app. [?](#)

2. Read and Watch Actions:

- a. Publish actions only after a person has been on a page for more than 10 seconds.
- b. Allow people to remove stories published to Facebook on the same page where the content is hosted. [?](#)

13. Social Plugins

1. Don't include or pair Platform Integrations with non-Facebook advertisements. [?](#)
2. Don't sell or purchase placement of social plugins or sharer.php.
3. Don't participate in any "like" or "share" exchange programs.
4. Don't obscure or cover elements of social plugins.
5. Additional policies for the Quotes Plugin:

- a. Don't prefill quotes with content a person didn't select, even if the person can edit or remove the content before sharing.
- b. The quotes plugin is intended to help people select their own quote to share. Use the app-defined quotes parameter if you want to suggest quotes for people to share.
- c. If you use the app-defined quotes parameter, the suggested quote must not contain URLs, ads, third party branded content or any other promotional content of any kind.
- d. Game apps must not use the quotes plugin.

14. Marketing API

1. Basic and Standard Ads API access may be downgraded to Development access after 30 days of non-use.
2. Don't use the Ads API if you're an ad network or data broker.
3. Don't promote content, services, or activities contrary to our competitive position, interests, or advertising philosophy.
4. Don't provide [Partner Category](#) targeting options that differ from those offered by Facebook. 
5. Don't combine multiple end-advertisers or their Facebook connections (i.e. Pages) in the same ad account.
6. Free or trial versions of an ads API app:
 - a. Don't allow more than 50 ad creations a day per customer.
 - b. Require phone or email verification on new accounts.
 - c. Don't allow affiliate networks to use your technology.
7. Pricing transparency:

- a. Only charge fees for the use of your tools and managed services with a fixed fee or variable percentage of ad spend.
- b. Proactively disclose to end advertisers the amount that you spent on Facebook advertising, using Facebook metrics (e.g., CPC, CPM rate), separate from your fees.
- c. Disclose the amount you charged as fees on Facebook advertising.
- d. We may disclose fees or the amount you spent on Facebook advertising to your clients if they request it.
- e. We may require documentation from you to ensure your compliance with these terms.
- f. Don't sell ads on a fixed CPM or CPC basis when using the Facebook advertising auction.

8. Data Collection and Use:

- a. If you have Standard Ads API access and our prior written permission, you can place 1x1 pixel view tags on advertisements.
- b. Ensure that any data that is collected is anonymous.
- c. Only use data from an end-advertiser's campaign to optimize or measure the performance of that end-advertiser's Facebook campaign.
- d. Don't use data to retarget on or off of Facebook.
- e. Don't mix data obtained from us with advertising campaigns on different platforms (without our written permission).
- f. Don't use data to build or augment any user profiles.
- g. Don't use piggybacking or redirects.
- h. Don't let people other than those acting on an end-advertiser's behalf access Facebook ad statistics.

9. Implement all bidding types including Optimized CPM.
10. Custom Audiences:
 - a. If you use custom audiences, comply with the [Custom Audience Terms](#).
 - b. Only use a client's data when creating custom audiences on their behalf.
 - c. Only use a Facebook User ID to create custom audiences when the person whose User ID is being used has logged into the client's app and has given the necessary consent.
 - d. Don't sell or transfer custom audiences.
11. Revoke an end-advertiser's access to your app if we request it.
12. Lead Ads:
 - a. Only use a client's Lead Ads Data on behalf of that client.
 - b. Don't combine Lead Ads Data from one client with Lead Ads Data from another client.
13. Ensure that people agree to Facebook's [Statement of Rights and Responsibilities](#), including the [Advertising Policies](#).

15. Pages API and Features

1. Pages API
 - a. Don't charge a fee for creating, claiming, or managing a Page.
 - b. Before enabling people to create a Page, first provide a means for them to claim an existing Place to prevent Page duplication.
 - c. Ensure that people agree to Facebook's [Statement of Rights and Responsibilities](#),

including the [Advertising Policies](#).

d. Don't create or claim a Page on behalf of people without their consent.

e. Don't prevent people from gaining access to any Page you create or manage on their behalf.

f. Don't disclose administrators of a Page to third parties without the administrator's consent.

2. Pages Features: For all Platform features (ex: APIs) you use in connection with Pages, comply with the following:

a. Don't charge a fee for using the Platform feature (or related Facebook Services). This policy does not prohibit you from charging for any of your other products and services unrelated to use of the Platform feature (or related Facebook Services).

b. Ensure that your agreement with the Page entity does not conflict with, and don't facilitate or encourage violations of, these Platform Policies, the [Statement of Rights and Responsibilities](#) and, if applicable, the [Instagram Terms of Use](#).

c. Don't publish to an entity's Page without their consent.

d. We may remove items you publish to an entity's Page in our sole discretion.

e. Ensure you have the authority to use the Platform feature (or related Facebook Services) on the entity's behalf.

f. Don't combine multiple entities or their Facebook Pages in the same account.

g. Revoke an entity's access to the Platform feature (or related Facebook Services) if we request it.

h. You grant us and our affiliates a non-exclusive, transferable, sub-licensable, royalty-free, worldwide license to use any data, content, and other information made available by you or on your behalf in connection with the Platform feature. This license survives even if you stop using the Platform feature. You are responsible for obtaining the necessary rights from all applicable rights holders to grant this license. Any API made available by you or on your behalf in connection with the Platform feature is deemed

part of your App.

i. Data Collection and Use: If you are using the Platform feature (or related Facebook Services) on an entity's behalf, comply with the following:

i.a. Only use an entity's data on behalf of the entity (i.e., only to provide services to that entity and not for your own business purposes).

i.b. Don't use an entity's data to build or augment user profiles.

i.c. Don't use an entity's data to retarget on or off of Facebook, use piggybacking or redirects, or combine an entity's data with data from another entity.

i.d. Don't let people other than those acting on an entity's behalf (ex: its employees or service providers) access the entity's data.

i.e. Delete all of an entity's data you have received from us if that entity asks you to or if you stop providing services for that entity, unless you are required to keep it by law, regulation, or separate agreement with us.

16. Messenger Platform

1. Follow any instructions we include in our [technical documentation](#).

2. Ensure your bot is stable and functions properly.

3. User authentication and opt-out:

a. Place any user authentication method in a clear and conspicuous location to ensure people consent to initiating message threads.

b. Don't contact people in Messenger unless you, or the party to whom you are operating as a service provider, have the necessary consent to do so.

c. Messenger Opt-out: respect all requests (either on Messenger or off) by people to block, discontinue, or otherwise opt-out of your using Messenger to communicate with

them.

4. Messenger Plugins:

- a. Don't obscure, cover or hide elements of our plugins.
- b. Ensure the Checkbox plugin is placed in close proximity to the button (ex: "purchase", "submit", "confirm") that a person must click on prior to you sending a MessengerCheckboxUserConfirmation event (i.e., don't send the event until after a person clicks on the button or takes an equivalent affirmative action (ex: submit form)).

5. Service Providers:

- a. Ensure your agreements with businesses do not conflict with, and that businesses agree to, Facebook's [Statement of Rights and Responsibilities](#), including these [Platform Policies](#).
- b. Ensure you have the authority to act as agent for the business to which you're providing a service, and that your use of our Platform is strictly for the benefit of that business.
- c. Don't facilitate or encourage any violations of our policies. For example, if you have permission to support businesses that are eligible for Subscriptions, ensure you don't provide Subscriptions to ineligible services (see details below).

6. Your app should not receive excessive negative feedback. Be sure your app insights reflect a positive experience. 

7. Maintain a Facebook Page that provides customer support contact information, including your mailing address and one or more of the following: email address, web address, or telephone number.

8. Messages and Data:

1. Acceptable message types:

- a. After people interact with your business or Bot: You may message people within 24 hours of a person's interaction with your business or Bot (ex: messaging your Bot or interacting with a Messenger plugin on your website).

Except as permitted below, and until the next interaction, you may send one additional message after this 24 hour period in order to follow up on your conversation. 

b. Message [Templates](#) and [Tags](#): Only approved message templates and tags may be sent outside of the 24 hour period. Don't use a message template or tag for a purpose other than its intended purpose.

c. Subscription-based messaging:

i. Bots that primarily support the following use cases are eligible for subscription-based messaging, and these messages may be sent at any time provided people opt-in to receiving this content:

1. News: Bots that inform people about recent or important events or information in categories such as sports, finance, business, real estate, weather, traffic, politics, government, non-profit organizations, religion, celebrities and entertainment.
2. Personal trackers: Bots that enable people to receive and monitor information about themselves in categories such as fitness, health, wellness, and finance.
3. Productivity: Bots that enable people to manage their personal productivity with tasks such as managing calendar events, receiving reminders, and paying bills. 

ii. Subscriptions messages may not be used for sending advertising, marketing, solicitations, or promotional content, even if a person opts-in to receiving this content (ex: daily deals, coupons and discount or sale announcements are not permitted). 

2. Data: Don't use any data obtained from us about the people you reach in Messenger, other than the content of message threads, for any purpose other than as reasonably necessary to support the message types you elect to use.

3. Healthcare: Don't use Messenger to facilitate direct conversations between people and healthcare providers or to send or collect any patient data obtained from healthcare providers.

4. Disclosures: Ensure that you provide all necessary disclosures to people using Messenger, such as any disclosures needed to indicate the sponsored or advertising nature of content you send.

5. Offers and Payments:

a. Don't share or ask people to share individual payment card, financial account numbers or other cardholder data within messages. 

b. Don't include links to sites off Messenger where payment information is collected, without our prior [permission](#).

c. If you have permission to offer or complete sales of goods or services within Messenger, adhere to the [Facebook Commerce Product Merchant Agreement](#).

d. Don't use Messenger Platform to sell digital goods.

9. Things You Should Know:

a. We may limit or remove your access to Messenger if you receive large amounts of negative feedback or violate our policies, as determined by us in our sole discretion.

17. Messenger Expression

1. General Policies

1. Ensure you comply with all applicable Platform Policies. 

2. Follow our [technical documentation](#).

3. Follow our [Brand Guidelines](#) if you want to use our logos or brand.

4. Don't obscure or cover selected content in the share sheet. 

5. Allow people to immediately select or create content without interruption. Don't disrupt them with other information before they share. 

6. Notify people up front before allowing them to engage with paid content. ?
7. Don't include ads in content you send to Messenger. ?
8. Your logo and app name may only appear in the space we provide. ?
9. Don't use Messenger as an app invite channel. Facilitate real time conversations that inspire people to respond with content from your app. ?
10. Don't charge for most of the content in your app. Ensure your app contains free shareable content. ?
11. If you exceed 400K impressions per day, you may be subject to additional terms.

2. Additional Policies for Optimized and Featured Apps

1. Your app must not replicate core [Facebook](#) features or functionality, and must not promote your other apps that do so. ?
2. Your app must be free to install.
3. If your paid content is available in multiple apps, ensure it is offered for Messenger at the lowest price available.
4. If people come to your app from Messenger, ensure your app's primary share experience is to Messenger.
5. Don't send unengaging or long form content. Ensure your app only sends unique user generated content or engaging aggregated content to Messenger. Facilitate real time conversations that inspire people to respond to Messenger with content from your app. ?
6. Ensure your call-to-action links to the same app that generated the content. ?
7. When linking to your app from Messenger, you can present people with paid content so long as free shareable content is clearly available on the landing page. ?
8. Implement [App Events](#) in your app, including activateApp and purchase events if

your app offers in-app purchases. 

9. Optimized and featured functionality, including the availability of calls-to-action on content and in-Messenger discovery, is made available within our sole discretion and can be removed at any time.

18. Account Kit

1. Don't obscure any elements of the Account Kit user interface, and don't modify any element except where expressly permitted by our technical documentation.
2. If people log in with email addresses or phone numbers, your use of that data is subject to your privacy policy and any applicable law or regulation.
3. If you exceed 100K SMSs per month, you may be subject to additional terms.
4. If a person that logged in with an email address or phone number deletes their account or requests that such account be deleted, ensure that you notify us via the delete API.
5. If we remove your access to the Account Kit service, you have 30 days to request any account data that people provided through the Account Kit service as well as any data you've stored with us through the Preferences API. We will provide you with this information unless otherwise prohibited by law.

19. Live API

1. Don't build apps that enable publishers to simultaneously stream to Facebook and other online streaming services.
2. Don't use the API to stream directly from a mobile phone or tablet camera to Facebook.
3. Ensure any pre-recorded content is clearly distinguishable from live content.

4. Don't use the API to publish looping videos; static, animated, or looping images; or to live-stream polls associated with unmoving or ambient broadcasts.
5. If you enable people to publish Live Video to Facebook, remind them of their obligation to not include third party ads in their video content and to clearly distinguish any pre-recorded content from live content.

20. Profile Expression Kit

1. Don't include ads or commercial content, such as logos and watermarks, in profile photos or videos.
2. Don't include slideshows in profile photos or videos.
3. Don't encourage people to upload profile photos or videos that they aren't depicted in.
4. Only apps that have a primary purpose of creating and editing photos or videos may use the Profile Expression Kit.

21. Camera Platform

1. Don't make any changes to your effect after it has been approved. If you want to make any changes to your effect you must submit a new or improved effect for our review.
2. Ensure you comply with the [Camera Effects Platform Policies](#).

22. CrowdTangle API

1. Don't share your access credentials outside of your organization.
2. We may limit or remove your access to the API if your memory, data, or CPU usage is

excessive, as determined by us in our sole discretion.

3. Don't have front-end widgets call our API directly. Front-end widgets should use cached data collected through the API.
4. Don't use data to build or augment any user profiles.
5. Display the CrowdTangle logo in any integration and note CrowdTangle in any public facing description or announcement of the integration.

23. Jobs Platform

1. Follow any instructions we include in our Jobs Platform [technical documentation](#).
2. Comply with these Platform Policies, with particular attention to the Pages Features section of the [Page API and Features](#) policies.
3. Ensure you implement the Facebook Pixel in accordance with our technical documentation, and that your use of our Facebook Pixel is subject to and complies with our [Terms For Conversion Tracking, Custom Audiences From Your Website, and Custom Audiences From Your Mobile App](#).
4. Ensure that job listings and your use of the Jobs Platform (including your use of data received via a job listing) comply with our [Pages Terms](#).
5. If your App displays job applications obtained from Facebook, ensure you display "Applied on Facebook" in connection with such job applications.

Definitions

1. "App" means any technical integration we have assigned an app identification number.
2. "Account Information" consists of: name, email, gender, birthday, current city and

profile picture URL.

3. "Marketing API" includes all Graph APIs related to advertising, and all Real Time APIs related to advertising, including but not limited to: all Lead Ads Data coming through the Graph API or Real Time Updates.
4. "User data" means any data, including a person's content or information that you or third parties obtain from or through Facebook.
5. "SDK" means any object code, source code, or documentation you receive from us that helps you create apps or content for use with the Facebook Platform.
6. By "Facebook" or "Facebook Services" we mean the features and services we make available, including through (a) our website at www.facebook.com and any other Facebook branded or co-branded websites (including sub-domains, international versions, widgets, and mobile versions); (b) our Platform; (c) social plugins such as the Like button, the Share button and other similar offerings; and (d) other media, brands, products, services, software (such as a toolbar), devices, or networks now existing or later developed. Facebook reserves the right to designate, in its sole discretion, that certain of our brands, products, or services are governed by separate terms and not [our SRR](#).

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EXHIBIT 22

[Sign Up](#)

[Join or Log Into Facebook](#)

Important Message from Facebook's White Hat Program

June 21, 2013 at 1:50pm

At Facebook, we take people's privacy seriously, and we strive to protect people's information to the very best of our ability. We implement many safeguards, hire the brightest engineers and train them to ensure we have only high-quality code behind the scenes of your Facebook experiences. We even have teams that focus exclusively on preventing and fixing privacy-related technical issues before they affect you.

Even with a strong team, no company can ensure 100% prevention of bugs, and in rare cases we don't discover a problem until it has already affected a person's account. This is one of the reasons we also have a [White Hat program](#) to collaborate with external security researchers and help us ensure that we maintain the highest security standards for our users.

We recently received a report to our White Hat program regarding a bug that may have allowed some of a person's contact information (email or phone number) to be accessed by people who either had some contact information about that person or some connection to them.

Describing what caused the bug can get pretty technical, but we want to explain how it happened. When people upload their contact lists or address books to Facebook, we try to match that data with the contact information of other people on Facebook in order to generate friend recommendations. For example, we don't want to recommend that people invite contacts to join Facebook if those contacts are already on Facebook; instead, we want to recommend that they invite those contacts to be their friends on Facebook.

Because of the bug, some of the information used to make friend recommendations and reduce the number of invitations we send was inadvertently stored in association with people's contact information as part of their account on Facebook. As a result, if a person went to download an archive of their Facebook account through our Download Your Information (DYI) tool, they may have been provided with additional email addresses or telephone numbers for their contacts or people with whom they have some connection. This contact information was provided by other people on Facebook and was not necessarily accurate, but was inadvertently included with the contacts of the person using the DYI tool.

After review and confirmation of the bug by our security team, we immediately disabled the DYI tool to fix the problem and were able to turn the tool back on the next day once we were satisfied that the problem had been fixed.

We've concluded that approximately 6 million Facebook users had email addresses or telephone numbers shared. There were other email addresses or telephone numbers included in the downloads, but they were not connected to any Facebook users or even names of individuals. For almost all of the email addresses or telephone numbers impacted, each individual email address or telephone number was only included in a download once or twice. This means, in almost all cases, an email address or telephone number was only exposed to one person. Additionally, no other types of personal or financial information were included and only people on Facebook – not developers or advertisers – have access to the DYI tool.

We currently have no evidence that this bug has been exploited maliciously and we have not received complaints from users or seen anomalous behavior on the tool or site to suggest wrongdoing. Although the practical impact of this bug is likely to be minimal since any email address or phone number that was shared was shared with people who already had some of that contact information anyway, or who had some connection to one another, it's still something we're upset and embarrassed by, and we'll work doubly hard to make sure nothing like this happens again. Your trust is the most important asset we have, and we are committed to improving our safety procedures and keeping your information safe and



Facebook Security

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secure.

We have already notified our regulators in the US, Canada and Europe, and we are in the process of notifying affected users via email.

We appreciate the security researcher's report to our White Hat program, and have paid out a bug bounty to thank him for his efforts.

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EXHIBIT 23



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March 19, 2018

Pursuing Forensic Audits to Investigate Cambridge Analytica Claims

Update on March 19, 2018, 3:25 PM PT: Independent forensic auditors from Stroz Friedberg were on site at Cambridge Analytica’s London office this evening. At the request of the UK Information Commissioner’s Office, which has announced it is pursuing a warrant to conduct its own on-site investigation, the Stroz Friedberg auditors stood down.

Originally published March 19, 2018, 11:40 AM PT: We have hired a digital forensics firm, Stroz Friedberg, to conduct a comprehensive audit of Cambridge Analytica. Cambridge Analytica has agreed to comply and afford the firm complete access to their servers and systems. We have approached the other parties involved — Christopher Wylie and Aleksandr Kogan — and asked them to submit to an audit as well. Mr. Kogan has given his verbal agreement to do so. Mr. Wylie thus far has declined.

This is part of a comprehensive internal and external review that we are conducting to determine the accuracy of the claims that the Facebook data in question still exists. This is data Cambridge Analytica, SCL, Mr. Wylie, and Mr. Kogan certified to Facebook had been destroyed. If this data still exists, it would be a grave violation of Facebook’s policies and

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an unacceptable violation of trust and the commitments these groups made.

We are moving aggressively to determine the accuracy of these claims. We remain committed to vigorously enforcing our policies to protect people's information. We also want to be clear that today when developers create apps that ask for certain information from people, we conduct a robust review to identify potential policy violations and to assess whether the app has a legitimate use for the data. We actually reject a significant number of apps through this process. Kogan's app would not be permitted access to detailed friends' data today.

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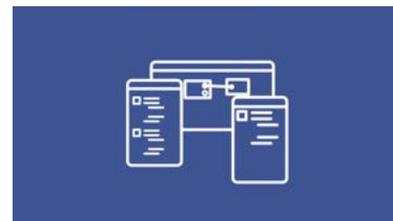
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April 10, 2018

Facebook is launching the Data Abuse Bounty to reward people who report any misuse of data by app developers.

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EXHIBIT 24



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Investor Relations

March 16, 2018

Suspending Cambridge Analytica and SCL Group from Facebook

By *Paul Grewal, VP & Deputy General Counsel*

Update on March 17, 2018, 9:50 AM PT: The claim that this is a data breach is completely false. Aleksandr Kogan requested and gained access to information from users who chose to sign up to his app, and everyone involved gave their consent. People knowingly provided their information, no systems were infiltrated, and no passwords or sensitive pieces of information were stolen or hacked.

Originally published on March 16, 2018:

We are suspending Strategic Communication Laboratories (SCL), including their political data analytics firm, Cambridge Analytica, from Facebook. Given the public prominence of this organization, we want to take a moment to explain how we came to this decision and why.

We Maintain Strict Standards and Policies

Protecting people’s information is at the heart of everything we do, and we require the same from people who operate apps on Facebook. In 2015, we learned that a psychology professor at the University of Cambridge named Dr. Aleksandr Kogan lied to us and violated our [Platform Policies](#)

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by passing data from an app that was using Facebook Login to SCL/Cambridge Analytica, a firm that does political, government and military work around the globe. He also passed that data to Christopher Wylie of Eunoia Technologies, Inc.

Like all app developers, Kogan requested and gained access to information from people after they chose to download his app. His app, “thisisyourdigitallife,” offered a personality prediction, and billed itself on Facebook as “a research app used by psychologists.” Approximately 270,000 people downloaded the app. In so doing, they gave their consent for Kogan to access information such as the city they set on their profile, or content they had liked, as well as more limited information about friends who had their privacy settings set to allow it.

Although Kogan gained access to this information in a legitimate way and through the proper channels that governed all developers on Facebook at that time, he did not subsequently abide by our rules. By passing information on to a third party, including SCL/Cambridge Analytica and Christopher Wylie of Eunoia Technologies, he violated our platform policies. When we learned of this violation in 2015, we removed his app from Facebook and demanded certifications from Kogan and all parties he had given data to that the information had been destroyed. Cambridge Analytica, Kogan and Wylie all certified to us that they destroyed the data.

Breaking the Rules Leads to Suspension

Several days ago, we received reports that, contrary to the certifications we were given, not all data was deleted. We are moving aggressively to determine the accuracy of these claims. If true, this is another unacceptable violation of trust and the commitments they made. We are suspending SCL/Cambridge Analytica, Wylie and Kogan from Facebook, pending further information.

2008

2007

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Hard Questions: What Data Does Facebook Collect When I’m Not Using Facebook, and Why?

April 16, 2018

Explaining more about the information we get from other websites and apps; how we use the data they send...

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Data Abuse Bounty: Facebook Now Rewards for Reports of Data Abuse

April 10, 2018

Facebook is launching the Data Abuse Bounty to reward people who report any misuse of data by app developers.

[Read more](#)

We are committed to vigorously enforcing our policies to protect people's information. We will take whatever steps are required to see that this happens. We will take legal action if necessary to hold them responsible and accountable for any unlawful behavior.

How Things Have Changed

We are constantly working to improve the safety and experience of everyone on Facebook. In the past five years, we have made significant improvements in our ability to detect and prevent violations by app developers. Now all apps requesting detailed user information go through our [App Review process](#), which requires developers to justify the data they're looking to collect and how they're going to use it – before they're allowed to even ask people for it.

In 2014, after hearing feedback from the Facebook community, we made an update to ensure that each person decides what information they want to share about themselves, including their friend list. This is just one of the many ways we give people the tools to [control their experience](#). Before you decide to use an app, you can review the permissions the developer is requesting and choose which information to share. You can [manage or revoke](#) those permissions at any time.

On an ongoing basis, we also do a variety of manual and automated checks to ensure compliance with our policies and a positive experience for users. These include steps such as random audits of existing apps along with the regular and proactive monitoring of the fastest growing apps.

We enforce our policies in a variety of ways — from working with developers to fix the problem, to suspending developers from our platform, to pursuing litigation.

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EXHIBIT 25

Email or Phone

Password

Sign Up

Log In

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Mark Zuckerberg

March 21 · Menlo Park, CA ·

I want to share an update on the Cambridge Analytica situation -- including the steps we've already taken and our next steps to address this important issue.

We have a responsibility to protect your data, and if we can't then we don't deserve to serve you. I've been working to understand exactly what happened and how to make sure this doesn't happen again. The good news is that the most important actions to prevent this from happening again today we have already taken years ago. But we also made mistakes, there's more to do, and we need to step up and do it.

Here's a timeline of the events:

In 2007, we launched the Facebook Platform with the vision that more apps should be social. Your calendar should be able to show your friends' birthdays, your maps should show where your friends live, and your address book should show their pictures. To do this, we enabled people to log into apps and share who their friends were and some information about them.

In 2013, a Cambridge University researcher named Aleksandr Kogan created a personality quiz app. It was installed by around 300,000 people who shared their data as well as some of their friends' data. Given the way our platform worked at the time this meant Kogan was able to access tens of millions of their friends' data.

In 2014, to prevent abusive apps, we announced that we were changing the entire platform to dramatically limit the data apps could access. Most importantly, apps like Kogan's could no longer ask for data about a person's friends unless their friends had also authorized the app. We also required developers to get approval from us before they could request any sensitive data from people. These actions would prevent any app like Kogan's from being able to access so much data today.

In 2015, we learned from journalists at The Guardian that Kogan had shared data from his app with Cambridge Analytica. It is against our policies for developers to share data without people's consent, so we immediately banned Kogan's app from our platform, and demanded that Kogan and Cambridge Analytica formally certify that they had deleted all improperly acquired data. They provided these certifications.

Last week, we learned from The Guardian, The New York Times and Channel 4 that Cambridge Analytica may not have deleted the data as they had certified. We immediately banned them from using any of our services. Cambridge Analytica claims they have already deleted the data and has agreed to a forensic audit by a firm we hired to confirm this. We're also working with regulators as they investigate what happened.

This was a breach of trust between Kogan, Cambridge Analytica and Facebook. But it was also a breach of trust between Facebook and the people who share their data with us and expect us to protect it. We need to fix that.

In this case, we already took the most important steps a few years ago in 2014 to prevent bad actors from accessing people's information in this way. But there's more we need to do and I'll outline those steps here:

First, we will investigate all apps that had access to large amounts of information before we changed our platform to dramatically reduce data access in 2014, and we will conduct a full audit of any app with suspicious activity. We will ban any developer from our platform that does not agree to a thorough audit. And if we find developers that misused personally identifiable information, we will ban them and tell everyone affected by those apps. That includes people whose data Kogan misused here as well.

Second, we will restrict developers' data access even further to prevent other kinds of abuse. For example, we will remove developers' access to your data if you haven't used their app in 3 months. We will reduce the data you give an app when you sign in -- to only your name, profile photo, and email address. We'll require developers to not only get approval but also sign a contract in order to ask anyone for access to their posts or other

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› share in the next few days.
which apps you've allowed to
show everyone a tool at the top
d and an easy way to revoke
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EXHIBIT 26

Email or Phone

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Sign Up

Log In

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Sheryl Sandberg shared [Mark Zuckerberg's post](#).

March 21 ·

Sharing Mark's post addressing the Cambridge Analytica news. As he said, we know that this was a major violation of people's trust, and I deeply regret that we didn't do enough to deal with it. We have a responsibility to protect your data - and if we can't, then we don't deserve to serve you.

We've spent the past few days working to get a fuller picture so we can stop this from happening again. Here are the steps we're taking. We're investigating all apps that had access to large amounts of information before we changed our platform in 2014 to dramatically reduce data access. And if we find that developers misused personally identifiable information, we'll ban them from our platform and we'll tell the people who were affected.

We're also taking steps to reduce the data you give an app when you use Facebook login to your name, profile photo, and email address. And we'll make it easier for you to understand which apps you've allowed to access your data.

You deserve to have your information protected - and we'll keep working to make sure you feel safe on Facebook. Your trust is at the core of our service. We know that and we will work to earn it.



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March 21 · Menlo Park, CA ·

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Here's a timeline of the events:

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e our community safer for everyone

n our mission and work to build this
I these issues than we'd like, but I
tter service over the long term.

EXHIBIT 27



March 21, 2018

Cracking Down on Platform Abuse

Protecting people’s information is the most important thing we do at Facebook. What happened with Cambridge Analytica was a breach of Facebook’s trust. More importantly, it was a breach of the trust people place in Facebook to protect their data when they share it. As Mark Zuckerberg [explained in his post](#), we are announcing some important steps for the future of our platform. These steps involve taking action on potential past abuse and putting stronger protections in place to prevent future abuse.

People use Facebook to connect with friends and others using all kinds of apps. Facebook’s platform helped make apps social — so your calendar could show your friends’ birthdays, for instance. To do this, we allowed people to log into apps and share who their friends were and some information about them.

As people used the Facebook platform in new ways, we strengthened the rules. We required that developers get people’s permission before they access the data needed to run their apps – for instance, a photo sharing app has to get specific permission from you to access your photos. Over the years we’ve introduced more guardrails, including in 2014, when we began [reviewing](#) apps that request certain data before they could launch, and introducing more granular controls for people to decide what information to share with

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- [2009](#)

apps. These actions would prevent any app like Aleksandr Kogan's from being able to access so much data today.

Even with these changes, we've seen abuse of our platform and the misuse of people's data, and we know we need to do more. We have a responsibility to everyone who uses Facebook to make sure their privacy is protected. That's why we're making changes to prevent abuse. We're going to set a higher standard for how developers build on Facebook, what people should expect from them, and, most importantly, from us. We will:

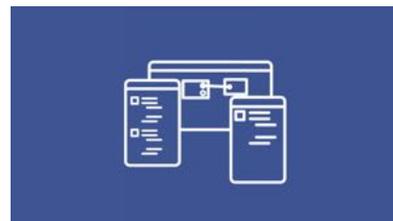
1. **Review our platform.** We will investigate all apps that had access to large amounts of information before we changed our platform in 2014 to reduce data access, and we will conduct a full audit of any app with suspicious activity. If we find developers that misused personally identifiable information, we will ban them from our platform.
2. **Tell people about data misuse.** We will tell people affected by apps that have misused their data. This includes building a way for people to know if their data might have been accessed via "thisisyourdigitallife." Moving forward, if we remove an app for misusing data, we will tell everyone who used it.
3. **Turn off access for unused apps.** If someone hasn't used an app within the last three months, we will turn off the app's access to their information.
4. **Restrict Facebook Login data.** We are changing Login, so that in the next version, we will reduce the data that an app can request without app review to include only name, profile photo and email address. Requesting any other data will require our approval.
5. **Encourage people to manage the apps they use.** We already show people what apps their accounts are connected to and control what data they've permitted those apps to use. Going forward, we're going to make these choices more prominent and easier to manage.
6. **Reward people who find vulnerabilities.** In the coming

2008

2007

2006

Featured News



Hard Questions: What Data Does Facebook Collect When I'm Not Using Facebook, and Why?

April 16, 2018

Explaining more about the information we get from other websites and apps; how we use the data they send...

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Data Abuse Bounty: Facebook Now Rewards for Reports of Data Abuse

April 10, 2018

Facebook is launching the Data Abuse Bounty to reward people who report any misuse of data by app developers.

[Read more](#)

weeks we will expand Facebook’s [bug bounty program](#) so that people can also report to us if they find misuses of data by app developers.

There’s more work to do, and we’ll be sharing details in the coming weeks about additional steps we’re taking to put people more in control of their data. Some of these updates were already in the works, and some are related to new data protection laws coming into effect in the EU. This week’s events have accelerated our efforts, and these changes will be the first of many we plan to roll out to protect people’s information and make our platform safer.

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EXHIBIT 28



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

Facebook Settles FTC Charges That It Deceived Consumers By Failing To Keep Privacy Promises

Share This Page

FOR RELEASE

November 29, 2011

TAGS: [deceptive/misleading conduct](#) | [Technology](#) | [Bureau of Consumer Protection](#) | [Consumer Protection](#) | [Privacy and Security](#) | [Consumer Privacy](#)

The social networking service Facebook has agreed to settle Federal Trade Commission charges that it deceived consumers by telling them they could keep their information on Facebook private, and then repeatedly allowing it to be shared and made public. The [proposed settlement](#) requires Facebook to take several steps to make sure it lives up to its promises in the future, including giving consumers clear and prominent notice and obtaining consumers' express consent before their information is shared beyond the privacy settings they have established.

The FTC's eight-count [complaint against Facebook](#) is part of the agency's ongoing effort to make sure companies live up to the privacy promises they make to American consumers. It charges that the claims that Facebook made were unfair and deceptive, and violated federal law.

"Facebook is obligated to keep the promises about privacy that it makes to its hundreds of millions of users," said Jon Leibowitz, Chairman of the FTC. "Facebook's innovation does not have to come at the expense of consumer privacy. The FTC action will ensure it will not."

The FTC complaint lists a number of instances in which Facebook allegedly made promises that it did not keep:

- In December 2009, Facebook changed its website so certain information that users may have designated as private – such as their Friends List – was made public. They didn't warn users that this change was coming, or get their approval in advance.
- Facebook represented that third-party apps that users' installed would have access only to user information that they needed to operate. In fact, the apps could access nearly all of users' personal data – data the apps didn't need.
- Facebook told users they could restrict sharing of data to limited audiences – for example with "Friends Only." In fact, selecting "Friends Only" did not prevent their information from being shared with third-party applications their friends used.

- Facebook had a "Verified Apps" program & claimed it certified the security of participating apps. It didn't.
- Facebook promised users that it would not share their personal information with advertisers. It did.
- Facebook claimed that when users deactivated or deleted their accounts, their photos and videos would be inaccessible. But Facebook allowed access to the content, even after users had deactivated or deleted their accounts.
- Facebook claimed that it complied with the U.S.- EU Safe Harbor Framework that governs data transfer between the U.S. and the European Union. It didn't.

The proposed settlement bars Facebook from making any further deceptive privacy claims, requires that the company get consumers' approval before it changes the way it shares their data, and requires that it obtain periodic assessments of its privacy practices by independent, third-party auditors for the next 20 years.

Specifically, under the proposed settlement, Facebook is:

- barred from making misrepresentations about the privacy or security of consumers' personal information;
- required to obtain consumers' affirmative express consent before enacting changes that override their privacy preferences;
- required to prevent anyone from accessing a user's material more than 30 days after the user has deleted his or her account;
- required to establish and maintain a comprehensive privacy program designed to address privacy risks associated with the development and management of new and existing products and services, and to protect the privacy and confidentiality of consumers' information; and
- required, within 180 days, and every two years after that for the next 20 years, to obtain independent, third-party audits certifying that it has a privacy program in place that meets or exceeds the requirements of the FTC order, and to ensure that the privacy of consumers' information is protected.

The proposed order also contains standard record-keeping provisions to allow the FTC to monitor compliance with its order.

Facebook's privacy practices were the subject of complaints filed with the FTC by the Electronic Privacy Information Center and a coalition of consumer groups.

The Commission vote to accept the consent agreement package containing the proposed consent order for public comment was 4-0. The FTC will publish a description of the consent agreement package in the Federal Register shortly. The agreement will be subject to public comment for 30 days, beginning today and continuing through December 30, 2011 after which the Commission will decide whether to make the proposed consent order final. Interested parties can [submit comments online](#) or in paper form by following the instructions in the "Invitation To Comment" part of the "Supplementary Information" section. Comments in paper form should be mailed or delivered to: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex D), 600 Pennsylvania Avenue, N.W., Washington, DC 20580. The FTC is requesting that any comment filed in paper form near the end of the public comment period be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions.

NOTE: The Commission issues an administrative complaint when it has "reason to believe" that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the respondent has actually violated the law. A consent agreement is for settlement purposes only and does not constitute an admission by the respondent that the law has been violated. When the Commission issues a consent

order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of up to \$16,000.

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad. The FTC's website provides free information on a variety of [consumer topics](#). Like the FTC on [Facebook](#) and follow us on [Twitter](#).

Contact Information

MEDIA CONTACT:

Claudia Bourne Farrell
Office of Public Affairs
202-326-2181

STAFF CONTACT:

Laura Berger
Bureau of Consumer Protection
202-460-8364



ftc.gov

EXHIBIT 29

the procedure described in Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby issues its Complaint, makes the following jurisdictional findings, and enters the following order:

1. Respondent Facebook, Inc. (“Facebook”) is a Delaware corporation with its principal office or place of business at 1601 Willow Road, Menlo Park, California 94025.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Respondent, and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

1. Unless otherwise specified, “Respondent” shall mean Facebook, its successors and assigns. For purposes of Parts I, II, and III of this order, “Respondent” shall also mean Facebook acting directly, or through any corporation, subsidiary, division, website, or other device.
2. “Commerce” shall be defined as it is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
3. “Clear(ly) and prominent(ly)” shall mean:
 - A. in textual communications (*e.g.*, printed publications or words displayed on the screen of a computer or mobile device), the required disclosures are of a type, size, and location sufficiently noticeable for an ordinary consumer to read and comprehend them, in print that contrasts highly with the background on which they appear;
 - B. in communications disseminated orally or through audible means (*e.g.*, radio or streaming audio), the required disclosures are delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend them;
 - C. in communications disseminated through video means (*e.g.*, television or streaming video), the required disclosures are in writing in a form consistent with subpart (A) of this definition and shall appear on the screen for a duration sufficient for an ordinary consumer to read and comprehend them, and in the same language as the predominant language that is used in the communication; and
 - D. in all instances, the required disclosures: (1) are presented in an understandable language and syntax; and (2) include nothing contrary to, inconsistent with, or in

mitigation of any statement contained within the disclosure or within any document linked to or referenced therein.

4. “Covered information” shall mean information from or about an individual consumer including, but not limited to: (a) a first or last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or a screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol (“IP”) address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.
5. “Nonpublic user information” shall mean covered information that is restricted by one or more privacy setting(s).
6. “Privacy setting” shall include any control or setting provided by Respondent that allows a user to restrict which individuals or entities can access or view covered information.
7. “Representatives” shall mean Respondent’s officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise.
8. “Third party” shall mean any individual or entity that uses or receives covered information obtained by or on behalf of Respondent, other than: (1) a service provider of Respondent that (i) uses the covered information for and at the direction of Respondent and no other individual or entity and for no other purpose; and (ii) does not disclose the covered information, or any individually identifiable information derived from such covered information, except for, and at the direction of, Respondent, for the purpose of providing services requested by a user and for no other purpose; or (2) any entity that uses the covered information only as reasonably necessary: (i) to comply with applicable law, regulation, or legal process, (ii) to enforce Respondent’s terms of use, or (iii) to detect, prevent, or mitigate fraud or security vulnerabilities.
9. “User” shall mean an identified individual from whom Respondent has obtained information for the purpose of providing access to Respondent’s products and services.

I.

IT IS ORDERED that Respondent and its representatives, in connection with any product or service, in or affecting commerce, shall not misrepresent in any manner, expressly or by implication, the extent to which it maintains the privacy or security of covered information, including, but not limited to:

- A. its collection or disclosure of any covered information;

- B. the extent to which a consumer can control the privacy of any covered information maintained by Respondent and the steps a consumer must take to implement such controls;
- C. the extent to which Respondent makes or has made covered information accessible to third parties;
- D. the steps Respondent takes or has taken to verify the privacy or security protections that any third party provides;
- E. the extent to which Respondent makes or has made covered information accessible to any third party following deletion or termination of a user's account with Respondent or during such time as a user's account is deactivated or suspended; and
- F. the extent to which Respondent is a member of, adheres to, complies with, is certified by, is endorsed by, or otherwise participates in any privacy, security, or any other compliance program sponsored by the government or any third party, including, but not limited to, the U.S.-EU Safe Harbor Framework.

II.

IT IS FURTHER ORDERED that Respondent and its representatives, in connection with any product or service, in or affecting commerce, prior to any sharing of a user's nonpublic user information by Respondent with any third party, which materially exceeds the restrictions imposed by a user's privacy setting(s), shall:

- A. clearly and prominently disclose to the user, separate and apart from any "privacy policy," "data use policy," "statement of rights and responsibilities" page, or other similar document: (1) the categories of nonpublic user information that will be disclosed to such third parties, (2) the identity or specific categories of such third parties, and (3) that such sharing exceeds the restrictions imposed by the privacy setting(s) in effect for the user; and
- B. obtain the user's affirmative express consent.

Nothing in Part II will (1) limit the applicability of Part I of this order; or (2) require Respondent to obtain affirmative express consent for sharing of a user's nonpublic user information initiated by another user authorized to access such information, provided that such sharing does not materially exceed the restrictions imposed by a user's privacy setting(s). Respondent may seek modification of this Part pursuant to 15 U.S.C. §45(b) and 16 C.F.R. 2.51(b) to address relevant developments that affect compliance with this Part, including, but not limited to, technological changes and changes in methods of obtaining affirmative express consent.

III.

IT IS FURTHER ORDERED that Respondent and its representatives, in connection with any product or service, in or affecting commerce, shall, no later than sixty (60) days after the date of service of this order, implement procedures reasonably designed to ensure that covered information cannot be accessed by any third party from servers under Respondent's control after a reasonable period of time, not to exceed thirty (30) days, from the time that the user has deleted such information or deleted or terminated his or her account, except as required by law or where necessary to protect the Facebook website or its users from fraud or illegal activity. Nothing in this paragraph shall be construed to require Respondent to restrict access to any copy of a user's covered information that has been posted to Respondent's websites or services by a user other than the user who deleted such information or deleted or terminated such account.

IV.

IT IS FURTHER ORDERED that Respondent shall, no later than the date of service of this order, establish and implement, and thereafter maintain, a comprehensive privacy program that is reasonably designed to (1) address privacy risks related to the development and management of new and existing products and services for consumers, and (2) protect the privacy and confidentiality of covered information. Such program, the content and implementation of which must be documented in writing, shall contain controls and procedures appropriate to Respondent's size and complexity, the nature and scope of Respondent's activities, and the sensitivity of the covered information, including:

- A. the designation of an employee or employees to coordinate and be responsible for the privacy program.
- B. the identification of reasonably foreseeable, material risks, both internal and external, that could result in Respondent's unauthorized collection, use, or disclosure of covered information and an assessment of the sufficiency of any safeguards in place to control these risks. At a minimum, this privacy risk assessment should include consideration of risks in each area of relevant operation, including, but not limited to: (1) employee training and management, including training on the requirements of this order, and (2) product design, development, and research.
- C. the design and implementation of reasonable controls and procedures to address the risks identified through the privacy risk assessment, and regular testing or monitoring of the effectiveness of those controls and procedures.
- D. the development and use of reasonable steps to select and retain service providers capable of appropriately protecting the privacy of covered information they receive from Respondent and requiring service providers, by contract, to

implement and maintain appropriate privacy protections for such covered information.

- E. the evaluation and adjustment of Respondent's privacy program in light of the results of the testing and monitoring required by subpart C, any material changes to Respondent's operations or business arrangements, or any other circumstances that Respondent knows or has reason to know may have a material impact on the effectiveness of its privacy program.

V.

IT IS FURTHER ORDERED that, in connection with its compliance with Part IV of this order, Respondent shall obtain initial and biennial assessments and reports ("Assessments") from a qualified, objective, independent third-party professional, who uses procedures and standards generally accepted in the profession. A person qualified to prepare such Assessments shall have a minimum of three (3) years of experience in the field of privacy and data protection. All persons selected to conduct such Assessments and prepare such reports shall be approved by the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580, in his or her sole discretion. Any decision not to approve a person selected to conduct such Assessments shall be accompanied by a writing setting forth in detail the reasons for denying such approval. The reporting period for the Assessments shall cover: (1) the first one hundred and eighty (180) days after service of the order for the initial Assessment, and (2) each two (2) year period thereafter for twenty (20) years after service of the order for the biennial Assessments. Each Assessment shall:

- A. set forth the specific privacy controls that Respondent has implemented and maintained during the reporting period;
- B. explain how such privacy controls are appropriate to Respondent's size and complexity, the nature and scope of Respondent's activities, and the sensitivity of the covered information;
- C. explain how the privacy controls that have been implemented meet or exceed the protections required by Part IV of this order; and
- D. certify that the privacy controls are operating with sufficient effectiveness to provide reasonable assurance to protect the privacy of covered information and that the controls have so operated throughout the reporting period.

Each Assessment shall be prepared and completed within sixty (60) days after the end of the reporting period to which the Assessment applies. Respondent shall provide the initial Assessment to the Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, Washington, D.C. 20580, within ten (10) days after the Assessment has been prepared. All subsequent biennial Assessments shall be retained by Respondent until the order is

terminated and provided to the Associate Director of Enforcement within ten (10) days of request.

VI.

IT IS FURTHER ORDERED that Respondent shall maintain and upon request make available to the Federal Trade Commission for inspection and copying, a print or electronic copy of:

- A. for a period of three (3) years from the date of preparation or dissemination, whichever is later, all widely disseminated statements by Respondent or its representatives that describe the extent to which Respondent maintains and protects the privacy, security, and confidentiality of any covered information, including, but not limited to, any statement related to a change in any website or service controlled by Respondent that relates to the privacy of such information, along with all materials relied upon in making such statements, and a copy of each materially different privacy setting made available to users;
- B. for a period of six (6) months from the date received, all consumer complaints directed at Respondent or forwarded to Respondent by a third party, that relate to the conduct prohibited by this order and any responses to such complaints;
- C. for a period of five (5) years from the date received, any documents, prepared by or on behalf of Respondent, that contradict, qualify, or call into question Respondent's compliance with this order;
- D. for a period of three (3) years from the date of preparation or dissemination, whichever is later, each materially different document relating to Respondent's attempt to obtain the consent of users referred to in Part II above, along with documents and information sufficient to show each user's consent; and documents sufficient to demonstrate, on an aggregate basis, the number of users for whom each such privacy setting was in effect at any time Respondent has attempted to obtain and/or been required to obtain such consent; and
- E. for a period of three (3) years after the date of preparation of each Assessment required under Part V of this order, all materials relied upon to prepare the Assessment, whether prepared by or on behalf of Respondent, including but not limited to all plans, reports, studies, reviews, audits, audit trails, policies, training materials, and assessments, for the compliance period covered by such Assessment.

VII.

IT IS FURTHER ORDERED that Respondent shall deliver a copy of this order to (1) all current and future principals, officers, directors, and managers; (2) all current and future employees, agents, and representatives having supervisory responsibilities relating to the subject matter of this order, and (3) any business entity resulting from any change in structure set forth in Part VIII. Respondent shall deliver this order to such current personnel within thirty (30) days after service of this order, and to such future personnel within thirty (30) days after the person assumes such position or responsibilities. For any business entity resulting from any change in structure set forth in Part VIII, delivery shall be at least ten (10) days prior to the change in structure.

VIII.

IT IS FURTHER ORDERED that Respondent shall notify the Commission within fourteen (14) days of any change in Respondent that may affect compliance obligations arising under this order, including, but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in either corporate name or address. Unless otherwise directed by a representative of the Commission, all notices required by this Part shall be sent by overnight courier (not the U.S. Postal Service) to the Associate Director of Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, D.C. 20580, with the subject line *In the Matter of Facebook, Inc.*, FTC File No.[]. *Provided, however*, that in lieu of overnight courier, notices may be sent by first-class mail, but only if an electronic version of any such notice is contemporaneously sent to the Commission at Debrief@ftc.gov.

IX.

IT IS FURTHER ORDERED that Respondent, within ninety (90) days after the date of service of this order, shall file with the Commission a true and accurate report, in writing, setting forth in detail the manner and form of their own compliance with this order. Within ten (10) days of receipt of written notice from a representative of the Commission, Respondent shall submit additional true and accurate written reports.

X.

This order will terminate on July 27, 2032, or twenty (20) years from the most recent date that the United States or the Federal Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; *provided, however*, that the filing of such a complaint will not affect the duration of:

- A. any Part of this order that terminates in fewer than twenty (20) years; and
- B. this order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that Respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that this order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

By the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

SEAL
ISSUED: July 27, 2012

EXHIBIT 30



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

FTC Approves Final Settlement With Facebook

Facebook Must Obtain Consumers' Consent Before Sharing Their Information Beyond Established Privacy Settings

Share This Page

FOR YOUR INFORMATION

August 10, 2012

TAGS: [Consumer Protection](#)

Following a public comment period, the [FTC has accepted as final a settlement with Facebook](#) resolving [charges that Facebook deceived consumers by telling them they could keep their information on Facebook private, and then repeatedly allowing it to be shared and made public.](#)

The settlement requires Facebook to take several steps to make sure it lives up to its promises in the future, including by giving consumers clear and prominent notice and obtaining their express consent before sharing their information beyond their privacy settings, by maintaining a comprehensive privacy program to protect consumers' information, and by obtaining biennial privacy audits from an independent third party.

The Commission vote to approve the final order and letters to members of the public who [commented](#) on it was 3-1-1 with Commissioner J. Thomas Rosch dissenting and Commissioner Maureen K. Ohlhausen not participating. The Commission issued a statement authored by Chairman Jon D. Leibowitz and Commissioners Edith Ramirez and Julie Brill. The [Commission statement](#) affirmed that, based on the extensive investigation of the staff, there is a strong reason to believe that the settlement is in the public interest, and that the Order's provisions make clear that Facebook will be liable for a broad range of deceptive conduct. As set forth in his [separate statement](#), Commissioner Rosch dissented from the acceptance of the final consent order, questioning whether Facebook's express denial of liability provided "a reason to believe" that the settlement was "in the interest of the public" and expressing concern that the final consent order may not unequivocally cover all representations made in the Facebook environment. (FTC File No. 092-3184; the staff contact is Laura Berger, Bureau of Consumer Protection, 202-460-8364; see [press release dated November 29, 2011.](#))

The Federal Trade Commission works for consumers to prevent fraudulent, deceptive, and unfair business practices and to provide information to help spot, stop, and avoid them. To file a complaint in English or Spanish, visit the FTC's online [Complaint Assistant](#) or call 1-877-FTC-HELP (1-877-382-4357). The FTC enters complaints into Consumer Sentinel, a secure, online database available to more than 2,000 civil and criminal law enforcement agencies in the U.S. and abroad.

The FTC's website provides [free information on a variety of consumer topics](#). Like the FTC on [Facebook](#), follow us on [Twitter](#), and [subscribe to press releases](#) for the latest FTC news and resources.

(FTC File No. 092-3184)

Contact Information

MEDIA CONTACT:

Office of Public Affairs

202-326-2180



ftc.gov

EXHIBIT 31

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

COMMISSIONERS: **Jon Leibowitz, Chairman**
 J. Thomas Rosch
 Edith Ramirez
 Julie Brill
 Maureen K. Ohlhausen

In the Matter of)
)
)
FACEBOOK, INC.,)
a corporation.)

)

DOCKET NO. C-4365

COMPLAINT

The Federal Trade Commission, having reason to believe that Facebook, Inc., a corporation (“Respondent”) has violated the Federal Trade Commission Act (“FTC Act”), and it appearing to the Commission that this proceeding is in the public interest, alleges:

- 1. Respondent Facebook, Inc. (“Facebook”), is a Delaware corporation with its principal office or place of business at 1601 Willow Road, Menlo Park, California 94025.
- 2. The acts and practices of Respondent as alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act.

FACEBOOK’S BUSINESS PRACTICES

- 3. Since at least 2004, Facebook has operated www.facebook.com, a social networking website. Users of the site create online profiles, which contain content about them such as their name, interest groups they join, the names of other users who are their “friends” on the site, photos albums and videos they upload, and messages and comments they post or receive from their friends. Users also may add content to other users’ profiles by sharing photos, sending messages, or posting comments. As of March 2012, Facebook had approximately 900 million users.
- 4. Since approximately May 2007, Facebook has operated the Facebook Platform (“Platform”), a set of tools and programming interfaces that enables third parties to

develop, run, and operate software applications, such as games, that users can interact with online (“Platform Applications”).

5. Facebook obtains revenue by placing third-party advertisements on its site and by selling Facebook Credits, a virtual currency that it offers on its website and through retail outlets. The company also has obtained revenue from fees paid by applicants for its Verified Apps program, described below in Paragraphs 43-47. In 2009, the company had revenues of approximately \$777.2 million.

FACEBOOK’S COLLECTION AND STORAGE OF USER INFORMATION

6. Facebook has collected extensive “profile information” about its users, including, but not limited to:
 - a. mandatory information that a user must submit to register with the site, including Name, Gender, Email Address, and Birthday;
 - b. optional information that a user may submit, such as:
 - i. Profile Picture;
 - ii. Hometown;
 - iii. Interested in (*i.e.*, whether a user is interested in men or women);
 - iv. Looking for (*i.e.*, whether a user is looking for friendship, dating, a relationship, or networking);
 - v. Relationships (*e.g.*, marital or other relationship status and the names of family members);
 - vi. Political and Religious Views;
 - vii. Likes and Interests (*e.g.*, activities, interests, music, books, or movies that a user likes); and
 - viii. Education and Work (*e.g.*, the name of a user’s high school, college, graduate school, and employer);and
 - c. other information that is based on a user’s activities on the site over time, such as:
 - i. a Friend List (*i.e.*, a list of users with whom a user has become “Friends” on the site);
 - ii. Pages (*e.g.*, any web page on Facebook’s web site, belonging to an organization, brand, interest group, celebrity, or other entity, that a user has clicked an online button to “fan” or “like”);
 - iii. Photos and Videos, including any that a user has uploaded or been “tagged in” (*i.e.*, identified by a user such that his or her name is displayed when a user “hovers” over the likeness); and

- iv. messages that a user posts and comments made in response to other users' content.
- 7. Each user's profile information becomes part of the user's online profile and can be accessible to others, as described below.
- 8. Facebook has stored users' profile information on a computer network that it controls. It has assigned to each user a User Identification Number ("User ID"), a persistent, unique number that Platform Applications and others can use to obtain certain profile information from Facebook.
- 9. Facebook has designed its Platform such that Platform Applications can access user profile information in two main instances. First, Platform Applications that a user authorizes can access the user's profile information. Second, if a user's "Friend" authorizes a Platform Application, that application can access certain of the user's profile information, even if the user has not authorized that Application. For example, if a user authorizes a Platform Application that provides reminders about Friends' birthdays, that application could access, among other things, the birthdays of the user's Friends, even if these Friends never authorized the application.

**FACEBOOK'S DECEPTIVE PRIVACY SETTINGS
(Count 1)**

10. Since at least November 2009, Facebook has, in many instances, provided its users with a “Central Privacy Page,” the same or similar to the one depicted below. Among other things, this page has contained a “Profile” link, with accompanying text that has stated “[c]ontrol who can see your profile and personal information.”



11. When users have clicked on the “Profile” link, Facebook has directed them to a “Profile Privacy Page,” the same or similar to the one depicted below, which has stated that users could “[c]ontrol who can see your profile and related information.” For each “Profile Privacy Setting,” depicted below, users could click on a drop-down menu and restrict access to specified users, e.g., “Only Friends,” or “Friends of Friends.”

The screenshot shows the Facebook interface with the navigation bar at the top containing 'facebook', 'Home', 'Profile', 'Friends', 'Tabs', 'Settings', 'Logout', and a search bar. Below the navigation bar, the 'Privacy > Profile' section is active. Underneath, there are tabs for 'Home' and 'Contact Information'. A message states: 'Control who can see your profile and related information. Visit the Applications page in order to change settings for applications.' Below this is a search box labeled 'See how a friend sees your profile: Start typing a friend's name'. The main content area lists 12 privacy settings, each with a lock icon, a dropdown menu, and a help icon. All settings are currently set to 'Only Friends'. At the bottom, there are 'Save Changes' and 'Cancel' buttons.

Setting	Current Privacy Setting
1 Profile	Only Friends
2 Basic Info	Only Friends
3 Personal Info	Only Friends
4 Status Updates	Only Friends
5 Photos Tagged of You	Only Friends
6 Edit Photo Albums Privacy Settings	
7 Videos Tagged of You	Only Friends
8 Friends	Only Friends
Wall Posts	<input checked="" type="checkbox"/> Friends may post to my Wall
9	Only Friends
10	Only Friends
11 Education Info	Only Friends
12 Work Info	Only Friends

12. Although the precise language has changed over time, Facebook’s Central Privacy Page and Profile Privacy Page have, in many instances, stated that the Profile Privacy Settings allow users to “control who can see” their profile information, by specifying who can access it, *e.g.*, “Only Friends” or “Friends of Friends.” (See Central Privacy Page and Profile Privacy Page screenshots, Exhibit A).
13. Similarly, although the precise interface has changed over time, Facebook’s Profile Privacy Settings have continued to specify that users can restrict access to their profile information to the audience the user selects, *e.g.*, “Only Friends,” “Friends of Friends.” (See Profile Privacy Page screenshots, Exhibits A, B). In many instances, a user’s Profile Privacy Settings have been accompanied by a lock icon. *Id.*
14. None of the pages described in Paragraphs 10-13 have disclosed that a user’s choice to restrict profile information to “Only Friends” or “Friends of Friends” would be ineffective as to certain third parties. Despite this fact, in many instances, Facebook has made profile information that a user chose to restrict to “Only Friends” or “Friends of Friends” accessible to any Platform Applications that the user’s Friends have used (hereinafter “Friends’ Apps”). Information shared with such Friends’ Apps has included, among other things, a user’s birthday, hometown, activities, interests, status updates, marital status, education (*e.g.*, schools attended), place of employment, photos, and videos.
15. Facebook’s Central Privacy Page and Profile Privacy Page have included links to “Applications,” “Apps,” or “Applications and Websites” that, when clicked, have taken users to a page containing “Friends’ App Settings,” which would allow users to restrict the information that their Friends’ Apps could access.
16. However, in many instances, the links to “Applications,” “Apps,” or “Applications and Websites” have failed to disclose that a user’s choices made through Profile Privacy Settings have been ineffective against Friends’ Apps. For example, the language alongside the Applications link, depicted in Paragraph 10, has stated, “[c]ontrol what information is available to applications **you use** on Facebook.” (Emphasis added). Thus, users who did not themselves use applications would have had no reason to click on this link, and would have concluded that their choices to restrict profile information through their Profile Privacy Settings were complete and effective.

Count 1

17. As described in Paragraphs 10-13, Facebook has represented, expressly or by implication, that, through their Profile Privacy Settings, users can restrict access to their profile information to specific groups, such as “Only Friends” or “Friends of Friends.”
18. In truth and in fact, in many instances, users could not restrict access to their profile information to specific groups, such as “Only Friends” or “Friends of Friends” through their Profile Privacy Settings. Instead, such information could be accessed by Platform

Applications that their Friends used. Therefore, the representation set forth in Paragraph 17 constitutes a false or misleading representation.

**FACEBOOK’S UNFAIR AND DECEPTIVE DECEMBER 2009 PRIVACY CHANGES
(Count 2 and Count 3)**

19. On approximately November 19, 2009, Facebook changed its privacy policy to designate certain user information as “publicly available” (“PAI”). On approximately December 8, 2009, Facebook began implementing the changes referenced in its new policy (“the December Privacy Changes”) to make public in new ways certain information that users previously had provided.
20. Before December 8, 2009, users could, and did, use their Friends’ App Settings to restrict Platform Applications’ access to their PAI. For example, as of November 2009, approximately 586,241 users had used these settings to “block” Platform Applications that their Friends used from accessing any of their profile information, including their Name, Profile Picture, Gender, Friend List, Pages, and Networks. Following the December Privacy Changes, Facebook users no longer could restrict access to their PAI through these Friends’ App Settings, and all prior user choices to do so were overridden.
21. Before December 8, 2009, users could, and did, use their Profile Privacy Settings to limit access to their Friend List. Following the December Privacy Changes, Facebook users could no longer restrict access to their Friend List through their Profile Privacy Settings, and all prior user choices to do so were overridden, making a user’s Friend List accessible to other users. Although Facebook reinstated these settings shortly thereafter, they were not restored to the Profile Privacy Settings and instead were effectively hidden.
22. Before December 8, 2009, users could, and did, use their Search Privacy Settings (available through the “Search” link on the Privacy Settings Page depicted in Paragraph 11) to restrict access to their Profile Picture and Pages from other Facebook users who found them by searching for them on Facebook. For example, as of June 2009, approximately 2.5 million users who had set their Search Privacy Settings to “Everyone,” still hid their Profile Picture. Following the December Privacy Changes, Facebook users could no longer restrict the visibility of their Profile Picture and Pages through these settings, and all prior user choices to do so were overridden.
23. To implement the December Privacy Changes, Facebook required each user to click through a multi-page notice, known as the Privacy Wizard, which was composed of:
 - a. an introductory page, which announced:

We’re making some changes to give you more control of your information and help you stay connected. We’ve simplified the Privacy page and added the ability to set privacy on everything you share, from status updates to photos.

At the same time, we're helping everyone find and connect with each other by keeping some information – like your name and current city – publicly available. The next step will guide you through choosing your privacy settings.

- b. privacy update pages, which required each users to choose, via a series of radio buttons, between new privacy settings that Facebook “recommended” and the user’s “Old Settings,” for ten types of profile information (*e.g.*, Photos and Videos of Me, Birthday, Family and Relationships, etc.), and which stated:

Facebook’s new, simplified privacy settings give you more control over the information you share. We’ve recommended settings below, but you can choose to apply your old settings to any of the fields.

and

- c. a confirmation page, which summarized the user’s updated Privacy Settings.

(*See* Privacy Wizard screenshots, Exhibit C).

- 24. The Privacy Wizard did not disclose adequately that users no longer could restrict access to their newly-designated PAI via their Profile Privacy Settings, Friends’ App Settings, or Search Privacy Settings, or that their existing choices to restrict access to such information via these settings would be overridden. For example, the Wizard did not disclose that a user’s existing choice to share his or her Friend List with “Only Friends” would be overridden, and that this information would be made accessible to the public.
- 25. The information that Facebook failed to disclose as described in Paragraph 24 was material to Facebook users.
- 26. Facebook’s designation of PAI caused harm to users, including, but not limited to, threats to their health and safety, and unauthorized revelation of their affiliations. Among other things:
 - a. certain users were subject to the risk of unwelcome contacts from persons who may have been able to infer their locale, based on the locales of their Friends (*e.g.*, their Friends’ Current City information) and of the organizations reflected in their Pages;
 - b. each user’s Pages became visible to anyone who viewed the user’s profile, thereby exposing potentially controversial political views or other sensitive information to third parties – such as prospective employers, government organizations, or business competitors – who sought to obtain personal information about the user;

- c. each user's Friend List became visible to anyone who viewed the user's profile, thereby exposing potentially sensitive affiliations, that could, in turn, reveal a user's political views, sexual orientation, or business relationships, to third parties – such as prospective employers, government organizations, or business competitors – who sought to obtain personal information about the user; and
- d. each user's Profile Photo became visible to anyone who viewed the user's profile, thereby revealing potentially embarrassing or political images to third parties whose access users previously had restricted.

Count 2

- 27. As described in Paragraph 23, Facebook has represented, expressly, or by implication, that its December Privacy Changes provided users with “more control” over their information, including by allowing them to preserve their “Old Settings,” to protect the privacy of their profile information.
- 28. As described in Paragraph 24-26, Facebook failed to disclose, or failed to disclose adequately, that, following the December Privacy Changes, users could no longer restrict access to their Name, Profile Picture, Gender, Friend List, Pages, or Networks by using privacy settings previously available to them. Facebook also failed to disclose, or failed to disclose adequately, that the December Privacy Changes overrode existing user privacy settings that restricted access to a user's Name, Profile Picture, Gender, Friend List, Pages, or Networks. These facts would be material to consumers. Therefore, Facebook's failure to adequately disclose these facts, in light of the representation made, constitutes a deceptive act or practice.

Count 3

- 29. As described in Paragraphs 19-26, by designating certain user profile information publicly available that previously had been subject to privacy settings, Facebook materially changed its promises that users could keep such information private. Facebook retroactively applied these changes to personal information that it had previously collected from users, without their informed consent, in a manner that has caused or has been likely to cause substantial injury to consumers, was not outweighed by countervailing benefits to consumers or to competition, and was not reasonably avoidable by consumers. This practice constitutes an unfair act or practice.

SCOPE OF PLATFORM APPLICATIONS' ACCESS TO FACEBOOK USERS' INFORMATION
(Count 4)

30. Facebook has disseminated or caused to be disseminated numerous statements to users stating that Platform Applications they use will access only the profile information these applications need to operate, including, but not limited to:
- a. the following statement, which appeared within a dialog box that each user must click through before using a Platform Application for the first time:

Allowing [name of Application] access will let it pull your profile information, photos, your friends' info, and other content that it requires to work.

(Authorization Dialog box, Exhibit D); and
 - b. the following additional statements on www.facebook.com:
 - i. Applications you use will access your Facebook information in order for them to work.

(Facebook Privacy Settings: What You Share, Exhibit E); and
 - ii. When you authorize an application, it will be able to access any information associated with your account that it requires to work.

(Facebook Privacy Settings: How Applications Interact With Your Information, Exhibit F).
31. Contrary to the statements set forth in Paragraph 30, in many instances, a Platform Application could access profile information that was unrelated to the Application's purpose or unnecessary to its operation. For example, a Platform Application with a narrow purpose, such as a quiz regarding a television show, in many instances could access a user's Relationship Status, as well as the URL for every photo and video that the user had uploaded to Facebook's web site, despite the lack of relevance of this information to the Application.

Count 4

32. As set forth in Paragraph 30, Facebook has represented, expressly or by implication, that it has provided each Platform Application access only to such user profile information as the Application has needed to operate.

33. In truth and in fact, as described in Paragraph 31, from approximately May 2007 until July 2010, in many instances, Facebook has provided Platform Applications unrestricted access to user profile information that such Applications have not needed to operate. Therefore, the representation set forth in Paragraph 32 constitutes a false or misleading representation.

**FACEBOOK'S DISCLOSURE OF USER INFORMATION TO ADVERTISERS
(Count 5)**

34. Facebook has displayed advertisements ("ads") from third-parties ("Platform Advertisers") on its web site.
35. Facebook has allowed Platform Advertisers to target their ads ("Platform Ads") by requesting that Facebook display them to users whose profile information reflects certain "targeted traits," including, but not limited to:
- a. location (*e.g.*, city or state),
 - b. age,
 - c. sex,
 - d. birthday,
 - e. "Interested in" responses (*i.e.*, as described in Paragraph 6(b), whether a user is interested in men or women),
 - f. Relationship Status,
 - g. Likes and Interests,
 - h. Education (*e.g.*, level of education, current enrollment in high school or college, affiliation with a particular college, and choice of major in college), and
 - i. name of employer.
36. Facebook has disseminated or caused to be disseminated numerous statements that it does not share information about its users with advertisers, including:
- a. Facebook may use information in your profile without identifying you as an individual to third parties. We do this for purposes such as . . . personalizing advertisements and promotions so that we can provide you Facebook. We believe this benefits you. You can know more about the world around you and, where there are advertisements, they're more likely to be interesting to you. For example, if you put a favorite movie in your profile, we might serve you an

advertisement highlighting a screening of a similar one in your town. But we don't tell the movie company who you are.

(Facebook Privacy Policy, November 26, 2008, Exhibit G).

- b. We don't share information with advertisers without your consent . . . We allow advertisers to choose the characteristics of users who will see their advertisements and we may use any of the non-personally identifiable attributes we have collected (including information you may have decided not to show other users, such as your birth year or other sensitive personal information or preferences) to select the appropriate audience for those advertisements. For example, we might use your interest in soccer to show you ads for soccer equipment, but we do not tell the soccer equipment company who you are . . . Even though we do not share your information with advertisers without your consent, when you click on or otherwise interact with an advertisement, there is a possibility that the advertiser may place a cookie in your browser and note that it meets the criteria they selected.

(Facebook Privacy Policy, November 19, 2009, Exhibit H).

- c. We do not give your content to advertisers. (Facebook Statement of Rights and Responsibilities, May 1, 2009, Exhibit I).
- d. Still others asked to be opted-out of having their information shared with advertisers. This reflects a common misconception about advertising on Facebook. We don't share your information with advertisers unless you tell us to ([e.g.,] to get a sample, hear more, or enter a contest). Any assertion to the contrary is false. Period . . . we never provide the advertiser any names or other information about the people who are shown, or even who click on, the ads.

(Facebook Blog, <http://blog.facebook.com/blog.php>, "Responding to Your Feedback," Barry Schnitt, April 5, 2010, Exhibit J).

- e. We never share your personal information with advertisers. We never sell your personal information to anyone. These protections are yours no matter what privacy settings you use; they apply equally to people who share openly with everyone and to people who share with only select friends.

The only information we provide to advertisers is aggregate and anonymous data, so they can know how many people viewed their ad and general categories of information about them. Ultimately, this helps advertisers better understand how well their ads work so they can show better ads.

(Facebook Blog, <http://blog.facebook.com/blog.php>, "The Role of Advertising on Facebook," Sheryl Sandberg, July 6, 2010, Exhibit K).

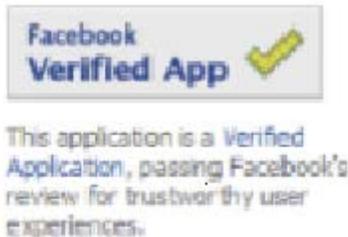
37. Contrary to the statements set forth in Paragraph 36(a)-(d), in many instances, Facebook has shared information about users with Platform Advertisers by identifying to them the users who clicked on their ads and to whom those ads were targeted. Specifically, from at least September 2008 until May 26, 2010, Facebook designed and operated its web site such that, in many instances, the User ID for a user who clicked on a Platform Ad was shared with the Platform Advertiser.
38. As a result of the conduct described in Paragraph 37, Platform Advertisers potentially could take steps to get detailed information about individual users. For example, a Platform Advertiser could use the User ID to:
- a. access the user's profile page on www.facebook.com, to obtain his or her real name, and, after December 8, 2009, other PAI which has included a user's Profile Picture, Gender, Current City, Friend List, Pages, and Networks;
 - b. combine the user's real name with:
 - i. any targeted traits used for the ad the user clicked (*e.g.*, if the ad targeted 23-year-old men who were "Interested In" men and "liked" a prescription drug, the advertiser could ascribe these traits to a specific user); and
 - ii. information about the user's visit to the advertiser's website, including: the time and date of the visit, the pages viewed, and time spent viewing the ad (collectively, "browsing information"); and
 - c. over time, combine the information described in subparts (a) - (b) with targeting traits related to additional ads or other information about the user's browsing activities across the web.
39. In addition, contrary to the statements set forth in Paragraph 36, Facebook has shared information about users with third parties that advertise on certain Platform Application web sites ("Application Advertisers"), by identifying to them the specific users who visited these applications. Specifically, at various times relevant to this Complaint, when a user visited certain Platform Applications, Facebook disclosed the user's User ID, in plain text, to any Application Advertiser that displayed an ad on the application's web page.
40. As a result of the conduct described in Paragraph 39, Application Advertisers potentially could take steps to get detailed information, similar to those steps described in Paragraph 38(a), (b)(ii), and (c), regarding the user and his or her activities on any Platform Application web site where the advertiser displayed an ad.

Count 5

41. As set forth in Paragraph 36, Facebook has represented, expressly or by implication, that Facebook does not provide advertisers with information about its users.
42. In truth and in fact, as described in Paragraphs 37-40, Facebook has provided advertisers with information about its users. Therefore, the representation set forth in Paragraph 41 constitutes a false or misleading representation.

FACEBOOK'S DECEPTIVE VERIFIED APPS PROGRAM (Count 6)

43. From approximately May 2009 until December 2009, Facebook operated a Verified Apps program, through which it designated certain Platform Applications as "Facebook Verified Apps" ("Verified Apps").
44. Facebook provided each Verified App with preferential treatment compared to other Platform Applications, including, but not limited to:
 - a. a Verified Apps badge, the same or similar to the badge depicted below, for display on the application's profile page on www.facebook.com; and



- b. a green check mark alongside the Platform Application's name, and higher ranking among search results, on www.facebook.com and within Facebook's Application Directory.
45. To apply for the Verified Apps badge, a Platform Application developer paid Facebook a fee of \$375, or \$175 for a student or nonprofit organization. Facebook awarded the badge to approximately 254 Platform Applications.
46. Facebook has disseminated or caused to be disseminated statements to consumers conveying that it has taken steps to verify the security of Verified Apps, compared to the security of other Platform Applications, including:
 - a. the Verified Apps badge, described in Paragraph 44(a);

- b. the Verified Apps green check mark, described in Paragraph 44(b); and
- c. the following statements on its website:
 - i. **Application Verification** Facebook is introducing the Application Verification program **which is designed to offer extra assurances to help users identify applications they can trust -- applications that are secure, respectful and transparent, and have demonstrated commitment to compliance with Platform policies.**

(Press Release, "Facebook Expands Power of Platform Across the Web and Around the World," July 23, 2008, Exhibit L (latter emphasis added)); and

- ii. What are Verified Applications?

Verified applications have passed a detailed Facebook review to confirm that the user experience they provide complies with Facebook policies. Verified Applications have committed to be transparent about how they work and will respect you and your friends when they send communication on your behalf.

What is the green check mark next to some applications?

Applications that choose to participate in Facebook's Application Verification Program receive a green check mark when they pass Facebook's detailed review process. The review process is designed to ensure that the application complies with Facebook policies. In addition, Verified applications have committed to be transparent about how they work and will respect you and your friends when they send communication on your behalf.

(Facebook Help Center FAQ, Exhibit M (emphases added)).

- 47. Contrary to the statements set forth in Paragraph 46, before it awarded the Verified Apps badge, Facebook took no steps to verify either the security of a Verified Application's website or the security the Application provided for the user information it collected, beyond such steps as it may have taken regarding any other Platform Application.

Count 6

- 48. As set forth in Paragraph 46, Facebook has represented, expressly or by implication, that Facebook has permitted a Platform Application to display its Verified Apps badge when Facebook's review of the security of such Applications has exceeded its review of the security of other Platform Applications.

49. In truth and in fact, as described in Paragraph 47, in many instances Facebook has permitted a Platform Application to display its Verified Apps badge when its review of the application's security has not exceeded its review of other Platform Applications. Therefore, the representation set forth in Paragraph 48 constitutes a false or misleading representation.

FACEBOOK'S DISCLOSURE OF USER PHOTOS AND VIDEOS
(Count 7)

50. As described above, Facebook has collected and stored vast quantities of photos and videos that its users upload, including, but not limited to: at least one such photo from approximately ninety-nine percent of its users, and more than 100 million photos and 415,000 videos from its users, collectively, every day.
51. Facebook has stored users' photos and videos such that each one is assigned a Content URL – a uniform resource locator that specifies its location on Facebook's servers. Facebook users and Platform Applications can obtain the Content URL for any photo or video that they view on Facebook's web site by, for example, right-clicking on it. If a user or Application further disseminates this URL, Facebook will "serve" the user's photo or video to anyone who clicks on the URL.
52. Facebook has disseminated or caused to be disseminated statements communicating that a user can restrict access to his or her profile information – including, but not limited to, photos and videos that a user uploads – by deleting or deactivating his or her user account. Such statements include:
- a. **Deactivating or deleting your account.** If you want to stop using your account you may deactivate it or delete it. When you deactivate an account, no user will be able to see it, but it will not be deleted . . . When you delete an account, it is permanently deleted from Facebook.

* * *

Backup copies. Removed and deleted information may persist in backup copies for up to 90 days, but will not be available to others;

(Facebook Privacy Policy, November 19, 2009, Exhibit H);

- b. To deactivate your account, navigate to the "Settings" tab on the Account Settings page. Deactivation will remove your profile and content associated with your account from Facebook. In addition, users will not be able to search for you or view any of your information.

(Facebook Help Center FAQ, Exhibit N);

If you deactivate your account, your profile and all information associated with it are immediately made inaccessible to other Facebook users.

(Facebook Help Center FAQ, Exhibit O); and

If you deactivate your account from the “Deactivate Account” section on the Account page, your profile and all information associated with it are immediately made inaccessible to other Facebook users.

(Facebook Help Center FAQ, Exhibit P).

53. Contrary to the statements set forth in Paragraph 52, Facebook has continued to display users’ photos and videos to anyone who accesses Facebook’s Content URLs for them, even after such users have deleted or deactivated their accounts.

Count 7

54. As set forth in Paragraph 52, Facebook has represented, expressly or by implication, that after a user has deleted or deactivated his or her account, Facebook does not provide third parties with access to his or her profile information, including any photos or videos that the user has uploaded.
55. In truth and in fact, as described in Paragraph 53, in many instances, Facebook has provided third parties with access to a user’s profile information – specifically photos or videos that a user has uploaded – even after the user has deleted or deactivated his or her account. Therefore, the representation set forth in Paragraph 54 constitutes a false or misleading representation.

U.S.-EU SAFE HARBOR FRAMEWORK

(Count 8)

56. The U.S.-EU Safe Harbor Framework provides a method for U.S. companies to transfer personal data outside of the European Union (“EU”) that is consistent with the requirements of the European Union Data Protection Directive (“Directive”). The Directive sets forth EU requirements for privacy and the protection of personal data. Among other things, it requires EU Member States to implement legislation that prohibits the transfer of personal data outside the EU, with exceptions, unless the European Commission (“EC”) has made a determination that the recipient jurisdiction’s laws ensure the protection of such personal data. This determination is commonly referred to as meeting the EU’s “adequacy” standard.
57. To satisfy the EU’s adequacy standard for certain commercial transfers, the U.S. Department of Commerce (“Commerce”) and the EC negotiated the U.S.-EU Safe Harbor Framework, which went into effect in 2000. The Safe Harbor is a voluntary

framework that allows U.S. companies to transfer personal data lawfully from the EU to the U.S. To join the Safe Harbor, a company must self-certify to Commerce that it complies with seven principles and related requirements that have been deemed to meet the EU's adequacy standard.

58. The Safe Harbor privacy principles, issued by Commerce on July 21, 2000, include the following:

NOTICE: An organization must inform individuals about the purposes for which it collects and uses information about them, how to contact the organization with any inquiries or complaints, the types of third parties to which it discloses the information, and the choices and means the organization offers individuals for limiting its use and disclosure. This notice must be provided in clear and conspicuous language when individuals are first asked to provide personal information to the organization or as soon thereafter as is practicable, but in any event before the organization uses such information for a purpose other than that for which it was originally collected or processed by the transferring organization or discloses it for the first time to a third party.

CHOICE: An organization must offer individuals the opportunity to choose (opt out) whether their personal information is (a) to be disclosed to a third party or (b) to be used for a purpose that is incompatible with the purpose(s) for which it was originally collected or subsequently authorized by the individual. Individuals must be provided with clear and conspicuous, readily available, and affordable mechanisms to exercise choice.

59. From at least May 10, 2007, until the present, Facebook has maintained a current self-certification to Commerce and has appeared on the list of Safe Harbor companies on the Commerce website. Pursuant to its self-certification, Facebook has transferred data collected from its users in the EU to the U.S. for processing.
60. From approximately May 2007 until the present, Facebook has stated in its Privacy Policy that it participates in, adheres to, and/or complies with "the EU Safe Harbor Privacy Framework as set forth by the United States Department of Commerce." (*See* Facebook Privacy Policy, November 26, 2008, Exhibit G; Facebook Privacy Policy, November 19, 2009, Exhibit H; Facebook Privacy Policy, December 9, 2009, Exhibit Q; Facebook Privacy Policy, April 22, 2010, Exhibit R; Facebook Privacy Policy, December 22, 2010, Exhibit S). Similarly, from approximately November 19, 2009 until the present, Facebook has stated on the Commerce website that it "adheres to the U.S. Safe Harbor Framework developed by the U.S. Department of Commerce and the European Union."

Count 8

61. As described in Paragraphs 59-60, Facebook has represented, expressly or by implication, that it has complied with the U.S. Safe Harbor Privacy Principles, including the principles of Notice and Choice.
62. In truth and in fact, as described in Paragraphs 10-42 and 50-55, in many instances, Facebook has not adhered to the U.S. Safe Harbor Privacy Principles of Notice and Choice. Therefore, the representation set forth in Paragraph 61 constitutes a deceptive act or practice.
63. The acts and practices of Respondent as alleged in this complaint constitute unfair or deceptive acts or practices, in or affecting commerce, in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this twenty-seventh day of July, 2012, has issued this complaint against Respondent.

By the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

EXHIBIT 32

Exhibit A



Privacy



Profile

Control who can see your profile and personal information.



Search

Control who can search for you, and how you can be contacted.



News Feed and Wall

Control what stories about you get published to your profile and to your friends' News Feeds.



Applications

Control what information is available to applications you use on Facebook.

Block People

If you block someone, they will not be able to find you in a Facebook search, see your profile, or interact with you through Facebook channels (such as Wall posts, Poke, etc.). Any Facebook ties you currently have with a person you block will be broken (for example, friendship connections, Relationship Status, etc.). Note that blocking someone may not prevent all communications and interactions in third-party applications, and does not extend to elsewhere on the Internet.

Person

[Block](#)

Privacy > Profile

Basic Contact Information

Control who can see your profile and related information. Visit the Applications page in order to change settings for applications.

See how a friend sees your profile:

1 Profile	Only Friends	(?)
2 Basic Info	Only Friends	(?)
3 Personal Info	Only Friends	(?)
4 Status Updates	Only Friends	(?)
5 Photos Tagged of You	Only Friends	(?)
6 Edit Photo Albums Privacy Settings		
7 Videos Tagged of You	Only Friends	(?)
8 Friends	Only Friends	(?)
Wall Posts	<input checked="" type="checkbox"/> Friends may post to my Wall	9 (?)
10	Only Friends	(?)
11 Education Info	Only Friends	(?)
12 Work Info	Only Friends	(?)

Save Changes

Cancel

Exhibit B

Choose Your Privacy Settings

Basic Directory Information

To help real world friends find you, some basic information is open to everyone. We also suggest setting basics like hometown and interests to everyone so friends can use these to connect with you. [View settings](#)

Sharing on Facebook

	Everyone	Friends of Friends	Friends Only
My status, photos, and posts			*
Bio and favorite quotations			*
Family and relationships			*
Photos and videos I'm tagged in			*
Religious and political views			*
Birthday			*
Can comment on posts			*
Email addresses and ID			*
Phone numbers and address			*
<input checked="" type="checkbox"/> Let friends of people tagged in my photos and posts see them.			
Customize settings		<input checked="" type="checkbox"/> This is your current setting.	

Applications and Websites

Edit your settings for using applications, games and websites.

Block Lists

Edit your lists of blocked people and applications.

Controlling How You Share

Learn more about your privacy on Facebook.

Exhibit C

Privacy wizard: Step one



Privacy wizard: Step two

Please update your privacy settings

Facebook's new, simplified privacy settings give you more control over the information you share. We've recommended settings below, but you can always go back to any of the basic



Friends

- [Redacted Name]

Only friends can see the info you share on your profile, timeline, and posts. You can control who sees your posts, photos, and videos. You can also control who can tag you in photos and videos. For more info, see [Facebook's privacy settings help](#).

About me (1)	Everyone	Old Settings
Family and Relationships (1)		
Work and Education		
Posts I Create <small>From Facebook, Messenger, and Email</small>		
Photos and Videos of Me (1)	Friends of Friends	Old Settings
Searchability (1)		
Religious and Political Views		
Email Addresses and ID	Friends	Old Settings
Phone Numbers		
Address		

Some important things to remember:

- You can request other settings at any time from your privacy page and these changes will take effect immediately, based on you.
- Info you've previously shared with everyone is visible to everyone on the version.
- When you use a Facebook-enhanced application, it will be able to access any publicly available info you've shared, which includes names, photos, photos, cover, current city, interests, friend lists, and pages. This information is controlled solely by you.

[View Settings](#)

Privacy wizard: Step three

The screenshot shows the Facebook privacy settings page. At the top left is the Facebook logo and the word 'facebook'. At the top right is a 'Logout' link. The main content area has a blue header that says 'Thank you for updating your privacy settings' with a checkmark icon. Below this is a sub-header 'Here are your new settings.' followed by a table of settings. The table has three columns: 'Everyone can see', 'Friends of Friends can see', and 'Only Friends can see'. The 'Only Friends can see' column contains a redacted area. Below the table is a section titled 'Keep custom settings were preserved for items by the end of 2016 and users of the' followed by a paragraph of text. At the bottom right of the main content area is a blue button that says 'Return Home'. At the very bottom of the page, there is a footer with 'Facebook © 2016 English (US)' on the left and 'Help Center' on the right.

facebook Logout

Thank you for updating your privacy settings
Here are your new settings.

Everyone can see	Friends of Friends can see	Only Friends can see
<ul style="list-style-type: none">• About me• Family and Relationships• Education and Work	<ul style="list-style-type: none">• Activities• Religious and Political Views	<ul style="list-style-type: none">• [Redacted]• Bio, Screen Name• Mobile Phone• Other Names• Current Address

Keep custom settings were preserved for items by the end of 2016 and users of the

You can always change or further customize your settings on your [Privacy page](#).
Remember, when you visit a Facebook-authorized application, your privacy settings information used
information you have yet to authorize will be shared in order for you to use that Facebook-authorized
application.

[Return Home](#)

Facebook © 2016 English (US) Help Center

Exhibit D

Allow Access?

Allowing [redacted] access will let it post your profile information, photos, your friends' info, and other content that it requires to work.



Allow or **cancel**

In proceeding, you are allowing [redacted] to access your information and you are agreeing to the Facebook Terms of Use in your use of [redacted]. By using [redacted], you also agree to the [redacted] Terms of Service.

Exhibit E

[Home](#) [Profile](#) [Find Friends](#) [Account](#)[Privacy Settings](#) [Applications and Websites](#)**Applications and Websites****What you share when visiting applications and websites**

Applications you use will access your Facebook information in order for them to work. For example, a review application uses your location in order to surface restaurant recommendations.

When you visit a Facebook-enabled application or website, it may access any information you have made visible to Everyone (or Profile Privacy) as well as your publicly available information. This includes your Name, Profile Picture, Gender, Current City, Networks, Friend List, and Pages. The application will request your permission to access any additional information it needs.



You can view the full list of Applications you have authorized on this page.

Exhibit F

Privacy & Applications

Applications Settings

How Applications Interact With Your Information

1. Unless an application has been authorized by you or your friends, whenever you or your friends visit an application, Facebook allows it to access only the information that is available in your public search listing (your name, network, profile picture, and friend list).

To control how the above information is distributed to applications, use the Search Privacy page. [Learn more.](#)

2. When you authorize an application, it will be able to access any information associated with your account that it requires to work.

The application can access information like your personal info and photos as well as your friends' personal info (depending on their settings). Please note that your contact information (such as your email) is never available through Facebook, as public applications are obligated to respect all of your existing privacy settings when requesting this information and when displaying it to other users. [Learn more.](#)

To control which applications are authorized, visit the Applications page. If you have an application that violates Facebook's privacy policy, please report it immediately. You can report an application by going to the application's about page and clicking "Report Application" at the bottom of the page, or by clicking "Report" at the bottom of any canvas page within the application.

3. When a friend of yours visits an application or authorizes it, the information that the application can access includes your friend's friend list and information about the people on that list.

Thus it can access some information about you. Please note that applications are obligated only to act upon the request of your friend and must respect all of your existing privacy settings.

To control which types of information are available to friends through applications, press visit the Settings tab on this page. If you believe an application is violating Facebook's privacy policy, please report it immediately. You can report an application by going to the application's about page and clicking "Report Application" at the bottom of the page, or by clicking "Report" at the bottom of any canvas page within the application.

4. If you interact with an application that has been restricted to users of a certain age and/or country without explicitly authorizing the application, the application might be able to infer your approximate birth date or location because you were able to access the application.

Your exact birth date is not revealed to an application under these circumstances.

Please note:

- Facebook does not sell your information.
- Your contact information is not exposed by the Facebook Platform.

Exhibit G

This policy is effective as of November 26, 2008.

Facebook Principles

We built Facebook to make it easy to share information with your friends and people around you. We understand you may not want everyone in the world to have the information you share on Facebook; that is why we give you control of your information. Our default privacy settings limit the information displayed in your profile to your networks and other reasonable community limitations that we tell you about.

Facebook follows two core principles:

1. You should have control over your personal information.

Facebook helps you share information with your friends and people around you. You choose what information you put in your profile, including contact and personal information, pictures, interests and groups you join. And you control the users with whom you share that information through the privacy settings on the Privacy page.

2. You should have access to the information others want to share.

There is an increasing amount of information available out there, and you may want to know what relates to you, your friends, and people around you. We want to help you easily get that information.

Sharing information should be easy. And we want to provide you with the privacy tools necessary to control how and with whom you share that information. If you have questions or ideas, please send them to privacy@facebook.com.

Safe Use of Facebook

For information for users and parents about staying safe on Facebook, [click here](#).

Facebook's Privacy Policy

Facebook's Privacy Policy is designed to help you understand how we collect and use the personal information you decide to share, and help you make informed decisions when using Facebook, located at www.facebook.com and its directly associated domains (collectively, "Facebook" or "Website")

By using or accessing Facebook, you are accepting the practices described in this Privacy Policy.

Facebook is a licensee of the TRUSTe Privacy Program. TRUSTe is an independent, non-profit organization whose mission is to build user's trust and confidence in the Internet by promoting the use of fair information practices. This privacy statement covers the site www.facebook.com and its directly associated domains. Because this Web site wants to demonstrate its commitment to your privacy, it has agreed to disclose its information practices and have its privacy practices reviewed for compliance by TRUSTe.

If you have questions or concerns regarding this statement, you should first contact our privacy staff at privacy@facebook.com. If you do not receive acknowledgement of your inquiry or your inquiry has not been satisfactorily addressed, you should contact TRUSTe Watchdog at http://www.truste.org/consumers/watchdog_complaint.php. TRUSTe will then serve as a liaison with us to resolve your concerns.

EU Safe Harbor Participation

We participate in the EU Safe Harbor Privacy Framework as set forth by the United States Department of Commerce. As part of our participation in the safe harbor, we have agreed to TRUSTe dispute resolution for disputes relating to our compliance with the Safe Harbor Privacy Framework. If you have any complaints regarding our compliance with the Safe Harbor you should first contact us at privacy@facebook.com. If contacting us does not resolve your complaint, you may raise your complaint with TRUSTe at http://www.truste.org/users/users_watchdog_intro.html.

The Information We Collect

When you visit Facebook you provide us with two types of information: personal information you knowingly choose to disclose that is collected by us and Web Site use information collected by us as you interact with our Web Site.

When you register with Facebook, you provide us with certain personal information, such as your name, your email address, your telephone number, your address, your gender, schools attended and any other personal or preference information that you provide to us.

When you enter Facebook, we collect your browser type and IP address. This information is gathered for all Facebook visitors. In addition, we store certain

information from your browser using "cookies." A cookie is a piece of data stored on the user's computer tied to information about the user. We use session ID cookies to confirm that users are logged in. These cookies terminate once the user closes the browser. By default, we use a persistent cookie that stores your login ID (but not your password) to make it easier for you to login when you come back to Facebook. You can remove or block this cookie using the settings in your browser if you want to disable this convenience feature.

When you use Facebook, you may set up your personal profile, form relationships, send messages, perform searches and queries, form groups, set up events, add applications, and transmit information through various channels. We collect this information so that we can provide you the service and offer personalized features. In most cases, we retain it so that, for instance, you can return to view prior messages you have sent or easily see your friend list. When you update information, we usually keep a backup copy of the prior version for a reasonable period of time to enable reversion to the prior version of that information.

You post User Content (as defined in the Facebook Terms of Use) on the Site at your own risk. Although we allow you to set privacy options that limit access to your pages, please be aware that no security measures are perfect or impenetrable. We cannot control the actions of other Users with whom you may choose to share your pages and information. Therefore, we cannot and do not guarantee that User Content you post on the Site will not be viewed by unauthorized persons. We are not responsible for circumvention of any privacy settings or security measures contained on the Site. You understand and acknowledge that, even after removal, copies of User Content may remain viewable in cached and archived pages or if other Users have copied or stored your User Content.

Any improper collection or misuse of information provided on Facebook is a violation of the Facebook Terms of Service and should be reported to privacy@facebook.com.

If you choose to use our invitation service to tell a friend about our site, we will ask you for information needed to send the invitation, such as your friend's email address. We will send your friend an email or instant message in your name inviting him or her to visit the site, and may send up to two reminders to them. Facebook stores this information to send invitations and reminders, to register a friend connection if your invitation is accepted, to allow you to see invitations

you have sent, and to track the success of our referral program. Your friend may contact us at privacy@facebook.com to request that we remove this information from our database.

Facebook may also collect information about you from other sources, such as newspapers, blogs, instant messaging services, and other users of the Facebook service through the operation of the service (e.g., photo tags) in order to provide you with more useful information and a more personalized experience.

By using Facebook, you are consenting to have your personal data transferred to and processed in the United States.

Children Under Age 13

Facebook does not knowingly collect or solicit personal information from anyone under the age of 13 or knowingly allow such persons to register. If you are under 13, please do not attempt to register for Facebook or send any information about yourself to us, including your name, address, telephone number, or email address. No one under age 13 may provide any personal information to or on Facebook. In the event that we learn that we have collected personal information from a child under age 13 without verification of parental consent, we will delete that information as quickly as possible. If you believe that we might have any information from or about a child under 13, please contact us at privacy@facebook.com.

Children Between the Ages of 13 and 18

We recommend that minors over the age of 13 ask their parents for permission before sending any information about themselves to anyone over the Internet.

Use of Information Obtained by Facebook

When you register with Facebook, you create your own profile and privacy settings. Your profile information, as well as your name, email and photo, are displayed to people in the networks specified in your privacy settings to enable you to connect with people on Facebook. We may occasionally use your name and email address to send you notifications regarding new services offered by Facebook that we think you may find valuable.

Profile information is used by Facebook primarily to be presented back to and edited by you when you access the service and to be presented to others permitted to view that information by your privacy settings. In some cases where

your privacy settings permit it (e.g., posting to your wall), other Facebook users may be able to supplement your profile.

Profile information you submit to Facebook will be available to users of Facebook who belong to at least one of the networks you allow to access the information through your privacy settings (e.g., school, geography, friends of friends). Your name, network names, and profile picture thumbnail will be available in search results across the Facebook network and those limited pieces of information may be made available to third party search engines. This is primarily so your friends can find you and send a friend request. People who see your name in searches, however, will not be able to access your profile information unless they have a relationship to you (friend, friend of friend, member of your networks, etc.) that allows such access based on your privacy settings.

Facebook may send you service-related announcements from time to time through the general operation of the service. For instance, if a friend sends you a new message or poke, or someone posts on your wall, you may receive an email alerting you to that fact.

Generally, you may opt out of such emails from the Notifications page, though Facebook reserves the right to send you notices about your account even if you opt out of all voluntary email notifications.

Facebook may use information in your profile without identifying you as an individual to third parties. We do this for purposes such as aggregating how many people in a network like a band or movie and personalizing advertisements and promotions so that we can provide you Facebook. We believe this benefits you. You can know more about the world around you and, where there are advertisements, they're more likely to be interesting to you. For example, if you put a favorite movie in your profile, we might serve you an advertisement highlighting a screening of a similar one in your town. But we don't tell the movie company who you are.

We may use information about you that we collect from other sources, including but not limited to newspapers and Internet sources such as blogs, instant messaging services, Facebook Platform developers and other users of Facebook, to supplement your profile. Where such information is used, we generally allow you to specify in your privacy settings that you do not want this to be done or to

take other actions that limit the connection of this information to your profile (e.g., removing photo tag links).

Sharing Your Information with Third Parties

Facebook is about sharing information with others — friends and people in your networks — while providing you with privacy settings that restrict other users from accessing your information. We allow you to choose the information you provide to friends and networks through Facebook. Our network architecture and your privacy settings allow you to make informed choices about who has access to your information. We do not provide contact information to third party marketers without your permission. We share your information with third parties only in limited circumstances where we believe such sharing is 1) reasonably necessary to offer the service, 2) legally required or, 3) permitted by you. For example:

Your News Feed and Wall may aggregate the information you provide and make it available to your friends and network members according to your privacy settings. You may set your preferences for your News Feed and Wall on your Privacy page.

Unlike most sites on the Web, Facebook limits access to site information by third party search engine "crawlers" (e.g. Google, Yahoo, MSN, Ask). Facebook takes action to block access by these engines to personal information beyond your name, profile picture, and limited aggregated data about your profile (e.g. number of wall postings).

We may provide information to service providers to help us bring you the services we offer. Specifically, we may use third parties to facilitate our business, such as to host the service at a co-location facility for servers, to send out email updates about Facebook, to remove repetitive information from our user lists, to process payments for products or services, to offer an online job application process, or to provide search results or links (including sponsored links). In connection with these offerings and business operations, our service providers may have access to your personal information for use for a limited time in connection with these business activities. Where we utilize third parties for the processing of any personal information, we implement reasonable contractual and technical protections limiting the use of that information to the Facebook-specified purposes.

If you, your friends, or members of your network use any third-party applications developed using the Facebook Platform ("Platform Applications"), those Platform Applications may access and share certain information about you with others in accordance with your privacy settings. You may opt-out of any

sharing of certain or all information through Platform Applications on the Privacy Settings page. In addition, third party developers who have created and operate Platform Applications ("Platform Developers"), may also have access to your personal information (excluding your contact information) if you permit Platform Applications to access your data. Before allowing any Platform Developer to make any Platform Application available to you, Facebook requires the Platform Developer to enter into an agreement which, among other things, requires them to respect your privacy settings and strictly limits their collection, use, and storage of your information. However, while we have undertaken contractual and technical steps to restrict possible misuse of such information by such Platform Developers, we of course cannot and do not guarantee that all Platform Developers will abide by such agreements. Please note that Facebook does not screen or approve Platform Developers and cannot control how such Platform Developers use any personal information that they may obtain in connection with Platform Applications. In addition, Platform Developers may require you to sign up to their own terms of service, privacy policies or other policies, which may give them additional rights or impose additional obligations on you, so please make sure to review these terms and policies carefully before using any Platform Application. You can report any suspected misuse of information through the Facebook Platform and we will investigate any such claim and take appropriate action against the Platform Developer up to and including terminating their participation in the Facebook Platform and/or other formal legal action.

We occasionally provide demonstration accounts that allow non-users a glimpse into the Facebook world. Such accounts have only limited capabilities (e.g., messaging is disabled) and passwords are changed regularly to limit possible misuse.

We may be required to disclose user information pursuant to lawful requests, such as subpoenas or court orders, or in compliance with applicable laws. We do not reveal information until we have a good faith belief that an information request by law enforcement or private litigants meets applicable legal standards. Additionally, we may share account or other information when we believe it is necessary to comply with law, to protect our interests or property, to prevent fraud or other illegal activity perpetrated through the Facebook service or using the Facebook name, or to prevent imminent bodily harm. This may include sharing information with other companies, lawyers, agents or government agencies.

We let you choose to share information with marketers or electronic commerce providers through on-site offers.

We may offer stores or provide services jointly with other companies on Facebook. You can tell when another company is involved in any store or service provided on Facebook, and we may share customer information with that company in connection with your use of that store or service.

Facebook Beacon is a means of sharing actions you have taken on third party sites, such as when you make a purchase or post a review, with your friends on Facebook. In order to provide you as a Facebook user with clear disclosure of the activity information being collected on third party sites and potentially shared with your friends on Facebook, we collect certain information from that site and present it to you after you have completed an action on that site. You have the choice to have Facebook discard that information, or to share it with your friends.

To learn more about the operation of the service, we encourage you to read the tutorial [here](#). To opt out of the service altogether, [click here](#).

Like many other websites that interact with third party sites, we may receive some information even if you are logged out from Facebook, or that pertains to non-Facebook users, from those sites in conjunction with the technical operation of the system. In cases where Facebook receives information on users that are not logged in, or on non-Facebook users, we do not attempt to associate it with individual Facebook accounts and will discard it.

If the ownership of all or substantially all of the Facebook business, or individual business units owned by Facebook, Inc., were to change, your user information may be transferred to the new owner so the service can continue operations. In any such transfer of information, your user information would remain subject to the promises made in any pre-existing Privacy Policy.

When you use Facebook, certain information you post or share with third parties (e.g., a friend or someone in your network), such as personal information, comments, messages, photos, videos, Marketplace listings or other information, may be shared with other users in accordance with the privacy settings you select. All such sharing of information is done at your own risk. Please keep in mind that if you disclose personal information in your profile or when posting comments, messages, photos, videos, Marketplace listings or other items, this information may become publicly available.

Links

Facebook may contain links to other websites. We are of course not responsible for the privacy practices of other web sites. We encourage our users to be aware when they leave our site to read the privacy statements of each and every web site that collects personally identifiable information. This Privacy Policy applies solely to information collected by Facebook.

Third Party Advertising

Advertisements that appear on Facebook are sometimes delivered (or "served") directly to users by third party advertisers. They automatically receive your IP address when this happens. These third party advertisers may also download cookies to your computer, or use other technologies such as JavaScript and "web beacons" (also known as "1x1 gifs") to measure the effectiveness of their ads and to personalize advertising content. Doing this allows the advertising network to recognize your computer each time they send you an advertisement in order to measure the effectiveness of their ads and to personalize advertising content. In this way, they may compile information about where individuals using your computer or browser saw their advertisements and determine which advertisements are clicked. Facebook does not have access to or control of the cookies that may be placed by the third party advertisers. Third party advertisers have no access to your contact information stored on Facebook unless you choose to share it with them.

This privacy policy covers the use of cookies by Facebook and does not cover the use of cookies or other tracking technologies by any of its advertisers.

Changing or Removing Information

Access and control over most personal information on Facebook is readily available through the profile editing tools. Facebook users may modify or delete any of their profile information at any time by logging into their account. Information will be updated immediately. Individuals who wish to deactivate their Facebook account may do so on the My Account page. Removed information may persist in backup copies for a reasonable period of time but will not be generally available to members of Facebook.

Where you make use of the communication features of the service to share information with other individuals on Facebook, however, (e.g., sending a personal message to another Facebook user) you generally cannot remove such communications.

Security

Facebook takes appropriate precautions to protect our users' information. Your account information is located on a secured server behind a firewall. When you enter sensitive information (such as credit card number or your password), we encrypt that information using secure socket layer technology (SSL). (To learn more about SSL, go to http://en.wikipedia.org/wiki/Secure_Sockets_Layer).

Because email and instant messaging are not recognized as secure communications, we request that you not send private information to us by email or instant messaging services. If you have any questions about the security of Facebook Web Site, please contact us at privacy@facebook.com

Terms of Use, Notices and Revisions

Your use of Facebook, and any disputes arising from it, is subject to this Privacy Policy as well as our Terms of Use and all of its dispute resolution provisions including arbitration, limitation on damages and choice of law. We reserve the right to change our Privacy Policy and our Terms of Use at any time. Non-material changes and clarifications will take effect immediately, and material changes will take effect within 30 days of their posting on this site. If we make changes, we will post them and will indicate at the top of this page the policy's new effective date. If we make material changes to this policy, we will notify you here, by email, or through notice on our home page. We encourage you to refer to this policy on an ongoing basis so that you understand our current privacy policy. Unless stated otherwise, our current privacy policy applies to all information that we have about you and your account.

Contacting the Web Site

If you have any questions about this privacy policy, please contact us at privacy@facebook.com. You may also contact us by mail at 156 University Avenue, Palo Alto, CA 94301.

Exhibit H

Facebook's Privacy Policy.

Date of last revision: November 19, 2009.

We want to earn your trust by being transparent about how Facebook works. You should read this policy in its entirety, but should pay particular attention to these three highlights:

- Facebook is designed to make it easy for you to share your information with anyone you want. You decide how much information you feel comfortable sharing on Facebook and you control how it is distributed through your [privacy settings](#). You should review the default [privacy settings](#) and change them if necessary to reflect your preferences. You should also consider your settings whenever you share information.
- Facebook is not just a website. It is also a service for sharing your information on Facebook-enhanced applications and websites. You can control how you share information with those third-party applications and websites through your [application settings](#) and you can learn more about how information is shared with them on our [About Platform](#) page. You can also limit how your friends share your information with applications through your [privacy settings](#).
- Facebook is a free service supported primarily by advertising. We will not share your information with advertisers without your consent. We allow advertisers to select characteristics of users they want to show their advertisements to and we use the information we have collected to serve those advertisements.

This policy contains eight sections, and you can jump to each by selecting the links below:

- [1. Introduction](#)
- [2. Information We Receive](#)
- [3. Information You Share With Third Parties](#)
- [4. How We Use Your Information](#)
- [5. How We Share Information](#)
- [6. How You Can View, Change, or Remove Information](#)
- [7. How We Protect Information](#)
- [8. Other Terms](#)

1. Introduction

Questions. If you have any questions or concerns about our privacy policy, contact our privacy team through this [help page](#). You may also contact us by mail at 1601 S. California Avenue, Palo Alto, CA 94304.

TRUSTe Program. Facebook is a certified licensee of the TRUSTe Privacy Seal Program. This means that our privacy policy and practices have been reviewed by TRUSTe, an independent organization.

focused on reviewing privacy and security policies and practices, for compliance with its strict program requirements. This privacy policy covers the website www.facebook.com. The TRUSTe program covers only information that is collected through this Web site, and does not cover other information, such as information that may be collected through software downloaded from Facebook.

If you have any complaints about our policy or practices please let us know through this [help page](#). If you are not satisfied with our response, you can contact [TRUSTe](#).



Safe Harbor. Facebook also adheres to the Safe Harbor framework developed by the U.S. Department of Commerce and the European Union. As part of our participation in the Safe Harbor, we agree to resolve all disputes you have with us in connection with our policies and practices through TRUSTe. To view our certification, visit the U.S. Department of Commerce's Safe Harbor [Web site](#).

Scope. This privacy policy covers all of Facebook. It does not, however, apply to entities that Facebook does not own or control, such as Facebook-enhanced applications and websites. By using or accessing Facebook, you agree to our privacy practices outlined [here](#).

No information from children under age 13. If you are under age 13, please do not attempt to register for Facebook or provide any personal information about yourself to us. If we learn that we have collected personal information from a child under age 13, we will delete that information as quickly as possible. If you believe that we might have any information from a child under age 13, please contact us through this [help page](#).

Parental participation. We strongly recommend that minors 13 years of age or older ask their parents for permission before sending any information about themselves to anyone over the Internet and we encourage parents to teach their children about safe internet use practices. Materials to help parents talk to their children about safe internet use can be found on this [help page](#).

2. Information We Receive

Information you provide to us:

Personal information. When you sign up for Facebook you provide us with your name, email, gender, and birth date. During the registration process we give you the opportunity to provide additional profile information, such as where you went to school and where you work, and to add a picture of yourself, to help your friends connect with you. In some cases we may ask for additional information for security reasons or to provide specific services to you. Once you register you can visit your profile at any time to add or remove personal information about yourself. You can add basic information about yourself, such

as information about your hometown, family, relationships, and your political and religious views. You can also add other information about yourself including your activities, interests, contact information, as well as more information about your education and job history.

Content. One of the primary reasons people use Facebook is to share content with others. Examples include when you update your status, upload or take a photo, upload or record a video, share a link, create an event or a group, make a comment, write something on someone's Wall, write a note, or send someone a message. If you do not want us to store metadata associated with content you share on Facebook (such as photos), please remove the metadata before uploading the content.

Transactional Information. We may retain the details of transactions or payments you make on Facebook. However, we will only keep your payment source account number with your consent.

Friend Information. We offer contact importer tools to help you upload your friends' addresses so that you can find your friends on Facebook, and invite your contacts who do not have Facebook accounts to join. If you do not want us to store this information, visit this [help page](#). If you give us your password to retrieve those contacts, we will not store your password after you have uploaded your contacts' information.

Location Information. When you share your location with others or add a location to something you post, we treat that like any other content you post (for example, it is subject to your [privacy settings](#)). If we offer a service that supports this type of location sharing we will present you with an opt-in choice of whether you want to participate.

Information we collect when you interact with Facebook:

Site activity information. We keep track of the actions you take on Facebook, such as adding a friend, becoming a fan of a Facebook Page, joining a group or an event, creating a photo album, sending a gift, poking another user, indicating you "liked" a post, attending an event, or authorizing an application. In some cases you are also taking an action when you provide information or content to us. For example, if you share a video, in addition to storing the actual content you uploaded, we might log the fact you shared it.

Access Device and Browser Information. When you access Facebook from a computer, mobile phone, or other device, we may collect information from that device about your browser type, location, and IP address, as well as the pages you visit.

Cookie Information. We use "cookies" (small pieces of data we store for an extended period of time on your computer, mobile phone, or other device) to make Facebook easier to use, to make our advertising better, and to protect both you and Facebook. For example, we use them to store your login ID (but never your password) to make it easier for you to login whenever you come back to Facebook. We also use them to confirm that you are logged into Facebook, and to know when you are interacting with Facebook Platform applications and websites, our widgets and Share buttons, and our advertisements. You can remove or block cookies using the settings in your browser, but in some cases that may impact your ability to use Facebook.

Information we receive from third parties:

Facebook Platform and Facebook Connect. We do not own or operate the applications that you use

through Facebook Platform (such as games and utilities) or the websites that you interact with through Facebook Connect. We refer to them as “Facebook-enhanced” applications and websites because they use our Platform to provide you with social features. Whenever you authorize a Facebook-enhanced application or website, we will receive information from them, including information about actions you take. In some cases, in order to personalize the process of connecting, we may receive a limited amount of information even before you authorize the application or website.

Information from other websites. We may institute programs with advertising partners and other websites in which they share information with us:

- We may ask advertisers to tell us how our users responded to the ads we showed them (and for comparison purposes, how other users who didn’t see the ads acted on their site). This data sharing, commonly known as “conversion tracking,” helps us measure our advertising effectiveness and improve the quality of the advertisements you see.
- We may receive information about whether or not you’ve seen or interacted with certain ads on other sites in order to measure the effectiveness of those ads.

If in any of these cases we receive data that we do not already have, we will “anonymize” it within 180 days, meaning we will stop associating the information with any particular user. If we institute these programs, we will only use the information in the ways we explain in the “How We Use Your Information” section below.

Information from other users. We may collect information about you from other Facebook users, such as when a friend tags you in a photo or video, provides friend details, or indicates a relationship with you. You can limit who can see that you have been tagged in a photo or video – which we refer to as photos or videos “of me” – in your [privacy settings](#).

3. Information You Share With Third Parties

We take steps to ensure that others use information that you share on Facebook in a manner consistent with your [privacy settings](#), but we cannot guarantee that they will follow our rules. Read the following section to learn more about how you can protect yourself when you share information with third parties.

Sharing information on Facebook. We designed our [privacy settings](#) to enable you to control how you share your information on Facebook. You should review the default [privacy settings](#) to make sure they reflect your preferences. Here are some specific things to remember:

- You can control the visibility of most of the information you share on Facebook through the [privacy settings](#) you select.
- Certain categories of information such as your name, profile photo, list of friends and pages you are a fan of, gender, and networks you belong to are considered publicly available, and therefore do not have privacy settings. (We will soon stop using regional networks, but your geographic region will still be considered publicly available). You can limit the ability of others to find this information on third party search engines through your search [privacy settings](#).
- Some of the content you share and the actions you take will show up on your friends’ home pages and other pages they visit.

- Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your [privacy settings](#), or it was copied or stored by other users.
- You understand that information might be re-shared or copied by other users.
- Certain types of communications that you send to other users cannot be removed, such as messages.
- When you post information on another user's profile or comment on another user's post, that information will be subject to the other user's [privacy settings](#).
- If you use an external source to publish information to Facebook (such as a mobile application or a Connect site), you should check the privacy setting for that post, as it is set by that external source.

“Everyone” Privacy Setting. Information set to “everyone” is publicly available information, may be accessed by everyone on the Internet (including people not logged into Facebook), is subject to indexing by third party search engines, may be associated with you outside of Facebook (such as when you visit other sites on the internet), and may be imported and exported by us and others without privacy limitations. The default privacy setting for certain types of information you post on Facebook is set to “everyone.” You can review and change the default settings in your [privacy settings](#). If you delete “everyone” content that you posted on Facebook, we will remove it from your Facebook profile, but have no control over its use outside of Facebook.

Facebook Platform. As mentioned above, we do not own or operate Facebook-enhanced applications or websites. That means that when you visit Facebook-enhanced applications and websites you are making your Facebook information available to someone other than Facebook. To help those applications and sites operate, they receive publicly available information automatically when you visit them, and additional information when you formally authorize or connect your Facebook account with them. You can learn more details about which information the operators of those applications and websites can access on our [About Platform](#) page. Prior to allowing them to access any information about you, we require them to agree to terms that limit their use of your information (which you can read about in Section 9 of our [Statement of Rights and Responsibilities](#)) and we use technical measures to ensure that they only obtain authorized information. We also give you tools to control how your information is shared with them:

- You can choose to opt-out of Facebook Platform and Facebook Connect altogether through your [privacy settings](#)
- You can block specific applications from accessing your information by visiting your [application settings](#) or the application's “About” page
- You can use your [privacy settings](#) to limit which of your information is available to “everyone” (by default, every application and website, including those you have not connected with, can access “everyone” and other publicly available content)
- You can use your [application settings](#) to limit which of your information your friends can make available to applications and websites

- We may make information about the location of your computer or access device and your age available to Facebook [®]enhanced applications and websites in order to help them implement appropriate security measures and control the distribution of age-appropriate content.

You should always review the policies of third party applications and websites to make sure you are comfortable with the ways in which they use information you share with them. We do not guarantee that they will follow our rules. If you find an application or website that violates our rules, you should report the violation to us on this [help page](#) and we will take action as necessary.

Exporting Information. You (and those you make your information available to) may use tools like RSS feeds, mobile phone address books, or copy and paste functions, to capture and export information from Facebook, including your information and information about you.

Advertisements. Sometimes the advertisers who present ads on Facebook use technological methods to measure the effectiveness of their ads and to personalize advertising content. You may opt-out of the placement of cookies by many of these advertisers [here](#). You may also use your browser cookie settings to limit or prevent the placement of cookies by advertising networks.

Links. When you click on links on Facebook you may leave our site. We are not responsible for the privacy practices of other sites, and we encourage you to read their privacy statements.

4. How We Use Your Information

We use the information we collect to try to provide a safe, efficient, and customized experience. Here are some of the details on how we do that:

To manage the service. We use the information we collect to provide our services and features to you, to measure and improve those services and features, and to provide you with customer support. We use the information to prevent potentially illegal activities, and to enforce our [Statement of Rights and Responsibilities](#). For example, we ask for your date of birth to verify that you are over age 13 and so that we can better limit your access to content and advertisements that are not age appropriate. We also use a variety of technological systems to detect and address anomalous activity and screen content to prevent abuse such as spam. These efforts may on occasion result in a temporary or permanent suspension or termination of some functions for some users.

To contact you. We may contact you with service-related announcements from time to time. You may opt out of all communications except essential updates on your [account notifications page](#). We may include content you see on Facebook in the emails we send to you.

To serve personalized advertising to you. We don't share your information with advertisers without your consent. (An example of consent would be if you asked us to provide your shipping address to an advertiser to receive a free sample.) We allow advertisers to choose the characteristics of users who will see their advertisements and we may use any of the non-personally identifiable attributes we have collected (including information you may have decided not to show to other users, such as your birth year or other sensitive personal information or preferences) to select the appropriate audience for those advertisements. For example, we might use your interest in soccer to show you ads for soccer equipment, but we do not tell the soccer equipment company who you are. You can see the criteria advertisers may select by visiting our [advertising page](#). Even though we do not share your information with advertisers without your consent, when you click on or otherwise interact with an advertisement

there is a possibility that the advertiser may place a cookie in your browser and note that it meets the criteria they selected.

To serve social ads. We occasionally pair advertisements we serve with relevant information we have about you and your friends to make advertisements more interesting and more tailored to you and your friends. For example, if you become a fan of a Page, we may display your name and profile photo next to an advertisement for that Page that is displayed to your friends. We only share the personally identifiable information visible in the social ad with the friend who can see the ad. You can opt out of having your information used in social ads on this [help page](#).

To supplement your profile. We may use information about you that we collect from other Facebook users to supplement your profile (such as when you are tagged in a photo or mentioned in a status update). In such cases we generally allow you to direct how that information is shared in your [privacy settings](#) or give you the ability to remove the content (such as allowing you to remove a photo tag of you) or limit its visibility on Facebook.

To make Suggestions. We use your profile information, the addresses you import through our contact importers, and other relevant information, to help you connect with your friends, including making suggestions to you and other users that you connect with on Facebook. If you want to limit your visibility in suggestions we make to other people, you can adjust your search visibility [privacy setting](#), as you will only be visible in our suggestions to the extent you choose to be visible in public search listings. You may also block specific individual users from being suggested to you and you from being suggested to them.

Downloadable Software. Certain downloadable software applications and applets that we offer, such as our browser toolbars and photo uploaders, transmit data to us. We may not make a formal disclosure if we believe our collection of and use of the information is the obvious purpose of the application, such as the fact that we receive photos when you use our photo uploader. If we believe it is not obvious that we are collecting or using such information, we will make a disclosure to you the first time you provide the information to us so that you can decide whether you want to use that feature.

Memorializing Accounts. If we are [notified](#) that a user is deceased, we may memorialize the user's account. In such cases we restrict profile access to confirmed friends, and allow friends and family to write on the user's Wall in remembrance. We may close an account if we receive a formal request from the user's next of kin or other proper legal request to do so.

5. How We Share Information

Facebook is about sharing information with others — friends and people in your networks — while providing you with [privacy settings](#) that you can use to restrict other users from accessing your information. We share your information with third parties when we believe the sharing is permitted by you, reasonably necessary to offer our services, or when legally required to do so. For example:

When you make a payment. When you enter into transactions with others or make payments on Facebook, we will only share transaction information with those third parties necessary to complete the transaction and will require those third parties to agree to respect the privacy of your information.

When you invite a friend to join. When you ask us to invite a friend to join Facebook, we will send your friend a message on your behalf using your name. We may also send up to two reminders to them

in your name. If your friend does not want us to keep their information, we will remove it at their request on this [help page](#).

When you choose to share your information with marketers. You may choose to share information with marketers or electronic commerce providers that are not associated with Facebook through on-site offers. This is entirely at your discretion and we will not provide your information to these marketers without your consent.

To help your friends find you. By default, we make certain information you have posted to your profile available in search results on Facebook to help your friends find you. However, you can control who has access to this information, as well as who can find you in searches, through your [privacy settings](#). We also partner with email and instant messaging providers to help their users identify which of their contacts are Facebook users, so that we can promote Facebook to those users.

To give search engines access to publicly available information. We generally limit search engines' access to our site. We may allow them to access information set to the *"everyone"* setting and your public search listing (but you can turn off your public search listing in your [privacy settings](#)).

To help improve or promote our service. Sometimes we share aggregated information with third parties to help improve or promote our service. But we only do so in such a way that no individual user can be identified or linked to any specific action or information.

To provide you with services. We may provide information to service providers that help us bring you the services we offer. For example, we may use third parties to help host our website, send out email updates about Facebook, remove repetitive information from our user lists, process payments, or provide search results or links (including sponsored links). These service providers may have access to your personal information for use for a limited time, but when this occurs we implement reasonable contractual and technical protections to limit their use of that information to helping us provide the service.

To advertise our services. We may ask advertisers outside of Facebook to display ads promoting our services. We may ask them to deliver those ads based on the presence of a cookie, but in doing so will not share any other information with the advertiser.

To offer joint services. We may provide services jointly with other companies, such as the classifieds service in the Facebook Marketplace. If you use these services, we may share your information to facilitate that service. However, we will identify the partner and present the joint service provider's privacy policy to you before you use that service.

To respond to legal requests and prevent harm. We may disclose information pursuant to subpoenas, court orders, or other requests (including criminal and civil matters) if we have a good faith belief that the response is required by law. This may include respecting requests from jurisdictions outside of the United States where we have a good faith belief that the response is required by law under the local laws in that jurisdiction, apply to users from that jurisdiction, and are consistent with generally accepted international standards. We may also share information when we have a good faith belief it is necessary to prevent fraud or other illegal activity, to prevent imminent bodily harm, or to protect ourselves and you from people violating our [Statement of Rights and Responsibilities](#). This may include sharing information with other companies, lawyers, courts or other government entities.

Facebook Beacon. [We have announced a settlement of a lawsuit related to the Beacon product: the Beacon product will be discontinued and this language removed from the privacy policy upon approval of a settlement by the court.] Facebook Beacon is a means of sharing actions you have taken on third party sites, such as when you make a purchase or post a review, with your friends on Facebook. In order to provide you as a Facebook user with clear disclosure of the activity information being collected on third party sites and potentially shared with your friends on Facebook, we collect certain information from that site and present it to you after you have completed an action on that site. You have the choice to have us discard that information, or to share it with your friends. To learn more about the operation of the service, we encourage you to read the tutorial [here](#). To opt out of the service altogether, click [here](#). Like many other websites that interact with third party sites, we may receive some information even if you are logged out from Facebook, or that pertains to non-Facebook users, from those sites in conjunction with the technical operation of the system. In cases where we receive information from Beacon sites on users that are not logged in, or on non-Facebook users, we do not attempt to associate it with individual Facebook accounts and will discard it.

Transfer in the Event of Sale or Change of Control. If the ownership of all or substantially all of our business changes, we may transfer your information to the new owner so that the service can continue to operate. In such a case, your information would remain subject to the promises made in any pre-existing Privacy Policy.

6. How You Can View, Change, or Remove Information

Viewing and editing your profile. You may change or delete your profile information at any time by going to your profile page and clicking ["Edit My Profile"](#). Information will be updated immediately. While you cannot delete your date of birth, you can use the setting on the info tab of your profile information page to hide all or part of it from other users.

Delete uploaded contacts. If you use our contact importer to upload addresses, you can later delete the list on this [help page](#).

Deactivating or deleting your account. If you want to stop using your account you may deactivate it or delete it. When you deactivate an account, no user will be able to see it, but it will not be deleted. We save your profile information (friends, photos, interests, etc.) in case you later decide to reactivate your account. Many users deactivate their accounts for temporary reasons and in doing so are asking us to maintain their information until they return to Facebook. You will still have the ability to reactivate your account and restore your profile in its entirety. When you delete an account, it is permanently deleted. You should only delete your account if you are certain you never want to reactivate it. You may deactivate your account on your [account settings](#) page or delete your account on this [help page](#).

Limitations on removal. Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your [privacy settings](#), or it was copied or stored by other users. However, your name will no longer be associated with that information on Facebook. (For example, if you post something to another user's profile, and then you delete your account, that post may remain, but be attributed to an ["Anonymous Facebook User"](#).) Additionally, we may retain certain information to prevent identity theft and other misconduct even if deletion has been requested.

Backup copies. Removed and deleted information may persist in backup copies for up to 90 days, but will not be available to others.

Non-user contact information. If a user provides your email address to us, and you are not a Facebook user but you want us to delete your address, you can do so on this [help page](#). However, that request will only apply to addresses we have at the time of the request and not to any addresses that users provide to us later.

7. How We Protect Information

We do our best to keep your information secure, but we need your help. For more detailed information about staying safe on Facebook, visit the Facebook [Security Page](#).

Steps we take to keep your information secure. We keep your account information on a secured server behind a firewall. When you enter sensitive information (such as credit card numbers and passwords), we encrypt that information using secure socket layer technology (SSL). We also use automated and social measures to enhance security, such as analyzing account behavior for fraudulent or otherwise anomalous behavior, may limit use of site features in response to possible signs of abuse, may remove inappropriate content or links to illegal content, and may suspend or disable accounts for violations of our [Statement of Rights and Responsibilities](#).

Risks inherent in sharing information. Although we allow you to set privacy options that limit access to your information, please be aware that no security measures are perfect or impenetrable. We cannot control the actions of other users with whom you share your information. We cannot guarantee that only authorized persons will view your information. We cannot ensure that information you share on Facebook will not become publicly available. We are not responsible for third party circumvention of any [privacy settings](#) or security measures on Facebook. You can reduce these risks by using common sense security practices such as choosing a strong password, using different passwords for different services, and using up to date antivirus software.

Report Violations. You should report any security violations to us on this [help page](#).

8. Other Terms

Changes. We may change this Privacy Policy pursuant to the procedures outlined in the Facebook [Statement of Rights and Responsibilities](#). Unless stated otherwise, our current privacy policy applies to all information that we have about you and your account. If we make changes to this Privacy Policy we will notify you by publication here and on the [Facebook Site Governance Page](#). You can make sure that you receive notice directly by becoming a fan of the [Facebook Site Governance Page](#).

Consent to Collection and Processing in the United States. By using Facebook, you consent to having your personal data transferred to and processed in the United States.

Defined Terms. "Us," "we," "our," "Platform" and "Facebook" mean the same as they do in the [Statement of Rights and Responsibilities](#). "Information" and "content" are used more generally and interchangeably here than in the [Statement of Rights and Responsibilities](#) unless otherwise limited by the context.

Helpful links

[Statement of Rights and Responsibilities](#)

Facebook Site Governance Page

application settings

privacy settings

account notifications page

help page for complaints about our privacy policies or practices

help page to report use by a child under age 13

help page with info to help parents talk to children about safe internet use

deleting an account

reporting a deceased user

reporting an imposter

reporting abusive content

reporting a compromised account

requesting deletion of data for non-user

removing Friend Finder contacts

reporting and blocking third-party applications

general explanation of third-party applications and how they access data

Exhibit I

Statement of Rights and Responsibilities

This Statement of Rights and Responsibilities ("Statement") derives from the Facebook Principles, and governs our relationship with users and others who interact with Facebook. By using or accessing Facebook, you agree to this Statement.

1. Privacy

Your privacy is very important to us. We designed our [Privacy Policy](#) to make important disclosures to you about how we collect and use the information you post on Facebook. We encourage you to read the Privacy Policy, and to use the information it contains to help make informed decisions.

2. Sharing Your Content and Information

You own all of the content and information you post on Facebook, and you can control how we share your content through your [privacy](#) and [application](#) settings. In order for us to use certain types of content and provide you with Facebook, you agree to the following:

- 2.1 For content that is covered by intellectual property rights, like photos and videos ("IP content"), you specifically give us the following permission, subject to your [privacy](#) and [application](#) settings: you grant us a non-exclusive, transferable, sub-licensable, royalty-free, worldwide license to use any IP content that you post on or in connection with Facebook ("IP License"). This IP License ends when you delete your IP content or your account (except to the extent your content has been shared with others, and they have not deleted it).
- 2.2 When you delete IP content, it is deleted in a manner similar to emptying the recycle bin on a computer. However, you understand that removed content may persist in backup copies for a reasonable period of time (but will not be available to others).
- 2.3 We always appreciate your feedback or other suggestions about Facebook, but you understand that we may use them without any obligation to compensate you for them (just as you have no obligation to offer them).

3. Safety

We do our best to keep Facebook safe, but we cannot guarantee it. We need your help in order to do that, which includes the following commitments:

- 3.1 You will not send or otherwise post unauthorized commercial communications to users (such as spam).
- 3.2 You will not collect users' information, or otherwise access Facebook, using automated means (such as harvesting bots, robots, spiders, or scrapers) without our permission.
- 3.3 You will not upload viruses or other malicious code.
- 3.4 You will not solicit login information or access an account belonging to someone else.
- 3.5 You will not bully, intimidate, or harass any user.
- 3.6 You will not post content that is hateful, threatening, pornographic, or that contains nudity or graphic or gratuitous violence.
- 3.7 You will not develop or operate a third party application containing, or advertise or otherwise market alcohol-related or other mature content without appropriate age-based restrictions.
- 3.8 You will not use Facebook to do anything unlawful, misleading, malicious, or discriminatory.
- 3.9 You will not facilitate or encourage any violations of this Statement.

4. Registration and Account Security

Facebook users provide their real names and information, and we need your help to keep it that way. Here are some commitments you make to us relating to registering and maintaining the security of your account:

- 4.1 You will not provide any false personal information on Facebook, or create an account for anyone other than yourself without permission.
- 4.2 You will not use Facebook if you are under 13.
- 4.3 You will not use Facebook if you are located in a country embargoed by the U.S., or are on the U.S. Treasury Department's list of Specially Designated Nationals.
- 4.4 You will not use Facebook if you are a convicted sex offender.

- 4.5 You will keep your contact information accurate and up-to-date.
- 4.6 You will not share your password, let anyone else access your account, or do anything else that might jeopardize the security of your account.
- 4.7 You will not transfer your account to anyone without first getting our written permission.

5. Protecting Other People's Rights

We respect other people's rights, and expect you to do the same.

- 5.1 You will not post content or take any action on Facebook that infringes someone else's rights or otherwise violates the law.
- 5.2 We can remove any content you post on Facebook if we believe that it violates this Statement.
- 5.3 We will provide you with tools to help you protect your intellectual property rights. To learn more, visit our [2008 to Report Claims of Intellectual Property Infringement](#) page.
- 5.4 If we removed your content for infringing someone else's copyright, and you believe we removed it by mistake, we will provide you with an opportunity to appeal.
- 5.5 If you repeatedly infringe other people's intellectual property rights, we will disable your account when appropriate.
- 5.6 You will not use our copyrights or trademarks (including Facebook, the Facebook and F logos, FB, Face, Poke, Wall and 32665) without our written permission.
- 5.7 If you collect information from users, you will: obtain their consent, make it clear you (and not Facebook) are the one collecting their information, and post a privacy policy explaining what information you collect and how you will use it.
- 5.8 You will not post anyone's identification documents or sensitive financial information on Facebook.

6. Mobile

- 6.1 We currently provide our mobile services for free, but please be aware that your carrier's normal rates and fees, such as text messaging fees, will still apply.
- 6.2 In the event you change or deactivate your mobile telephone number, you will update your account information on Facebook within 48 hours to ensure that your messages are not sent to the person who acquires your old number.

7. Payments

If you purchase or use Facebook Credits, or make direct payments, you agree to our [Payments Terms](#).

8. Special Provisions Applicable to Share Links

If you include our Share Link button on your website, the following additional terms apply to you:

- 8.1 We give you permission to use Facebook's Share Link button so that users can post links or content from your website on Facebook.
- 8.2 You give us permission to use such links and content on Facebook.
- 8.3 You will not place a Share Link button on any page containing content that would violate this Statement if posted on Facebook.

9. Special Provisions Applicable to Developers/Operators of Applications and Websites

If you are a developer or operator of a Platform application or a website using Connect ("application") or otherwise use Platform, the following additional terms apply to you:

- 9.1 You are responsible for your application and its content and all uses you make of Platform. This includes ensuring your application or use of Platform meets our [Platform Guidelines](#).
- 9.2 When users add your application or connect it to their Facebook account, they give permission for you to receive certain data relating to them. Your access to and use of that data will be limited as follows:
 - 9.2.1 You will only use the data you receive for your application, and will only use it in connection with Facebook.

- 9.2.2 You will make it clear to users what user data you are going to use and how you will use, display, or share that data.
- 9.2.3 You will not use, display, or share a user's data in a manner inconsistent with the user's [privacy](#) settings without the user's consent.
- 9.2.4 You will delete all data you received from us relating to any user who removes or disconnects from your application unless otherwise permitted in our [Platform Guidelines](#).
- 9.2.5 You will delete all data you received from Facebook if we disable your application or ask you to do so.
- 9.2.6 We can require you to update any data you have received from us.
- 9.2.7 We can limit your access to data.
- 9.2.8 You will not transfer the data you receive from us without our prior consent.
- 9.3 You will not give us data that you independently collect from a user or a user's content without that user's consent.
- 9.4 You will make it easy for users to remove or disconnect from your application.
- 9.5 You will make it easy for users to contact you. We can also share your email address with users.
- 9.6 You will provide customer support for your application.
- 9.7 You will not show ads or web search boxes on Facebook profiles.
- 9.8 We give you all rights necessary to use the code, APIs (along with all content and data received), or tools we provide to you, but only in connection with your application.
- 9.9 You will not sell, transfer, or sublicense our code, APIs, or tools to anyone.
- 9.10 You will not misrepresent your relationship with Facebook to others.
- 9.11 You may use the logos we make available to developers or issue a press release or other public statement so long as you follow our [Platform Guidelines](#).
- 9.12 We can issue a press release describing our relationship with you.
- 9.13 You will comply with all applicable laws. In particular you will (if applicable):
 - 9.13.1 have a policy for removing infringing content and terminating repeat infringers that complies with the Digital Millennium Copyright Act.
 - 9.13.2 comply with the Video Privacy Protection Act ("VPPA"), and will obtain explicit, opt-in consent from users prior to sharing with Facebook user data subject to the VPPA. You acknowledge Facebook has no obligations under the VPPA.
- 9.14 We do not guarantee that Platform will always be free.
- 9.15 You give us all rights necessary to enable your application to work with Facebook, including the right to:
 - 9.15.1 incorporate your content into streams, profiles, and user action stories;
 - 9.15.2 link to or frame your application; and
 - 9.15.3 place content, including ads, around your application.
- 9.16 We can analyze your application, content, and data for any purpose, including commercial (such as for targeting the delivery of advertisements and indexing content for search).
- 9.17 To ensure your application is safe for users, we can audit it.
- 9.18 We can create applications that offer similar features and services to, or otherwise compete with, your application.

10. About Advertisements on Facebook

Our goal is to deliver ads that are not only valuable to advertisers, but also valuable to you. In order to do that, you agree to the following:

- 10.1 You can use your [privacy](#) settings to limit how your name and profile picture may be associated with commercial or sponsored content. You give us permission to use your name and profile picture in connection with that content, subject to the limits you place.
- 10.2 We do not give your content to advertisers.
- 10.3 You understand that we may not always identify paid services and communications as such.

11. Special Provisions Applicable to Advertisers

You can target your specific audience by buying ads on Facebook or our publisher network. The following additional terms apply to you if you place an order through our online advertising portal ("Order"):

- 11.1 When you place an Order, you will tell us the type of advertising you want to buy, the amount you want to spend, and your bid. If we accept your Order, we will deliver your ads as inventory becomes available.

- 11.2 You will pay for your Orders in accordance with our [Payments Terms](#). The amount you owe will be calculated based on our tracking mechanisms.
- 11.3 Your ads will comply with our [Ad Guidelines](#).
- 11.4 We will determine the size, placement, and positioning of your ads.
- 11.5 We do not guarantee the activity that your ads will receive, such as the number of clicks you will get.
- 11.6 We cannot control how people interact with your ads, and are not responsible for click fraud or other improper actions that affect the cost of running ads.
- 11.7 You will not offer any contest or sweepstakes ("promotion") without our prior written consent. If we consent, you take full responsibility for the promotion, and will follow our [Promotions Guidelines](#) and all applicable laws.
- 11.8 You can cancel your Order at any time through our online portal, but it may take us seven days before the ad stops running.
- 11.9 Our license to run your ad will end when we have completed your Order. You understand, however, that if users have interacted with your ads, your ads may remain until the users delete it.
- 11.10 We can use your ads and related information for marketing or promotional purposes.
- 11.11 You will not issue any press release or make public statements about your relationship with Facebook without written permission.
- 11.12 We may reject or remove any ad for any reason.

If you are placing ads on someone else's behalf, we need to make sure you have permission to place those ads, including the following:

- 11.13 You warrant that you have the legal authority to bind the advertiser to this Statement.
- 11.14 You agree that if the advertiser you represent violates this Statement, we may hold you responsible for that violation.

12. Amendments

- 12.1 We can change this Statement so long as we provide you notice through Facebook (unless you opt-out of such notice) and an opportunity to comment.
- 12.2 For changes to sections 7, 8, 9, and 11 (sections relating to payments, application developers, website operators, and advertisers), we will give you a minimum of three days notice. For all other changes we will give you a minimum of seven days notice.
- 12.3 If more than 7,000 users comment on the proposed change, we will also give you the opportunity to participate in a vote in which you will be provided alternatives. The vote shall be binding on us if more than 30% of all active registered users as of the date of the notice vote.
- 12.4 We can make changes for legal or administrative reasons upon notice without opportunity to comment.

13. Termination

If you violate the letter or spirit of this Statement, or otherwise create possible legal exposure for us, we can stop providing all or part of Facebook to you. We will generally try to notify you, but have no obligation to do so. You may also delete your account or disable your application at any time. In all such cases, this Statement shall terminate, but the following provisions will still apply: 2.2, 2.3, 3-5, 8.2, 9.3-9.5, 9.9, 9.10, 9.15, 9.15.1, 9.18, 10.3, 11.2, 11.5, 11.8, 11.9, 11.10, 11.13, 11.14, and 13-16.

14. Disputes

- 14.1 You will resolve any claim, cause of action or dispute ("claim") you have with us arising out of or relating to this Statement or Facebook in a state or federal court located in Santa Clara County. The laws of the State of California will govern this Statement, as well as any claim that might arise between you and us, without regard to conflict of law provisions. You agree to submit to the personal jurisdiction of the courts located in Santa Clara County, California for the purpose of litigating all such claims.
- 14.2 If anyone brings a claim against us related to your actions or your content on Facebook, you will indemnify and hold us harmless from and against all damages, losses, and expenses of any kind (including reasonable legal fees and costs) related to such claim.
- 14.3 WE TRY TO KEEP FACEBOOK UP, BUILT-FREE, AND SAFE, BUT YOU USE IT AT YOUR OWN RISK. WE ARE PROVIDING FACEBOOK "AS IS" WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES INCLUDING, BUT NOT LIMITED TO, IMPLIED

WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. WE DO NOT GUARANTEE THAT FACEBOOK WILL BE SAFE OR SECURE. FACEBOOK IS NOT RESPONSIBLE FOR THE ACTIONS OR CONTENT OF THIRD PARTIES, AND YOU RELEASE US, OUR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS FROM ANY CLAIMS AND DAMAGES, KNOWN AND UNKNOWN, ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY CLAIM YOU HAVE AGAINST ANY SUCH THIRD PARTIES. IF YOU ARE A CALIFORNIA RESIDENT, YOU WAIVE CALIFORNIA CIVIL CODE §1542, WHICH SAYS: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR." WE WILL NOT BE LIABLE TO YOU FOR ANY LOST PROFITS OR OTHER CONSEQUENTIAL, SPECIAL, INDIRECT, OR INCIDENTAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS STATEMENT OR FACEBOOK, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. OUR AGGREGATE LIABILITY ARISING OUT OF THIS STATEMENT OR FACEBOOK WILL NOT EXCEED THE GREATER OF ONE HUNDRED DOLLARS (\$100) OR THE AMOUNT YOU HAVE PAID US IN THE PAST TWELVE MONTHS. APPLICABLE LAW MAY NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY OR INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. IN SUCH CASES, FACEBOOK'S LIABILITY WILL BE LIMITED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

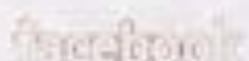
15. Definitions

- 15.1 By "Facebook" we mean the features and services we make available, including through (x) our website at www.facebook.com and any other Facebook branded or co-branded websites (including sub-domains, international versions, and mobile versions); (y) our Platform; and (z) other media, devices or networks now existing or later developed.
- 15.2 By "us," "we" and "our" we mean Facebook, Inc. and/or its affiliates.
- 15.3 By "Platform" we mean a lot of APIs and services that enable applications, developers, operators or services to retrieve data from Facebook and provide data to us relating to Facebook users.
- 15.4 By "content" we mean the content and information you post on Facebook, including information about you and the actions you take.
- 15.5 By "post" we mean post on Facebook or otherwise make available to us.
- 15.6 By "use" we mean use, copy, publicly perform or display, distribute, modify, translate, and create derivative works of.

16. Other

- 16.1 This Statement makes up the entire agreement between the parties regarding Facebook, and supersedes any prior agreements.
- 16.2 If any portion of this Statement is found to be unenforceable, the remaining portion will remain in full force and effect.
- 16.3 If we fail to enforce any of this Statement, it will not be considered a waiver.
- 16.4 Any amendment to or waiver of this Statement must be made in writing and signed by us.
- 16.5 You will not transfer any of your rights or obligations under this Statement to anyone else without our consent.
- 16.6 All of our rights and obligations under this Statement are freely assignable by us in connection with a merger, acquisition, or sale of assets, or by operation of law or otherwise.
- 16.7 Nothing in this Agreement shall prevent us from complying with the law.
- 16.8 We may enter into separate agreements that vary from and supersede certain provisions of this Statement so long as such agreements are consistent with your intellectual property rights under this Statement and no less protective of your privacy than this Statement and the Privacy Policy.
- 16.9 This Statement does not confer any third party beneficiary rights.

Exhibit J



Email Password

Keep me logged in Forgot your password?

[Sign Up](#) Facebook helps you connect and share with the people in your life.

The Facebook Blog

Facebook Page



Responding to Your Feedback

By Sami Ghoreb on Monday, April 5, 2010 at 9:42am

On Saturday, we concluded the notice and comment process for our latest set of proposed changes to Facebook's governing documents. This was the fifth time we've previewed new policies and asked for feedback since we adopted this framework early last year. I'm pleased to report that during the third week-long process, we received more than 4,000 comments from people around the world, including users, regulators, and online privacy advocates.

As we announced at the opening of the period, these latest proposed revisions to our Privacy Policy and Statement of Rights and Responsibilities (SRR) were designed to make way for some exciting new products we're contemplating. Because not all of these products have been finalized and many aren't yet built at all, we'll be able to use your comments to help influence our product development.

In addition to taking your feedback into account as our product teams and engineers are designing and coding, we wanted to respond to some of the common comments.

For example, some of you commented, in connection with the proposed new Privacy Policy, that you'd like to be able to hide your friends list. In fact, this is something that people already have the ability to do. We announced this feature back in December, and you can read more about it in our help center.

Others had questions about the sections in the SRR requiring people to provide accurate information and linking them to one account. These are not new requirements. Facebook has always been based on a real-name culture, and we feel strongly that these policies provide greater accountability and a safer and more trusted environment across the site.

Still others asked to be opted-out of having their information shared with advertisers. This reflects a common misconception about advertising on Facebook. We don't share your information with advertisers unless you tell us to (e.g. to get a special, hear more, or enter a contest). Any adoption is the contrary to false. Period. Instead, we enable advertisers to target announced demographics and attributes. That is, a company selling tools can target people between 40 and 50 years old who expressed an interest in tooling. However, we never provide the advertiser any names or other information about the people who are shown, or even who click on, the ads.

We also received questions about the proposed new language in the Privacy Policy relating to our plans to work with some pre-approved partner websites to offer a personalized experience when you visit at these sites. Based on your comments, we think it's important to clarify a couple of points, even though this program has not yet been launched or even finalized.

First, it's important to underscore that this will be a test with a handful of carefully selected partners to provide express personalization on their sites. These partners will be pre-selected, reviewed, and bound by contracts with Facebook - much like other partners we have worked with in other contexts to deliver unique and innovative experiences. For example, we're working with Yahoo! to integrate Facebook across their properties, AOL to integrate our chat with AOL, and we first partnered with CNN.com to make their broadcast of the Presidential Inauguration more local with the launch of the Facebook live stream application.

In addition, partners who participate in this test will be required to provide an easy and prominent method for you to opt out directly from their website and delete your data if you do opt out. There will also be new features on Facebook.com to help you control your experience when you visit these sites.

In sum, the core idea behind this test is to work with partners to enable them to present you with a better, more relevant, and tailored experience when you visit their sites. While we have not finalized these features or partnerships, we think this is an exciting opportunity to make surfing the web a smoother and more engaging experience for people who use Facebook.

We're committed to building products that address what's possible for people who want more personalized and social experiences on the Web. We're equally committed to evolving our products and technologies in a way that respects the trust you have put into Facebook.

As always, thanks for participating in our open governance process and sharing your feedback with

Search Blog

Most Popular Stories

A Continued Commitment to Security

1278 2010

Introducing Deals

1106 2010

The New Profile Is Here

1060 2010

A Better Mobile Experience for More People

1035 2010

Introducing the New Profile

1003 2010

Facebook Page



Facebook
Like

Facebook Favorites

Help Center
Facebook Security
Facebook Developers Blog
Facebook Engineering
Facebook Ads
Facebook Marketing Solutions

Comment Policy

We love your feedback, but be respectful and stay on topic. We reserve the right to delete profane, harassing, abusive and spam comments and to block repeat offenders. Post rules.

Blog Archive

Looking for a specific post? Visit our full archive of blog posts sorted by categories and dates.

us. We expect the new documents to be live on the site in the coming days. Stay tuned for future updates by becoming a fan of the Facebook Site Governance Page.

Mark is a director of Facebook's communications and public policy team.

[Topics: Privacy, Site governance, Statement of Rights and Responsibilities \(SRR\)](#)

1/24 2:50 PM via the Web



 Facebook needs page

Exhibit K



Email Password

I have my account on I forgot my password?

[Sign Up](#) Facebook helps you connect and share with the people in your life.

The Facebook Blog

Facebook Page [Subscribe to RSS Feed](#)



The Role of Advertising on Facebook

by Sheryl Sandberg on Tuesday, July 6, 2010 at 1:00pm

At Facebook, everything we do is about making the world more social and creating more personalized experiences. On Facebook, people do everything from remembering their friends' birthdays to reuniting with old classmates to even finding people willing to donate their organs to save their lives. We think making the world more personal and social is having a profound impact on the way we relate to the people, communities and institutions around us.

In a more connected world, advertisers are social too. This gives you the chance to connect to the companies and brands you like and learn more about their products and services. We believe that more personalized social advertising complements the ways that people use Facebook every day—to discover, share and connect with the people and the world around them.

Whether it's a new car, a local dental or a T-shirt, many of the things you discover on Facebook come from your friends. Just as advertising has changed the experience of searching on the web, we think advertisers are a meaningful part of the social graph and the online experience as a whole.

We have designed Facebook to provide relevant and interesting advertising content to you, in a way that protects your privacy completely. We never share your personal information with advertisers. We never sell your personal information to anyone. These protections are yours no matter what privacy settings you use; they apply equally to people who share openly with everyone and to people who share with only select friends.

We also protect your privacy by virtue of the way our advertising system works. Because our system chooses which ads to show you, we don't need to share any of your personal information with advertisers in order to show you relevant ads. In order to advertise on Facebook, advertisers give us an ad they want us to display and tell us the kinds of people they want to reach. We deliver the ad to people who fit those criteria without revealing any personal information to the advertiser.

The only information we provide to advertisers is aggregate and anonymous data, so they can know how many people viewed their ad and general categories of information about them. Ultimately, this helps advertisers better understand how well their ads work so they can show better ads.

Advertisers can also request that we display ads based on the things you have said you liked in your profile. We think this means you will get ads that are more personalized to your real interests and this makes your experience on Facebook even better. For example, if you are a small business selling tents you might want to target adults ages 18-40 who have liked camping or hiking. Our advertising system only shows the number of people who fit those criteria.

Once the ad runs, we report how many people saw or clicked on the ad and we provide aggregate demographic information. We do not show individual profiles or personal information in our reporting back.

If you are interested in seeing how this works, you can watch this video:



We have built—and are continuing to grow—a successful advertising business that gives you the opportunity to discover and connect to things you like while respecting your privacy no matter how you choose to share your information. We think an online advertising experience that is social and puts consumers at the center of an ongoing, two-way conversation is better for people and

Search Blog

Most Popular Stories

A Continued Commitment to Security

2176 2077

Introducing Death

1228 1401

The New Profile Is Here

2045 1181

A Better Mobile Experience for More People

1262 2462

Introducing the New Profile

2003 1423

Facebook Page



Facebook

Like

22,471,302

Facebook Favorites

- [Info Center](#)
- [Facebook Security](#)
- [Facebook Developers Blog](#)
- [Facebook Engineering](#)
- [Facebook Ads](#)
- [Facebook Marketing Solutions](#)

Comment Policy

We love your feedback, but be respectful and stay on topic. We reserve the right to delete profane, harassing, abusive and spam comments and to block repeat offenders. [View more](#)

Blog Archive

Looking for a specific post? Visit our full archive of blog posts sorted by categories and dates.

Exhibit L

Press Room

[Blog](#) | [About](#) | [Press Releases RSS](#)
[View All Press Releases](#)

Facebook Expands Power of Platform Across the Web and Around the World

Users and Developers Get New Ways to Share and Stay Connected through the Power of Feeds

SAN FRANCISCO, Calif. – Facebook 18 Conference, July 23, 2008 – Facebook today introduced the latest enhancements to Facebook Platform during its annual 18 developer conference, calling on its more than 400,000 developers to connect their Websites with Facebook through Facebook Connect, extend their applications to dozens of languages worldwide, and make use of new developer resources to help them succeed.

"We opened Facebook Platform with a belief that community innovation can give people the tools, and the power, to share and communicate in ways that Facebook can't build on its own. We're humbled by what our developer community has accomplished," said Mark Zuckerberg, founder and CEO of Facebook. "We're confident that the changes we're presenting today help developers build more meaningful social applications that enable users to share more information."

Facebook earlier this week released its new site design for users to preview and test, which is being gradually rolled out to Facebook's more than 80 million active users over the coming weeks. The changes announced today, along with those launched earlier this week, leverage Facebook's powerful feed system to give developers a new way to gain visibility and help users share and discover more information.

Leveraging the Power of Feeds

"Across the Web, content creation has become easier and more immediate, resulting in a continuous stream of information through what we call 'feeds,'" said Zuckerberg. "The power of feeds on Facebook is their ability to move you into a world where you receive relevant information in a social context whenever you are on the Web."

The new site design explores dynamic content and surfaces the most recent and relevant information and activity through feeds, both on News Feed and the Web. For developers, the new site design enables even deeper integration within the profile for their applications. By taking advantage of the improvements with feeds on Facebook and the other new features, developers can more effectively distribute their applications and give users ways to engage meaningfully with users.

"We're confident that the new profile and integrative points will give entrepreneurs and developers even greater opportunities to build their businesses and deliver on the promise of Facebook Platform," said Ben Ling, director of platform program management, Facebook. "Our goal of the new site design is to align Facebook Platform with users' interests who will see a new class of applications emerge that provide deeper engagement and a better experience."

Making the Web More Social with Facebook Connect

Facebook announced that 24 Web sites and applications have joined its efforts to make the Web more open and connected through Facebook Connect. A developer "sandbox" is now available so developers worldwide can start working with Facebook Connect.

Facebook believes that enabling users to take their identity and friends with them around the Web, while trusting that their privacy is protected, makes the Web more open and connected. Facebook Connect allows users to bring their Facebook account information, friends and privacy to any third-party website, desktop application or device.

Digg, 5k April, and Citysearch were featured first during Zuckerberg's keynote today demonstrating their planned implementations of Facebook Connect. Facebook Connect will be generally available to users in the fall.

"Digg surfaces the best content on the Web as voted on by its community of 26 million," said Steve Rose, founder of Digg. "Facebook Connect will help us promote more conversations on Digg by giving Facebook's 80 million users an opportunity to sign in to Digg with their Facebook accounts and become part of the active Digg community. This allows both Facebook and Digg users to more easily share the content they care about with the people they care about."

With Facebook Connect, users benefit from the following features:

- **Trusted Authentication** – easily authenticate into partner sites using their Facebook account
- **Real Identity** – leverage their real identity across the Web in a trusted environment
- **Friend Linking** – take their friends with them wherever they go, enabling trusted social context anywhere on the Web

COMPANY

[Facebook](#)
[Details](#)
[Timeline](#)
[Description](#)
[Founder Story](#)
[Platform](#)
[S-1](#)
[Press Releases & Announcements](#)

CONTACTS

[Images](#)
[Speaker Requests](#)
[Interview Requests](#)
[Your Stories](#)

• **OpenID Privacy** – ensures that the same privacy settings users have set up on Facebook will follow them whenever they decide to log in throughout the Web.

• **Social Distribution** – share actions on partner sites with their friends back on Facebook through feeds. Additional planned participants at launch include: Ask.fm, CWL.com, CNET, CollegeHumor, Disney-ABC Television Group, E!tv, Flickr, Hulu, Kinyong.com, Last.fm, News, Roku, Ted Talk, Servant, SocialBright, Tumblr.com, The Onion, Twitter, Uber, Vimeo and Yelp.

Expanding Facebook Platform Internationally

As a result of the vertiginous success of Facebook's translation system, the company has opened up the Translation Application to any developer using Facebook Platform. Beginning today, any Facebook developer can make their application available in any of the 20 languages that are currently available on Facebook, with 67 more coming soon.

Developers can now access the Translation Application to either translate their applications themselves, or open up translation of their applications to Facebook users around the world, who will work together to define it in their native languages.

This innovative approach combines the passion of Facebook users with technologies that are syntactically and semantically. The Translation Application enables developers to get high-quality, fully-translated applications in front of users, no matter where they live or what language they speak – much faster than ever before, and without ever having to pick up a dictionary.

"Through Facebook's international platform, the possibilities are endless for both developers and users," said Chamath Raghupathi, vice president of growth, Facebook. "With no language barriers to break through, developers can take the stage with an even larger audience of users from all over the world, and users will have access to even more great applications than ever before built by the world's best developers."

Helping Developers Succeed

When Facebook Platform launched in 2007, it gave developers the opportunity to create applications that are deeply social and meaningful to users. More than 400,000 developers and entrepreneurs from 200 countries have signed up and developed applications. For the next phase of Platform, Facebook has focused on ensuring that developers have the resources and incentives they need to build applications that deliver on the vision of Facebook Platform.

Facebook launched four new and expanded developer programs and resources:

1) Great Apps Program Facebook's Great Apps program rewards applications that deliver value to users and advance the Facebook Platform vision. Great Apps embody Facebook's guiding principles for social applications through their meaningful, trustworthy and well-designed user experiences. Great Apps will gain greater visibility on Facebook, earlier access to new features and more feedback from Facebook. Facebook will open the Great Apps selection process to developers in September.

Facebook is excited to announce iLike and Causes as the inaugural Great Apps. "Facebook Platform provided iLike with an unprecedented opportunity to become one of the world's leading online music services in just over a year," said Al Perdomo, CEO of iLike. "I'm delighted that Facebook is committed to recognizing the apps that are most appreciated by users. We expect the Great Apps program to have a very positive impact on the entire Facebook Platform ecosystem."

"The Causes application enables socially-conscious Facebook users to unlock the power of their social network in order to raise money and awareness for the causes they care about," said Greg Parker, chairman and co-founder of Causes. "With more than 100,000 causes created by 11 million Facebook users, we've had remarkable success building user trust and value on Facebook and we're excited to join the Great Apps program."

2) Application Verification Facebook is introducing the Application Verification program which is designed to offer extra assurances to help users identify applications they can trust – applications that are secure, respectful and transparent, and have demonstrated commitment to compliance with Platform policies. Verified applications will benefit from added visibility on Facebook. The program is a complement to Facebook's ongoing policy enforcement to keep the Platform ecosystem robust, and will be open to developers in September.

3) Expanded \$100k Competition In an effort to grow the Facebook ecosystem, \$100k was introduced last year to provide resources to developers, by eliminating some of the challenges of starting a company. As part of a new competition, Facebook will award nearly \$10 million in new revenue grants to the top 25 applications. In addition to the Facebook judging committee, this year users will test applications and vote on their favorites after the first round deadline of August 25, 2008.

Winners from the first \$100k competition were announced today and include: ConnectWithMe, ClamFoot by Clamto, CoolCamp, Hattery, iOPay, LuckyCat, MyJota, Padibus, Tractor, and Ziverte Camped App.

4) New Developer Website Facebook is introducing a new website for Facebook Platform. Improvements include better navigation and clearer access to the blog, help and forum to encourage community involvement. Facebook will also start highlighting social, meaningful and trustworthy application user studies.

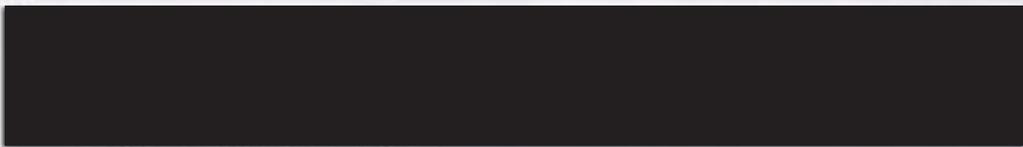
For additional information on the announcements made today at F8, please visit the [F8 Press Page](#) at www.facebook.com/f8press.

Since Facebook's creation in February 2004, Facebook's mission is to give people the power to share and make the world more open and connected. Anyone can sign up for Facebook and connect with the people they know in a trusted environment. Facebook is a privately-held company and is headquartered in Palo Alto, CA.

[Home](#) · [Find Friends](#) · [Developers](#) · [Settings](#) · [Content](#) · [About](#) · [Advertising](#) · [Privacy](#) · [Terms](#) · [Help](#)



Exhibit M



• What are Verified applications?

Verified applications have passed a detailed Facebook review to confirm that the user experience they provide complies with Facebook policies. Verified applications have committed to be transparent about how they work and will respect you and your friends when they send communication on your behalf.

Because these applications have passed a review by Facebook, they are prioritized higher in the application directory and are highlighted by a green checkmark. A "Verified Apps" badge will appear on their Profile Pages as well.

• What is the green check mark next to some applications?

Applications that choose to participate in Facebook's Application Verification Program receive a green check mark when they pass Facebook's detailed review process. The review process is designed to ensure that the application complies with Facebook policies. In addition, Verified applications have committed to be transparent about how they work and will respect you and your friends when they send communication on your behalf.



Exhibit N

facebook

 Facebook helps you connect and share with the people in your life.

-  Home
-  Profile
-  Timeline
-  Activity
-  Marketplace
-  Groups
-  Events
-  Pages
-  Watch
-  Meta

Help Center

What can we help you with?

Search

Privacy · Safety · Reporting · Blocking and Restricting Accounts

How do I deactivate my account?

If you're worried about who can see you and what they can see, knowledge that you can edit your privacy settings to see who is from the [Facebook help](#).

To deactivate your account, go to the "Settings" tab on this Account Settings page. Deactivation of your profile and content associated with your account from Facebook. In addition, users will not be able to search for you or see any of your information.

If you'd like to come back to Facebook anytime after you've deactivated your account, you can reactivate your account by logging in with your email and password. Your profile will be restored to its original status, photos, streams, etc.). Remember that you will need to have access to the login email address on the account in order to reactivate it.

[See the entire help!](#)

Yes No

Exhibit O

facebook

Facebook helps you connect and share with the people in your life.

- Getting Facebook
- Help Overview
- The Community
- Getting started
- Safety

Help Center

What can we help you with?
Search

Facebook, Inc. 1000 Lakeside Drive
Menlo Park, CA 94025

Privacy - Privacy: Discovering, Deleting, and Memorializing Accounts

What is the difference between deactivation and deletion?

If you deactivate your account, your profile and all information associated with it are immediately made inaccessible to other Facebook users, until the reason you give for deactivating appears from the Facebook servers. Moreover, we do store your profile information (friends, photos, interests, etc.), so if you want to reactivate at some point, your account will still be the one I did when you deactivated. Also, other Facebook user accounts for temporary sessions and pages that deactivate to let them share their efforts to the world.

If you permanently delete your account, all personal information associated with your account will be purged from our database. This includes information like your name, email address, billing address, and the names of friends of your friends (photos, videos, etc.) may appear in our services for technical reasons, but the account is disconnected from any personal identifiers and completely inaccessible to other users. Facebook also does not use content associated with accounts that have been deactivated or deleted.

Go to the next page

Exhibit P

facebook helps you connect and share with the people in your life.

Help Center

What can we help you with?

Search

Log out

Privacy, Security, Blocking, and Memorializing Accounts

How do I permanently delete my account?
 If you delete your account from the "Deactivate account" section on the right side of your profile and all information associated with it is automatically made inaccessible to other Facebook users. That the reason for you particular decision has to be Facebook policy, however. If you want to reactivate your account, you do not need your profile information (name, photos, videos, etc.), and your account will be restored once you do so. Deactivated if you wish to deactivate it, there will be no ability to temporarily restore it until you have a decision to be made about how you wish to do so.

Profile

Account Security

Memorialize Profile

If you do not wish you off our Facebook upon our inability, our without making, please be advised that you will not be able to access our content or updates or if the content or information you have added. If you wish to have your account permanently deleted with no updates for recovery, log in to your account and see [about deleting your account](#).

If you are unable to access our account, you will need to use our account with a new device. If you do not wish to use the "Forgot your password" or "Find your account" links, you may wish to use the "Forgot your password" or "Find your account" links to help you access your account. If you wish to have your account permanently deleted with no updates for recovery, log in to your account and see [about deleting your account](#) using the other method above.

Log out

Log out

Exhibit Q

Go to Prod

Search

Home Profile Account

Facebook's Privacy Policy

Date of last revision: December 9, 2009.

We want to earn your trust by being transparent about how Facebook works. You should read this policy in its entirety, but should pay particular attention to these four highlights:

- Facebook is designed to make it easy for you to share your information with anyone you want. You decide how much information you feel comfortable sharing on Facebook and you control how it is distributed through your privacy settings. You should review the default privacy settings and change them if necessary to reflect your preferences. You should also consider your settings whenever you share information.
- Facebook is not just a website. It is also a service for sharing your information on Facebook-enhanced applications and websites. You can control how you share information with those third-party applications and websites through your application settings and you can learn more about how information is shared with them on our About Platform page. You can also limit how your friends share your information with applications through your privacy settings.
- Certain categories of information such as your name, profile photo, list of friends and pages you are a fan of, gender, geographic region, and networks you belong to are considered publicly available to everyone, including Facebook-enhanced applications, and therefore do not have privacy settings. You can, however, limit the ability of others to find this information through search using your search privacy settings.
- Facebook is a free service supported primarily by advertising. We will not share your information with advertisers without your consent. We allow advertisers to select characteristics of users they want to show their advertisements to and we use the information we have collected to serve those advertisements.

This policy contains eight sections, and you can jump to each by selecting the links below:

1. Introduction
2. Information We Receive
3. Information You Share With Third Parties
4. How We Use Your Information
5. How We Share Information
6. How You Can View, Change, or Remove Information
7. How We Protect Information
8. Other Terms

1. Introduction

Questions. If you have any questions or concerns about our privacy policy, contact our privacy team through this help page. You may also contact us by mail at 1601 S. California Avenue, Palo Alto, CA 94304.

TRUSTe Program. Facebook is a certified licensee of the TRUSTe Privacy Seal Program. This means that our privacy policy and practices have been reviewed by TRUSTe, an independent organization focused on reviewing privacy and security policies and practices, for compliance with its strict program requirements. This privacy policy covers the website www.facebook.com. The TRUSTe program covers only information that is collected through this Web site, and does not cover other information, such as information that may be collected through software downloaded from Facebook.

If you have any complaints about our policy or practices please let us know through this help page . If you are not satisfied with our response, you can contact TRUSTe.



Safe Harbor. Facebook also adheres to the Safe Harbor framework developed by the U.S. Department of Commerce and the European Union. As part of our participation in the Safe Harbor, we agree to resolve all disputes you have with us in connection with our policies and practices through TRUSTe. To view our certification, visit the U.S. Department of Commerce's Safe Harbor Web site.

Scope. This privacy policy covers all of Facebook. It does not, however, apply to entities that Facebook does not own or control, such as Facebook-enhanced applications and websites. By using or accessing Facebook, you agree to our privacy practices outlined here.

No information from children under age 13. If you are under age 13, please do not attempt to register for Facebook or provide any personal information about yourself to us. If we learn that we have collected personal information from a child under age 13, we will delete that information as quickly as possible. If you believe that we might have any information from a child under age 13, please contact us through this help page.

Parental participation. We strongly recommend that minors 13 years of age or older ask their parents for permission before sending any information about themselves to anyone over the internet and we encourage parents to teach their children about safe internet use practices. Materials to help parents talk to their children about safe internet use can be found on this help page.

2. Information We Receive

Information you provide to us:

Personal information. When you sign up for Facebook you provide us with your name, email, gender, and birth date. During the registration process we give you the opportunity to provide additional profile information, such as where you went to school and where you work, and to add a picture of yourself, to help your friends connect with you. In some cases we may ask for additional information for security reasons or to provide specific services to you. Once you register you can visit your profile at any time to

add or remove personal information about yourself. You can add basic information about yourself, such as information about your hometown, family, relationships, and your political and religious views. You can also add other information about yourself including your activities, interests, contact information, as well as more information about your education and job history.

Content. One of the primary reasons people use Facebook is to share content with others. Examples include when you update your status, upload or take a photo, upload or record a video, share a link, create an event or a group, make a comment, write something on someone's Wall, write a note, or send someone a message. If you do not want us to store metadata associated with content you share on Facebook (such as photos), please remove the metadata before uploading the content.

Transactional Information. We may retain the details of transactions or payments you make on Facebook. However, we will only keep your payment source account number with your consent.

Friend Information. We offer contact importer tools to help you upload your friends' addresses so that you can find your friends on Facebook, and invite your contacts who do not have Facebook accounts to join. If you do not want us to store this information, visit this help page. If you give us your password to retrieve those contacts, we will not store your password after you have uploaded your contacts' information.

Location Information. When you share your location with others or add a location to something you post, we treat that like any other content you post (for example, it is subject to your privacy settings). If we offer a service that supports this type of location sharing we will present you with an opt-in choice of whether you want to participate.

Information we collect when you interact with Facebook:

Site activity information. We keep track of the actions you take on Facebook, such as adding a friend, becoming a fan of a Facebook Page, joining a group or an event, creating a photo album, sending a gift, poking another user, indicating you "like" a post, attending an event, or authorizing an application. In some cases you are also taking an action when you provide information or content to us. For example, if you share a video, in addition to storing the actual content you uploaded, we might log the fact you shared it.

Access Device and Browser Information. When you access Facebook from a computer, mobile phone, or other device, we may collect information from that device about your browser type, location, and IP address, as well as the pages you visit.

Cookie Information. We use "cookies" (small pieces of data we store for an extended period of time on your computer, mobile phone, or other device) to make Facebook easier to use, to make our advertising better, and to protect both you and Facebook. For example, we use them to store your login ID (but never your password) to make it easier for you to login whenever you come back to Facebook. We also use them to confirm that you are logged into Facebook, and to know when you are interacting with Facebook Platform applications and websites, our widgets and Share buttons, and our advertisements. You can remove or block cookies using the settings in your browser, but in some cases that may impact your ability to use Facebook.

Information we receive from third parties:

Facebook Platform and Facebook Connect. We do not own or operate the applications that you use through Facebook Platform (such as games and utilities) or the websites that you interact with through Facebook Connect. We refer to them as "Facebook-enhanced" applications and websites because they use our Platform to provide you with social features. Whenever you authorize a Facebook-enhanced application or website, we will receive information from them, including information about actions you take. In some cases, in order to personalize the process of connecting, we may receive a limited amount of information even before you authorize the application or website.

Information from other websites. We may institute programs with advertising partners and other websites in which they share information with us:

- We may ask advertisers to tell us how our users responded to the ads we showed them (and for comparison purposes, how other users who didn't see the ads acted on their site). This data sharing, commonly known as "conversion tracking," helps us measure our advertising effectiveness and improve the quality of the advertisements you see.
- We may receive information about whether or not you've seen or interacted with certain ads on other sites in order to measure the effectiveness of those ads.

If in any of these cases we receive data that we do not already have, we will "anonymize" it within 180 days, meaning we will stop associating the information with any particular user. If we institute these programs, we will only use the information in the ways we explain in the "How We Use Your Information" section below.

Information from other users. We may collect information about you from other Facebook users, such as when a friend tags you in a photo or video, provides friend details, or indicates a relationship with you. You can limit who can see that you have been tagged in a photo or video - which we refer to as photos or videos "of me" - in your privacy settings.

3. Information You Share With Third Parties

We take steps to ensure that others use information that you share on Facebook in a manner consistent with your privacy settings, but we cannot guarantee that they will follow our rules. Read the following section to learn more about how you can protect yourself when you share information with third parties.

Sharing information on Facebook. We designed our privacy settings to enable you to control how you share your information on Facebook. You should review the default privacy settings to make sure they reflect your preferences. Here are some specific things to remember:

- You can control the visibility of most of the information you share on Facebook through the privacy settings you select.
- Certain categories of information such as your name, profile photo, list of friends and pages you are a fan of, gender, geographic region, and networks you belong to are considered publicly available, and therefore do not have privacy settings. You can limit the ability of others to find this information on third party search engines through your search privacy settings.
- Some of the content you share and the actions you take will show up on your friends' home pages and other pages they visit.
- Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your privacy settings, or it was copied or stored by other users.

- You understand that information might be re-shared or copied by other users.

Certain types of communications that you send to other users cannot be removed, such as messages.

- When you post information on another user's profile or comment on another user's post, that information will be subject to the other user's privacy settings.

- If you use an external source to publish information to Facebook (such as a mobile application or a Connect site), you should check the privacy setting for that post, as it is set by that external source.

"Everyone" Privacy Setting. Information set to "everyone" is publicly available information, may be accessed by everyone on the Internet (including people not logged into Facebook), is subject to indexing by third party search engines, may be associated with you outside of Facebook (such as when you visit other sites on the internet), and may be imported and exported by us and others without privacy limitations. The default privacy setting for certain types of information you post on Facebook is set to "everyone." You can review and change the default settings in your privacy settings. If you delete "everyone" content that you posted on Facebook, we will remove it from your Facebook profile, but have no control over its use outside of Facebook.

Facebook Platform. As mentioned above, we do not own or operate Facebook-enhanced applications or websites. That means that when you visit Facebook-enhanced applications and websites you are making your Facebook information available to someone other than Facebook. To help those applications and sites operate, they receive publicly available information automatically when you visit them, and additional information when you formally authorize or connect your Facebook account with them. You can learn more details about which information the operators of those applications and websites can access on our About Platform page. Prior to allowing them to access any information about you, we require them to agree to terms that limit their use of your information (which you can read about in Section 9 of our Statement of Rights and Responsibilities) and we use technical measures to ensure that they only obtain authorized information. We also give you tools to control how your information is shared with

them:

[You can choose to opt-out of Facebook Platform and Facebook Connect altogether through your privacy settings] (We will remove this sentence in the next revision to our Privacy Policy as the product has changed)

- You can block specific applications from accessing your information by visiting your application settings or the application's "About" page
- You can use your privacy settings to limit which of your information is available to "everyone" (by default, every application and website, including those you have not connected with, can access "everyone" and other publicly available content)
- You can use your application settings to limit which of your information your friends can make available to applications and websites
- We may make information about the location of your computer or access device and your age available to Facebook-enhanced applications and websites in order to help them implement appropriate security measures and control the distribution of age-appropriate content.

You should always review the policies of third party applications and websites to make sure you are comfortable with the ways in which they use information you share with them. We do not guarantee that they will follow our rules. If you find an application or website that violates our rules, you should report the violation to us on this help page and we will take action as necessary.

Exporting Information. You (and those you make your information available to) may use tools like RSS feeds, mobile phone address books, or copy and paste functions, to capture and export information from Facebook, including your information and information about you.

Advertisements. Sometimes the advertisers who present ads on Facebook use technological methods to measure the effectiveness of their ads and to personalize advertising content. You may opt-out of the placement of cookies by many of these advertisers here. You may also use your browser cookie settings to limit or prevent the placement of cookies by advertising networks.

Links. When you click on links on Facebook you may leave our site. We are not responsible for the privacy practices of other sites, and we encourage you to read their privacy statements.

4. How We Use Your Information

We use the information we collect to try to provide a safe, efficient, and customized experience. Here are some of the details on how we do that:

To manage the service. We use the information we collect to provide our services and features to you, to measure and improve those services and features, and to provide you with customer support. We use the information to prevent potentially illegal activities, and to enforce our Statement of Rights and Responsibilities. For example, we ask for your date of birth to verify that you are over age 13 and so that we can better limit your access to content and advertisements that are not age appropriate. We also use a variety of technological systems to detect and address anomalous activity and screen content to prevent abuse such as spam. These efforts may on occasion result in a temporary or permanent suspension or termination of some functions for some users.

To contact you. We may contact you with service-related announcements from time to time. You may opt out of all communications except essential updates on your account notifications page. We may include content you see on Facebook in the emails we send to you.

To serve personalized advertising to you. We don't share your information with advertisers without your consent. (An example of consent would be if you asked us to provide your shipping address to an advertiser to receive a free sample.) We allow advertisers to choose the characteristics of users who will see their advertisements and we may use any of the non-personally identifiable attributes we have collected (including information you may have decided not to show to other users, such as your birth year or other sensitive personal information or preferences) to select the appropriate audience for those advertisements. For example, we might use your interest in soccer to show you ads for soccer equipment, but we do not tell the soccer equipment company who you are. You can see the criteria advertisers may select by visiting our advertising page. Even though we do not share your information with advertisers without your consent, when you click on or otherwise interact with an advertisement there is a possibility that the advertiser may place a cookie in your browser and note that it meets the criteria they selected.

To serve social ads. We occasionally pair advertisements we serve with relevant information we have about you and your friends to make advertisements more interesting and more tailored to you and your friends. For example, if you become a fan of a Page, we may display your name and profile photo next to an advertisement for that Page that is displayed to your friends. We only share the personally identifiable information visible in the social ad with the friend who can see the ad. You can opt out of having your information used in social ads on this help page.

To supplement your profile. We may use information about you that we collect from other Facebook users to supplement your profile (such as when you are tagged in a photo or mentioned in a status update). In such cases we generally allow you to direct how that information is shared in your privacy settings or give you the ability to remove the content (such as allowing you to remove a photo tag of you) or limit its visibility on Facebook.

To make Suggestions. We use your profile information, the addresses you import through our contact importers, and other relevant information, to help you connect with your friends, including making suggestions to you and other users that you connect with on Facebook. If you want to limit your visibility in suggestions we make to other people, you can adjust your search visibility privacy setting, as you will only be visible in our suggestions to the extent you choose to be visible in public search listings. You may also block specific individual users from being suggested to you and you from being suggested to them.

Downloadable Software. Certain downloadable software applications and applets that we offer, such as our browser toolbars and photo uploaders, transmit data to us. We may not make a formal disclosure if we believe our collection of and use of the information is the obvious purpose of the application, such as the fact that we receive photos when you use our photo uploader. If we believe it is not obvious that we are collecting or using such information, we will make a disclosure to you the first time you provide the information to us so that you can decide whether you want to use that feature.

Memorializing Accounts. If we are notified that a user is deceased, we may memorialize the user's account. In such cases we restrict profile access to confirmed friends, and allow friends and family to write on the user's Wall in remembrance. We may close an account if we receive a formal request from the user's next of kin or other proper legal request to do so.

5. How We Share Information

Facebook is about sharing information with others — friends and people in your networks — while providing you with privacy settings that you can use to restrict other users from accessing your information. We share your information with third parties when we believe the sharing is permitted by you, reasonably necessary to offer our services, or when legally required to do so. For example:

When you make a payment. When you enter into transactions with others or make payments on Facebook, we will only share transaction information with those third parties necessary to complete the transaction and will require those third parties to agree to respect the privacy of your information.

When you invite a friend to join. When you ask us to invite a friend to join Facebook, we will send your friend a message on your behalf using your name. We may also send up to two reminders to them in your name. If your friend does not want us to keep their information, we will remove it at their request on this help page.

When you choose to share your information with marketers. You may choose to share information with marketers or electronic commerce providers that are not associated with Facebook through on-site offers. This is entirely at your discretion and we will not provide your information to these marketers without your consent.

To help your friends find you. By default, we make certain information you have posted to your profile available in search results on Facebook to help your friends find you. However, you can control who has access to this information, as well as who can find you in searches, through your privacy settings. We also partner with email and instant messaging providers to help their users identify which of their contacts are Facebook users, so that we can promote Facebook to those users.

To give search engines access to publicly available information. We generally limit search engines' access to our site. We may allow them to access information set to the "everyone" setting and your public search listing (but you can turn off your public search listing in your privacy settings).

To help improve or promote our service. Sometimes we share aggregated information with third parties to help improve or promote our service. But we only do so in such a way that no individual user can be identified or linked to any specific action or information.

To provide you with services. We may provide information to service providers that help us bring you the services we offer. For example, we may use third parties to help host our website, send out email updates about Facebook, remove repetitive information from our user lists, process payments, or provide search results or links (including sponsored links). These service providers may have access to your personal information for use for a limited time, but when this occurs we implement reasonable contractual and technical protections to limit their use of that information to helping us provide the service.

To advertise our services. We may ask advertisers outside of Facebook to display ads promoting our services. We may ask them to deliver those ads based on the presence of a cookie, but in doing so will not share any other information with the advertiser.

To offer joint services. We may provide services jointly with other companies, such as the classifieds service in the Facebook Marketplace. If you use these services, we may share your information to facilitate that service. However, we will identify the partner and present the joint service provider's privacy policy to you before you use that service.

To respond to legal requests and prevent harm. We may disclose information pursuant to subpoenas, court orders, or other requests (including criminal and civil matters) if we have a good faith belief that the response is required by law. This may include respecting requests from jurisdictions outside of the United States where we have a good faith belief that the response is required by law under the local laws in that jurisdiction, apply to users from that jurisdiction, and are consistent with generally accepted international standards. We may also share information when we have a good faith belief it is necessary to prevent fraud or other illegal activity, to prevent imminent bodily harm, or to protect ourselves and you from people violating our Statement of Rights and Responsibilities. This may include sharing information with other companies, lawyers, courts or other government entities.

Facebook Beacon. [We have announced a settlement of a lawsuit related to the Beacon product: the Beacon product will be discontinued and this language removed from the privacy policy upon approval of a settlement by the court.] Facebook Beacon is a means of sharing actions you have taken on third party sites, such as when you make a purchase or post a review, with your friends on Facebook. In order to provide you as a Facebook user with clear disclosure of the activity information being collected on third party sites and potentially shared with your friends on Facebook, we collect certain information from that site and present it to you after you have completed an action on that site. You have the choice to have us discard that information, or to share it with your friends. To learn more about the operation of the service, we encourage you to read the tutorial here. To opt out of the service altogether, click here. Like many other websites that interact with third party sites, we may receive some information even if you are logged out from Facebook, or that pertains to non-Facebook users, from those sites in conjunction with the technical operation of the system. In cases where we receive information from Beacon sites on users that are not logged in, or on non-Facebook users, we do not attempt to associate it with individual Facebook accounts and will discard it.

Transfer in the Event of Sale or Change of Control. If the ownership of all or substantially all of our business changes, we may transfer your information to the new owner so that the service can continue to operate. In such a case, your information would remain subject to the promises made in any pre-existing Privacy Policy.

6. How You Can View, Change, or Remove Information

Viewing and editing your profile. You may change or delete your profile information at any time by going to your profile page and clicking "Edit My Profile." Information will be updated immediately. While you cannot delete your date of birth, you can use the setting on the info tab of your profile information page to hide all or part of it from other users.

Delete uploaded contacts. If you use our contact importer to upload addresses, you can later delete the list on this help page.

Deactivating or deleting your account. If you want to stop using your account you may deactivate it or delete it. When you deactivate an account, no user will be able to see it, but it will not be deleted. We save your profile information (friends, photos, interests, etc.) in case you later decide to reactivate your account. Many users deactivate their accounts for temporary reasons and in doing so are asking us to maintain their information until they return to Facebook. You will still have the ability to reactivate your account and restore your profile in its entirety. When you delete an account, it is permanently deleted. You should only delete your account if you are certain you never want to reactivate it. You may deactivate your account on your account settings page or delete your account on this help page.

Limitations on removal. Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your privacy settings, or it was copied or stored by other users. However, your name will no longer be associated with that information on Facebook. (For example, if you post something to another user's profile, and then you delete your account, that post may remain, but be attributed to an "Anonymous Facebook User.") Additionally, we may retain certain information to prevent identity theft and other misconduct even if deletion has been requested.

Backup copies. Removed and deleted information may persist in backup copies for up to 90 days, but will not be available to others.

Non-user contact information. If a user provides your email address to us, and you are not a Facebook user but you want us to delete your address, you can do so on this help page. However, that request will only apply to addresses we have at the time of the request and not to any addresses that users provide to us later.

7. How We Protect Information

We do our best to keep your information secure, but we need your help. For more detailed information about staying safe on Facebook, visit the Facebook Security Page.

Steps we take to keep your information secure. We keep your account information on a secured server behind a firewall. When you enter sensitive information (such as credit card numbers and passwords), we encrypt that information using secure socket layer technology (SSL). We also use automated and social measures to enhance security, such as analyzing account behavior for fraudulent or otherwise anomalous behavior, may limit use of site features in response to possible signs of abuse, may remove inappropriate content or links to illegal content, and may suspend or disable accounts for violations of our Statement of Rights and Responsibilities.

Risks inherent in sharing information. Although we allow you to set privacy options that limit access to your information, please be aware that no security measures are perfect or impenetrable. We cannot control the actions of other users with whom you share your information. We cannot guarantee that only authorized persons will view your information. We cannot ensure that information you share on Facebook will not become publicly available. We are not responsible for third party circumvention of any privacy settings or security measures on Facebook. You can reduce these risks by using common sense security practices such as choosing a strong password, using different passwords for different services, and using up to date antivirus software.

Report Violations. You should report any security violations to us on this help page.

8. Other Terms

Changes. We may change this Privacy Policy pursuant to the procedures outlined in the Facebook Statement of Rights and Responsibilities. Unless stated otherwise, our current privacy policy applies to all information that we have about you and your account. If we make changes to this Privacy Policy we will notify you by publication here and on the Facebook Site Governance Page. You can make sure that you receive notice directly by becoming a fan of the Facebook Site Governance Page.

Consent to Collection and Processing in the United States. By using Facebook, you consent to having your personal data transferred to and processed in the United States.

Defined Terms. "Us," "we," "our," "Platform" and "Facebook" mean the same as they do in the Statement of Rights and Responsibilities. "Information" and "content" are used more generally and interchangeably here than in the Statement of Rights and Responsibilities unless otherwise limited by the context.

Helpful links

Statement of Rights and Responsibilities
Facebook Site Governance Page
application settings
privacy settings
account notifications page
help page for complaints about our privacy policies or practices

[help page to report use by a child under age 13](#)
[help page with info to help parents talk to children about safe internet use](#)
[deleting an account](#)
[reporting a deceased user](#)
[reporting an impostor](#)
[reporting abusive content](#)
[reporting a compromised account](#)
[requesting deletion of data for non-user](#)
[removing Friend Finder contacts](#)
[reporting and blocking third-party applications](#)
[general explanation of third-party applications and how they access data](#)

Exhibit R



Keep me logged in

[Forgot your password?](#)

Email

Password

Login

Facebook's Privacy Policy.

Date of last revision: April 22, 2010.

This policy contains eight sections, and you can jump to each by selecting the links below:

1. Introduction
2. Information We Receive
3. Information You Share With Third Parties
4. Sharing Information on Facebook
5. How We Use Your Information
6. How We Share Information
7. How You Can View, Change, or Remove Information
8. How We Protect Information
9. Other Terms

1. Introduction

Questions. If you have any questions or concerns about our privacy policy, contact our privacy team through this help page. You may also contact us by mail at 1601 S. California Avenue, Palo Alto, CA 94304.

TRUSTe Program. Facebook is a certified licensee of the TRUSTe Privacy Seal Program. This means that our privacy policy and practices have been reviewed by TRUSTe, an independent organization focused on reviewing privacy and security policies and practices, for compliance with its strict program requirements. This privacy policy covers the website www.facebook.com. The TRUSTe program covers only information that is collected through this Web site, and does not cover other information, such as information that may be collected through software downloaded from Facebook.

If you have any complaints about our policy or practices please let us know through this help page. If you are not satisfied with our response, you can contact TRUSTe.

Safe Harbor. Facebook also adheres to the Safe Harbor framework developed by the U.S. Department of Commerce and the European Union. As part of our participation in the Safe Harbor, we agree to resolve all disputes you have with us in connection with our policies and practices through TRUSTe. To view our certification, visit the U.S. Department of Commerce's Safe Harbor Web site.

Scope. This privacy policy covers all of Facebook. It does not, however, apply to entities that Facebook does not own or control, such as applications and websites using Platform. By using or accessing Facebook, you agree to our privacy practices outlined here.

No information from children under age 13. If you are under age 13, please do not attempt to register for Facebook or provide any personal information about yourself to us. If we learn that we have collected personal information from a child under age 13, we will delete that information as quickly as possible. If you believe that we might have any information from a child under age 13, please contact us through this help page.

Parental participation. We strongly recommend that minors 13 years of age or older ask their parents for permission before sending any information about themselves to anyone over the Internet and we encourage parents to teach their children about safe internet use practices. Materials to help parents talk to their children about safe internet use can be found on this help page.

2. Information We Receive

Information you provide to us:

Information About Yourself. When you sign up for Facebook you provide us with your name, email, gender, and birth date. During the registration process we give you the opportunity to connect with your friends, schools, and employers. You will also be able to add a picture of yourself. In some cases we may ask for additional information for security reasons or to provide specific services to you. Once you register you can provide other information about yourself by connecting with, for example, your current city, hometown, family, relationships, networks, activities, interests, and places. You can also provide personal information about yourself, such as your political and religious views.

Content. One of the primary reasons people use Facebook is to share content with others. Examples include when you update your status, upload or take a photo, upload or record a video, share a link, create an event or a group, make a comment, write something on someone's Wall, write a note, or send someone a message. If you do not want us to store metadata associated with content you share on Facebook (such as photos), please remove the metadata before uploading the content.

Transactional Information. We may retain the details of transactions or payments you make on Facebook. If you do not want us to store your payment source account number, you can remove it using your payments page.

Friend Information. We offer contact importer tools to help you upload your friends' addresses so that you can find your friends on Facebook, and invite your contacts who do not have Facebook accounts to join. If you do not want us to store this information, visit this help page. If you give us your password to retrieve those contacts, we will not store your password after you have uploaded your contacts' information.

Information we collect when you interact with Facebook:

Site activity information. We keep track of some of the actions you take on Facebook, such as adding connections (including joining a group or adding a friend), creating a photo album, sending a gift, poking another user, indicating you "like" a post, attending an event, or connecting with an application. In some cases you are also taking an action when you provide information or content to us. For example, if you share a video, in addition to storing the actual content you uploaded, we might log the fact that you shared it.

Access Device and Browser Information. When you access Facebook from a computer, mobile phone, or other device, we may collect information from that device about your browser type, location, and IP address, as well as the pages you visit.

Cookie Information. We use "cookies" (small pieces of data we store for an extended period of time on your computer, mobile phone, or other device) to make Facebook easier to use, to make our advertising better, and to protect both you and Facebook. For example, we use them to store your login ID (but never your password) to make it easier for you to login whenever you come back to Facebook. We also use them to confirm that you are logged into Facebook, and to know when you are interacting with Facebook Platform applications and websites, our widgets and Share buttons, and our advertisements. You can remove or block cookies using the settings in your browser, but in some cases that may impact your ability to use Facebook.

Information we receive from third parties:

Facebook Platform. We do not own or operate the applications or websites that you use through Facebook Platform (such as games and utilities). Whenever you connect with a Platform application or website, we will receive information from them, including information about actions you take. In some cases, in order to personalize the process of connecting, we may receive a limited amount of information even before you connect with the application or website.

Information from other websites. We may institute programs with advertising partners and other websites in which they share information with us:

We may ask advertisers to tell us how our users responded to the ads we showed them (and for comparison purposes, how other users who didn't see the ads acted on their site). This data sharing, commonly known as "conversion tracking," helps us measure our advertising effectiveness and improve the quality of the advertisements you see. We may receive information about whether or not you've seen or interacted with certain ads on other sites in order to measure the effectiveness of those ads.

If in any of these cases we receive data that we do not already have, we will "anonymize" it within 180 days, meaning we will stop associating the information with any particular user. If we institute these programs, we will only use the information in the ways we explain in the "How We Use Your Information" section below.

Information from other users. We may collect information about you from other Facebook users, such as when a friend tags you in a photo, video, or place, provides friend details, or indicates a relationship with you.

3. Sharing information on Facebook.

This section explains how your privacy settings work, and how your information is shared on Facebook. You should always consider your privacy settings before sharing information on Facebook.

Name and Profile Picture. Facebook is designed to make it easy for you to find and connect with others. For this reason, your name and profile picture do not have privacy settings. If you are uncomfortable with sharing your profile picture, you should delete it (or not add one). You can also control who can find you when searching on Facebook or on public search engines using your search settings.

Contact Information. Your contact information settings control who can contact you on Facebook, and who can see your contact information such as your email and phone number(s). Remember that none of this information is required except for your email address, and you do not have to share your email address with anyone.

Personal Information. Your personal information settings control who can see your personal information, such as your religious and political views, if you choose to add them. We recommend that you share this information using the friends of friends setting.

Posts by Me. You can select a privacy setting for every post you make using the publisher on our site. Whether you are uploading a photo or posting a status update, you can control exactly who can see it at the time you create it. Whenever you share something look for the lock icon. Clicking on the lock will bring up a menu that lets you choose who will be able to see your post. If you decide not to select your setting at the time you post the content, your content will be shared consistent with your Posts by Me privacy setting.

Connections. Facebook enables you to connect with virtually anyone or anything you want, from your friends and family to the city you live in to the restaurants you like to visit to the bands and movies you love. Because it takes two to connect, your privacy settings only control who can see the connection on your profile page. If you are uncomfortable with the connection being publicly available, you should consider removing (or not making) the connection.

Gender and Birth Date. In addition to name and email address, we require you to provide your gender and birth date during the registration process. We ask for your date of birth to verify that you are 13 or older, and so that we can better limit your access to content and advertisements that are not age appropriate. Because your date of birth and gender are required, you cannot delete them. You can, however, edit your profile to hide all (or part) of such fields from other users.

Other. Here are some other things to remember:

Some of the content you share and the actions you take will show up on your friends' home pages and other pages they visit. If another user tags you in a photo or video or at a place, you can remove the tag. You can also limit who can see that you have been tagged on your profile from your privacy settings. Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your privacy settings, or it was copied or stored by other users. You understand that information might be reshared or copied by other users. Certain types of communications that you send to other users cannot be removed, such as messages. When you post information on another user's profile or comment on another user's post, that information will be subject to the other user's privacy settings. If you use an external source to publish information to Facebook (such as a mobile application or a Connect site), you should check the privacy setting for that post, as it is set by that external source.

"Everyone" Information. Information set to "everyone" is publicly available information, just like your name, profile picture, and connections. Such information may, for example, be accessed by everyone on the Internet (including people not logged into Facebook), be indexed by third party search engines, and be imported, exported, distributed, and redistributed by us and others without privacy limitations. Such information may also be associated with you, including your name and profile picture, even outside of Facebook, such as on public search engines and when you visit other sites on the internet. The default privacy setting for certain types of information you post on Facebook is set to "everyone." You can review and change the default settings in your privacy settings. If you delete "everyone" content that you posted on Facebook, we will remove it from your Facebook profile, but have no control over its use outside of Facebook.

Minors. We reserve the right to add special protections for minors (such as to provide them with an age-appropriate experience) and place restrictions on the ability of adults to share and connect with minors, recognizing this may provide minors a more limited experience on Facebook.

4. Information You Share With Third Parties.

Facebook Platform. As mentioned above, we do not own or operate the applications or websites that use Facebook Platform. That means that when you use those applications and websites you are making your Facebook information available to someone other than Facebook. Prior to allowing them to access any information about you, we require them to agree to terms that limit their use of your information (which you can read about in Section 9 of our Statement of Rights and Responsibilities) and we use technical measures to ensure that they only obtain authorized information. To learn more about Platform, visit our About Platform page.

Connecting with an Application or Website. When you connect with an application or website it will have access to General Information about you. The term General Information includes your and your friends' names, profile pictures, gender, user IDs, connections, and any content shared using the Everyone privacy setting. We may also make information about the location of your computer or access device and your age available to applications and websites in order to help them implement appropriate security measures and control the distribution of age-appropriate content. If the application or website wants to access any other data, it will have to ask for your permission.

We give you tools to control how your information is shared with applications and websites that use Platform. For example, you can block specific applications from accessing your information by visiting your application settings or the application's "About" page. You can also use your privacy settings to limit which of your information is available to "everyone".

You should always review the policies of third party applications and websites to make sure you are comfortable with the ways in which they use information you share with them. We do not guarantee that they will follow our rules. If you find an application or website that violates our rules, you should report the violation to us on this help page and we will take action as necessary.

When your friends use Platform. If your friend connects with an application or website, it will be able to access your name, profile picture, gender, user ID, and information you have shared with "everyone." It will also be able to access your connections, except it will not be able to access your friend list. If you have already connected with (or have a separate account with) that website or application, it may also be able to connect you with your friend on that application or website. If the application or website wants to access any of your other content or information (including your friend list), it will have to obtain specific permission from your friend. If your friend grants specific permission to the application or website, it will generally only be able to access content and information about you that your friend can access. In addition, it will only be allowed to use that content and information in connection with that friend. For example, if a friend gives an application access to a photo you only shared with your friends, that application could allow your friend to view or print the photo, but it cannot show that photo to anyone else.

We provide you with a number of tools to control how your information is shared when your friend connects with an application or website. For example, you can use your application privacy settings to limit some of the information your friends can make available to applications and websites. You can also block particular applications or websites from accessing your information. You can use your privacy settings to limit which friends can access your information, or limit which of your information is available to "everyone." You can also disconnect from a friend if you are uncomfortable with how they are using your information.

Pre-Approved Third-Party Websites and Applications. In order to provide you with useful social experiences off of Facebook, we occasionally need to provide General Information about you to pre-approved third party websites and applications that use Platform at the time you visit them (if you are still logged in to Facebook). Similarly, when one of your friends visits a pre-

approved website or application, it will receive General Information about you so you and your friend can be connected on that website as well (if you also have an account with that website). In these cases we require these websites and applications to go through an approval process, and to enter into separate agreements designed to protect your privacy. For example, these agreements include provisions relating to the access and deletion of your General Information, along with your ability to opt-out of the experience being offered. You can also remove any pre-approved website or application you have visited here [add link], or block all pre-approved websites and applications from getting your General Information when you visit them here [add link]. In addition, if you log out of Facebook before visiting a pre-approved application or website, it will not be able to access your information. You can see a complete list of pre-approved websites on our About Platform page.

Exporting Information. You (and those you make your information available to) may use tools like RSS feeds, mobile phone address book applications, or copy and paste functions, to capture, export (and in some cases, import) information from Facebook, including your information and information about you. For example, if you share your phone number with your friends, they may use third party applications to sync that information with the address book on their mobile phone.

Advertisements. Sometimes the advertisers who present ads on Facebook use technological methods to measure the effectiveness of their ads and to personalize advertising content. You may opt-out of the placement of cookies by many of these advertisers here. You may also use your browser cookie settings to limit or prevent the placement of cookies by advertising networks.

Links. When you click on links on Facebook you may leave our site. We are not responsible for the privacy practices of other sites, and we encourage you to read their privacy statements.

5. How We Use Your Information

We use the information we collect to try to provide a safe, efficient, and customized experience. Here are some of the details on how we do that:

To manage the service. We use the information we collect to provide our services and features to you, to measure and improve those services and features, and to provide you with customer support. We use the information to prevent potentially illegal activities, and to enforce our Statement of Rights and Responsibilities. We also use a variety of technological systems to detect and address anomalous activity and screen content to prevent abuse such as spam. These efforts may on occasion result in a temporary or permanent suspension or termination of some functions for some users.

To contact you. We may contact you with service-related announcements from time to time. You may opt out of all communications except essential updates on your account notifications page. We may include content you see on Facebook in the emails we send to you.

To serve personalized advertising to you. We don't share your information with advertisers without your consent. (An example of consent would be if you asked us to provide your shipping address to an advertiser to receive a free sample.) We allow advertisers to choose the characteristics of users who will see their advertisements and we may use any of the non-personally identifiable attributes we have collected (including information you may have decided not to show to other users, such as your birth year or other sensitive personal information or preferences) to select the appropriate audience for those advertisements. For example, we might use your interest in soccer to show you ads for soccer equipment, but we do not tell the soccer equipment company who you are. You can see the criteria advertisers may select by visiting our advertising page. Even though we do not share your information with advertisers without your consent, when you click on or otherwise interact with an advertisement there is a possibility that the advertiser may place a cookie in your browser and note that it meets the criteria they selected.

To serve social ads. We occasionally pair advertisements we serve with relevant information we have about you and your friends to make advertisements more interesting and more tailored to you and your friends. For example, if you connect with your favorite band's page, we may display your name and profile photo next to an advertisement for that page that is displayed to your friends. We only share the personally identifiable information visible in the social ad with the friend who can see the ad. You can opt out of having your information used in social ads on this help page.

To supplement your profile. We may use information about you that we collect from other Facebook users to supplement your profile (such as when you are tagged in a photo or mentioned in a status update). In such cases we generally give you the ability to remove the content (such as allowing you to remove a photo tag of you) or limit its visibility on your profile.

To make suggestions. We use your profile information, the addresses you import through our contact importers, and other relevant information, to help you connect with your friends, including making suggestions to you and other users that you connect with on Facebook. For example, if another user imports the same email address as you do, we may suggest that you connect with each other. If you want to limit your visibility in suggestions we make to other people, you can adjust your search visibility privacy setting, as you will only be visible in our suggestions to the extent you choose to be visible in public search listings. You may also block specific individual users from being suggested to you and you from being suggested to them.

To help your friends find you. We allow other users to use contact information they have about you, such as your email address, to find you, including through contact importers and search. You can prevent other users from using your email address to find you using your search setting.

Downloadable Software. Certain downloadable software applications and applets that we offer, such as our browser toolbars and photo uploaders, transmit data to us. We may not make a formal disclosure if we believe our collection of and use of the information is the obvious purpose of the application, such as the fact that we receive photos when you use our photo uploader. If we believe it is not obvious that we are collecting or using such information, we will make a disclosure to you the first time you provide the information to us so that you can decide whether you want to use that feature.

Memorializing Accounts. If we are notified that a user is deceased, we may memorialize the user's account. In such cases we restrict profile access to confirmed friends, and allow friends and family to write on the user's Wall in remembrance. We may close an account if we receive a formal request from the user's next of kin or other proper legal request to do so.

6. How We Share Information

Facebook is about sharing information with others — friends and people in your communities — while providing you with privacy settings that you can use to restrict other users from accessing some of your information. We share your information with third parties when we believe the sharing is permitted by you, reasonably necessary to offer our services, or when legally required to do so. For example:

When you make a payment. When you enter into transactions with others or make payments on Facebook, we will share transaction information with only those third parties necessary to complete the transaction. We will require those third parties to agree to respect the privacy of your information.

When you invite a friend to join. When you ask us to invite a friend to join Facebook, we will send your friend a message on your behalf using your name. The invitation may also contain information about other users your friend might know. We may also send up to two reminders to them in your name. You can see who has accepted your invitations, send reminders, and delete your friends' email addresses on your invite history page. If your friend does not want us to keep their information, we will also remove it at their request by using this help page.

When you choose to share your information with marketers. You may choose to share information with marketers or electronic commerce providers that are not associated with Facebook through on-site offers. This is entirely at your discretion and we will not provide your information to these marketers without your consent.

To help your friends find you. By default, we make certain information you have posted to your profile available in search results on Facebook to help your friends find you. However, you can control who can see some of this information, as well as who can find you in searches, through your privacy settings. We also partner with email and instant messaging providers to help their users identify which of their contacts are Facebook users, so that we can promote Facebook to those users.

To give search engines access to publicly available information. We generally limit search engines' access to our site. We may allow them to access information set to the "everyone" setting (along with your name and profile picture) and your profile information that is visible to everyone. You can change the visibility of some of your profile information using your privacy settings. You can also prevent search engines from indexing your profile using your search settings.

To help improve or promote our service. Sometimes we share aggregated information with third parties to help improve or promote our service. But we only do so in such a way that no individual user can be identified or linked to any specific action or information.

To provide you with services. We may provide information to service providers that help us bring you the services we offer. For example, we may use third parties to help host our website, send out email updates about Facebook, remove repetitive information from our user lists, process payments, or provide search results or links (including sponsored links). These service providers may have access to your personal information for use for a limited time, but when this occurs we implement reasonable contractual and technical protections to limit their use of that information to helping us provide the service.

To advertise our services. We may ask advertisers outside of Facebook to display ads promoting our services. We may ask them to deliver those ads based on the presence of a cookie, but in doing so will not share any other information with the advertiser.

To offer joint services. We may provide services jointly with other companies, such as the classifieds service in the Facebook Marketplace. If you use these services, we may share your information to facilitate that service. However, we will identify the partner and present the joint service provider's privacy policy to you before you use that service.

To respond to legal requests and prevent harm. We may disclose information pursuant to subpoenas, court orders, or other requests (including criminal and civil matters) if we have a

good faith belief that the response is required by law. This may include respecting requests from jurisdictions outside of the United States where we have a good faith belief that the response is required by law under the local laws in that jurisdiction, apply to users from that jurisdiction, and are consistent with generally accepted international standards. We may also share information when we have a good faith belief it is necessary to prevent fraud or other illegal activity, to prevent imminent bodily harm, or to protect ourselves and you from people violating our Statement of Rights and Responsibilities. This may include sharing information with other companies, lawyers, courts or other government entities.

Transfer in the Event of Sale or Change of Control. If the ownership of all or substantially all of our business changes, we may transfer your information to the new owner so that the service can continue to operate. In such a case, your information would remain subject to the promises made in any pre-existing Privacy Policy.

7. How You Can Change or Remove Information

Edit your profile. You may change or remove your profile information at any time by going to your profile page and clicking "Edit My Profile." Information will be updated immediately.

Delete uploaded contacts. If you use our contact importer to upload addresses, you can later delete the list on this help page. You can delete the email addresses of friends you have invited to join Facebook on your invite history page.

Deactivating or deleting your account. If you want to stop using your account you may deactivate it or delete it. When you deactivate an account, no user will be able to see it, but it will not be deleted. We save your profile information (connections, photos, etc.) in case you later decide to reactivate your account. Many users deactivate their accounts for temporary reasons and in doing so are asking us to maintain their information until they return to Facebook. You will still have the ability to reactivate your account and restore your profile in its entirety. When you delete an account, it is permanently deleted from Facebook. You should only delete your account if you are certain you never want to reactivate it. You may deactivate your account on your account settings page or delete your account on this help page.

Limitations on removal. Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your privacy settings, or it was copied or stored by other users. However, your name will no longer be associated with that information on Facebook. (For example, if you post something to another user's profile and then you delete your account, that post may remain, but be attributed to an "Anonymous Facebook User.") Additionally, we may retain certain information to prevent identity theft and other misconduct even if deletion has been requested. If you have given third party applications or websites access to your information, they may retain your information to the extent permitted under their terms of service or privacy policies. But they will no longer be able to access the information through our Platform after you disconnect from them.

Backup copies. Removed and deleted information may persist in backup copies for up to 90 days, but will not be available to others.

Non-user contact information. If a user provides your email address to us, and you are not a Facebook user but you want us to delete your address, you can do so on this help page. However, that request will only apply to addresses we have at the time of the request and not to any addresses that users provide to us later.

8. How We Protect Information

We do our best to keep your information secure, but we need your help. For more detailed information about staying safe on Facebook, visit the Facebook Security Page.

Steps we take to keep your information secure. We keep your account information on a secured server behind a firewall. When you enter sensitive information (such as credit card numbers and passwords), we encrypt that information using secure socket layer technology (SSL). We also use automated and social measures to enhance security, such as analyzing account behavior for fraudulent or otherwise anomalous behavior, may limit use of site features in response to possible signs of abuse, may remove inappropriate content or links to illegal content, and may suspend or disable accounts for violations of our Statement of Rights and Responsibilities.

Risks inherent in sharing information. Although we allow you to set privacy options that limit access to your information, please be aware that no security measures are perfect or impenetrable. We cannot control the actions of other users with whom you share your information. We cannot guarantee that only authorized persons will view your information. We cannot ensure that information you share on Facebook will not become publicly available. We are not responsible for third party circumvention of any privacy settings or security measures on Facebook. You can reduce these risks by using common sense security practices such as choosing a strong password, using different passwords for different services, and using up to date antivirus software.

Report Violations. You should report any security violations to us on this help page.

9. Other Terms

Changes. We may change this Privacy Policy pursuant to the procedures outlined in the Facebook Statement of Rights and Responsibilities. Unless stated otherwise, our current privacy policy applies to all information that we have about you and your account. If we make changes to this Privacy Policy we will notify you by publication here and on the Facebook Site Governance Page. You can make sure that you receive notice directly by becoming a fan of the Facebook Site Governance Page.

Consent to Collection and Processing in the United States. By using Facebook, you consent to having your personal data transferred to and processed in the United States.

Defined Terms. "Us," "we," "our," "Platform" and "Facebook" mean the same as they do in the Statement of Rights and Responsibilities. "Information" and "content" are used more generally and interchangeably here than in the Statement of Rights and Responsibilities unless otherwise limited by the context.

Helpful links

- Statement of Rights and Responsibilities
- Facebook Site Governance Page
- application settings
- privacy settings
- account notifications page
- help page for complaints about our privacy policies or practices
- help page to report use by a child under age 13
- help page with info to help parents talk to children about safe internet use
- deleting an account
- reporting a deceased user
- reporting an impostor
- reporting abusive content
- reporting a compromised account
- requesting deletion of data for non-user
- removing Friend Finder contacts
- reporting and blocking third-party applications
- general explanation of third-party applications and how they access data

Exhibit S



Email

Password

 Keep me logged in

[Forgot your password?](#)

Facebook helps you connect and share with the people in your life.
Facebook's Privacy Policy.

Date of last revision: December 22, 2010.

This policy contains nine sections, and you can jump to each by selecting the links below:

- 1. Introduction**
- 2. Information We Receive**
- 3. Sharing information on Facebook**
- 4. Information You Share With Third Parties**
- 5. How We Use Your Information**
- 6. How We Share Information**
- 7. How You Can Change or Remove Information**
- 8. How We Protect Information**
- 9. Other Terms**

1. Introduction

Questions. If you have any questions or concerns about our privacy policy, contact our privacy team through this [help page](#). You may also contact us by mail at 1601 S. California Avenue, Palo Alto, CA 94304.

TRUSTe Program. Facebook has been awarded TRUSTe's Privacy Seal signifying that this privacy policy and practices have been reviewed by TRUSTe for compliance with TRUSTe's [program requirements](#). If you have questions or complaints regarding our privacy policy or practices, please contact us by mail at 1601 S. California Avenue, Palo Alto, CA 94304 or through this [help page](#). If you are not satisfied with our response you can contact TRUSTe [here](#). This privacy policy covers the website [www.facebook.com](#). The TRUSTe program covers only information that is collected through this Web site, and does not cover other information, such as information that may be collected through software downloaded from Facebook.

Safe Harbor. Facebook also complies with the EU Safe Harbor framework as set forth by the Department of Commerce regarding the collection, use, and retention of data from the European Union. As part of our participation in the Safe Harbor, we agree to resolve all disputes you have with us in connection with our policies and practices through TRUSTe. We will also provide initial responses to access requests within a reasonable period of time. To view our certification, visit the U.S. Department of Commerce's [Safe Harbor Web site](#).

Scope. This privacy policy covers all of Facebook. It does not, however, apply to entities that Facebook does not own or control, such as applications and websites using Platform. By using or accessing Facebook, you agree to our privacy practices outlined [here](#).

No information from children under age 13. If you are under age 13, please do not attempt to register for Facebook or provide any personal information about yourself to us. If we learn that we have collected personal information from a child under age 13, we will delete that information as quickly as possible. If you believe that we might have any information from a child under age 13, please contact us through this [help page](#).

Parental participation. We strongly recommend that minors 13 years of age or older ask their parents for permission before sending any information about themselves to anyone over the Internet and we encourage parents to teach their children about safe internet use practices. Materials to help parents talk to their children about safe internet use can be found on this [help page](#).

2. Information We Receive
Information you provide to us:

Information About Yourself. When you sign up for Facebook you provide us with your name, email, gender, and birth date. During the registration process we give you the opportunity to connect with your friends, schools, and employers. You will also be able to add a picture of yourself. In some cases we may ask for additional information for security reasons or to provide specific services to you. Once you register you can provide other information about yourself by connecting with, for example, your current city, hometown, family, relationships, networks, activities, interests, and places. You can also provide personal information about yourself, such as your political and religious views.

Content. One of the primary reasons people use Facebook is to share content with others. Examples include when you update your status, upload or take a photo, upload or record a video, share a link, create an event or a group, make a comment, write something on someone's Wall, write a note, or send someone a message. If you do not want us to store metadata associated with content you share on Facebook (such as photos), please remove the metadata before uploading the content.

Transactional Information. We may retain the details of transactions or payments you make on Facebook. If you do not want us to store your payment source account number, you can remove it using your [payments page](#).

Friend Information. We offer contact importer tools to help you upload your friends' addresses so that you can find your friends on Facebook, and invite your contacts who do not have Facebook accounts to join. If you do not want us to store this information, visit this [help page](#). If you give us your password to retrieve those contacts, we will not store your password after you have uploaded your contacts' information.

Information we collect when you interact with Facebook:

Site activity information. We keep track of some of the actions you take on Facebook, such as adding connections (including joining a group or adding a friend), creating a photo album, sending a gift, poking another user, indicating you "like" a post, attending an event, or connecting with an application. In some cases you are also taking an action when you provide information or content to us. For example, if you share a video, in addition to storing the actual content you uploaded, we might log the fact that you shared it.

Access Device and Browser Information. When you access Facebook from a computer, mobile phone, or other device, we may collect information from that device about your browser type, location, and IP address, as well as the pages you visit.

Cookie Information. We use "cookies" (small pieces of data we store for an extended period of time on your computer, mobile phone, or other device) to make Facebook easier to use, to make our advertising better, and to protect both you and Facebook. For example, we use them to store your login ID (but never your password) to make it easier for you to login whenever you come back to Facebook. We also use them to confirm that you are logged into Facebook, and to know when you are interacting with Facebook Platform applications and websites, our widgets and Share buttons, and our advertisements. You can remove or block cookies using the settings in your browser, but in some cases that may impact your ability to use Facebook.

Information we receive from third parties:

Facebook Platform. We do not own or operate the applications or websites that you use through Facebook Platform (such as games and utilities). Whenever you connect with a Platform application or website, we will receive information from them, including information about actions you take. In some cases, in order to personalize the process of connecting, we may receive a limited amount of information even before you connect with the application or website.

Information from other websites. We may institute programs with advertising partners and other websites in which they share information with us:

- We may ask advertisers to tell us how our users responded to the ads we showed them (and for comparison purposes, how other users who didn't see the ads acted on their site). This data sharing, commonly known as "conversion tracking," helps us measure our advertising effectiveness and improve the quality of the advertisements you see.
- We may receive information about whether or not you've seen or interacted with certain ads on other sites in order to measure the effectiveness of those ads.

If in any of these cases we receive data that we do not already have, we will "anonymize" it within 180 days, meaning we will stop associating the information with any particular user. If we institute these programs, we will only use the information in the ways we explain in the "How We Use Your Information" section below.

Information from other users. We may collect information about you from other Facebook users, such as when a friend tags you in a photo, video, or place, provides friend details, or indicates a relationship with you.

3. Sharing information on Facebook.

This section explains how your [privacy settings](#) work, and how your information is shared on Facebook. You should always consider your [privacy settings](#) before sharing information on Facebook.

Name and Profile Picture. Facebook is designed to make it easy for you to find and connect with others. For this reason, your name and profile picture do not have privacy settings. If you are uncomfortable with sharing your profile picture, you should delete it (or not add one). You can also control who can find you when searching on Facebook or on public search engines using the Applications and Websites [privacy setting](#).

Contact Information. Your contact information settings control (available when customizing your [privacy settings](#)) who can contact you on Facebook, and who can see your contact information such as your email and phone number(s). Remember that none of this information is required except for your email address, and you do not have to share your email address with anyone.

Personal Information. Your personal information settings control who can see your personal information, such as your religious and political views, if you choose to add them. We recommend that you share this information using the friends of friends setting.

Posts by Me. You can select a privacy setting for every post you make using the publisher on our site. Whether you are uploading a photo or posting a status update, you can control exactly who can see it at the time you create it. Whenever you share something look for the lock icon. Clicking on the lock will bring up a menu that lets you choose who will be able to see your post. If you decide not to select your setting at the time you post the content, your content will be shared consistent with your Posts by Me default privacy

(available when customizing your [privacy settings](#)).

Gender and Birth Date. In addition to name and email address, we require you to provide your gender and birth date during the registration process. We ask for your date of birth to verify that you are 13 or older, and so that we can better limit your access to content and advertisements that are not age appropriate. Because your date of birth and gender are required, you cannot delete them. You can, however, edit your profile to hide all (or part) of such fields from other users.

Other. Here are some other things to remember:

- Some of the content you share and the actions you take will show up on your friends' home pages and other pages they visit.
- If another user tags you in a photo or video or at a place, you can remove the tag. You can also limit who can see that you have been tagged on your profile from your [privacy settings](#).
- Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your [privacy settings](#), or it was copied or stored by other users.
- You understand that information might be reshared or copied by other users.
- Certain types of communications that you send to other users cannot be removed, such as messages.
- When you post information on another user's profile or comment on another user's post, that information will be subject to the other user's [privacy settings](#).
- If you use an external source to publish information to Facebook (such as a mobile application or a Connect site), you should check the privacy setting for that post, as it is set by that external source.

"Everyone" Information. Information set to "everyone" is publicly available information, just like your name, profile picture, and connections. Such information may, for example, be accessed by everyone on the Internet (including people not logged into Facebook), be indexed by third party search engines, and be imported, exported, distributed, and redistributed by us and others without privacy limitations. Such information may also be associated with you, including your name and profile picture, even outside of Facebook, such as on public search engines and when you visit other sites on the internet. The default privacy setting for certain types of information you post on Facebook is set to "everyone." You can review and change the default settings in your [privacy settings](#). If you delete "everyone" content that you posted on Facebook, we will remove it from your Facebook profile, but have no control over its use outside of Facebook.

Minors. We reserve the right to add special protections for minors (such as to provide them with an age appropriate experience) and place restrictions on the ability of adults to share and connect with minors, recognizing this may provide minors a more limited experience on Facebook

4. Information You Share With Third Parties.

Facebook Platform. As mentioned above, we do not own or operate the applications or websites that use Facebook Platform. That means that when you use those applications and websites you are making your Facebook information available to someone other than Facebook. Prior to allowing them to access any information about you, we require them to agree to terms that limit their use of your information (which you can read about in Section 9 of our [Statement of Rights and Responsibilities](#)) and we use technical measures to ensure that they only obtain authorized information. To learn more about Platform, visit our [About Platform](#) page.

Connecting with an Application or Website. When you connect with an application or website it will have access to General Information about you. The term General Information includes your and your friends' names, profile pictures, gender, user IDs, connections, and any content shared using the Everyone privacy setting. We may also make information about the location of your computer or access device and your age available to applications and websites in order to help them implement appropriate security measures and control the distribution of age appropriate content. If the application or website wants to access any other data, it will have to ask for your permission.

We give you tools to control how your information is shared with applications and websites that use Platform. For example, you can block all platform applications and websites completely or block specific applications from accessing your information by visiting your Applications and Websites [privacy setting](#) or the specific application's "About" page. You can also use your [privacy settings](#) to limit which of your information is available to "everyone".

You should always review the policies of third party applications and websites to make sure you are comfortable with the ways in which they use information you share with them. We do not guarantee that they will follow our rules. If you find an application or website that violates our rules, you should report the violation to us on this [help page](#) and we will take action as necessary.

When your friends use Platform. If your friend connects with an application or website, it will be able to access your name, profile picture, gender, user ID, and information you have shared with "everyone." It will also be able to access your connections, except it will not be able to access your friend list. If you have already connected with (or have a separate account with) that website or application, it may also be able to connect you with your friend on that application or website. If the application or website wants to access any of your other content or information (including your friend list), it will have to obtain specific permission from your friend. If your friend grants specific permission to the application or website, it will generally only be able to access content and information about you that your friend can access. In addition, it will only be allowed to use that content and information in connection with that friend. For example, if a friend gives an application access to a photo you only shared with your friends, that application could allow your friend to view or print the photo, but it cannot show that photo to anyone else.

We provide you with a number of tools to control how your information is shared when your friend connects with an application or website. For example, you can use your Application and Websites [privacy setting](#) to limit some of the information your friends can make available to applications and websites. You can block all platform applications and websites completely or block particular applications or websites from accessing your information. You can use your [privacy settings](#) to limit which friends can access your information, or limit which of your information is available to "everyone." You can also disconnect from a friend if you are uncomfortable with how they are using your information.

Pre-Approved Third-Party Websites and Applications. In order to provide you with useful social experiences off of Facebook, we occasionally need to provide General Information about you to pre approved third party websites and applications that use Platform at the time you visit them (if you are still logged in to Facebook). Similarly, when one of your friends visits a pre approved website or application, it will receive General Information about you so you and your friend can be connected on that website as well (if you also have an account with that website). In these cases we require these websites and applications to go through an approval process, and to enter into separate agreements designed to protect your privacy. For example, these agreements include provisions relating to the access and deletion of your General Information, along with your ability to opt out of the experience being offered. You can disable instant personalization on all pre approved websites and applications using your Applications and Websites [privacy setting](#). You can also block a particular pre approved website or application by clicking "No Thanks" in the blue bar when you visit that application or website. In addition, if you log out of Facebook before visiting a pre approved application or website, it will not be able to access your information.

Exporting Information. You (and those you make your information available to) may use tools like RSS feeds, mobile phone address book applications, or copy and paste functions, to capture, export (and in some cases, import) information from Facebook, including your information and information about you. For example, if you share your phone number with your friends, they may use third party applications to sync that information with the address book on their mobile phone.

Advertisements. Sometimes the advertisers who present ads on Facebook use technological methods to measure the effectiveness of their ads and to personalize advertising content. You may opt out of the placement of cookies by many of these advertisers [here](#). You may also use your browser cookie settings to limit or prevent the placement of cookies by advertising networks. Facebook does not share personally identifiable information with advertisers unless we get your permission.

Links. When you click on links on Facebook you may leave our site. We are not responsible for the privacy practices of other sites, and we encourage you to read their privacy statements.

5. How We Use Your Information

We use the information we collect to try to provide a safe, efficient, and customized experience. Here are some of the details on how we do that:

To manage the service. We use the information we collect to provide our services and features to you, to measure and improve those services and features, and to provide you with customer support. We use the information to prevent potentially illegal activities, and to enforce our [Statement of Rights and Responsibilities](#). We also use a variety of technological systems to detect and address anomalous activity and screen content to prevent abuse such as spam. These efforts may on occasion result in a temporary or permanent suspension or termination of some functions for some users.

To contact you. We may contact you with service related announcements from time to time. You may opt out of all communications except essential updates on your [account notifications](#) page. We may include content you see on Facebook in the emails we send to you.

To serve personalized advertising to you. We don't share your information with advertisers without your consent. (An example of consent would be if you asked us to provide your shipping address to an advertiser to receive a free sample.) We allow advertisers to choose the characteristics of users who will see their advertisements and we may use any of the non personally identifiable attributes we have collected (including information you may have decided not to show to other users, such as your birth year or other sensitive personal information or preferences) to select the appropriate audience for those advertisements. For example, we might use your interest in soccer to show you ads for soccer equipment, but we do not tell the soccer equipment company who you are. You can see the criteria advertisers may select by visiting our [advertising page](#). Even though we do not share your information with advertisers without your consent, when you click on or otherwise interact with an advertisement there is a possibility that the advertiser may place a cookie in your browser and note that it meets the criteria they selected.

To serve social ads. We occasionally pair advertisements we serve with relevant information we have about you and your friends to make advertisements more interesting and more tailored to you and your friends. For example, if you connect with your favorite band's page, we may display your name and profile photo next to an advertisement for that page that is displayed to your friends. We only share the personally identifiable information visible in the social ad with the friend who can see the ad. You can opt out of having your information used in social ads on this [help page](#).

To supplement your profile. We may use information about you that we collect from other Facebook users to supplement your profile (such as when you are tagged in a photo or mentioned in a status update). In such cases we generally give you the ability to remove the content (such as allowing you to remove a photo tag of you) or limit its visibility on your profile.

To make suggestions. We use your information, including the addresses you import through our contact importers, to make suggestions to you and other users on Facebook. For example, if another user imports the same email address as you do, we may suggest that you add each other as friends. Similarly, if one of your friends uploads a picture of you, we may suggest that your friend tag you in the picture. We do this by comparing your friend's pictures to information we've put together from the photos you've been tagged in. We may also suggest that you use certain tools and features based on what your friends have used. You can control whether we suggest that another user add you as a friend through your "search for you on Facebook" [privacy setting](#). You can control whether we suggest that another user tag you in a photo by clicking customize from your [privacy settings](#).

To help your friends find you. We allow other users to use contact information they have about you, such as your email address, to find you, including through contact importers and search. You can prevent other users from using your email address to find you using the search section of your [privacy settings](#).

Downloadable Software. Certain downloadable software applications and applets that we offer, such as our browser toolbars and photo uploaders, transmit data to us. We may not make a formal disclosure if we believe our collection of and use of the information is the obvious purpose of the application, such as the fact that we receive photos when you use our photo uploader. If we believe it is not obvious that we are collecting or using such information, we will make a disclosure to you the first time you provide the information to us so that you can decide whether you want to use that feature.

Memorializing Accounts. If we are [notified](#) that a user is deceased, we may memorialize the user's account. In such cases we restrict profile access to confirmed friends, and allow friends and family to write on the user's Wall in remembrance. We may close an account if we receive a formal request from the user's next of kin or other proper legal request to do so.

6. How We Share Information

Facebook is about sharing information with others—friends and people in your communities—while providing you with [privacy settings](#) that you can use to restrict other users from accessing some of your information. We share your information with third parties when we believe the sharing is permitted by you, reasonably necessary to offer our services, or when legally required to do so. For example:

When you make a payment. When you enter into transactions with others or make payments on Facebook, we will share transaction information with only those third parties necessary to complete the transaction. We will require those third parties to agree to respect the privacy of your information.

When you invite a friend to join. When you ask us to invite a friend to join Facebook, we will send your friend a message on your behalf using your name. The invitation may also contain information about other users your friend might know. We may also send up to two reminders to them in your name. You can see who has accepted your invitations, send reminders, and delete your friends' email addresses on your [invite history page](#). If your friend does not want us to keep their information, we will also remove it at their request by using this [help page](#).

When you choose to share your information with marketers. You may choose to share information with marketers or electronic commerce providers that are not associated with Facebook through on-site offers. This is entirely at your discretion and we will not provide your information to these marketers without your consent.

To help your friends find you. By default, we make certain information you have posted to your profile available in search results on Facebook to help your friends find you. However, you can control who can see some of this information, as well as who can find you in searches, through your [privacy settings](#). We also partner with email and instant messaging providers to help their users identify which of their contacts are Facebook users, so that we can promote Facebook to those users.

To give search engines access to publicly available information. We generally limit search engines' access to our site. We may allow them to access information set to the "everyone" setting (along with your name and profile picture) and your profile information that is visible to everyone. You can change the visibility of some of your profile information using the customize section of your [privacy settings](#). You can also prevent search engines from indexing your profile using the Applications and Websites [privacy setting](#).

To help improve or promote our service. Sometimes we share aggregated information with third parties to help improve or promote our service. But we only do so in such a way that no individual user can be identified or linked to any specific action or information.

To provide you with services. We may provide information to service providers that help us bring you the services we offer. For example, we may use third parties to help host our website, send out email updates about Facebook, remove repetitive information from our user lists, process payments, or provide search results or links (including sponsored links). These service providers may have access to your personal information for use for a limited time, but when this occurs we implement reasonable contractual and technical protections to limit their use of that information to helping us provide the service.

To advertise our services. We may ask advertisers outside of Facebook to display ads promoting our services. We may ask them to deliver those ads based on the presence of a cookie, but in doing so will not share any other information with the advertiser.

To offer joint services. We may provide services jointly with other companies, such as the classifieds service in the Facebook Marketplace. If you use these services, we may share your information to facilitate that service. However, we will identify the partner and present the joint service provider's privacy policy to you before you use that service.

To respond to legal requests and prevent harm. We may disclose information pursuant to subpoenas, court orders, or other requests (including criminal and civil matters) if we have a good faith belief that the response is required by law. This may include respecting requests from jurisdictions outside of the United States where we have a good faith belief that the response is required by law under the local laws in that jurisdiction, apply to users from that jurisdiction, and are consistent with generally accepted international standards. We may also share information when we have a good faith belief it is necessary to prevent fraud or other illegal activity, to prevent imminent bodily harm, or to protect ourselves and you from people violating our [Statement of Rights and Responsibilities](#). This may include sharing information with other companies, lawyers, courts or other government entities.

Transfer in the Event of Sale or Change of Control. If the ownership of all or substantially all of our business changes, we may transfer your information to the new owner so that the service can continue to operate. In such a case, your information would remain subject to the promises made in any pre-existing Privacy Policy.

7. How You Can Change or Remove Information

Editing your profile. You may change or remove your profile information at any time by going to your profile page and clicking "Edit My Profile." Information will be updated immediately.

Delete uploaded contacts. If you use our contact importer to upload addresses, you can later delete the list on this [help page](#). You can delete the email addresses of friends you have invited to join Facebook on your [invite history page](#).

Deactivating or deleting your account. If you want to stop using your account you may deactivate it or delete it. When you deactivate an account, no user will be able to see it, but it will not be deleted. We save your profile information (connections, photos, etc.) in case you later decide to reactivate your account. Many users deactivate their accounts for temporary reasons and in doing so are asking us to maintain their information until they return to Facebook. You will still have the ability to reactivate your account and restore your profile in its entirety. When you delete an account, it is permanently deleted from Facebook. You should only delete your account if you are certain you never want to reactivate it. You may deactivate your account on your [account settings page](#) or delete your account on this [help page](#).

Limitations on removal. Even after you remove information from your profile or delete your account, copies of that information may remain viewable elsewhere to the extent it has been shared with others, it was otherwise distributed pursuant to your [privacy settings](#), or it was copied or stored by other users. However, your name will no longer be associated with that information on Facebook. (For example, if you post something to another user's profile and then you delete your account, that post may remain, but be attributed to an "Anonymous Facebook User.") Additionally, we may retain certain information to prevent identity theft and other misconduct even if deletion has been requested. If you have given third party applications or websites access to your information, they may retain your information to the extent permitted under their terms of service or privacy policies. But they will no longer be able to access the information through our Platform after you disconnect from them.

Backup copies. Removed and deleted information may persist in backup copies for up to 90 days, but will not be available to others.

Non-user contact information. If a user provides your email address to us, and you are not a Facebook user but you want us to delete your address, you can do so on this [help page](#). However, that request will only apply to addresses we have at the time of the request and not to any addresses that users provide to us later.

8. How We Protect Information

We do our best to keep your information secure, but we need your help. For more detailed information about staying safe on Facebook, visit the [Facebook Security Page](#).

Steps we take to keep your information secure. We keep your account information on a secured server behind a firewall. When you enter sensitive information (such as credit card numbers and passwords), we encrypt that information using secure socket layer technology (SSL). We also use automated and social measures to enhance security, such as analyzing account behavior for fraudulent or otherwise anomalous behavior, may limit use of site features in response to possible signs of abuse, may remove inappropriate content or links to illegal content, and may suspend or disable accounts for violations of our [Statement of Rights and Responsibilities](#).

Risks inherent in sharing information. Although we allow you to set privacy options that limit access to your information, please be aware that no security measures are perfect or impenetrable. We cannot control the actions of other users with whom you share your information. We cannot guarantee that only authorized persons will view your information. We cannot ensure that information

you share on Facebook will not become publicly available. We are not responsible for third party circumvention of any [privacy settings](#) or security measures on Facebook. You can reduce these risks by using common sense security practices such as choosing a strong password, using different passwords for different services, and using up to date antivirus software.

Report Violations. You should report any security violations to us on this [help page](#).

9. Other Terms

Changes. We may change this Privacy Policy pursuant to the procedures outlined in the Facebook [Statement of Rights and Responsibilities](#). Unless stated otherwise, our current privacy policy applies to all information that we have about you and your account. If we make changes to this Privacy Policy we will notify you by publication here and on the [Facebook Site Governance Page](#). If the changes are material, we will provide you additional, prominent notice as appropriate under the circumstances. You can make sure that you receive notice directly by liking the [Facebook Site Governance Page](#).

Consent to Collection and Processing in the United States. By using Facebook, you consent to having your personal data transferred to and processed in the United States.

Defined Terms. "Us," "we," "our," "Platform" and "Facebook" mean the same as they do in the [Statement of Rights and Responsibilities](#). "Information" and "content" are used more generally and interchangeably here than in the [Statement of Rights and Responsibilities](#) unless otherwise limited by the context.

EXHIBIT 33

Dissenting Statement of Commissioner J. Thomas Rosch

In the Matter of Facebook, Inc., File No. 092 3184, Docket No. C-4365

August 10, 2012

I dissent from acceptance of this final consent order for two reasons. First, in the Agreement Containing Consent Order, respondent Facebook “expressly denies the allegations set forth in the complaint, except for the jurisdictional facts.”¹ Our Federal Trade Commission Rules of Practice do not provide for such a denial.² Beyond that, as I read Section 5, Commissioners are authorized to accept a consent agreement only if there is reason to believe that a respondent is engaging in an unfair or deceptive act or practice and that acceptance of the consent agreement is in the interest of the public.³ I respectfully suggest that the whole reason for requiring the Commission to conclude that there is “reason to believe” is to force the Commission to come to grips with the probability that the respondent did engage in conduct creating liability. I would further argue that in the real world, if the Commission allows the respondent to expressly deny that it did engage in that conduct (or to use language that is tantamount to an express denial), there is a questionable basis for us to conclude that that probability exists (or that the consent is in the public interest either).⁴ Accordingly, I cannot find that either the “reason to believe” or the “in the interest of the public” requirement is satisfied when, as here, there is an express denial of the allegations set forth in the complaint.

I should add that I am also in favor of reconsidering Rule 2.32’s authorization of the inclusion of language in a consent agreement that it “is for settlement purposes only and does not constitute an admission by any party that the law has been violated as alleged in the complaint.” In comparison, the Securities and Exchange Commission’s informal procedures provide that, “it is important to avoid creating, or permitting to be created, an impression that a decree is being entered or a sanction imposed, when the conduct alleged did not, in fact, occur.”⁵ Accordingly,

¹ Agreement Containing Consent Order, ¶ 5.

² See 16 C.F.R. § 2.32 (“The agreement may state that the signing thereof is for settlement purposes only and does not constitute an admission by any party that the law has been violated as alleged in the complaint.”) (emphasis added).

³ 15 U.S.C. § 45(b). See *Johnson Prods. Co. v. FTC*, 549 F.2d 35, 38 (7th Cir. 1977) (“The Commission, unlike a private litigant, must act in furtherance of the public interest.”) (explaining that the public interest mandate entitles the Commission to reserve to itself the option of withdrawing its acceptance of a consent decree after the public comment period).

⁴ See *FTC v. Circa Direct LLC*, 2012 U.S. Dist. LEXIS 81878, *3-*6 (D.N.J. June 13, 2012) (expressing the concern that when being faced with a settlement without an admission of liability, it is difficult to determine whether or not the public interest is being served).

⁵ 17 C.F.R. § 202.5(e).

the SEC has adopted a policy not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings.⁶ Importantly, the SEC also has concluded that “a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations.”⁷ I would encourage consideration of whether our authorization of language that a consent agreement “is for settlement purposes only and does not constitute an admission that the law has been violated” is tantamount to a denial and if so, whether the Commission should similarly embrace the “neither admits nor denies” model language.

Second, while I hope that the majority is correct in their assertion that the consent order covers the deceptive practices of Facebook as well as the applications (“apps”) that run on the Facebook platform, it is not clear to me that it does. In particular, I am concerned that the order may not unequivocally cover all representations made in the Facebook environment (while a user is “on Facebook”) relating to the deceptive information sharing practices of apps about which Facebook knows or should know. For example, a reporter from Forbes recently disclosed that while downloading an app on Facebook, a pop up screen informed users that “This app shares articles you read and more on Facebook with:” and then allowed users to choose between “public,” “friends,” or “only me.”⁸ The reporter assumed – as most users would – that choosing “only me” meant that no one else would be able to see what one was reading when using that app. However, to the contrary, according to this report, choosing “only me” merely meant that your reading habits didn’t show up in your friends’ news feed or tickers on Facebook.⁹ Users reading articles within the app would still see articles read by other users, even those users that had chosen the “only me” option. Apparently there is no way to turn off sharing within the app, except on an article-by-article basis.¹⁰ I consider such inadequate disclosure to be deceptive

⁶ Id.

⁷ Id.

⁸ Jeff Bercovici, *Despite FTC Settlement, Facebook Still Playing Coy on Privacy*, Forbes, Dec. 1, 2011, available at <http://www.forbes.com/sites/jeffbercovici/2011/12/01/despite-ftc-settlement-facebook-still-playing-coy-on-privacy/>.

⁹ Subsequently, some changes have been made to the Washington Post Social Reader application download page. There is now a small question mark icon located next to the “who can see activity from this app on Facebook” language. When a user scrolls over the question mark icon, it says “This does not control who can see your activity within the app itself.”

¹⁰ Users can learn about the app on the Washington Post website or on the Facebook website. The app is downloaded from the Facebook website itself and users access the application while on Facebook.

when it occurs in the Facebook environment, irrespective of whether that failure to fully disclose stems from the conduct of the app or Facebook itself. I would include language in the order to make that clear, lest Facebook argue subsequently that the Commission order only covers deceptive conduct engaged in by Facebook itself.

EXHIBIT 34

STATEMENT OF THE COMMISSION

In re Facebook, Inc., Docket No. C-4365

August 10, 2012

The final consent order in *In re Facebook, Inc.* that we approve today advances the privacy interests of the nearly one billion Facebook users around the world by requiring the company to live up to its promises and submit to privacy audits. Notably, Facebook will be subject to civil penalties of up to \$16,000 for each violation of the order. We intend to monitor closely Facebook's compliance with the order and will not hesitate to seek civil penalties for any violations.

We write to address the arguments raised by our colleague, Commissioner Rosch, who opposes final approval of the order. One of his objections relates to the extent to which the order would reach the activities of third-party "apps" downloaded by consumers while using the Facebook platform. The Order broadly prohibits Facebook from misrepresenting in any manner, expressly or by implication, the extent to which it maintains the privacy or security of any information it collects from or about consumers. For a company whose entire business model rests on collecting, maintaining, and sharing people's information, this prohibition touches on virtually every aspect of Facebook's operations. Further, the Order sets forth clear examples of how this broad prohibition would apply in connection with apps, by prohibiting Facebook from misrepresenting (1) the extent to which it makes its users' information accessible to apps; or (2) the steps it takes to verify the privacy or security protections that apps provide.¹ A statement from Facebook about an app's conduct may well amount to a promise that Facebook is taking steps to assure the level of privacy or security that the app provides for consumers' information.² These provisions make clear that Facebook will be liable for conduct by apps that contradicts Facebook's promises about the privacy or security practices of these apps.

Commissioner Rosch also opposes the consent order because it includes a denial by Facebook of the substantive allegations in the Commission's complaint.³ Based on this denial, Commissioner Rosch asserts that the Commission lacks the requisite "reason to believe" that Facebook violated Section 5 of the Federal Trade Commission Act and a basis to conclude that the settlement is in "the interest of the public."⁴

We strongly disagree with Commissioner Rosch's view that if the Commission allows a respondent to deny the complaint's substantive allegations, or use language that is tantamount to

¹ Agreement Containing Consent Order, § I.C-D.

² Indeed, in light of Facebook's representations to users about apps when offering them the ability to install and use apps, the prohibition covers privacy disclosures by Facebook of the very sort that gave rise to Commissioner Rosch's concern.

³ The order states that Facebook "expressly denies the allegations set forth in the complaint, except for the jurisdictional facts." Agreement Containing Consent Order, ¶ 5.

⁴ Dissenting Statement of Commissioner Rosch at 1 (quoting 15 U.S.C. § 45(b)).

a denial, there is no basis for the Commission to conclude that the respondent engaged in unlawful conduct or that the consent is in the public interest. As Commissioner Rosch is aware, an extensive investigation and detailed staff recommendation has given the Commission a strong—not just a reasonable—basis to issue its complaint in this case and to conclude that both the complaint and the resulting settlement are in the public interest. Here, as in all enforcement cases, it is the evidentiary record developed by FTC staff during the course of its investigation, not any ensuing settlement agreement, that forms the basis for action by the Commission. A respondent’s denial of liability in a consent agreement does not diminish staff’s extensive investigation or the ability of the Commission to find a reasonable basis to finalize a settlement or to enforce an order that results from settlement negotiations. Moreover, express denials of liability are consistent with the Commission’s current Rules of Practice.⁵

We view the final consent order in this matter to be a major step forward for consumer privacy and hereby approve it.

While we do not believe that a respondent’s denial of liability is reason to reject a settlement that is in the public interest, we share Commissioner Rosch’s desire to avoid any possible public misimpression that the Commission obtains settlements when it lacks reason to believe that the alleged conduct occurred. We commend Commissioner Rosch for focusing our attention on the issue; going forward, express denials will be strongly disfavored. We also appreciate Commissioner Rosch’s suggestion that consent order language that the respondent “neither admits nor denies” a complaint’s allegations may very well be a more effective way to ensure that there are no misimpressions about the Commission’s process. Accordingly, we will consider in the coming months whether a modification to the Commission Rules of Practice is warranted.

⁵ Rule 2.32 of the FTC Rules of Practice, which governs administrative settlements, provides that “[t]he agreement may state that the signing thereof is for settlement purposes only and does not constitute an admission by any party that the law has been violated as alleged in the complaint.” 16 C.F.R. § 2.32.

EXHIBIT 35

**In the Matter of Facebook, Inc.
FTC File No. 092 3184
Letters to Commenters**

Letter to Commenter Aldrich
Letter to Commenter Alpert
Letter to Commenter Anonymous
Letter to Commenter Argentar
Letter to Commenter B. Michelle
Letter to Commenter Ball
Letter to Commenter Barrett
Letter to Commenter Bell
Letter to Commenter Bessette
Letter to Commenter Bielski
Letter to Commenter Bieser
Letter to Commenter Blake
Letter to Commenter Boehlert
Letter to Commenter Brown
Letter to Commenter Carleton
Letter to Commenter Carpenter
Letter to Commenter Chen
Letter to Commenter Chick
Letter to Commenter Daniels
Letter to Commenter Devine
Letter to Commenter Electronic Privacy Information Center
Letter to Commenter Emergency Personnel
Letter to Commenter Federation of German Consumer Organisations
Letter to Commenter Ferguson
Letter to Commenter Fort
Letter to Commenter Fruge
Letter to Commenter Gilman
Letter to Commenter Giscombe
Letter to Commenter Harris
Letter to Commenter Heavlin
Letter to Commenter Hoofnagle
Letter to Commenter Human Rights First
Letter to Commenter Jarvis
Letter to Commenter Johnson
Letter to Commenter Pierce Jones
Letter to Commenter Jones
Letter to Commenter Kissick
Letter to Commenter Love
Letter to Commenter Lustig
Letter to Commenter Mallett
Letter to Commenter Moelter

Letter to Commenter O'Neil
Letter to Commenter Powers
Letter to Commenter Ptaszek
Letter to Commenter Rhinesmith
Letter to Commenter Rudd
Letter to Commenter Saliter
Letter to Commenter Schiffer
Letter to Commenter Shaw
Letter to Commenter Smith
Letter to Commenter Toland
Letter to Commenter Traum
Letter to Commenter Ward
Letter to Commenter Welton
Letter to Commenter White
Letter to Commenter Wiebe
Letter to Commenter Wise
Letter to Commenter Wojciechowski
Letter to Commenter World Privacy Forum



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Janet Aldrich
Commonwealth of Massachusetts

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Aldrich:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment notes that Facebook provides a valuable service. You also note that Facebook should inform its users who will have access to their information, including their posts. We agree. The intent of the consent agreement is to allow Facebook to continue to innovate, but in a truthful and forthcoming manner, consistent with the privacy choices its users have made.

The complaint alleges that Facebook shared information in ways that were inconsistent with its statements to consumers. Thus, the complaint alleges that Facebook engaged in unfair and deceptive acts or practices in violation of Section 5 of the FTC Act. In particular, we allege that Facebook deceived consumers and subjected them to unfair treatment when it made material, retroactive changes to the privacy of their information, without their consent. Further, we allege that Facebook deceived consumers regarding numerous other privacy practices, including the protections provided by their privacy settings, access to their information by third-party Apps, sharing of users' information with advertisers, and access to users' information following deletion of their Facebook accounts.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Barnet Alpert
State of Florida

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Alpert:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose monetary penalties on Facebook, Inc. ("Facebook"). The complaint in this matter alleges violations of Section 5 of the FTC Act, under which the Commission does not have authority to seek civil penalties. However, as a result of the order, Facebook can be subject to civil penalties should it violate the terms of the order. The order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Act). It is our hope that the prospect of such substantial civil penalties – which Facebook does not face absent this order and did not face in December 2009 – will have a significant deterrent effect on the company.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Anonymous

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. You ask about enforcement of the proposed order. The proposed order will become final once the Commission has considered the public comments and approved a final order, and it is served upon Facebook. Beginning then, for a period of 20 years, Facebook will be required to comply with the order and the Commission will work assiduously to enforce it. As you know, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order mandates that Facebook file true and accurate written reports with the Commission describing its compliance with the order, and imposes recordkeeping requirements on the company regarding, among other things, consumer complaints that relate to conduct prohibited by the order and documents that call into question Facebook's compliance with the order. These requirements will enable the Commission to ascertain whether Facebook is in violation of any term of the final order, in which case it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

You also ask whether the Commission will provide consumers with "right to sue" letters to allow them to pursue private litigation related to the allegations made in the proposed complaint. Individuals have no right to sue to enforce Section 5 of the FTC Act, the law at issue in this case. Accordingly, the Commission does not issue right to sue letters in cases, such as this one, that seek to enforce Section 5. Please note that the proposed order is not intended to address any right that individuals may have to sue under other federal or state laws.

It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

David Argentar
State of Delaware

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Argentar:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

You raise several suggestions in your comment. First, you ask the Commission to subject Facebook to random, unannounced audits. The Commission believes that the biennial privacy assessments described above will provide an important means to monitor Facebook's compliance with the order. Each assessment will involve a detailed, written evaluation of

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Facebook's privacy practices over a two-year period, and will require the auditor to certify that Facebook's privacy controls have adequately protected the privacy of "covered information" throughout the relevant two-year period. In addition, we note that the audit is not the only check on Facebook's conduct. We regularly monitor compliance with our orders, and if Facebook deceives consumers or does not provide sufficient control to its users, as required by the order, we can seek civil penalties without waiting for the next audit. We believe these tools will require Facebook to demonstrate its compliance with the order throughout its 20-year duration.

You also ask that the Commission require Facebook to provide users, upon request, with a copy of the information Facebook maintains about them, so they will have assurances that Facebook is in compliance with the order. Although users' own access to their information did not form the basis of an allegation in the proposed complaint, the proposed order is designed to provide assurance of compliance. For example, in addition to the comprehensive privacy program and biennial audits described above, the proposed order mandates that Facebook file true and accurate written reports with the Commission describing its compliance with the order. The proposed order also imposes recordkeeping requirements on the company regarding, among other things, consumer complaints that relate to conduct prohibited by the order and documents that call into question Facebook's compliance with the order. Thus, the proposed order is designed to enable the Commission to ascertain whether Facebook is in violation of any term of the final order and, if so, bring an appropriate enforcement action. In the future, if you have specific questions about your Facebook account, you may wish to contact Facebook through its Help Center at https://www.facebook.com/help/contact_us.php?id=173545232710000 for information.

Next, you suggest that the Commission require Facebook to provide users with a written list of any information about them that was sent to third parties and the identity of such third parties. The Commission's proposed complaint contained allegations regarding the unauthorized sharing of a user's information with third parties and the proposed order contains provisions designed to address it going forward. In particular, as described above, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent in certain circumstances. As part of these requirements, Facebook must disclose both the categories of nonpublic user information that it will share with the third parties and the identity or specific categories of such third parties. In addition, the proposed order prohibits Facebook from making deceptive statements on this subject, as described above.

Your comment also notes a concern that Facebook users are not adequately able to delete their information. This is an issue also raised in the proposed complaint, and the proposed order contains appropriate provisions to address it. For example, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information.

Finally, you suggest that the Commission require the company to provide users with thirty-day advance notification of any proposed changes to their privacy policy. As you know, the proposed complaint alleges that Facebook violated Section 5 of the FTC Act by, among other

things, making material, retroactive changes to users' privacy settings without users' consent. Accordingly, the proposed order goes further than requiring advance notice alone, and requires Facebook to obtain users' affirmative express consent before sharing information more broadly than users' privacy settings allow. The Commission believes these provisions will protect consumers from material retroactive changes going forward.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Michelle B.
State of Colorado

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment notes a concern that users of Facebook, Inc. ("Facebook") are not adequately able to delete their information. This is an issue raised in the proposed complaint, and the proposed order contains provisions designed to address it going forward. In particular, the proposed order requires Facebook to implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion. In addition, the order prohibits Facebook from misrepresenting the privacy of users' covered information, including, but not limited to, the extent to which information that users have deleted from their account is accessible to third parties. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Ball
State of Texas

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your interest in this matter. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Barrett
Commonwealth of Massachusetts

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You ask about the provision in the proposed order related to deletion of user information. This provision requires Facebook, Inc. ("Facebook") to implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion. In other words, when a user deletes his or her information, Facebook will be required to ensure that this information is inaccessible to third parties within a reasonable period of time, and that time may not exceed thirty days. Should Facebook violate this or any other term of the final order, it will be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus, the Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook will further this objective.

The Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Bell
State of Georgia

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission agrees with you that privacy is paramount to securing users' trust. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Bessette
State of Illinois

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment raises concerns about user awareness of Facebook's actions as alleged in the proposed complaint. The Commission recognizes the importance of consumer outreach regarding its law enforcement efforts, and when it announced the proposed complaint and order against Facebook, it issued a press release (<http://www.ftc.gov/opa/2011/11/privacysettlement.shtm>) that provided a description of the

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unlawful conduct alleged in the complaint. The Commission also has issued educational materials for consumers regarding the settlement, including two blog posts on the FTC's website, one providing a count-by-count walk through of the proposed complaint, see <http://business.ftc.gov/blog/2011/11/ftcs-settlement-facebook-where-facebook-went-wrong>, and the other describing what the FTC's order means for consumer privacy, see <http://business.ftc.gov/blog/2011/12/facebooks-future-what-ftc-order-means-consumer-privacy>.

We recognize that some users may have more specific questions about their information and how it may have been affected by Facebook's conduct. Such users should contact Facebook through its Help Center (https://www.facebook.com/help/contact_us.php?id=173545232710000) to raise any such questions. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Mike Bielski
State of Ohio

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Bielski:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's new "ticker" feature, which you state causes users' comments to be shared, without their consent, with other users who are not their friends. You also urge that the order should let users block Facebook from sharing their information with third parties, absent such users' approval. Finally, you state that, unless Facebook openly discloses that it "owns" users' information, it should be required to provide better privacy for users' information.

Although the proposed complaint does not contain allegations specifically addressing the ticker feature, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. As a result of the broad allegations in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). This provision is significant. Going forward, Facebook cannot share your information more broadly than your privacy settings allow without your consent. This requirement should help to address your concerns. The proposed order also requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order prohibits Facebook from misrepresenting the extent to which it maintains the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

privacy or security of “covered information.”² Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about the “ticker” feature or other Facebook features, or their implementation, you may wish to contact Facebook through its Help Center <https://www.facebook.com/help/contact-us.php?id=173545232710000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC’s Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

² “Covered information” is defined as “information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol (“IP”) address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Alex Bieser
State of Illinois

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment notes that Facebook provides a valuable service. We agree. The intent of the order is to allow Facebook to continue to innovate, but in a truthful and forthcoming manner, consistent with the privacy choices its users have made.

The complaint alleges that Facebook shared information in ways that were inconsistent with its statements to consumers. Thus, the complaint alleges that Facebook engaged in unfair and deceptive acts or practices in violation of Section 5 of the FTC Act. In particular, we allege that Facebook deceived consumers and subjected them to unfair treatment when it made material, retroactive changes to the privacy of their information, without their consent. Further, we allege that Facebook deceived consumers regarding numerous other privacy practices, including the protections provided by their privacy settings, access to their information by third-party Apps, sharing of users' information with advertisers, and access to users' information following deletion of their Facebook accounts.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Blake
State of Colorado

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook"), by putting the company out of business. The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Thus, the relief contained in the order is significant, and will provide strong protections

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

for consumers' privacy. The Commission believes that putting Facebook out of business would be unwarranted in light of the benefits that Facebook provides to users and the facts and circumstances of the case. In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Boehlert
State of New York

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest in your comment that Facebook, Inc. ("Facebook") should be prohibited from making any changes to its privacy settings unless users opt-in to these changes. This is an issue raised in the proposed complaint, and the proposed order contains provisions designed to address it going forward. In particular, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). This will ensure that your privacy settings remain intact unless you decide to change them.

In addition, the proposed order contains other provisions designed to protect users' privacy. In particular, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Further, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Should Facebook violate any term of the final order, it could be liable for civil

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Bonita Brown
California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Brown:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates the gravity of your situation and agrees it is critical that you be able to control the privacy of your sensitive information. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

William Carleton
State of Washington

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Carleton:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest that rather than finalizing the proposed order, the Commission should bring a lawsuit against Facebook. The Commission is committed to protecting consumers' privacy through its law enforcement work. When considering whether to enter into a settlement as opposed to seeking relief through litigation, the Commission carefully evaluates whether the proposed settlement order will provide appropriate relief for all of the conduct that is alleged in the complaint. In this case, the order will protect Facebook users from future unlawful conduct by the company, and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."²

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). The Commission believes the proposed order provides strong relief that will benefit consumers immediately. In contrast, litigation would require the expenditure of significant taxpayer resources and would likely delay any potential relief or protections for consumers for a substantial period of time.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Carpenter
Washington

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest in your comment that Facebook, Inc. ("Facebook") should be required to fully explain all privacy options to users. Similar issues were raised in the proposed complaint, and the proposed order contains provisions designed to address them going forward. In particular, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Further, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

In addition, you ask that Facebook be required to set all default settings at the most restrictive level. Although the order does not specify the level of default settings, the Commission believes the restrictions described above will adequately serve users' interests in selecting privacy settings of their choosing.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

D. Chen
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose monetary penalties on Facebook, Inc. ("Facebook"). The complaint in this matter alleges violations of Section 5 of the FTC Act, under which the Commission does not have authority to seek civil penalties. However, as a result of the order, Facebook can be subject to civil penalties should it violate the terms of the order. The order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to sharing any of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). It is our hope that the prospect of such substantial civil penalties – which Facebook does not face absent this order and did not face in December 2009 – will have a significant deterrent effect on the company.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Ms. Rocker Chick
State of Texas

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about your Facebook account, you may wish to contact Facebook through its Help Center,

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

https://www.facebook.com/help/contact_us.php?id=173545232710000, for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Donny Daniels
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Daniels:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns about your ability to manage your shared information on Facebook, including by deleting unnecessary or historical data. Although the proposed complaint does not contain allegations specifically addressing users' ability to manage their information, it does allege that Facebook violated Section 5 of the FTC Act by making false statements to users about their ability to delete their profile information. In addition, the proposed complaint alleges that Facebook falsely represented the protections provided by users' privacy settings, made other false promises regarding privacy, and made material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad range of allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Lastly, regarding the deletion of users' information, the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address,

proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information. Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about how Facebook manages or retains your information or other features, you may wish to contact Facebook through its Help Center at <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Michael Devine
State of Washington

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Devine:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You state that you are an application ("App") developer and are concerned that Facebook makes it too difficult for users to apply privacy settings to their data. You also express concern that Facebook fails to provide adequate means for users to automatically delete their content, including by using Apps that assist with deletion. Although the proposed complaint does not contain allegations specifically addressing the capabilities that Facebook provides to Apps for deleting content, it does allege that Facebook violated Section 5 of the FTC Act by making false statements to users about their ability to delete their profile information. In addition, the proposed complaint alleges that Facebook falsely represented the protections provided by users' privacy settings, made other false promises regarding privacy, and made material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

security of “covered information.”² Lastly, regarding the deletion of users’ information, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users’ covered information. Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus, the order provides substantive privacy protections for Facebook users.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

² “Covered information” is defined as “information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol (“IP”) address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Marc Rotenberg, Executive Director
Lillie Coney, Assistant Director
David Jacobs, Consumer Protection Fellow
Electronic Privacy Information Center
1718 Connecticut Ave., NW
Suite 200
Washington, DC 20009

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Rotenberg, Ms. Coney, and Mr. Jacobs:

Thank you for your comment on behalf of the Electronic Privacy Information Center (“EPIC”) on the Federal Trade Commission’s consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission’s Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission thanks EPIC for its petitions and other correspondence about Facebook, Inc.’s (“Facebook”) privacy practices, and appreciates its support of the proposed complaint. The Commission is committed to safeguarding consumer privacy and believes that the proposed order will advance this objective. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order requires Facebook to give clear and prominent notice and obtain a user’s affirmative express consent prior to any sharing of the user’s “nonpublic user information”¹ with any third party, which materially exceeds the restrictions imposed by the user’s privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of “covered information.”² Should Facebook violate any term

¹ “Nonpublic user information” is defined as “covered information that is restricted by one or more privacy setting(s).”

² “Covered information” is defined as “information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol (“IP”) address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”

of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment focuses on five key concerns, which we address, in turn, below:

(1) You ask the Commission to require Facebook to restore its privacy settings to those available in December 2009.

The Commission believes such a change could cause significant consumer confusion. The site has evolved substantially since December 2009, and it is not clear that users would understand how their settings had been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

(2) You urge the Commission to prohibit Facebook from creating facial recognition profiles without users' express consent.

The comprehensive privacy program described above will require Facebook to implement practices that are appropriate to the sensitivity of the "covered information" in question, which is very broadly defined in the order and would include biometric data. Moreover, the biennial audits of its privacy practices will help ensure that Facebook lives up to these obligations. Although the order does not specifically require that Facebook obtain a user's consent for the creation of facial recognition data, the order's broad prohibition on deception is designed to ensure that Facebook will be truthful with users about such practices. Likewise, the affirmative express consent requirement, described above, is designed to ensure that Facebook upholds privacy settings that it offers to users to protect such information.

(3) You ask the Commission to make public the assessments required by the proposed order to the maximum extent permitted by law.

The Commission recognizes the public interest in understanding and evaluating a company's compliance with the law. The public may seek access to the third-party assessments required by the order by making a request under the Freedom of Information Act.³ However, the third-party assessments may contain trade secrets or other confidential commercial or financial information, or information about consumers or other third parties that the Commission may not publicly disclose.⁴ Upon receipt of a request for confidential treatment of all or part of the third-party assessments, the Commission will conduct a careful review to determine whether confidential treatment is warranted. We will make every effort to be transparent regarding these

³ 5 U.S.C. § 552 et seq.

⁴ See 15 U.S.C. § 46(f) ("the Commission shall not have any authority to make public any trade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential"); Commission Rule of Practice § 4.10.

assessments, consistent with the applicable law. If the FTC determines that the assessments have been frequently requested or are likely to be frequently requested because of the their subject matter, the agency will post such portions as may be released to the public on the FTC's website.⁵

(4) You request that the Commission require Facebook to give its users the right to access the data Facebook keeps about them.

Although the order does not contain an access requirement, it does provide users with meaningful rights to control their data. In particular, regarding the deletion of users' information, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information.

(5) Finally, you highlight your concerns with several of Facebook's current features and business practices, including Timeline, tracking of logged-out users, behavioral tracking and analysis, and tagging.

Although the proposed complaint does not contain allegations specifically addressing these specific issues, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. Accordingly, the proposed order contains provisions, described above, designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. These provisions are broad enough to address misconduct beyond that expressly challenged in the complaint.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

⁵ See 5 U.S.C. § 552(a)(2)(D).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Emergency Personnel
District of Columbia

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest that the Commission should require Facebook, Inc. ("Facebook") to restore its default privacy settings to those offered in 2007, and also highlight your concerns with Facebook's Timeline feature. Although the proposed complaint does not contain allegations regarding the Timeline feature, it does allege that Facebook violated Section 5 of the FTC Act by, among other things, making material, retroactive changes to users' privacy settings without their consent in December 2009, by falsely representing to users the protections provided by their privacy settings, and by making other false promises regarding privacy, including the privacy of information that users had deleted from their profiles.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook will advance this objective. The proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through

order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission has considered the request to restore privacy default settings to an earlier state, but is concerned that such a change could cause significant consumer confusion. The site has evolved substantially since 2007, and it is not clear that users would understand how their settings have been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service, as described above. If you have specific questions about the Timeline feature or its implementation, you may wish to contact Facebook through its Help Center at <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Michaela Zinke
Federation of German Consumer Organizations

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Zinke:

Thank you for your comment on behalf of the Federation of German Consumer Organizations on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

We thank you for your description of recent law enforcement activities conducted by the Federation of German Consumer Organizations related to Facebook, Inc. ("Facebook"). In addition, you suggest that Facebook implement the concepts of "privacy by default" and "privacy by design." You also suggest that the Commission make publicly available the assessments required by the proposed order.

The Commission appreciates the work of consumer protection organizations around the world. We are committed to safeguarding consumer privacy and believe that the proposed order will advance this objective. In particular, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."¹ The proposed order also requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"² with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). We believe this requirement of affirmative express consent addresses your concern regarding "privacy by default," because Facebook will not be able to materially expand sharing without the express consent of its users.

¹ "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

² "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

In addition, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. The privacy program and audits serve to implement “privacy by design” by requiring Facebook to consider privacy at every stage of its product development and implementation. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

With respect to your suggestion that the Commission make public the assessments required by the proposed order, we note that the Commission recognizes the public interest in understanding and evaluating a company’s compliance with the law. The public may seek access to the third-party assessments required by the order by making a request under the Freedom of Information Act.³ However, the third-party assessments may contain trade secrets or other confidential commercial or financial information, or information about consumers or other third parties that the Commission may not publicly disclose.⁴ Upon receipt of a request for confidential treatment of all or part of the third-party assessments, the Commission will conduct a careful review to determine whether confidential treatment is warranted. We will make every effort to be transparent regarding these assessments, consistent with the applicable law. If the FTC determines that the assessments have been frequently requested or are likely to be frequently requested because of their subject matter, the agency will post such portions as may be released to the public on the FTC’s website.⁵

Finally, you suggest that making the assessments public will provide support for your view that Facebook is a data controller of European Union consumer data. As you know, the proposed complaint alleged that Facebook failed to comply with the substantive provisions of notice and choice set forth in the U.S.-EU Safe Harbor Framework. To address these allegations, the proposed order’s prohibition on misrepresentations specifically prohibits Facebook from deceiving users with respect to its compliance with and participation in the Safe Harbor Framework. Although the Commission’s action is not dependent on whether Facebook is a “data controller” under EU law, it is consistent with the conclusion that Facebook is a data controller.

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

³ 5 U.S.C. § 552 et seq.

⁴ See 15 U.S.C. § 46(f) (“the Commission shall not have any authority to make public any trade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential”); Commission Rule of Practice § 4.10.

⁵ See 5 U.S.C. § 552(a)(2)(D).

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Ferguson
New York

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's new Timeline feature and suggest that Facebook be prohibited from implementing such new features, unless users opt-in to these changes. Although the proposed complaint does not contain allegations specifically addressing the Timeline feature, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. As a result of the broad allegations in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). Thus, Facebook will be required to get your opt-in consent before it shares your information more broadly than your privacy settings allow.

The proposed order also requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Importantly, should

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address,

Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about the Timeline feature or its implementation, you may wish to contact Facebook through its Help Center at <https://www.facebook.com/help/contact-us.php?id=173545232710000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

_____ In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Eric Fort
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Fort,

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment focuses on five key concerns, which we address, in turn, below:

(1) You ask the Commission to require Facebook to restore its privacy settings to those available in December 2009.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

The Commission believes such a change could cause significant consumer confusion. The site has evolved substantially since December 2009, and it is not clear that users would understand how their settings had been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

(2) You urge the Commission to prohibit Facebook from creating facial recognition profiles without users' express consent.

The comprehensive privacy program described above will require Facebook to implement practices that are appropriate to the sensitivity of the "covered information" in question, which is very broadly defined in the order and would include biometric data. Moreover, the biennial audits of its privacy practices will help ensure that Facebook lives up to these obligations. Although the order does not specifically require that Facebook obtain a user's consent for the creation of facial recognition data, the order's broad prohibition on deception is designed to ensure that Facebook will be truthful with users about such practices. Likewise, the affirmative express consent requirement, described above, is designed to ensure that Facebook upholds privacy settings that it offers to users to protect such information.

(3) You ask the Commission to make public the assessments required by the proposed order to the maximum extent permitted by law.

The Commission recognizes the public interest in understanding and evaluating a company's compliance with the law. The public may seek access to the third-party assessments required by the order by making a request under the Freedom of Information Act.³ However, the third-party assessments may contain trade secrets or other confidential commercial or financial information, or information about consumers or other third parties that the Commission may not publicly disclose.⁴ Upon receipt of a request for confidential treatment of all or part of the third-party assessments, the Commission will conduct a careful review to determine whether confidential treatment is warranted. We will make every effort to be transparent regarding these assessments, consistent with the applicable law. If the FTC determines that the assessments have been frequently requested or are likely to be frequently requested because of their subject matter, the agency will post such portions as may be released to the public on the FTC's website.⁵

³ 5 U.S.C. § 552 et seq.

⁴ See 15 U.S.C. § 46(f) ("the Commission shall not have any authority to make public any trade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential"); Commission Rule of Practice § 4.10.

⁵ See 5 U.S.C. § 552(a)(2)(D).

(4) You request that the Commission require Facebook to give its users the right to access the data Facebook keeps about them.

Although the order does not contain an access requirement, it does provide users with meaningful rights to control their data. In particular, regarding the deletion of users' information, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information.

(5) Finally, you ask the Commission to prohibit Facebook from secretly tracking its users across the web.

Although the proposed complaint does not contain allegations specifically addressing the tracking of Facebook users across the web, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. Accordingly, the proposed order contains provisions, described above, designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. These provisions are broad enough to address misconduct beyond that expressly challenged in the complaint.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Jason Fruge
State of Texas

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Fruge:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's implementation of the Timeline feature, which you state caused more than 1,500 posts and comments that you had deleted to be restored to your profile. Although the proposed complaint does not contain allegations specifically addressing the Timeline feature, it does allege that Facebook violated Section 5 of the FTC Act by making false statements to users about their ability to delete their profile information. In addition, the proposed complaint alleges that Facebook violated Section 5 by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Lastly, regarding the deletion of users' information, the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or

proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information. Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about the Timeline feature or its implementation, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Gilman
State of New York

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook"). The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment also urges the Commission to impose monetary penalties on Facebook. The complaint in this matter alleges violations of Section 5 of the FTC Act, under which the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Commission does not have authority to seek civil penalties. However, as a result of the order, Facebook can be subject to civil penalties should it violate the terms of the order. It is our hope that the prospect of such substantial civil penalties – which Facebook does not face absent this order and did not face in December 2009 – will have a significant deterrent effect on the company.

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Deron Giscombe
State of Connecticut

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concern with what you describe as Facebook, Inc.'s ("Facebook") tracking of logged-out users across the internet. Although the proposed complaint does not contain allegations specifically addressing the tracking of logged-out users, it alleges that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Importantly, should Facebook violate any term of the final

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

You also raise concerns about data mining companies in general. The Commission agrees that the practices of data brokers deserve attention. These companies often collect and sell a wide variety of personal information in a manner that is not transparent to consumers. The Commission's recent final privacy report discussed this issue and made recommendations to improve the transparency of data broker practices, including giving consumers the option, where appropriate, to access and correct information about them held by data brokers.³ The Commission believes that implementation of these recommendations will help address concerns, like yours, about data broker practices.

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about Facebook's current privacy practices, or any particular Facebook feature, you may wish to contact Facebook through its Help Center at <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

³ Fed. Trade Comm'n, Protecting Consumer Privacy in an Era of Rapid Change: Recommendations for Businesses and Policymakers (March 2012), available at <http://www.ftc.gov/os/2012/03/120326privacyreport.pdf>.



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Jeffrey Harris
State of New York

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Harris:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest that Facebook, Inc. ("Facebook") should be restricted from using its users' personal information without first obtaining their consent. The proposed complaint contains allegations regarding a similar issue – the material, retroactive changes that Facebook made to users' privacy settings in December 2009 without their consent. Thus, the proposed order contains provisions that will require users' consent for certain sharing of their information going forward. In particular, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). The order also prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Further, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

You also raise concerns about Facebook's practice of tracking people across the internet.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Although the proposed complaint does not contain allegations specifically addressing the tracking of Facebook users across the web, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. Accordingly, the proposed order contains provisions, described above, designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. These provisions are broad enough to address misconduct beyond that expressly challenged in the complaint.

You also suggest that the Commission provide consumers with a private cause of action to allow them to pursue private litigation related to the allegations made in the proposed complaint. Individuals have no right to sue to enforce Section 5 of the FTC Act, the law at issue in this case. Accordingly, the Commission does not issue right to sue letters in cases, such as this one, that seek to enforce Section 5. Please note that the proposed order is not intended to address any right that individuals may have to sue under other federal or state laws.

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about Facebook tracking users across the internet, you may wish to contact Facebook through its Help Center at <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Noreen Cooper Heavlin
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Heavlin:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's "in-mail" feature, which you state does not allow users to delete messages permanently, but only to archive them. You also highlight your concerns with Facebook's new "ticker" feature, which you state causes users' comments to be shared, without their consent, with other users who are not their friends. Although the proposed complaint does not contain allegations specifically addressing these particular features, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Lastly, regarding the deletion of users' information, the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address,

proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information. Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about Facebook's "in-mail" services or other features, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Chris Hoofnagle
U.C. Berkeley School of Law
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Hoofnagle:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

You urge the Commission to require Facebook to disgorge – i.e., pay to the federal government – any money that Facebook made as a result of the allegedly unlawful changes it made to the privacy of users' information in December 2009. In support, you note that the Commission obtained disgorgement in its 2004 settlement with Gateway Learning Corp.

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

(“Gateway”). Further, you urge that, absent such disgorgement, Facebook will have reaped gains from a “clearly unfair” business practice.

We appreciate your concern that the settlement does not require Facebook to give up any monetary gains from the conduct challenged in the Commission’s proposed complaint. In deciding whether to accept this or any other consent order that does not impose monetary relief, the Commission carefully considers a variety of factors, including the time and expense to litigate a dispute and the type of monetary relief authorized by law. The Commission also takes into account that, as soon as the order becomes final, the respondent will risk civil penalties of up to \$16,000 per violation per day, as noted above, for violations of the terms of the order. It is our hope that the prospect of substantial civil penalties – which Facebook does not face absent this order and did not face in 2009 – will have a significant deterrent effect on Facebook’s future conduct.

You also urge that the Commission modify the proposed order to require Facebook to restore the privacy settings that were in place “when the user enrolled” in the site, in order to help place users in the same position they would have occupied, absent the allegedly unlawful changes to users’ privacy that it made in December 2009. The Commission has considered the request to restore privacy settings to an earlier state, but is concerned that such a change could cause significant consumer confusion. The site has evolved substantially since December 2009 and it is not clear that users would understand how their settings had been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Meg Roggensack
Senior Advisor for Business and Human Rights
Human Rights First
100 Maryland Ave
Washington, D.C. 20036

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Roggensack:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You urge the Commission to ensure that the proposed order is sufficient to protect consumers adequately. Specifically, you express concern that Facebook, Inc.'s ("Facebook's") users are not adequately informed or protected because its privacy policies are confusing and difficult to locate, it does not clearly notify users of privacy changes, and it may not adequately monitor the privacy practices of its service providers.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook will advance this objective. With respect to the clarity of Facebook's privacy policies, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."¹ In evaluating whether a company's representations may be deceptive, the Commission consistently considers the perspective of a "reasonable consumer." Therefore, a company makes confusing or contradictory statements to consumers at its peril. In this case, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

¹ "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

As for whether the order protects consumers in situations involving changes to privacy practices, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"² with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). We believe this will give consumers adequate notice of – and an opportunity to avoid – certain changes to their privacy.

Finally, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. We believe that the biennial privacy assessments will provide an effective means to monitor Facebook's compliance with the order, including with respect to its relationship with its service providers. Each assessment will involve a detailed, written evaluation of Facebook's privacy practices over a two-year period, and will require the auditor to certify that Facebook's privacy controls have adequately protected the privacy of "covered information" throughout the relevant two-year period. Thus, we believe these requirements will require Facebook to demonstrate its compliance with the order throughout the 20-year duration of the order.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

² "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Lisa Jarvis
State of Ohio

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Jarvis:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You request that several requirements be added to the proposed order. Specifically, you request that Facebook, Inc. ("Facebook"): (1) be prohibited from sharing any user information without a user's opt-in consent; (2) restrict third-party Application ("App") developers on its site to those it reviews and approves; (3) turn on HTTPS by default; and (4) restrict the download of user photos and videos from its site to instances where a user gives permission for the download to occur.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

Section 5(l) of the FTC Act).

We believe these requirements will provide strong protections for Facebook users going forward. In particular, although the order does not require Facebook to obtain a user's opt-in consent for all sharing on the site, it does require Facebook to give advance notice of – and obtain users' affirmative express consent for – certain changes to their privacy, as described above. Moreover, the order's broad prohibitions on deception will help ensure that users receive accurate information regarding the privacy of their data. Similarly, although the proposed order does not impose specific requirements regarding Facebook's vetting of App developers, use of HTTPS, or policies regarding the downloading of user photos, it will require Facebook, as part of its comprehensive privacy program, to take reasonable and appropriate steps to consider and address all reasonably foreseeable, material risks to the privacy and confidentiality of covered information that could result in Facebook's unauthorized collection, use, or disclosure of covered information.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Bill Johnson
Jubilee Association of Maryland

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Johnson:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

In your comment, you raise several concerns about Facebook's current practices. In particular, you express concern that Facebook is sharing your information without your knowledge or consent, notifying your friends of your birthday without your permission, and emailing you after you have attempted to close your account. With respect to your overarching concern that Facebook is sharing your information without your knowledge or consent, the proposed complaint contains broad allegations. Specifically, it alleges that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Importantly, should Facebook violate any term of the final

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or

order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus, the order provides substantial privacy protections to Facebook users going forward.

As for your concern regarding birthday notifications, although this conduct was not at issue in our investigation, we understand that Facebook gives users the option to hide their birthdate from other users, which would eliminate birthday notifications. Further, Facebook's practices regarding emailing its users was not at issue in our investigation, which focused on the sharing of user information with others. As noted, we believe the order addresses the conduct that was the subject of the investigation.

If you have specific questions about Facebook's current privacy practices, or any particular Facebook feature, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Pierce Jones
State of Arizona

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Jones:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You suggest in your comment that Facebook, Inc. ("Facebook") should be prohibited from making any changes in its privacy practices unless Facebook receives its users' consent to make these changes. This is an issue raised in the proposed complaint, and the proposed order contains provisions designed to address it going forward. In particular, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Further, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Jones
State of Georgia

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook"), by putting the company out of business. The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day per day (pursuant to Section 5(l) of the FTC Act).

Thus, the relief contained in the order is significant, and will provide strong protections for consumers' privacy. The Commission believes that putting Facebook out of business would

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be unwarranted in light of the benefits that Facebook provides to users and the facts and circumstances of the case. In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Paula Kissick
Commonwealth of Kentucky

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Kissick:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. The order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Love
Commonwealth of Pennsylvania

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your letter raises two concerns with the proposed order against Facebook, Inc. ("Facebook") which we address, in turn, below. First, you suggest that the Commission should impose monetary penalties on Facebook. The proposed complaint in this matter alleges violations of Section 5 of the FTC Act, under which the Commission does not have authority to seek civil penalties. However, as a result of the order, Facebook can be subject to civil penalties should it violate the terms of the order. The order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any the term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). It is our hope that the prospect of such substantial civil penalties – which Facebook does not face absent this order and did not face in December

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

2009 – will have a significant deterrent effect on the company.

Second, you raise concerns about the frequency of the audits required under the proposed order. We believe that the biennial privacy assessments will provide an important means to monitor Facebook’s compliance with the order. Each assessment will involve a detailed, written evaluation of Facebook’s privacy practices over a two-year period, and will require the auditor to certify that Facebook’s privacy controls have adequately protected the privacy of “covered information” throughout the relevant two-year period. In addition, we note that the audit is not the only check on Facebook’s conduct. We regularly monitor compliance with our orders, and if Facebook deceives consumers or does not provide sufficient control to its users, as required by the order, we can seek civil penalties, without waiting for the next audit.

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about how Facebook manages or retains your information or other features, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC’s Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

David Lustig
State of Washington

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Lustig:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Mallet
State of Washington

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You express concern that, unless certain changes are made to the proposed order, it may not adequately protect consumers. Specifically, you suggest that the proposed order should be modified such that (1) users can access and request deletion of any information that Facebook, Inc. ("Facebook") has about them and (2) users can access a complete record of all disclosures Facebook makes of their information. In addition, you urge that the biennial, third-party audits that the order requires Facebook to obtain should be random and unannounced, to prevent Facebook from trying to hide evidence of its noncompliance from the auditor.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

We believe these requirements will provide strong protections for Facebook users going forward, including by ensuring that they receive accurate information regarding the privacy of their data, and advance notice of – and an opportunity to avoid – certain changes to their privacy, as described above. Thus, Facebook will not be permitted to misrepresent the extent to which third parties may access user information.

Further, we believe that the biennial privacy assessments will provide an important means to monitor Facebook’s compliance with the order. Each assessment will involve a detailed, written evaluation of Facebook’s privacy practices over a two-year period, and will require the auditor to certify that Facebook’s privacy controls have adequately protected the privacy of “covered information” throughout the relevant two-year period. In addition, we note that the audit is not the only check on Facebook’s conduct. We regularly monitor compliance with our orders, and if Facebook deceives consumers or does not provide sufficient control to its users, as required by the order, we can seek civil penalties, without waiting for the next audit. These tools are designed to expose any issues that may exist with Facebook’s compliance with the order.

Lastly, regarding the deletion of users’ information, the proposed order will require Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users’ covered information. In addition, the order prohibits Facebook from misrepresenting the privacy of users’ covered information, including, but not limited to, the extent to which information that users have deleted from their account is accessible to third parties. Thus, we believe that the order satisfactorily addresses users’ interests in deleting content.

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC’s Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Phillip Moelter
State of Utah

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Moelter:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your comment noting that the proposed settlement is "very cool." The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Kevin O'Neil
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. O'Neil:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the proposed order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment raises five key concerns, which we address, in turn, below:

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

(1) You ask the Commission to require Facebook to restore its privacy settings to those available in December 2009.

The Commission has considered the request to restore privacy settings to an earlier state, but is concerned that such a change could cause significant consumer confusion. The site has evolved substantially since December 2009, and it is not clear that users would understand how their settings had been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

(2) You urge the Commission to prohibit Facebook from creating facial recognition profiles without users' express consent.

The comprehensive privacy program described above will require Facebook to implement practices that are appropriate to the sensitivity of the "covered information" in question, which is very broadly defined in the order and would include biometric data. Moreover, the biennial audits of its privacy practices will help ensure that Facebook lives up to these obligations. Although the order does not specifically require that Facebook obtain a user's consent for the creation of facial recognition data, the order's broad prohibition on deception is designed to ensure that Facebook will be truthful with users about such practices. Likewise, the affirmative express consent requirement, described above, is designed to ensure that Facebook upholds any privacy settings that it offers to users to protect such information.

(3) You ask the Commission to make public the assessments required by the proposed order to the maximum extent permitted by law.

The Commission recognizes the public interest in understanding and evaluating a company's compliance with the law. The public may seek access to the third-party assessments required by the order by making a request under the Freedom of Information Act.³ However, the third-party assessments may contain trade secrets or other confidential commercial or financial information, or information about consumers or other third parties that the Commission may not publicly disclose.⁴ Upon receipt of a request for confidential treatment of all or part of the third-party assessments, the Commission will conduct a careful review to determine whether confidential treatment is warranted. We will make every effort to be transparent regarding these assessments, consistent with the applicable law. If the FTC determines that the assessments have been frequently requested or are likely to be frequently requested because of their subject matter, the agency will post such portions as may be released to the public on the FTC's

³ 5 U.S.C. § 552 et seq.

⁴ See 15 U.S.C. § 46(f) ("the Commission shall not have any authority to make public any trade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential"); Commission Rule of Practice § 4.10.

website.⁵

(4) You request that the Commission require Facebook to give its users the right to access the data Facebook keeps about them.

Although the order does not contain an access requirement, it does provide users with meaningful rights to control their data. In particular, regarding the deletion of users' information, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information.

(5) Finally, you ask the Commission to prohibit Facebook from secretly tracking its users across the web.

Although the proposed complaint does not contain allegations specifically addressing the tracking of Facebook users across the web, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. Accordingly, the proposed order contains provisions, described above, designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. These provisions are broad enough to address misconduct beyond that expressly challenged in the complaint.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. Finally, we thank you for your submission of your thoughtful papers regarding information use and marketing. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

⁵ See 5 U.S.C. § 552(a)(2)(D).



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Powers
Commonwealth of Massachusetts

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's new "ticker" feature, which you state causes users' comments to be shared, without their consent, with other users who are not their friends. Although the proposed complaint does not contain allegations specifically addressing this particular feature, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Importantly, should Facebook violate any term of the final

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through

order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about Facebook's "ticker" feature, or its implementation, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

(g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Bob Ptaszek
State of Illinois

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Ptaszek :

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You express concern with Facebook's failure to assist you in filtering pornographic SPAM. Although the proposed complaint does not contain allegations specifically addressing this issue, the Commission is committed to fighting SPAM, and encourages you to report any SPAM that you receive by forwarding the unwanted message, in its entirety, to the Commission at spam@uce.gov. Further, you may find the Commission's consumer education regarding SPAM to be useful, see www.ftc.gov/bcp/edu/microsites/onguard/articles/spam.shtml.

Although the proposed complaint does not specifically address the issue you cite, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent. As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service.

The proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

extent to which it maintains the privacy or security of “covered information.”² Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus, the order provides substantial privacy protections to Facebook users. In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC’s Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission’s website at <http://www.ftc.gov>. It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

² “Covered information” is defined as “information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol (“IP”) address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above.”



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Max Rhinesmith
State of Florida

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Rhinesmith:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Leif Rudd
State of Colorado

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook"). You also suggest that Facebook be required to delete user information immediately upon a consumer's request.

The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Lastly, regarding the deletion of users' information, the proposed order requires Facebook to (1) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days,

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

following its deletion and (2) as part of its comprehensive privacy program, consider and address any reasonably foreseeable, material privacy risks related to its retention of users' covered information. The Commission believes that these deletion requirements are appropriate given the facts and circumstances of the case, including technological limitations. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(1) of the FTC Act).

Thus, the relief contained in the order is significant, and will provide strong protections for consumers' privacy. In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Donna Saliter
State of Connecticut

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Saliter:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You urge that Facebook, Inc. ("Facebook") be prohibited from asking its users for their date of birth, because the compromise of this information may lead to identity theft. The Commission has a long history of taking action to prevent identity theft and to help consumers respond to it when it does occur. See <http://www.ftc.gov/bcp/edu/microsites/idtheft/consumers/consumer-publications.html>. As part of its efforts, the Commission frequently has brought law enforcement actions where a company has failed to safeguard consumers' personal information.

In this instance, the Commission believes that the proposed order will provide consumers with strong protections going forward. Although the order will not prohibit Facebook from collecting date of birth information from its users, it will prohibit Facebook from misrepresenting the privacy or security of such information, and will require Facebook to take appropriate steps to protect the privacy of this information. In particular, the comprehensive privacy program mandated by the order will require Facebook to implement practices that are appropriate to the sensitivity of the information it collects. Moreover, the biennial privacy audits that the order requires Facebook to obtain from an independent third-party professional will help ensure that Facebook lives up to those obligations. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)." "Covered Information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

restrictions imposed by the user's privacy setting(s). Nonpublic user information includes date of birth for those users who have restricted access to such information through their privacy settings. Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Michael Schiffer
State of Illinois

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Schiffer:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You express concern that the proposed order may not adequately protect consumers seeking to control their information and to learn what information Facebook, Inc. ("Facebook") has shared about them and with whom. You also state that users should have the right to delete their information from the Facebook site, and that Facebook should be required to announce any privacy policy changes thirty days in advance of their implementation. Lastly, you state that the biennial, third-party audits that the order requires Facebook to obtain should be random and unannounced, to prevent Facebook from hiding evidence of its noncompliance from the auditor.

The Commission is committed to safeguarding consumer privacy and believes that the proposed order will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

We believe these requirements provide strong protections for Facebook users going forward, including by ensuring that they receive accurate information regarding the privacy of their data, and advance notice of – and an opportunity to avoid – certain changes to their privacy, as described above. Likewise, we believe that the proposed order will address users’ ability to delete their information by, for example, requiring Facebook to (1) not misrepresent the privacy or security of “covered information” and (2) implement reasonable procedures to ensure that deleted data cannot be accessed by third parties after a reasonable period of time, not to exceed thirty days, following its deletion. Finally, we believe that the biennial privacy assessments will provide an important means to monitor Facebook’s compliance with the order. Each assessment will involve a detailed, written evaluation of Facebook’s privacy practices over a two-year period, and will require the auditor to certify that Facebook’s privacy controls have adequately protected the privacy of “covered information” throughout the relevant two-year period. In addition, we note that the audit is not the only check on Facebook’s conduct. We regularly monitor compliance with our orders, and if Facebook deceives consumers or does not provide sufficient control to its users, as required by the order, we can seek civil penalties, without waiting for the next audit. Thus, we believe these measures will require Facebook to demonstrate its compliance with the order throughout its 20-year duration.

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC’s Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

It helps the Commission’s analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Shaw
State of Iowa

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook") by seizing the company's domain name and revoking its business licenses. The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Thus, the relief contained in the order is significant, and will provide strong protections

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

for consumers' privacy. The Commission believes that the additional relief you suggest would be particularly draconian and unwarranted in light of the benefits Facebook provides to users and the facts and circumstances of the case. In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Ryan Smith
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Smith:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose monetary penalties on Facebook, Inc. ("Facebook"). The complaint in this matter alleges violations of Section 5 of the FTC Act, under which the Commission does not have authority to seek civil penalties. However, as a result of the order, Facebook can be subject to civil penalties should it violate the terms of the order. The order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC

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Act). It is our hope that the prospect of such substantial civil penalties – which Facebook does not face absent this order and did not face in December 2009 – will have a significant deterrent effect on the company.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Stuart Toland
State of Michigan

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Toland:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You express strong concerns regarding Facebook, Inc.'s ("Facebook's") conduct and the extent to which Facebook may have shared your information with third parties. You state that Facebook's actions may have imposed financial costs on you and indicate that you may file a lawsuit. While we have no comment on your desire to file a lawsuit, we do believe that our proposed order contains strong measures to remedy the violations of law alleged in the FTC's complaint and to protect consumer privacy going forward.

In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus the order provides substantial privacy protections to Facebook users going forward.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Jonathan Traum
Commonwealth of Massachusetts

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Traum:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment urges the Commission to impose stronger penalties on Facebook, Inc. ("Facebook"). The Commission is committed to protecting consumer privacy and believes the proposed order will substantially protect Facebook users and promote effective deterrence. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and to obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the proposed order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s); this requirement will prohibit the type of material, retroactive privacy changes that we allege Facebook made in December 2009. In addition, the proposed order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act). Thus, the relief contained in the order is significant, and will provide strong protections for consumers' privacy.

In the future, if you have specific information suggesting that Facebook is not

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Todd Ward
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Ward:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You express concern that Facebook requires users to provide their personal phone numbers to log into their accounts, which you state violates privacy and could undercut the protections of the Commission's National Do Not Call Registry. You also state your general concern that the order may not sufficiently protect consumers. Although the proposed complaint does not contain allegations specifically addressing Facebook's collection or handling of users' phone numbers, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any current or future Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Importantly, should Facebook violate any term

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or

of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation (pursuant to Section 5(l) of the FTC Act). Thus, the order provides substantial privacy protections to Facebook users going forward.

In the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov. In addition, if you believe you have received a phone call that you believe was prohibited by your participation in the Do Not Call Registry, you may file a complaint online at <https://complaints.donotcall.gov/complaint/complaintcheck.aspx?panel=2>.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Welton
State of California

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

You highlight your concerns with Facebook's implementation of its "subscribe" feature, which you state will allow users who are not your "friends" on the site see your friends' comments on your posts, and your posts themselves, in their news feed. As you are aware, when you share content with your "friends" on the site, those "friends" may still share your content with other users who are not your "friends." Although the proposed complaint does not contain allegations specifically addressing this feature, it does allege that Facebook violated Section 5 of the FTC Act by falsely representing to users the protections provided by their privacy settings, by making other false promises regarding privacy, and by making material, retroactive changes to users' privacy settings without users' consent.

As a result of the broad allegations contained in the proposed complaint, the proposed order contains provisions designed to prevent Facebook from engaging in similar practices involving any Facebook product or service. In particular, the proposed order requires Facebook to establish and maintain a comprehensive privacy program, and obtain biennial privacy audits by an independent third-party professional for twenty years. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Under these provisions, Facebook may not misrepresent the

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operation of its subscribe feature or the extent to which a user's friends may share the user's information with other users. Importantly, should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about the "subscribe" feature or its implementation, you may wish to contact Facebook through its Help Center <http://www.facebook.com/help/contactus.php?id=1735452327100000> for information. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Jessica White
State of Florida

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. White:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's

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² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Wiebe
Outside of U.S.

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Sir or Madam:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of

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sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

David Wise
State of Utah

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Wise:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

Your comment notes that Facebook provides a valuable service. We agree. The intent of the order is to allow Facebook to continue to innovate, but in a truthful manner, consistent with the privacy choices its users have made.

The complaint alleges that Facebook shared information in ways that were inconsistent with its statements to consumers. Thus, the complaint alleges that Facebook engaged in unfair and deceptive acts or practices in violation of Section 5 of the FTC Act. In particular, we allege that Facebook deceived consumers and subjected them to unfair treatment when it made material, retroactive changes to the privacy of their information, without their consent. Further, we allege that Facebook deceived consumers regarding numerous other privacy practices, including the protections provided by their privacy settings, access to their information by third-party Apps, sharing of users' information with advertisers, and access to users' information following deletion of their Facebook accounts. The Commission is duly authorized by Congress to enforce Section 5 of the FTC Act to address such practices, and its action against Facebook is consistent with this authority. See 15 U.S.C. §§ 45(a)(2), 45(b); see also *FTC v. American National Cellular, Inc.*, 810 F.2d 1511 (9th Cir. 1987). Our proposed order aims to address the alleged unlawful conduct in this case.

In light of these considerations, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

David Wojciechowski
State of Michigan

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Mr. Wojciechowski:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will further this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

The Commission is committed to protecting consumer privacy and believes the order will substantially protect Facebook users. If you have specific questions about your Facebook account, you may wish to contact Facebook through its Help Center, https://www.facebook.com/help/contact_us.php?id=173545232710000, for information on this subject. Further, in the future, if you have specific information suggesting that Facebook is not maintaining reasonable privacy or security for user information, you may contact the FTC's Consumer Response Center at (877) 282-4357, or file a complaint online at www.ftccomplaintassistant.gov.

Accordingly, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary



Office of the Secretary

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

July 27, 2012

Pam Dixon
Executive Director
World Privacy Forum
www.worldprivacyforum.org

Re: In the Matter of Facebook Inc., File No. 0923184

Dear Ms. Dixon:

Thank you for your comment on the Federal Trade Commission's consent agreement in the above-entitled proceeding. The Commission has placed your comment on the public record pursuant to rule 4.9(b)(6)(ii) of the Commission's Rules of Practice, 16 C.F.R. § 4.9(b)(6)(ii), and has given it serious consideration.

The Commission appreciates your support of the proposed settlement, as well as your thoughtful suggestions concerning the proposed order, discussed below. The Commission is committed to safeguarding consumer privacy and believes that the proposed order with Facebook, Inc. ("Facebook") will advance this objective. In particular, the order requires Facebook to establish and maintain a comprehensive privacy program for all its products and services, and obtain biennial privacy audits by an independent third-party professional. Further, the order requires Facebook to give clear and prominent notice and obtain a user's affirmative express consent prior to any sharing of the user's "nonpublic user information"¹ with any third party, which materially exceeds the restrictions imposed by the user's privacy setting(s). In addition, the order prohibits Facebook from misrepresenting the extent to which it maintains the privacy or security of "covered information."² Should Facebook violate any term of the final order, it could be liable for civil monetary penalties of up to \$16,000 per violation per day (pursuant to Section 5(l) of the FTC Act).

Your comment focuses on seven key concerns, which we address, in turn, below.

¹ "Nonpublic user information" is defined as "covered information that is restricted by one or more privacy setting(s)."

² "Covered information" is defined as "information from or about an individual consumer, including, but not limited to: (a) a first and last name; (b) a home or other physical address, including street name and name of city or town; (c) an email address or other online contact information, such as an instant messaging user identifier or screen name; (d) a mobile or other telephone number; (e) photos and videos; (f) Internet Protocol ("IP") address, User ID or other persistent identifier; (g) physical location; or (h) any information combined with any of (a) through (g) above."

(1) You suggest that the order’s definition of “covered information” should be amended to include “financial information” among its examples.

The order’s definition of “covered information” encompasses any “information from or about an individual consumer.” The scope of this term is in no way limited to the examples set forth in the definition. Thus, the definition of “covered information” would cover a user’s financial information in full. Accordingly, the Commission believes that the order, as written, would fully protect consumers’ financial information.

(2) You ask that the settlement require Facebook to host a “dedicated, formal and prominent” consumer privacy complaint mechanism for its users.

Although the proposed order does not specifically require Facebook to maintain such a mechanism, we note that the comprehensive privacy program, described above, would require Facebook to identify and implement reasonable controls and procedures to address all reasonably foreseeable, material risks that could result in the company’s unauthorized collection, use, or disclosure of users’ covered information, and to assess the sufficiency of any safeguards in place to control these risks. Accordingly, Facebook must adopt reasonable measures to learn of risks to covered information and weaknesses in its existing safeguards, including any risks and weaknesses that its users identify through complaints made to the company.

(3) You request that the Commission lengthen the time period for which the order requires Facebook to retain consumer complaints from six months to two years.

In designing the recordkeeping requirements that accompany an order, the Commission must balance a number of considerations, including its need for the records, any burden imposed on the company by the requirement, and the privacy interests of any consumer whose records are to be retained. In light of these considerations, the Commission believes that the proposed recordkeeping requirements are appropriate.

(4) You urge the Commission to require Facebook to disgorge – i.e., pay to the federal government – any money that the company made as a result of its allegedly unlawful practices. In support, you note that the Commission obtained disgorgement in its settlement with Gateway Learning Corp. (“Gateway”).

We appreciate your concern that the settlement does not require Facebook to give up any monetary gains from the conduct challenged in the Commission’s proposed complaint. In deciding whether to accept this or any other consent order that does not impose monetary relief, the Commission carefully considers a variety of factors, including the time and expense to litigate a dispute and the type of monetary relief authorized by law. The Commission also takes into account that, as soon as the order becomes final, the respondent will risk civil penalties of up to \$16,000 per violation per day, as noted about, for violations of the terms of the order. It is our hope that the prospect of substantial civil penalties – which Facebook does not face absent this order and did not face in 2009 – will have a significant deterrent effect on Facebook’s future conduct.

(5) You ask that the Commission return its user' profile settings to what they were prior to the privacy changes that Facebook made in December 2009, which the complaint alleges were unlawful.

The Commission has considered the request to restore privacy settings to an earlier state, but is concerned that such a change could cause significant consumer confusion. The site has evolved substantially since December 2009, and it is not clear that users would understand how their settings had been altered. Accordingly, the Commission believes that under these circumstances the most sensible approach is to ensure that Facebook does not misrepresent the privacy of user information going forward, that Facebook obtains affirmative consent from users prior to sharing information in a manner that materially exceeds their privacy settings, and that it establishes and maintains a comprehensive privacy program.

(6) Your comment notes that the proposed settlement does not refer to Facebook Payments, which you identify as an important Facebook subsidiary. You express concern that, if Facebook Payments is not mentioned explicitly, the order may not apply to it, or to any financial data that consumers provide to Facebook through it.

The Commission notes that the order defines "Respondent" to include not only Facebook, but also Facebook acting "through any corporation, subsidiary, division, website, or other device." As a result, key injunctive provisions in the order will expressly apply to such subsidiaries. For example, the order's prohibition on misrepresentations regarding the extent to which Facebook maintains the privacy or security of "covered information," described above, would apply, as would the requirement that Facebook give clear and prominent notice and obtain a user's affirmative express consent prior to certain sharing of the user's "nonpublic user information." In addition, we note that, to the extent that Facebook handles or controls "covered information" that it obtains from Facebook Payments or another subsidiary, Facebook must include protections for the data in the comprehensive privacy program that the order requires.

(7) You state that the biennial audits that the order requires Facebook to obtain from a qualified, independent third party should be made "affirmatively public without undue redaction," and not just available in response to Freedom of Information Act ("FOIA") requests, "which are subject to numerous exceptions."

The Commission recognizes the public interest in understanding and evaluating a company's compliance with the law. The public may seek access to the third-party assessments required by the order by making a request under the FOIA.³ However, the third-party assessments may contain trade secrets or other confidential commercial or financial information, or information about consumers or other third parties that the Commission may not publicly disclose.⁴ Upon receipt of a request for confidential treatment of all or part of the third-party assessments, the Commission will conduct a careful review to determine whether confidential

³ 5 U.S.C. § 552 et seq.

⁴ See FOIA, 5 U.S.C. § 552 et seq., and Commission Rule 4.10; see also Section 6(f) of the FTC Act, 15 U.S.C. § 46(f).

treatment is warranted. We will make every effort to be transparent regarding these assessments, consistent with applicable law. If the FTC determines that the assessments have been frequently requested or are likely to be frequently requested because of their subject matter, the agency will post such portions as may be released to the public on the FTC's website.⁵

For the reasons discussed above, the Commission has determined that the public interest would best be served by issuing the Decision and Order in final form without any modifications. The final Decision and Order and other relevant materials are available from the Commission's website at <http://www.ftc.gov>. It helps the Commission's analysis to hear from a variety of sources in its work. The Commission thanks you again for your comment.

By direction of the Commission, Commissioner Rosch dissenting and Commissioner Ohlhausen not participating.

Donald S. Clark
Secretary

⁵ See 5 U.S.C. § 552(a)(2)(D).

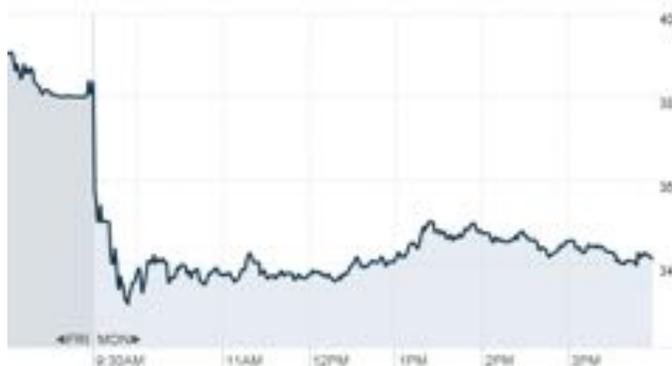
EXHIBIT 36

THE FACEBOOK IPO

Facebook stock falls below IPO price

By Julianne Pepitone and Aaron Smith @CNMoneyInvest May 21, 2012: 4:27 PM ET

Facebook's stock



Click the chart for more on Facebook's stock.

NEW YORK (CNNMoney) -- Facebook's stock slid below its offering price in morning trading on Monday and ended the day below that level, following a lackluster debut day.

Facebook (**FB**) fell as low as \$33 in the first half-hour of trade, but it closed at around \$34.03 on Monday. That's down 11% from Friday's \$38.23 closing price.

Though Facebook was one of the most highly anticipated initial public offerings in recent memory, the stock closed with a gain of just 23 cents on Friday after trading was **delayed**.

Shares barely breached \$42 at their peak on Friday -- which came at the start of trading -- and spent most of the day floating between \$40 and \$42 each.

More than 80 million shares changed hands in the first 30 seconds of trading on Friday. Volume spiked to about 567 million shares by the end of the session, **setting a new volume record for IPOs**.

"When some people didn't see a pop on day one, they got out," said Nathan Drona, a senior vice president of equity research at ABR Investment Strategy.

That rapid sell off was reflected in the intense volume levels that continued on Monday. Nearly 168 million shares changed hands during the trading day.

The **social media site set its final IPO price** late Thursday, pricing its shares at \$38 apiece. That price was set by a consortium of **33 underwriters** led by Morgan Stanley (**MS, Fortune 500**), along with JPMorgan Chase (**JPM, Fortune 500**) and Goldman Sachs (**GS, Fortune 500**).

Robert Greifeld, the chief executive of Nasdaq OMX, said he was **"embarrassed" by the technical glitches** that caused the stock's debut to be delayed.

The glitch reportedly **kept some traders from knowing for more than two hours** whether their orders had been completed or canceled, leading some pundits to wonder whether the delay eroded Facebook's debut.

To prevent a repeat of such delays, Nasdaq said Monday that it has **tweaked its IPO process** and will no longer accept last-minute changes to orders for shares of an IPO.

Drona, the ABR analyst, said he had expected an initial pop of Facebook's shares. But the current trading level is already near his price target of \$31 to \$33 per share. He cites **Facebook's lack of mobile** revenue as a major downside to the stock.

"Facebook has said they're working on it, and [critics] seem to have a great deal of confidence that they'll nail it," Drona

said. "But they don't have a model in place right now. Without a solid plan, you don't know how you're going to make money on a large part of your user base. And that's a concern."

Meanwhile, other newly public tech companies also took a dive on Friday, including Groupon ([GRPN](#)) and LinkedIn (LNKD). Zynga ([ZNGA](#)), the maker of FarmVille and other games that are played mostly on Facebook, **plunged** more than 10% on Friday.

Groupon recovered its losses and then some on Monday, gaining about 7.6%. Zynga and LinkedIn each extended their losses. ■

First Published: May 21, 2012: 8:28 AM ET



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Stock Data

Facebook (NASDAQ: FB)

Apr 20, 2018 4:00 PM

Price

\$166.28

Change

-1.82(-1.08%)

Volume

19,101,517

Open

\$167.79

Previous Close

\$168.10

Day High

\$168.43

Day Low

\$165.81

52-Week High

\$195.32

52-Week Low

\$143.39

Pricing delayed 20 minutes



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Analyst Coverage



Historical Price Look Up

Lookup Date

Apr 20, 2018

Volume	18,653,000
Open	\$167.79
Closing Price	\$166.28
Day's High	\$168.43
Day's Low	\$165.81



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Analyst Coverage

Firm	Analyst
Aegis Capital	Victor Anthony
Arete Research Services	Richard Kramer
Atlantic Equities	James Cordwell
Bank of America / Merrill Lynch	Justin Post
Barclays	Ross Sandler
BMO Capital Markets US	Daniel Salmon



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Cowen

John Blackledge

Credit Suisse

Stephen Ju

Deutsche Bank Securities

Lloyd Walmsley

Evercore ISI

Anthony DiClemente

FBN Securities

Shebly Seyrafi

Goldman Sachs

Heather A. Bellini

Hilliard Lyons

Stephen Turner

Jefferies

Brent Thill

JMP Securities

Ron Josey

JP Morgan

Douglas Anmuth

KeyBanc Capital Markets

Andy Hargreaves

Macquarie Capital (USA)

Ben Schachter

Mizuho Securities

James Lee

MKM Partners

Rob Sanderson

Moffett Nathanson

Michael Nathanson

Monness, Crespi, Hardt

Brian White



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Piper Jaffray

Sam Kemp

Pivotal Research Group

Brian Wieser

Raymond James

Aaron M. Kessler

RBC Capital Markets

Mark Mahaney

Robert W. Baird

Colin A. Sebastian

Stifel

Scott Devitt

SunTrust Robinson Humphrey

Youssef H. Squali

Susquehanna Financial Group

Shyam Patil

Tigress Financial Partners

Ivan Feinseth

UBS

Eric J. Sheridan

Wedbush

Michael Pachter

Wells Fargo Securities

Peter Stabler & Ken Sena

William Blair

Ralph Schackart

Facebook is followed by the analyst(s) listed above. Please note that any opinions, estimates or forecasts regarding Facebook's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Facebook or its management. Facebook does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.



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Facebook Reports Fourth Quarter and Full Year 2012 Results

[Download this Press Release](#)

MENLO PARK, Calif., Jan. 30, 2013 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the fourth quarter and full year ended December 31, 2012.

"In 2012, we connected over a billion people and became a mobile company," said Mark Zuckerberg, Facebook founder and CEO. "We enter 2013 with good momentum and will continue to invest to achieve our mission and become a stronger, more valuable company."

Fourth Quarter and Full Year 2012 Financial Summary

In millions, except percentages and per share amounts

	<u>Q4'11</u>	<u>Q4'12</u>	<u>FY'11</u>	<u>FY'12</u>
Revenue	\$ 1,131	\$ 1,585	\$ 3,711	\$ 5,089
Income from Operations				
GAAP	\$ 548	\$ 523	\$ 1,756	\$ 538
Non-GAAP	\$ 624	\$ 736	\$ 1,980	\$ 2,261
Operating Margin				
GAAP	48%	33%	47%	11%
Non-GAAP	55%	46%	53%	44%
Net Income				
GAAP	\$ 302	\$ 64	\$ 1,000	\$ 53
Non-GAAP	\$ 360	\$ 426	\$ 1,164	\$ 1,317

Diluted Earnings per Share (EPS)

GAAP	\$ 0.14	\$ 0.03	\$ 0.46	\$ 0.01
Non-GAAP	\$ 0.15	\$ 0.17	\$ 0.50	\$ 0.53

Fourth Quarter 2012 Operational Highlights

- Monthly active users (MAUs) were 1.06 billion as of December 31, 2012, an increase of 25% year-over-year
- Daily active users (DAUs) were 618 million on average for December 2012, an increase of 28% year-over-year
- Mobile MAUs were 680 million as of December 31, 2012, an increase of 57% year-over-year
- Mobile DAUs exceeded web DAUs for the first time in the fourth quarter of 2012

Recent Business Highlights

- Mobile revenue represented approximately 23% of advertising revenue for the fourth quarter of 2012, up from approximately 14% of advertising revenue in the third quarter of 2012
- Facebook launched Graph Search Beta, a structured search tool that enables users for the first time to find people, places, photos and other content that has been shared on Facebook
- Launched Facebook for Android 2.0, completely rebuilt to deliver improved stability and faster performance and opened Facebook Messenger to anyone with a telephone number

Fourth Quarter 2012 Financial Highlights

Revenue — Revenue for the fourth quarter totaled \$1.585 billion, an increase of 40%, compared with \$1.13 billion in the fourth quarter of 2011.

- Revenue from advertising was \$1.33 billion, representing 84% of total revenue and a 41% increase from the same quarter last year. Excluding the impact of year-over-year changes in foreign exchange rates, advertising revenue would have increased by 43%.
- Payments and other fees revenue for the fourth quarter was \$256 million. As planned, in the fourth quarter of 2012 the company recognized revenue from four months of Payments transactions for accounting reasons detailed in our Form 10-Q filed on October 24, 2012. Adjusting for the \$66 million of revenue in the extra month of December, Payments and other fees revenue would have been essentially flat year-over-year.

Costs and expenses — Fourth quarter costs and expenses were \$1.06 billion, an increase of 82% from the fourth quarter of 2011. Excluding share-based compensation and related payroll tax expenses, non-GAAP costs and expenses were \$849 million, an increase of 67%.

Income from operations — For the fourth quarter, GAAP income from operations was \$523 million, compared to income from operations of \$548 million for the fourth quarter of 2011. Excluding share-based compensation and related payroll tax expenses, non-GAAP income from operations for the fourth quarter was \$736 million, compared to \$624 million for the fourth quarter of 2011.

Operating margin — GAAP operating margin was 33% for the fourth quarter, compared to 48% for the fourth quarter of 2011. Excluding share-based compensation and related payroll tax expenses, non-GAAP operating margin was 46% for the fourth quarter, compared to 55% for the fourth quarter of 2011.

Income tax provision — The GAAP income tax provision for the fourth quarter was \$441 million, representing an 87% effective tax rate. Excluding share-based compensation expense and related payroll tax expenses, the non-GAAP effective tax rate would have been approximately 41%.

Net income — GAAP net income for the fourth quarter was \$64 million, compared to net income of \$302 million for the fourth quarter of 2011. GAAP EPS for the fourth quarter was \$0.03, compared to \$0.14 for the same quarter in the prior year. Excluding share-based compensation and related payroll tax expenses, and income tax adjustments, non-GAAP net income for the fourth quarter was \$426 million, or \$0.17 per share, compared to \$360 million and \$0.15 per share for the same quarter in the prior year.

Capital expenditures — Purchases of property and equipment for the fourth quarter were \$198 million. Additionally, \$89 million of equipment was procured or financed through capital leases during the fourth quarter of 2012.

Cash and marketable securities — As of December 31, 2012, cash and marketable securities were \$9.63 billion.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast can be accessed at the Facebook Investor Relations website at investor.fb.com, along with the company's earnings press release, financial tables and slide presentation. Facebook intends to use the investor.fb.com website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or + 1 (855) 859-2056, conference ID 85750523.

About Facebook

Founded in 2004, Facebook's mission is to make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Ashley Zandy

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future prospects, new product benefits, business strategy and plans, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels, including mobile engagement and our ability to increase revenues and engagement across a range of geographies; our ability to monetize our mobile products; competition; our ability to expand and further monetize the Facebook Platform; privacy concerns; security breaches; increases in the costs necessary to grow and operate our business; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed with the SEC on October 24, 2012, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the full year ended December 31, 2012. In addition, please note that the date of this press release is January 30, 2013, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: total revenue and advertising revenue excluding foreign exchange effect, non-GAAP costs and expenses, non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating

margin; and non-GAAP effective tax rate. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically share-based compensation expense and payroll tax related to share-based compensation expense and the related income tax effects, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Share-based compensation expense. We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, we believe that providing non-GAAP financial measures that exclude this expense allow investors the ability to make more meaningful comparisons between our operating results and those of other companies. Furthermore, our share-based compensation expense was materially affected in the second quarter of 2012 due to the terms of our RSUs granted prior to 2011, related to which we recognized \$986 million in share-based compensation expense in the period, despite the fact that these awards were granted and earned over several years. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation. We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding that share-based compensation expense had on our operating results. Furthermore, our payroll tax expense was substantially higher due to the terms of our RSUs granted prior to 2011, where, despite the fact that these awards were granted and earned over several years, we recognized \$151 million in payroll tax expense in 2012 with most of this being recognized in the second quarter of 2012. In addition, these expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense,

we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of share-based compensation and related payroll tax expenses. We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Assumed preferred stock conversion. As a result of our initial public offering, all outstanding shares of preferred stock were automatically converted into shares of Class B common stock. Consequently, non-GAAP diluted shares and net income per share for periods prior to June 30, 2012 have been calculated assuming this conversion, which we believe facilitates comparison with prior periods.

Dilutive equity awards excluded from GAAP. In our calculation of non-GAAP weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders, we include unvested RSUs for the year ended December 31, 2012 as well as for the three months and full year ended December 31, 2011, the number of which is substantial due to the terms of RSUs granted prior to 2011. We believe including these awards facilitates comparison between periods.

Foreign exchange effect on revenue. We translate current quarter and full year revenues using prior year exchange rates, which we believe is a useful metric that facilitates comparison to our historical performance.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of Non-GAAP Results to Nearest GAAP Measures" table in this press release.

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except for per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2011	2012	2011	2012
Revenue	\$ 1,131	\$ 1,585	\$ 3,711	\$ 5,089

Costs and expenses:

Cost of revenue	247	398	860	1,364
Research and development	124	297	388	1,399
Marketing and sales	120	193	393	896
General and administrative	92	174	314	892
Total costs and expenses	<u>583</u>	<u>1,062</u>	<u>1,955</u>	<u>4,551</u>

Income from operations 548 523 1,756 538

Interest and other income (expense), net

Interest expense	(16)	(16)	(42)	(51)
Other income (expense), net	(12)	(2)	(19)	7

Income before provision for income taxes 520 505 1,695 494

Provision for income taxes 218 441 695 441

Net income \$ 302 \$ 64 \$ 1,000 \$ 53

Less: Net income attributable to participating securities 97 - 332 21

Net income attributable to Class A and Class B common stockholders \$ 205 \$ 64 \$ 668 \$ 32

Earnings per share attributable to Class A and Class B

common stockholders:

Basic	\$ 0.15	\$ 0.03	\$ 0.52	\$ 0.02
Diluted	\$ 0.14	\$ 0.03	\$ 0.46	\$ 0.01

Weighted-average shares used to compute earnings per share

attributable to Class A and Class B common stockholders:

Basic	1,325	2,368	1,294	2,006
Diluted	1,519	2,506	1,508	2,166

Share-based compensation expense included in costs & expenses:

Cost of revenue	\$ 3	\$ 9	\$ 9	88
Research and development	42	124	114	843
Marketing and sales	13	27	37	306
General and administrative	18	24	57	335
Total share-based compensation expense	<u>\$ 76</u>	<u>\$ 184</u>	<u>\$ 217</u>	<u>\$ 1,572</u>

Payroll tax related to share-based compensation included in costs & expenses:

Cost of revenue	\$ -	\$ 2	\$ -	\$ 5
Research and development	-	16	2	53
Marketing and sales	-	4	1	20
General and administrative	-	7	4	73
Total	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ 7</u>	<u>\$ 151</u>

Share-based compensation expense related to Pre-2011 RSUs

included in costs & expenses:

Cost of revenue	\$ -	\$ 2	\$ -	\$ 63
Research and development	-	14	-	504
Marketing and sales	-	4	-	216
General and administrative	-	4	-	255
Total	<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 1,038</u>

Payroll tax related to Pre-2011 RSUs included in costs & expenses:

Cost of revenue	\$ -	\$ 2	\$ -	\$ 5
Research and development	-	5	-	39
Marketing and sales	-	3	-	18
General and administrative	-	-	-	32
Total	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 94</u>

FACEBOOK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	<u>December 31,</u> 2011	<u>December 31,</u> 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,512	\$ 2,384
Marketable securities	2,396	7,242
Accounts receivable	547	719
Income tax refundable	-	451
Prepaid expenses and other current assets	149	471
Total current assets	<u>4,604</u>	<u>11,267</u>

Property and equipment, net	1,475	2,391
Goodwill and intangible assets, net	162	1,388
Other assets	90	57
Total assets	\$ 6,331	\$ 15,103

Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 63	\$ 65
Platform partners payable	171	169
Accrued expenses and other current liabilities	296	423
Deferred revenue and deposits	90	30
Current portion of capital lease obligations	279	365
Total current liabilities	899	1,052
Capital lease obligations, less current portion	398	491
Long-term debt	-	1,500
Other liabilities	135	305
Total liabilities	1,432	3,348

Stockholders' equity

Convertible preferred stock	615	-
Common stock and additional paid-in capital	2,684	10,094
Accumulated other comprehensive (loss) income	(6)	2
Retained earnings	1,606	1,659
Total stockholders' equity	4,899	11,755
Total liabilities and stockholders' equity	\$ 6,331	\$ 15,103

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

Three Months Ended		Year Ended	
December 31,		December 31,	
2011	2012	2011	2012

Cash flows from operating activities

Net income	\$ 302	\$ 64	\$ 1,000	\$ 53
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	103	224	323	649
Loss on write-off of equipment	(2)	7	4	15
Share-based compensation	76	184	217	1,572
Deferred income taxes	(1)	248	(30)	(186)
Tax benefit from share-based award activity	28	179	433	1,033
Excess tax benefit from share-based award activity	(28)	(179)	(433)	(1,033)
Changes in assets and liabilities:				
Accounts receivable	(102)	(80)	(174)	(170)
Income tax refundable	-	116	-	(451)
Prepaid expenses and other current assets	89	(38)	(24)	(14)
Other assets	20	2	(5)	2
Accounts payable	(30)	(19)	6	1
Platform partners payable	5	14	96	(2)
Accrued expenses and other current liabilities	46	(2)	37	160
Deferred revenue and deposits	5	(55)	49	(60)
Other liabilities	(1)	16	50	43
Net cash provided by operating activities	510	681	1,549	1,612

Cash flows from investing activities

Purchases of property and equipment	(185)	(198)	(606)	(1,235)
Purchases of marketable securities	(283)	(1,717)	(3,025)	(10,307)
Sales of marketable securities	426	1,529	113	2,100
Maturities of marketable securities	18	920	516	3,333
Investments in non-marketable equity securities	(1)	1	(3)	(2)
Acquisitions of businesses, net of cash acquired, and purchases of intangible and other assets	(19)	-	(24)	(911)
Changes in restricted cash and deposits	1	-	6	(2)
Net cash used in investing activities	(43)	535	(3,023)	(7,024)

Cash flows from financing activities

Net proceeds from issuance of common stock	-	-	998	6,760
Taxes paid related to net share settlement of equity awards	-	(2,862)	-	(2,862)
Proceeds from exercise of stock options	1	8	28	17
Proceeds from issuance of debt, net of issuance costs	-	1,496	-	1,496
Repayment of long-term debt	-	-	(250)	-
Proceeds from sale and lease-back transactions	155	-	170	205

Principal payments on capital lease obligations	(53)	(135)	(181)	(366)
Excess tax benefit from share-based award activity	28	179	433	1,033
Net cash provided by financing activities	131	(1,314)	1,198	6,283
Effect of exchange rate changes on cash and cash equivalents	8	4	3	1
Net increase (decrease) in cash and cash equivalents	606	(94)	(273)	872
Cash and cash equivalents at beginning of period	906	2,478	1,785	1,512
Cash and cash equivalents at end of period	\$ 1,512	\$ 2,384	\$ 1,512	\$ 2,384

Supplemental Cash Flow Data

Cash paid during the period for:

Interest	\$ 9	\$ 8	\$ 28	\$ 38
Income taxes	\$ 18	\$ -	\$ 197	\$ 184

Cash received during the period for:

Income tax refunds	\$ -	\$ 131	\$ -	\$ 131
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Non-cash investing and financing activities:

Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	\$ 73	\$ 40	\$ 135	\$ (40)
Property and equipment acquired under capital leases	\$ 80	\$ 89	\$ 473	\$ 340
Fair value of shares issued related to acquisitions of businesses and other assets	\$ 12	\$ -	\$ 58	\$ 274

Reconciliation of Non-GAAP Results to Nearest GAAP Measures

(In millions, except for number of shares)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2011	2012	2011	2012
GAAP revenue	\$ 1,131	\$ 1,585	\$ 3,711	\$ 5,089

Foreign exchange effect on 2012 revenue using 2011 rates		23		123
Revenue excluding foreign exchange effect		<u>\$ 1,608</u>		<u>\$ 5,212</u>
GAAP revenue year-over-year change %		40%		37%
Revenue excluding foreign exchange effect year-over-year change %		42%		40%
			\$	
GAAP advertising revenue	\$ 943	\$ 1,329	3,154	\$ 4,279
Foreign exchange effect on 2012 advertising revenue using 2011 rates		23		123
Advertising revenue excluding foreign exchange effect		<u>\$ 1,352</u>		<u>\$ 4,402</u>
GAAP advertising revenue year-over-year change %		41%		36%
Advertising revenue excluding foreign exchange effect year-over-year change %		43%		40%
			\$	
GAAP costs and expenses	\$ 583	\$ 1,062	1,955	\$ 4,551
Share-based compensation expense	(76)	(184)	(217)	(1,572)
Payroll tax expenses related to share-based compensation	-	(29)	(7)	(151)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-GAAP costs and expenses	\$ 507	\$ 849	1,731	\$ 2,828
			\$	
GAAP income from operations	\$ 548	\$ 523	1,756	\$ 538
Share-based compensation expense	76	184	217	1,572
Payroll tax expenses related to share-based compensation	-	29	7	151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-GAAP income from operations	\$ 624	\$ 736	1,980	\$ 2,261
			\$	
GAAP net income	\$ 302	\$ 64	1,000	\$ 53
Share-based compensation expense	76	184	217	1,572
Payroll tax expenses related to share-based compensation	-	29	7	151
Income tax adjustments	(18)	149	(60)	(459)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

			\$	
Non-GAAP net income	\$ 360	\$ 426	1,164	\$ 1,317
GAAP diluted shares	1,519	2,506	1,508	2,166
Assumed preferred stock conversion	545	-	548	203
Dilutive equity awards excluded from GAAP ¹	286	-	276	110
Non-GAAP diluted shares	<u>2,350</u>	<u>2,506</u>	<u>2,332</u>	<u>2,479</u>
			\$	
GAAP diluted earnings per share	\$ 0.14	\$ 0.03	0.46	\$ 0.01
Net income attributable to participating securities	0.05	-	0.20	0.01
Non-GAAP adjustments to net income	0.04	0.14	0.11	0.59
Non-GAAP adjustments to diluted shares	<u>(0.08)</u>	<u>-</u>	<u>(0.27)</u>	<u>(0.08)</u>
Non-GAAP diluted earnings per share	\$ 0.15	\$ 0.17	0.50	\$ 0.53
GAAP operating margin	48%	33%	47%	11%
Share-based compensation expense	7%	12%	6%	31%
Payroll tax expenses related to share-based compensation	<u>0%</u>	<u>2%</u>	<u>0%</u>	<u>3%</u>
Non-GAAP operating margin	55%	46%	53%	44%
			\$	
GAAP profit before tax	\$ 520	\$ 505	1,695	\$ 494
GAAP provision for income taxes	<u>218</u>	<u>441</u>	<u>695</u>	<u>441</u>
GAAP effective tax rate	42%	87%	41%	89%
			\$	
GAAP profit before tax	\$ 520	\$ 505	1,695	\$ 494
Share-based compensation and related payroll tax expenses	<u>76</u>	<u>213</u>	<u>224</u>	<u>1,723</u>
Non-GAAP profit before tax	\$ 596	\$ 718	1,919	\$ 2,217
Non-GAAP provision for income taxes	<u>236</u>	<u>292</u>	<u>755</u>	<u>900</u>
Non-GAAP effective tax rate	40%	41%	39%	41%

¹ Gives effect to unvested RSUs in periods prior to our IPO for comparability

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Facebook Reports Fourth Quarter and Full Year 2013 Results

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MENLO PARK, Calif., Jan. 29, 2014 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the fourth quarter and full year ended December 31, 2013.

"It was a great end to the year for Facebook," said Mark Zuckerberg, Facebook founder and CEO. "We're looking forward to our next decade and to helping connect the rest of the world."

Fourth Quarter and Full Year 2013 Financial Summary

In millions, except percentages and per share amounts	Three Months Ended December 31,		Year Ended December 31,	
	2012	2013	2012	2013
Revenue	\$ 1,585	\$ 2,585	\$ 5,089	\$ 7,872
Income from Operations				
GAAP	\$ 523	\$ 1,133	\$ 538	\$ 2,804
Non-GAAP	\$ 736	\$ 1,459	\$ 2,261	\$ 3,803
Operating Margin				
GAAP	33%	44%	11%	36%
Non-GAAP	46%	56%	44%	48%
Net Income				
GAAP	\$ 64	\$ 523	\$ 53	\$ 1,500

Non-GAAP	\$ 426	\$ 780	\$ 1,317	\$ 2,202
Diluted Earnings per Share (EPS)				
GAAP	\$ 0.03	\$ 0.20	\$ 0.01	\$ 0.60
Non-GAAP	\$ 0.17	\$ 0.31	\$ 0.53	\$ 0.88

Full Year 2013 Business Highlights

- Revenue for the full year 2013 was \$7.87 billion, an increase of 55% year-over-year.
- Income from operations for the full year 2013 was \$2.80 billion.
- Net income for the full year 2013 was \$1.50 billion.
- Free cash flow for the full year of 2013 was \$2.85 billion.
- Daily active users (DAUs) were 757 million on average for December 2013, an increase of 22% year-over-year.
- Mobile DAUs were 556 million on average for December 2013, an increase of 49% year-over-year.
- Monthly active users (MAUs) were 1.23 billion as of December 31, 2013, an increase of 16% year-over-year.
- Mobile MAUs were 945 million as of December 31, 2013, an increase of 39% year-over-year.

Fourth Quarter 2013 Financial Highlights

Revenue - Revenue for the fourth quarter of 2013 totaled \$2.59 billion, an increase of 63%, compared with \$1.59 billion in the fourth quarter of 2012.

- Revenue from advertising was \$2.34 billion, a 76% increase from the same quarter last year.
- Mobile advertising revenue represented approximately 53% of advertising revenue for the fourth quarter of 2013, up from approximately 23% of advertising revenue in the fourth quarter of 2012.
- Payments and other fees revenue was \$241 million for the fourth quarter of 2013.

Costs and expenses - GAAP costs and expenses for the fourth quarter of 2013 were \$1.45 billion, an increase of 37% from the fourth quarter of 2012, driven primarily by increased headcount and infrastructure expense. Excluding share-based compensation and related payroll tax expenses, non-GAAP costs and expenses were \$1.13 billion in the fourth quarter of 2013, up 33% compared to \$849 million for the fourth quarter of 2012.

Income from operations - For the fourth quarter of 2013, GAAP income from operations was \$1.13 billion, compared to \$523 million in the fourth quarter of 2012. Excluding share-based compensation and related payroll tax expenses, non-GAAP income from operations for the fourth quarter of 2013 was \$1.46 billion, up 98% compared to \$736 million for the fourth quarter of 2012.

Operating margin - GAAP operating margin was 44% for the fourth quarter of 2013, compared to 33% in the fourth quarter of 2012. Excluding share-based compensation and related payroll tax expenses, non-GAAP operating margin was 56% for the fourth quarter of 2013, compared to 46% for the fourth quarter of 2012.

Provision for income taxes - GAAP income tax expense for the fourth quarter of 2013 was \$607 million, representing a 54% effective tax rate. Excluding share-based compensation and related payroll tax expenses, the non-GAAP effective tax rate would have been approximately 46%.

Net income and EPS - For the fourth quarter of 2013, GAAP net income was \$523 million, compared to \$64 million for the fourth quarter of 2012. Excluding share-based compensation and related payroll tax expenses and income tax adjustments, non-GAAP net income for the fourth quarter of 2013 was \$780 million, up 83% compared to \$426 million for the fourth quarter of 2012. GAAP diluted EPS was \$0.20 in the fourth quarter of 2013, compared to \$0.03 in the fourth quarter of 2012. Excluding share-based compensation and related payroll tax expenses and income tax adjustments, non-GAAP diluted EPS for the fourth quarter of 2013 was \$0.31, up 82% compared to \$0.17 in the fourth quarter of 2012.

Capital expenditures - Capital expenditures for the fourth quarter of 2013 were \$483 million.

Cash and marketable securities - Cash and marketable securities were \$11.45 billion at the end of 2013.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast can be accessed at the Facebook Investor Relations website at investor.fb.com, along with the company's earnings press release, financial tables and slide presentation. Facebook uses the investor.fb.com website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at + 1 (404) 537-3406 or + 1 (855) 859-2056, conference ID 25168884.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Tucker Bounds

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on advertising revenue; our ability to continue to monetize our mobile products; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on November 1, 2013, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the full year ended December 31, 2013. In addition, please note that the date of this press release is January 29, 2014, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: revenue excluding foreign exchange effect and advertising revenue excluding foreign exchange effect, non-GAAP costs and expenses, non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating margin; non-GAAP effective tax rate; and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically share-based compensation expense and payroll tax related to share-based compensation expense, and the related income tax effects, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures

used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Share-based compensation expense. We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors the ability to make more meaningful comparisons between our operating results and those of other companies. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation. We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding share-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense, we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of share-based compensation and related payroll tax expenses. We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Assumed preferred stock conversion. As a result of our IPO in May 2012, all outstanding shares of preferred stock were automatically converted into shares of Class B common stock. Consequently, non-GAAP diluted shares and earnings per share for the year ended December 31, 2012 have been calculated assuming this conversion for periods prior to the IPO, which we believe facilitates comparison between periods.

Dilutive equity awards excluded from GAAP. In our calculation of non-GAAP weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders, we include unvested RSUs for the year ended December 31, 2012, the number of which is substantial due to the terms of RSUs granted prior to 2011. We believe including these awards facilitates comparison between periods.

Foreign exchange effect on revenue. We translate revenue for the current quarter and full year ended December 31, 2013 using prior year exchange rates, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment; Property and equipment acquired under capital leases. We subtract both purchases of property and equipment and property and equipment acquired under capital leases in our calculation of free cash flow because we believe that these two items collectively represent the amount of property and equipment we need to procure to support our business, regardless of whether we finance such property or equipment with a capital lease. We believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of Non-GAAP Results to Nearest GAAP Measures" table in this press release.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except for per share amounts)
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2013	2012	2013
Revenue	\$ 1,585	\$ 2,585	\$ 5,089	\$ 7,872
Costs and expenses:				
Cost of revenue	398	491	1,364	1,875
Research and development	297	408	1,399	1,415
Marketing and sales	193	292	896	997
General and administrative	174	261	892	781
Total costs and expenses	1,062	1,452	4,551	5,068
Income from operations	523	1,133	538	2,804
Interest and other income (expense), net:				
Interest expense	(16)	(7)	(51)	(56)

Other income (expense), net	(2)	4	7	6
Income before provision for income taxes	505	1,130	494	2,754
Provision for income taxes	441	607	441	1,254
Net income	\$ 64	\$ 523	\$ 53	\$ 1,500
Less: Net income attributable to participating securities	-	3	21	9
Net income attributable to Class A and Class B common stockholders	\$ 64	\$ 520	\$ 32	\$ 1,491
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 0.03	\$ 0.21	\$ 0.02	\$ 0.62
Diluted	\$ 0.03	\$ 0.20	\$ 0.01	\$ 0.60
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,368	2,458	2,006	2,420
Diluted	2,506	2,558	2,166	2,517
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 9	\$ 11	\$ 88	\$ 42
Research and development	124	172	843	604
Marketing and sales	27	42	306	133
General and administrative	24	48	335	127
Total share-based compensation expense	\$ 184	\$ 273	\$ 1,572	\$ 906
Payroll tax expenses related to share-based compensation included in costs and expenses:				
Cost of revenue	\$ 2	\$ -	\$ 5	\$ 1
Research and development	16	4	53	30
Marketing and sales	4	1	20	8
General and administrative	7	48	73	54
Total payroll tax expenses related to share-based compensation	\$ 29	\$ 53	\$ 151	\$ 93

FACEBOOK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

(Unaudited)

	December 31,	December 31,
	2012	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,384	\$ 3,323
Marketable securities	7,242	8,126
Accounts receivable	719	1,109
Income tax refundable	451	51
Prepaid expenses and other current assets	471	461
Total current assets	11,267	13,070
Property and equipment, net	2,391	2,882
Goodwill and intangible assets, net	1,388	1,722
Other assets	57	221
Total assets	\$ 15,103	\$ 17,895
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 65	\$ 87
Developer partners payable	169	181
Accrued expenses and other current liabilities	423	555
Deferred revenue and deposits	30	38
Current portion of capital lease obligations	365	239
Total current liabilities	1,052	1,100
Capital lease obligations, less current portion	491	237
Long-term debt	1,500	—
Other liabilities	305	1,088
Total liabilities	3,348	2,425
Stockholders' equity		
Common stock and additional paid-in capital	10,094	12,297
Accumulated other comprehensive income	2	14
Retained earnings	1,659	3,159
Total stockholders' equity	11,755	15,470
Total liabilities and stockholders' equity	\$ 15,103	\$ 17,895

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2013	2012	2013
Cash flows from operating activities				
Net income	\$ 64	\$ 523	\$ 53	\$ 1,500
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	224	274	649	1,011
Lease abandonment expense	1	9	8	117
Loss on disposal or write-off of equipment	7	17	15	56
Share-based compensation	184	273	1,572	906
Deferred income taxes	248	(58)	(186)	(37)
Tax benefit from share-based award activity	179	325	1,033	602
Excess tax benefit from share-based award activity	(179)	(324)	(1,033)	(609)
Changes in assets and liabilities:				
Accounts receivable	(80)	(233)	(170)	(378)
Income tax refundable	116	(44)	(451)	400
Prepaid expenses and other current assets	(38)	(34)	(14)	(45)
Other assets	2	(107)	2	(142)
Accounts payable	(19)	43	1	26
Developer partners payable	14	10	(2)	12
Accrued expenses and other current liabilities	(3)	67	152	(38)
Deferred revenue and deposits	(55)	2	(60)	8
Other liabilities	16	488	43	833
Net cash provided by operating activities	681	1,231	1,612	4,222
Cash flows from investing activities				
Purchases of property and equipment	(198)	(483)	(1,235)	(1,362)
Purchases of marketable securities	(1,717)	(3,069)	(10,307)	(7,433)
Sales of marketable securities	1,529	555	2,100	2,988
Maturities of marketable securities	920	609	3,333	3,563
Investments in non-marketable equity securities	1	-	(2)	(1)
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	-	(131)	(911)	(368)

Change in restricted cash and deposits	-	(15)	(2)	(11)
Net cash provided by (used in) investing activities	535	(2,534)	(7,024)	(2,624)
Cash flows from financing activities				
Net proceeds from issuance of common stock	-	1,478	6,760	1,478
Taxes paid related to net share settlement of equity awards	(2,862)	(183)	(2,862)	(889)
Proceeds from exercise of stock options	8	6	17	26
Proceeds from long-term debt, net of issuance cost	1,496	-	1,496	-
Repayment of long-term debt	-	-	-	(1,500)
Proceeds from sale and lease-back transactions	-	-	205	-
Principal payments on capital lease obligations	(135)	(100)	(366)	(391)
Excess tax benefit from share-based award activity	179	324	1,033	609
Net cash (used in) provided by financing activities	(1,314)	1,525	6,283	(667)
Effect of exchange rate changes on cash and cash equivalents	4	1	1	8
Net (decrease) increase in cash and cash equivalents	(94)	223	872	939
Cash and cash equivalents at beginning of period	2,478	3,100	1,512	2,384
Cash and cash equivalents at end of period	\$ 2,384	\$ 3,323	\$ 2,384	\$ 3,323
Supplemental cash flow data				
Cash paid during the period for:				
Interest	\$ 8	\$ 5	\$ 38	\$ 38
Income taxes	\$ -	\$ 21	\$ 184	\$ 82
Cash received during the period for:				
Refund of income taxes	\$ 131	\$ 2	\$ 131	\$ 421
Non-cash investing and financing activities:				
Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	\$ 40	\$ 22	\$ (40)	\$ 53
Property and equipment acquired under capital leases	\$ 89	\$ -	\$ 340	\$ 11
Fair value of shares issued related to acquisitions of businesses and other assets	\$ -	\$ -	\$ 274	\$ 77

Reconciliation of Non-GAAP Results to Nearest GAAP Measures

(In millions, except percentages and per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2012	2013	2012	2013
			\$	
GAAP revenue	\$ 1,585	\$ 2,585	5,089	\$ 7,872
Foreign exchange effect on 2013 revenue using 2012 rates		2		22
Revenue excluding foreign exchange effect		\$ 2,587		\$ 7,894
GAAP revenue year-over-year change %		63%		55%
Revenue excluding foreign exchange effect year-over-year change %		63%		55%
				\$
GAAP advertising revenue	\$ 1,329	\$ 2,344	\$ 4,279	6,986
Foreign exchange effect on 2013 advertising revenue using 2012 rates		2		22
				\$
Advertising revenue excluding foreign exchange effect		\$ 2,346		7,008
GAAP advertising revenue year-over-year change %		76%		63%
Advertising revenue excluding foreign exchange effect year-over-year change %		77%		64%
				\$
GAAP costs and expenses	\$ 1,062	\$ 1,452	\$ 4,551	5,068
Share-based compensation expense	(184)	(273)	(1,572)	(906)
Payroll tax expenses related to share-based compensation	(29)	(53)	(151)	(93)
				\$
Non-GAAP costs and expenses	\$ 849	\$ 1,126	\$ 2,828	4,069
				\$
GAAP income from operations	\$ 523	\$ 1,133	\$ 538	2,804
Share-based compensation expense	184	273	1,572	906
Payroll tax expenses related to share-based compensation	29	53	151	93
Non-GAAP income from operations	\$ 736	\$ 1,459	\$ 2,261	\$ 3,803
GAAP net income	\$ 64	\$ 523	\$ 53	\$ 1,500

Share-based compensation expense	184	273	1,572	906
Payroll tax expenses related to share-based compensation	29	53	151	93
Income tax adjustments	149	(69)	(459)	(297)
Non-GAAP net income	\$ 426	\$ 780	\$ 1,317	\$ 2,202
GAAP diluted shares	2,506	2,558	2,166	2,517
Assumed preferred stock conversion ¹	-	-	203	-
Dilutive equity awards excluded from GAAP ¹	-	-	110	-
Non-GAAP diluted shares	2,506	2,558	2,479	2,517
				\$
GAAP diluted earnings per share	\$ 0.03	\$ 0.20	\$ 0.01	0.60
Net income attributable to participating securities	-	-	0.01	-
Non-GAAP adjustments to net income	0.14	0.11	0.59	0.28
Non-GAAP adjustments to diluted shares	-	-	(0.08)	-
Non-GAAP diluted earnings per share	\$ 0.17	\$ 0.31	\$ 0.53	\$ 0.88
GAAP operating margin	33%	44%	11%	36%
Share-based compensation expense	12%	11%	31%	12%
Payroll tax expenses related to share-based compensation	2%	2%	3%	1%
Non-GAAP operating margin	46%	56%	44%	48%
GAAP income before provision for income taxes	\$ 505	\$ 1,130	\$ 494	\$ 2,754
GAAP provision for income taxes	441	607	441	1,254
GAAP effective tax rate	87%	54%	89%	46%
GAAP income before provision for income taxes	\$ 505	\$ 1,130	\$ 494	\$ 2,754
Share-based compensation and related payroll tax expenses	213	326	1,723	999
Non-GAAP income before provision for income taxes	\$ 718	\$ 1,456	\$ 2,217	\$ 3,753
Non-GAAP provision for income taxes	292	676	900	1,551
Non-GAAP effective tax rate	41%	46%	41%	41%
Net cash provided by operating activities	\$ 681	\$ 1,231	\$ 1,612	\$ 4,222
Purchases of property and equipment	(198)	(483)	(1,235)	(1,362)
Property and equipment acquired under capital leases	(89)	-	(340)	(11)
Free cash flow	\$ 394	\$ 748	\$ 37	\$ 2,849

¹Gives effect to assumed preferred stock conversion and other dilutive equity awards prior to our IPO for comparability

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Facebook Reports Fourth Quarter and Full Year 2014 Results

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MENLO PARK, Calif., Jan. 28, 2015 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the fourth quarter and full year ended December 31, 2014.

"We got a lot done in 2014. Our community continues to grow and we're making progress towards connecting the world," said Mark Zuckerberg, Facebook founder and CEO.

Fourth Quarter and Full Year 2014 Financial Summary

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
In millions, except percentages and per share amounts				
Revenue	\$ 3,851	\$ 2,585	\$ 12,466	\$ 7,872
Income from Operations				
GAAP	\$ 1,133	\$ 1,133	\$ 4,994	\$ 2,804
Non-GAAP*	\$ 2,219	\$ 1,498	\$ 7,207	\$ 3,948
Operating Margin				
GAAP	29%	44%	40%	36%
Non-GAAP*	58%	58%	58%	50%
Net Income				
GAAP	\$ 701	\$ 523	\$ 2,940	\$ 1,500

Non-GAAP*	\$ 1,518	\$ 814	\$ 4,713	\$ 2,334
Diluted Earnings per Share (EPS)				
GAAP	\$ 0.25	\$ 0.20	\$ 1.10	\$ 0.60
Non-GAAP*	\$ 0.54	\$ 0.32	\$ 1.77	\$ 0.93

* Non-GAAP information for the three months and the year ended December 31, 2013 has been updated to exclude amortization of intangible assets to conform to our current period presentation. See the table below titled "Reconciliation of Non-GAAP Results to Nearest GAAP Measures."

Full Year 2014 Business Highlights

- Revenue for the full year 2014 was \$12.47 billion, an increase of 58% year-over-year.
- Income from operations for the full year 2014 was \$4.99 billion.
- Net income for the full year 2014 was \$2.94 billion.
- Free cash flow for the full year 2014 was \$3.63 billion.
- Daily active users (DAUs) were 890 million on average for December 2014, an increase of 18% year-over-year.
- Mobile DAUs were 745 million on average for December 2014, an increase of 34% year-over-year.
- Monthly active users (MAUs) were 1.39 billion as of December 31, 2014, an increase of 13% year-over-year.
- Mobile MAUs were 1.19 billion as of December 31, 2014, an increase of 26% year-over-year.

Fourth Quarter 2014 Financial Highlights

Revenue - Revenue for the fourth quarter of 2014 totaled \$3.85 billion, an increase of 49%, compared with \$2.59 billion in the fourth quarter of 2013. Excluding the impact of year-over-year changes in foreign exchange rates, revenue would have increased by 53%.

- Revenue from advertising was \$3.59 billion, a 53% increase from the same quarter last year. Excluding the impact of year-over-year changes in foreign exchange rates, revenue from advertising would have increased by 58%.
- Mobile advertising revenue represented approximately 69% of advertising revenue for the fourth quarter of 2014, up from approximately 53% of advertising revenue in the fourth quarter of 2013.
- Payments and other fees revenue was \$257 million, a 7% increase from the same quarter last year.

Costs and expenses - GAAP costs and expenses for the fourth quarter of 2014 were \$2.72 billion, an increase of 87% from the fourth quarter of 2013. Non-GAAP information for 2013 has been updated to exclude amortization of intangible assets to conform to our current period presentation. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, non-GAAP

costs and expenses were \$1.63 billion in the fourth quarter of 2014, up 50% compared to \$1.09 billion for the fourth quarter of 2013.

Income from operations - GAAP income from operations for the fourth quarter of each of 2014 and 2013 was \$1.13 billion. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, non-GAAP income from operations for the fourth quarter of 2014 was \$2.22 billion, up 48% compared to \$1.50 billion for the fourth quarter of 2013.

Operating margin - GAAP operating margin was 29% for the fourth quarter of 2014, compared to 44% in the fourth quarter of 2013. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, non-GAAP operating margin was 58% for the fourth quarter of each of 2014 and 2013.

Provision for income taxes - GAAP income tax expense for the fourth quarter of 2014 was \$413 million, representing a 37% effective tax rate. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, the non-GAAP effective tax rate would have been approximately 31%.

Net income and EPS - GAAP net income for the fourth quarter of 2014 was \$701 million, up 34% compared to \$523 million for the fourth quarter of 2013. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, and income tax adjustments, non-GAAP net income for the fourth quarter of 2014 was \$1.52 billion, up 86% compared to \$814 million for the fourth quarter of 2013. GAAP diluted EPS was \$0.25 in the fourth quarter of 2014, up 25% compared to \$0.20 in the fourth quarter of 2013. Excluding amortization of intangible assets, share-based compensation and related payroll tax expenses, and income tax adjustments, non-GAAP diluted EPS for the fourth quarter of 2014 was \$0.54, up 69% compared to \$0.32 in the fourth quarter of 2013.

Capital expenditures - Capital expenditures for the fourth quarter of 2014 were \$517 million.

Cash and cash equivalents and marketable securities - Cash and cash equivalents and marketable securities were \$11.20 billion at the end of the fourth quarter of 2014.

Free cash flow - Free cash flow for the fourth quarter of 2014 was \$1.07 billion.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast of Facebook's earnings release call can be accessed at investor.fb.com, along with the earnings press release, financial tables and slide presentation. Facebook uses the investor.fb.com website and Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information

and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or +1 (855) 859-2056, conference ID 53903003.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Vanessa Chan

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on advertising revenue; our ability to continue to monetize our mobile products; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; risks associated with acquisitions; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on October 30, 2014, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2014. In addition, please note that the date of this press release is January 28, 2015, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: revenue excluding foreign exchange effect and advertising revenue excluding foreign exchange effect; non-GAAP costs and expenses; non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating margin; non-GAAP effective tax rate; and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically amortization of intangible assets, share-based compensation expense, and payroll tax related to share-based compensation expense, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Amortization of intangible assets. We amortize intangible assets acquired in connection with acquisitions. We exclude these amortization expenses because we do not believe these expenses are reflective of ongoing operating results in the period. These amounts arise from our prior acquisitions and have no direct correlation to the operation of our business.

Share-based compensation expense. We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors to make more meaningful comparisons between our operating results and those of other companies. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation. We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding share-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense, we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of amortization of intangible assets, share-based compensation and related payroll tax expenses. We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Foreign exchange effect on revenue. We translate revenue for the three months and year ended December 31, 2014 using prior year exchange rates for our settlement currencies, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment; Property and equipment acquired under capital leases. We subtract both purchases of property and equipment and property and equipment acquired under capital leases in our calculation of free cash flow because we believe that these two items collectively represent the amount of property and equipment we need to procure to support our business, regardless of whether we finance such property or equipment with a capital lease. We believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of Non-GAAP Results to Nearest GAAP Measures" table in this press release.

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except for per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Revenue	\$ 3,851	\$ 2,585	\$ 12,466	\$ 7,872
Costs and expenses:				

Cost of revenue	653	491	2,153	1,875
Research and development	1,111	408	2,666	1,415
Marketing and sales	624	292	1,680	997
General and administrative	330	261	973	781
Total costs and expenses	2,718	1,452	7,472	5,068
Income from operations	1,133	1,133	4,994	2,804
Interest and other income/(expense), net	(19)	(3)	(84)	(50)
Income before provision for income taxes	1,114	1,130	4,910	2,754
Provision for income taxes	413	607	1,970	1,254
Net income	\$ 701	\$ 523	\$ 2,940	\$ 1,500
Less: Net income attributable to participating securities	5	3	15	9
Net income attributable to Class A and Class B common stockholders	\$ 696	\$ 520	\$ 2,925	\$ 1,491
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 0.25	\$ 0.21	\$ 1.12	\$ 0.62
Diluted	\$ 0.25	\$ 0.20	\$ 1.10	\$ 0.60
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,761	2,458	2,614	2,420
Diluted	2,816	2,558	2,664	2,517
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 18	\$ 11	\$ 62	\$ 42
Research and development	685	172	1,328	604
Marketing and sales	103	42	249	133
General and administrative	90	48	198	127
Total share-based compensation expense	\$ 896	\$ 273	\$ 1,837	\$ 906
Payroll tax expenses related to share-based compensation included in costs and expenses:				
Cost of revenue	\$ —	\$ —	\$ 3	\$ 1
Research and development	6	4	33	30
Marketing and sales	2	1	9	8
General and administrative	5	48	12	54
Total payroll tax expenses related to share-based compensation	\$ 13	\$ 53	\$ 57	\$ 93
Amortization of intangible assets included in costs and expenses:				
Cost of revenue	\$ 42	\$ 7	\$ 87	\$ 16

Research and development	10	8	33	36
Marketing and sales	102	1	105	4
General and administrative	23	23	94	89
Total amortization of intangible assets	\$ 177	\$ 39	\$ 319	\$ 145

FACEBOOK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	December 31, December 31,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,315	\$ 3,323
Marketable securities	6,884	8,126
Accounts receivable, net of allowances for doubtful accounts of \$39 and \$38 as of December 31, 2014 and December 31, 2013, respectively	1,678	1,109
Prepaid expenses and other current assets	793	512
Total current assets	13,670	13,070
Property and equipment, net	3,967	2,882
Intangible assets, net	3,929	883
Goodwill	17,981	839
Other assets	637	221
Total assets	\$ 40,184	\$ 17,895
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 176	\$ 87
Partners payable	202	181
Accrued expenses and other current liabilities	866	555
Deferred revenue and deposits	66	38
Current portion of capital lease obligations	114	239
Total current liabilities	1,424	1,100
Capital lease obligations, less current portion	119	237
Other liabilities	2,545	1,088
Total liabilities	4,088	2,425

Stockholders' equity		
Common stock and additional paid-in capital	30,225	12,297
Accumulated other comprehensive (loss) income	(228)	14
Retained earnings	6,099	3,159
Total stockholders' equity	36,096	15,470
Total liabilities and stockholders' equity	\$ 40,184	\$ 17,895

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Cash flows from operating activities				
Net income	\$ 701	\$ 523	\$ 2,940	\$ 1,500
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	433	274	1,243	1,011
Lease abandonment	—	9	(31)	117
Share-based compensation	845	273	1,786	906
Deferred income taxes	(180)	(58)	(210)	(37)
Tax benefit from share-based award activity	499	325	1,853	602
Excess tax benefit from share-based award activity	(504)	(324)	(1,869)	(609)
Other	2	17	7	56
Changes in assets and liabilities:				
Accounts receivable	(346)	(233)	(610)	(378)
Prepaid expenses and other current assets	(78)	(78)	(123)	355
Other assets	(58)	(107)	(216)	(142)
Accounts payable	19	43	31	26
Partners payable	(6)	10	(28)	12
Accrued expenses and other current liabilities	130	67	328	(38)
Deferred revenue and deposits	7	2	10	8
Other liabilities	119	488	346	833
Net cash provided by operating activities	1,583	1,231	5,457	4,222
Cash flows from investing activities				
Purchases of property and equipment	(517)	(483)	(1,831)	(1,362)

Purchases of marketable securities	(2,889)	(3,069)	(9,104)	(7,433)
Sales of marketable securities	1,047	555	8,438	2,988
Maturities of marketable securities	199	609	1,909	3,563
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(4,221)	(131)	(4,975)	(368)
Change in restricted cash and deposits	(235)	(15)	(348)	(11)
Other investing activities, net	—	—	(2)	(1)
Net cash used in investing activities	(6,616)	(2,534)	(5,913)	(2,624)
Cash flows from financing activities				
Net proceeds from issuance of common stock	—	1,478	—	1,478
Taxes paid related to net share settlement	(70)	(183)	(73)	(889)
Proceeds from exercise of stock options	11	6	18	26
Repayment of long-term debt	—	—	—	(1,500)
Principal payments on capital lease obligations	(44)	(100)	(243)	(391)
Excess tax benefit from share-based award activity	504	324	1,869	609
Net cash provided by (used in) financing activities	401	1,525	1,571	(667)
Effect of exchange rate changes on cash and cash equivalents	(52)	1	(123)	8
Net (decrease) increase in cash and cash equivalents	(4,684)	223	992	939
Cash and cash equivalents at beginning of period	8,999	3,100	3,323	2,384
Cash and cash equivalents at end of period	\$ 4,315	\$ 3,323	\$ 4,315	\$ 3,323
Supplemental cash flow data				
Cash paid during the period for:				
Interest	\$ 3	\$ 5	\$ 14	\$ 38
Income taxes	\$ 77	\$ 21	\$ 184	\$ 82
Cash received during the period for:				
Income taxes	\$ —	\$ 2	\$ 6	\$ 421
Non-cash investing and financing activities:				
Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	\$ 53	\$ 22	\$ 91	\$ 53
Property and equipment acquired under capital leases	\$ —	\$ —	\$ —	\$ 11
Fair value of shares issued related to acquisitions of businesses	\$ 12,987	\$ —	\$ 14,344	\$ 77

Reconciliation of Non-GAAP Results to Nearest GAAP Measures*

(In millions, except percentages and per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
GAAP revenue	\$ 3,851	\$ 2,585	\$ 12,466	\$ 7,872
Foreign exchange effect on 2014 revenue using 2013 rates	(103)		(61)	
Revenue excluding foreign exchange effect	\$ 3,954		\$ 12,527	
GAAP revenue year-over-year change %	49%		58%	
Revenue excluding foreign exchange effect year-over-year change %	53%		59%	
GAAP advertising revenue	\$ 3,594	\$ 2,344	\$ 11,492	\$ 6,986
Foreign exchange effect on 2014 advertising revenue using 2013 rates	(103)		(61)	
Advertising revenue excluding foreign exchange effect	\$ 3,697		\$ 11,553	
GAAP advertising revenue year-over-year change %	53%		65%	
Advertising revenue excluding foreign exchange effect year-over-year change %	58%		65%	
GAAP costs and expenses	\$ 2,718	\$ 1,452	\$ 7,472	\$ 5,068
Share-based compensation expense	(896)	(273)	(1,837)	(906)
Payroll tax expenses related to share-based compensation	(13)	(53)	(57)	(93)
Amortization of intangible assets	(177)	(39)	(319)	(145)
Non-GAAP costs and expenses	\$ 1,632	\$ 1,087	\$ 5,259	\$ 3,924
GAAP income from operations	\$ 1,133	\$ 1,133	\$ 4,994	\$ 2,804
Share-based compensation expense	896	273	1,837	906
Payroll tax expenses related to share-based compensation	13	53	57	93
Amortization of intangible assets	177	39	319	145
Non-GAAP income from operations	\$ 2,219	\$ 1,498	\$ 7,207	\$ 3,948
GAAP net income	\$ 701	\$ 523	\$ 2,940	\$ 1,500
Share-based compensation expense	896	273	1,837	906
Payroll tax expenses related to share-based compensation	13	53	57	93
Amortization of intangible assets	177	39	319	145
Income tax adjustments	(269)	(74)	(440)	(310)
Non-GAAP net income	\$ 1,518	\$ 814	\$ 4,713	\$ 2,334
GAAP and Non-GAAP diluted shares	2,816	2,558	2,664	2,517
GAAP diluted earnings per share	\$ 0.25	\$ 0.20	\$ 1.10	\$ 0.60

Net income attributable to participating securities	—	—	(0.01)	—
Non-GAAP adjustments to net income	0.29	0.12	0.68	0.33
Non-GAAP diluted earnings per share	\$ 0.54	\$ 0.32	\$ 1.77	\$ 0.93
GAAP operating margin	29%	44%	40%	36%
Share-based compensation expense	23%	11%	15%	12%
Payroll tax expenses related to share-based compensation	—%	2%	—%	1%
Amortization of intangible assets	5%	2%	3%	2%
Non-GAAP operating margin	58%	58%	58%	50%
GAAP income before provision for income taxes	\$ 1,114	\$ 1,130	\$ 4,910	\$ 2,754
GAAP provision for income taxes	413	607	1,970	1,254
GAAP effective tax rate	37%	54%	40%	46%
GAAP income before provision for income taxes	\$ 1,114	\$ 1,130	\$ 4,910	\$ 2,754
Share-based compensation and related payroll tax expenses	909	326	1,894	999
Amortization of intangible assets	177	39	319	145
Non-GAAP income before provision for income taxes	\$ 2,200	\$ 1,495	\$ 7,123	\$ 3,898
Non-GAAP provision for income taxes	682	681	2,410	1,564
Non-GAAP effective tax rate	31%	46%	34%	40%
Net cash provided by operating activities	\$ 1,583	\$ 1,231	\$ 5,457	\$ 4,222
Purchases of property and equipment	(517)	(483)	(1,831)	(1,362)
Property and equipment acquired under capital leases	—	—	—	(11)
Free cash flow	\$ 1,066	\$ 748	\$ 3,626	\$ 2,849

* Non-GAAP information for the three months and year ended December 31, 2013 has been updated to exclude amortization of intangible assets to conform to our current period presentation.

To view the original version on PR Newswire, visit:<http://www.prnewswire.com/news-releases/facebook-reports-fourth-quarter-and-full-year-2014-results-300027353.html>

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Facebook Reports Fourth Quarter and Full Year 2015 Results

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MENLO PARK, Calif., Jan. 27, 2016 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the fourth quarter and full year ended December 31, 2015.

"2015 was a great year for Facebook. Our community continued to grow and our business is thriving," said Mark Zuckerberg, Facebook founder and CEO. "We continue to invest in better serving our community, building our business, and connecting the world."

Fourth Quarter and Full Year 2015 Financial Summary

	ThreeMonthsEnded December 31,		Year Ended December 31,	
	2015	2014	2015	2014
In millions, except percentages and per share amounts				
Revenue	\$ 5,841	\$ 3,851	\$ 17,928	\$ 12,466
Income from Operations				
GAAP	\$ 2,560	\$ 1,133	\$ 6,225	\$ 4,994
Non-GAAP*	\$ 3,523	\$ 2,219	\$ 10,001	\$ 7,207
Operating Margin				
GAAP	44%	29%	35%	40%
Non-GAAP*	60%	58%	56%	58%
Net Income				

GAAP	\$ 1,562	\$ 701	\$ 3,688	\$ 2,940
Non-GAAP*	\$ 2,265	\$ 1,518	\$ 6,518	\$ 4,713
Diluted Earnings per Share (EPS)				
GAAP	\$ 0.54	\$ 0.25	\$ 1.29	\$ 1.10
Non-GAAP*	\$ 0.79	\$ 0.54	\$ 2.28	\$ 1.77

Non-GAAP financial measures exclude amortization of intangible assets, share-based compensation and related payroll tax expenses. Non-GAAP net income and EPS also exclude the income tax effects of these non-GAAP adjustments. See the table below titled "Reconciliation of Non-GAAP Results to Nearest GAAP Measures."

Full Year 2015 Business Highlights

- **Revenue** - Revenue for the full year 2015 was \$17.93 billion, an increase of 44% year-over-year.
- **Income from operations** - Income from operations for the full year 2015 was \$6.23 billion.
- **Net income** - Net income for the full year 2015 was \$3.69 billion.
- **Free cash flow** - Free cash flow for the full year 2015 was \$6.08 billion.
- **Daily active users (DAUs)** - DAUs were 1.04 billion on average for December 2015, an increase of 17% year-over-year.
- **Mobile DAUs** - Mobile DAUs were 934 million on average for December 2015, an increase of 25% year-over-year.
- **Monthly active users (MAUs)** - MAUs were 1.59 billion as of December 31, 2015, an increase of 14% year-over-year.
- **Mobile MAUs** - Mobile MAUs were 1.44 billion as of December 31, 2015, an increase of 21% year-over-year.

Fourth Quarter 2015 Financial Highlights

In millions, except percentages and per share amounts	GAAP Three Months Ended December 31,		Year-over-Year % Change
	2015	2014	
Revenue:			
Advertising ⁽¹⁾	\$ 5,637	\$ 3,594	57%
Payments and other fees	204	257	(21)%
Total revenue ⁽²⁾	5,841	3,851	52%
Total costs and expenses	3,281	2,718	21%

Income from operations	\$ 2,560	\$ 1,133	126%
Operating margin	44%	29%	
Provision for income taxes	995		
Effective tax rate	39%		
Net income	\$ 1,562	\$ 701	123%
Diluted EPS	\$ 0.54	\$ 0.25	116%

(1) Excluding the impact of year-over-year changes in foreign exchange rates, advertising revenue would have increased by 66%.

(2) Excluding the impact of year-over-year changes in foreign exchange rates, total revenue would have increased by 60%.

In millions, except percentages and per share amounts	Non-GAAP Three Months Ended December 31,		Year-over-Year % Change
	2015	2014	
GAAP revenue	\$ 5,841	\$ 3,851	52%
Total costs and expenses	2,318	1,632	42%
Income from operations	\$ 3,523	\$ 2,219	59%
Operating margin	60%	58%	
Effective tax rate	36%		
Net income	\$ 2,265	\$ 1,518	49%
Diluted EPS	\$ 0.79	\$ 0.54	46%

Fourth Quarter 2015 Other Financial Highlights

- **Mobile advertising revenue** - Mobile advertising revenue represented approximately 80% of advertising revenue for the fourth quarter of 2015, up from 69% of advertising revenue in the fourth quarter of 2014.
- **Capital expenditures** - Capital expenditures for the fourth quarter of 2015 were \$692 million.
- **Cash and cash equivalents and marketable securities** - Cash and cash equivalents and marketable securities were \$18.43 billion at the end of the fourth quarter of 2015.
- **Free cash flow** - Free cash flow for the fourth quarter of 2015 was \$2.14 billion.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast of Facebook's earnings release call can be accessed at investor.fb.com, along with the earnings press release,

financial tables and slide presentation. Facebook uses the investor.fb.com website and Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or +1 (855) 859-2056, conference ID 16251646.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Vanessa Chan

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on advertising revenue; our dependency on mobile operating systems, networks, and standards that we do not control; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; risks associated with acquisitions; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on November 5, 2015, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2015. In addition, please note that the date of this press release is January 27, 2016, and any forward-looking statements contained herein are based on assumptions that we

believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: revenue excluding foreign exchange effect and advertising revenue excluding foreign exchange effect; non-GAAP costs and expenses; non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating margin; non-GAAP effective tax rate; and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically amortization of intangible assets, share-based compensation expense, and payroll tax related to share-based compensation expense, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Amortization of intangible assets. We amortize intangible assets acquired in connection with acquisitions. We exclude these amortization expenses because we do not believe these expenses are reflective of ongoing operating results in the period. These amounts arise from our prior acquisitions and have no direct correlation to the operation of our business.

Share-based compensation expense. We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors to make more meaningful comparisons between our operating results and those of other companies. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the

underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation. We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding share-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense, we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of amortization of intangible assets, share-based compensation and related payroll tax expenses. We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Foreign exchange effect on revenue. We translated revenue for the three months and year ended December 31, 2015 using the prior year's monthly exchange rates for our settlement currencies other than the U.S. dollar, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment. We subtract purchases of property and equipment in our calculation of free cash flow because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of Non-GAAP Results to Nearest GAAP Measures" table in this press release.

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except for per share amounts)

(Unaudited)

Three Months Ended		Year Ended	
December 31,		December 31,	
2015	2014	2015	2014

Revenue	\$ 5,841	\$ 3,851	\$ 17,928	\$ 12,466
Costs and expenses:				
Cost of revenue	824	653	2,867	2,153
Research and development	1,314	1,111	4,816	2,666
Marketing and sales	772	624	2,725	1,680
General and administrative	371	330	1,295	973
Total costs and expenses	3,281	2,718	11,703	7,472
Income from operations	2,560	1,133	6,225	4,994
Interest and other income/(expense), net	(3)	(19)	(31)	(84)
Income before provision for income taxes	2,557	1,114	6,194	4,910
Provision for income taxes	995	413	2,506	1,970
Net income	\$ 1,562	\$ 701	\$ 3,688	\$ 2,940
Less: Net income attributable to participating securities	7	5	19	15
Net income attributable to Class A and Class B common stockholders	\$ 1,555	\$ 696	\$ 3,669	\$ 2,925
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 0.55	\$ 0.25	\$ 1.31	\$ 1.12
Diluted	\$ 0.54	\$ 0.25	\$ 1.29	\$ 1.10
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,825	2,761	2,803	2,614
Diluted	2,878	2,816	2,853	2,664
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 22	\$ 18	\$ 81	\$ 62
Research and development	583	685	2,350	1,328
Marketing and sales	84	103	320	249
General and administrative	57	90	218	198
Total share-based compensation expense	\$ 746	\$ 896	\$ 2,969	\$ 1,837
Payroll tax expenses related to share-based compensation included in costs and expenses:				
Cost of revenue	\$ -	\$ -	\$ 2	\$ 3
Research and development	22	6	56	33
Marketing and sales	2	2	10	9
General and administrative	2	5	9	12
Total payroll tax expenses related to share-based compensation	\$ 26	\$ 13	\$ 77	\$ 57

Amortization of intangible assets included in costs and expenses:

Cost of revenue	\$ 55	\$ 42	\$ 187	\$ 87
Research and development	9	10	39	33
Marketing and sales	103	102	410	105
General and administrative	24	23	94	94
Total amortization of intangible assets	\$ 191	\$ 177	\$ 730	\$ 319

FACEBOOK, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	December 31, December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,907	\$ 4,315
Marketable securities	13,527	6,884
Accounts receivable, net of allowances for doubtful accounts of \$68 and \$39 as of December 31, 2015 and December 31, 2014, respectively	2,559	1,678
Prepaid expenses and other current assets ⁽¹⁾	659	513
Total current assets	21,652	13,390
Property and equipment, net	5,687	3,967
Intangible assets, net	3,246	3,929
Goodwill	18,026	17,981
Other assets ⁽¹⁾	796	699
Total assets	\$ 49,407	\$ 39,966
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 196	\$ 176
Partners payable	217	202
Accrued expenses and other current liabilities	1,449	866
Deferred revenue and deposits	56	66
Current portion of capital lease obligations	7	114
Total current liabilities	1,925	1,424

Capital lease obligations, less current portion	107	119
Other liabilities ⁽¹⁾	3,157	2,327
Total liabilities	5,189	3,870
Stockholders' equity		
Common stock and additional paid-in capital	34,886	30,225
Accumulated other comprehensive loss	(455)	(228)
Retained earnings	9,787	6,099
Total stockholders' equity	44,218	36,096
Total liabilities and stockholders' equity	\$ 49,407	\$ 39,966

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. We early adopted this standard retrospectively and reclassified \$280 million of our current (1) deferred tax assets to noncurrent deferred tax assets as of December 31, 2014. This resulted in net adjustments of \$62 million increase and \$218 million decrease to our noncurrent deferred tax assets and noncurrent deferred tax liability, respectively, on our December 31, 2014 condensed consolidated balance sheet.

FACEBOOK, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Cash flows from operating activities				
Net income	\$ 1,562	\$ 701	\$ 3,688	\$ 2,940
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	543	433	1,945	1,243
Lease abandonment	—	—	—	(31)
Share-based compensation	746	845	2,960	1,786
Deferred income taxes	(123)	(180)	(795)	(210)
Tax benefit from share-based award activity	566	499	1,721	1,853

Excess tax benefit from share-based award activity	(566)	(504)	(1,721)	(1,869)
Other	3	2	17	7
Changes in assets and liabilities:				
Accounts receivable	(568)	(346)	(973)	(610)
Prepaid expenses and other current assets	1	(78)	(144)	(123)
Other assets	(7)	(58)	(3)	(216)
Accounts payable	11	19	18	31
Partners payable	(23)	(6)	17	(28)
Accrued expenses and other current liabilities	222	130	513	328
Deferred revenue and deposits	9	7	(9)	10
Other liabilities	451	119	1,365	346
Net cash provided by operating activities	2,827	1,583	8,599	5,457
Cash flows from investing activities				
Purchases of property and equipment	(692)	(517)	(2,523)	(1,831)
Purchases of marketable securities	(5,605)	(2,889)	(15,938)	(9,104)
Sales of marketable securities	2,803	1,047	6,928	8,438
Maturities of marketable securities	747	199	2,310	1,909
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(4)	(4,221)	(313)	(4,975)
Change in restricted cash and deposits	25	(235)	102	(348)
Other investing activities, net	—	—	—	(2)
Net cash used in investing activities	(2,726)	(6,616)	(9,434)	(5,913)
Cash flows from financing activities				
Taxes paid related to net share settlement	—	(70)	(20)	(73)
Proceeds from exercise of stock options	—	11	—	18
Principal payments on capital lease obligations	(12)	(44)	(119)	(243)
Excess tax benefit from share-based award activity	566	504	1,721	1,869
Net cash provided by financing activities	554	401	1,582	1,571
Effect of exchange rate changes on cash and cash equivalents	(56)	(52)	(155)	(123)
Net increase (decrease) in cash and cash equivalents	599	(4,684)	592	992
Cash and cash equivalents at beginning of period	4,308	8,999	4,315	3,323
Cash and cash equivalents at end of period	\$ 4,907	\$ 4,315	\$ 4,907	\$ 4,315

FACEBOOK, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	ThreeMonthsEnded December 31,		Year Ended December 31,
	2015	2014	2015 2014
Supplemental cash flow data			
Cash paid during the period for:			
Interest	\$ 2	\$ 3	\$ 10 \$ 14
Income taxes	\$ 71	\$ 77	\$ 273 \$ 184
Cash received during the period for:			
Income taxes	\$ -	\$ -	\$ 3 \$ 6
Non-cash investing and financing activities:			
Net change in accounts payable, accrued expenses and other current liabilities, and other liabilities related to property and equipment additions			
	\$ (19)	\$ 53	\$ 88 \$ 91
Fair value of shares issued related to acquisitions of businesses	\$ -	\$ 12,987	\$ - \$ 14,344
Promissory note payable issued in connection with an acquisition	\$ -	\$ -	\$ 198 \$ -

Reconciliation of Non-GAAP Results to Nearest GAAP Measures

(In millions, except percentages and per share amounts)

(Unaudited)

	ThreeMonthsEnded December 31,		Year Ended December 31,
	2015	2014	2015 2014
GAAP revenue	\$ 5,841	\$ 3,851	\$ 17,928 \$ 12,466
Foreign exchange effect on 2015 revenue using 2014 rates	322		1,185
Revenue excluding foreign exchange effect	\$ 6,163		\$ 19,113
GAAP revenue year-over-year change %	52%		44%
Revenue excluding foreign exchange effect year-over-year change %	60%		53%
GAAP advertising revenue	\$ 5,637	\$ 3,594	\$ 17,079 \$ 11,492
Foreign exchange effect on 2015 advertising revenue using 2014 rates	322		1,185
Advertising revenue excluding foreign exchange effect	\$ 5,959		\$ 18,264
GAAP advertising revenue year-over-year change %	57%		49%
Advertising revenue excluding foreign exchange effect year- over-year change %	66%		59%

GAAP costs and expenses	\$ 3,281	\$ 2,718	\$ 11,703	\$ 7,472
Share-based compensation expense	(746)	(896)	(2,969)	(1,837)
Payroll tax expenses related to share-based compensation	(26)	(13)	(77)	(57)
Amortization of intangible assets	(191)	(177)	(730)	(319)
Non-GAAP costs and expenses	\$ 2,318	\$ 1,632	\$ 7,927	\$ 5,259
GAAP income from operations	\$ 2,560	\$ 1,133	\$ 6,225	\$ 4,994
Share-based compensation expense	746	896	2,969	1,837
Payroll tax expenses related to share-based compensation	26	13	77	57
Amortization of intangible assets	191	177	730	319
Non-GAAP income from operations	\$ 3,523	\$ 2,219	\$ 10,001	\$ 7,207
GAAP net income	\$ 1,562	\$ 701	\$ 3,688	\$ 2,940
Share-based compensation expense	746	896	2,969	1,837
Payroll tax expenses related to share-based compensation	26	13	77	57
Amortization of intangible assets	191	177	730	319
Income tax adjustments	(260)	(269)	(946)	(440)
Non-GAAP net income	\$ 2,265	\$ 1,518	\$ 6,518	\$ 4,713
GAAP and Non-GAAP diluted shares	2,878	2,816	2,853	2,664
GAAP diluted earnings per share	\$ 0.54	\$ 0.25	\$ 1.29	\$ 1.10
Net income attributable to participating securities	—	—	—	(0.01)
Non-GAAP adjustments to net income	0.25	0.29	0.99	0.68
Non-GAAP diluted earnings per share	\$ 0.79	\$ 0.54	\$ 2.28	\$ 1.77
GAAP operating margin	44%	29%	35%	40%
Share-based compensation expense	13%	23%	17%	15%
Payroll tax expenses related to share-based compensation	—%	—%	—%	—%
Amortization of intangible assets	3%	5%	4%	3%
Non-GAAP operating margin	60%	58%	56%	58%
GAAP income before provision for income taxes	\$ 2,557	\$ 1,114	\$ 6,194	\$ 4,910
GAAP provision for income taxes	995	413	2,506	1,970
GAAP effective tax rate	39%	37%	40%	40%
GAAP income before provision for income taxes	\$ 2,557	\$ 1,114	\$ 6,194	\$ 4,910
Share-based compensation and related payroll tax expenses	772	909	3,046	1,894
Amortization of intangible assets	191	177	730	319
Non-GAAP income before provision for income taxes	\$ 3,520	\$ 2,200	\$ 9,970	\$ 7,123
Non-GAAP provision for income taxes	1,255	682	3,452	2,410
Non-GAAP effective tax rate	36%	31%	35%	34%
Net cash provided by operating activities	\$ 2,827	\$ 1,583	\$ 8,599	\$ 5,457
Purchases of property and equipment	(692)	(517)	(2,523)	(1,831)
Free cash flow	\$ 2,135	\$ 1,066	\$ 6,076	\$ 3,626

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Facebook Reports Fourth Quarter and Full Year 2016 Results

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MENLO PARK, Calif., Feb. 1, 2017 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the fourth quarter and full year ended December 31, 2016.



“Our mission to connect the world is more important now than ever,” said Mark Zuckerberg, Facebook founder and CEO. “Our business did well in 2016, but we have a lot of work ahead to help bring people together.”

Fourth Quarter and Full Year 2016 Financial Highlights⁽¹⁾

In millions, except percentages	Three Months Ended December 31,		Year-over- Year % Change	Year Ended December 31,		Year-over- Year % Change
	2016	2015		2016	2015	

and per share

amounts

Revenue:						
Advertising	\$ 8,629	\$ 5,637	53 %	\$ 26,885	\$ 17,079	57 %
Payments and other fees	180	204	(12)%	753	849	(11)%
Total revenue	8,809	5,841	51 %	27,638	17,928	54 %
Total costs and expenses ⁽²⁾	4,243	3,281	29 %	15,211	11,703	30 %
Income from operations ⁽²⁾	\$ 4,566	\$ 2,560	78 %	\$ 12,427	\$ 6,225	100 %
Operating margin ⁽²⁾	52 %	44 %		45 %	35 %	
Provision for income taxes ⁽²⁾	965			2,301		
Effective tax rate ⁽²⁾	21 %			18 %		
Net income ⁽²⁾	\$ 3,568	\$ 1,562	128 %	\$ 10,217	\$ 3,688	177 %
Diluted Earnings per Share (EPS) ⁽²⁾	\$ 1.21	\$ 0.54	124 %	\$ 3.49	\$ 1.29	171 %

(1) The information in the Fourth Quarter and Full Year 2016 Financial Highlights table is presented in accordance with generally accepted accounting principles in the United States (GAAP). For non-GAAP financial information, see the table below titled "Reconciliation of GAAP to Non-GAAP Results."

(2) In the fourth quarter of 2016, we elected to early adopt Accounting Standards Update No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting (ASU 2016-09) which, among other items, requires us to record excess tax benefits as a reduction of the provision for income taxes in the income statements, whereas they were previously recognized in equity. We are required to reflect any adoption adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. As such, certain financial highlights data for the three months and year ended December 31, 2016 included the impact of the ASU 2016-09 adoption. See "Adoption of New Accounting Guidance" below for additional information.

Full Year 2016 Operational Highlights

- **Daily active users (DAUs)** – DAUs were 1.23 billion on average for December 2016, an increase of 18% year-over-year.
- **Mobile DAUs** – Mobile DAUs were 1.15 billion on average for December 2016, an increase of 23% year-over-year.
- **Monthly active users (MAUs)** – MAUs were 1.86 billion as of December 31, 2016, an increase of 17% year-over-year.
- **Mobile MAUs** – Mobile MAUs were 1.74 billion as of December 31, 2016, an increase of 21% year-over-year.

Fourth Quarter and Full Year 2016 Other Financial Highlights

- **Mobile advertising revenue** – Mobile advertising revenue represented approximately 84% of advertising revenue for the fourth quarter of 2016, up from approximately 80% of advertising revenue in the fourth quarter of 2015.
- **Capital expenditures** – Capital expenditures for the full year 2016 were \$4.49 billion.
- **Cash and cash equivalents and marketable securities** – Cash and cash equivalents and marketable securities were \$29.45 billion at the end of the fourth quarter of 2016.

Adoption of New Accounting Guidance

We elected to early adopt ASU 2016-09 in the fourth quarter of 2016 which addresses, among other items, the accounting for income taxes and forfeitures, and cash flow presentation of share-based compensation. Upon adoption, excess tax benefits generated when stock awards vest or settle are no longer recognized in equity but are instead recognized as a reduction to provision for income taxes. We also elected to account for forfeitures as they occur, rather than estimate expected forfeitures. Under the new guidance, cash flows related to excess tax benefits are required to be presented as an operating activity rather than a financing activity. We are required to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption.

The adoption of ASU 2016-09 resulted in, among other items:

- net cumulative-effect adjustment of \$1.67 billion increase to retained earnings as of January 1, 2016, mostly related to the recognition of the previously unrecognized excess tax benefits, and
- \$934 million decrease in our full year 2016 provision for income taxes, or 7% decrease in our full year 2016 effective tax rate, mostly due to the recognition of excess tax benefits for awards that vested or settled in 2016 as a reduction to our provision for income taxes, whereas they previously were recognized in equity.

We adopted the aspects of the cash flow presentation retrospectively, and accordingly, to conform to the current year presentation, we reclassified \$566 million and \$1.72 billion of excess tax benefits under financing

activities to operating activities for the fourth quarter and full year 2015, respectively. See supplemental earnings slides available on our investor website as well as our annual report on Form 10-K for the year ended December 31, 2016 to be filed with the SEC for additional detailed information regarding the impact of the early adoption.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast of Facebook's earnings conference call can be accessed at investor.fb.com, along with the earnings press release, financial tables and slide presentation. Facebook uses the investor.fb.com and newsroom.fb.com websites as well as Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or +1 (855) 859-2056, conference ID 39092359.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Vanessa Chan

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on

advertising revenue; our dependency on mobile operating systems, networks, and standards that we do not control; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; risks associated with acquisitions; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on November 3, 2016, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2016. In addition, please note that the date of this press release is February 1, 2017, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: revenue excluding foreign exchange effect and advertising revenue excluding foreign exchange effect; non-GAAP costs and expenses; non-GAAP income from operations; non-GAAP net income; non-GAAP diluted shares; non-GAAP diluted earnings per share; non-GAAP operating margin; non-GAAP effective tax rate; and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of items, specifically amortization of intangible assets, share-based compensation expense, and payroll tax related to share-based compensation expense, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from one or more of our non-GAAP financial measures:

Amortization of intangible assets. We amortize intangible assets acquired in connection with acquisitions. We exclude these amortization expenses because we do not believe these expenses are reflective of

ongoing operating results in the period. These amounts arise from our prior acquisitions and have no direct correlation to the operation of our business.

Share-based compensation expense. We exclude share-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC 718, we believe that providing non-GAAP financial measures that exclude this expense allows investors to make more meaningful comparisons between our operating results and those of other companies. Accordingly, we believe that excluding this expense provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

Payroll tax expense related to share-based compensation. We exclude payroll tax expense related to share-based compensation expense because, without excluding these tax expenses, investors would not see the full effect that excluding share-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which factors may vary from period to period independent of the operating performance of our business. Similar to share-based compensation expense, we believe that excluding this payroll tax expense provides investors and management with greater visibility to the underlying performance of our business operations and facilitates comparison with other periods as well as the results of other companies.

Income tax effect of amortization of intangible assets, share-based compensation and related payroll tax expenses. We believe excluding the income tax effect of non-GAAP adjustments assists investors and management in understanding the tax provision related to those adjustments and provides useful supplemental information regarding the underlying performance of our business operations.

Foreign exchange effect on revenue. We translated revenue for the three months and year ended December 31, 2016 using the prior year's monthly exchange rates for our settlement currencies other than the U.S. dollar, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment. We subtract purchases of property and equipment in our calculation of free cash flow because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business.

For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures, please see the "Reconciliation of GAAP to Non-GAAP Results" table in this press release.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except for per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016 ⁽¹⁾	2015	2016 ⁽¹⁾	2015
Revenue	\$ 8,809	\$ 5,841	\$ 27,638	\$ 17,928
Costs and expenses:				
Cost of revenue	1,047	824	3,789	2,867
Research and development	1,563	1,314	5,919	4,816
Marketing and sales	1,118	772	3,772	2,725
General and administrative	515	371	1,731	1,295
Total costs and expenses	4,243	3,281	15,211	11,703
Income from operations	4,566	2,560	12,427	6,225
Interest and other income/(expense), net	(33)	(3)	91	(31)
Income before provision for income taxes	4,533	2,557	12,518	6,194
Provision for income taxes	965	995	2,301	2,506
Net income	\$ 3,568	\$ 1,562	\$ 10,217	\$ 3,688
Less: Net income attributable to participating securities	7	7	29	19
Net income attributable to Class A and Class B common stockholders	\$ 3,561	\$ 1,555	\$ 10,188	\$ 3,669
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 1.24	\$ 0.55	\$ 3.56	\$ 1.31
Diluted	\$ 1.21	\$ 0.54	\$ 3.49	\$ 1.29
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,882	2,825	2,863	2,803
Diluted	2,938	2,878	2,925	2,853
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 32	\$ 22	\$ 113	\$ 81
Research and development	641	583	2,494	2,350
Marketing and sales	96	84	368	320
General and administrative	62	57	243	218
Total share-based compensation expense	\$ 831	\$ 746	\$ 3,218	\$ 2,969

Payroll tax expenses related to share-based compensation included in costs and expenses:

Cost of revenue	\$ -	\$ -	\$ 4	\$ 2
Research and development	12	22	69	56
Marketing and sales	2	2	11	10
General and administrative	3	2	14	9
	<hr/>	<hr/>	<hr/>	<hr/>
Total payroll tax expenses related to share-based compensation	\$ 17	\$ 26	\$ 98	\$ 77

Amortization of intangible assets included in costs and expenses:

Cost of revenue	\$ 55	\$ 55	\$ 208	\$ 187
Research and development	7	9	34	39
Marketing and sales	100	103	422	410
General and administrative	21	24	87	94
	<hr/>	<hr/>	<hr/>	<hr/>
Total amortization of intangible assets	\$ 183	\$ 191	\$ 751	\$ 730

- (1) We elected to early adopt ASU 2016-09 in the fourth quarter of 2016. The impacts of adoption have been reflected in our condensed consolidated statements of income for the three months and year ended December 31, 2016. See "Adoption of New Accounting Guidance" above for additional information.

FACEBOOK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	<u>December 31, 2016⁽¹⁾</u>	<u>December 31, 2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,903	\$ 4,907
Marketable securities	20,546	13,527
Accounts receivable, net of allowances for doubtful accounts of \$94 and \$68 as of December 31, 2016 and December 31, 2015, respectively	3,993	2,559

Prepaid expenses and other current assets	959	659
Total current assets	34,401	21,652
Property and equipment, net	8,591	5,687
Intangible assets, net	2,535	3,246
Goodwill	18,122	18,026
Other assets	1,312	796
Total assets	\$ 64,961	\$ 49,407

Liabilities and stockholders' equity

Current liabilities:

Accounts payable	\$ 302	\$ 196
Partners payable	280	217
Accrued expenses and other current liabilities	2,203	1,449
Deferred revenue and deposits	90	56
Current portion of capital lease obligations	—	7
Total current liabilities	2,875	1,925
Capital lease obligations, less current portion	—	107
Other liabilities	2,892	3,157
Total liabilities	5,767	5,189

Stockholders' equity

Common stock and additional paid-in capital	38,227	34,886
Accumulated other comprehensive loss	(703)	(455)
Retained earnings	21,670	9,787
Total stockholders' equity	59,194	44,218
Total liabilities and stockholders' equity	\$ 64,961	\$ 49,407

- (1) We elected to early adopt ASU 2016-09 in the fourth quarter of 2016. The impacts of adoption have been reflected in our condensed consolidated balance sheet as of December 31, 2016. See "Adoption of New Accounting Guidance" above for additional information.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
Cash flows from operating activities				
Net income	\$ 3,568	\$ 1,562	\$ 10,217	\$ 3,688
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	614	543	2,342	1,945
Share-based compensation	831	746	3,218	2,960
Deferred income taxes	(256)	(123)	(457)	(795)
Tax benefit from share-based award activity	—	566	—	1,721
Other	7	3	30	17
Changes in assets and liabilities:				
Accounts receivable	(1,011)	(568)	(1,489)	(973)
Prepaid expenses and other current assets	155	1	(159)	(144)
Other assets	(32)	(7)	14	(3)
Accounts payable	35	11	14	18
Partners payable	47	(23)	67	17
Accrued expenses and other current liabilities	372	222	1,014	513
Deferred revenue and deposits	14	9	35	(9)
Other liabilities	586	451	1,262	1,365
Net cash provided by operating activities	4,930	3,393	16,108	10,320
Cash flows from investing activities				
Purchases of property and equipment	(1,269)	(692)	(4,491)	(2,523)
Purchases of marketable securities	(4,974)	(5,605)	(22,341)	(15,938)
Sales of marketable securities	4,103	2,803	13,894	6,928
Maturities of marketable securities	227	747	1,261	2,310
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(41)	(4)	(123)	(313)
Change in restricted cash and deposits	(21)	25	61	102
Net cash used in investing activities	(1,975)	(2,726)	(11,739)	(9,434)
Cash flows from financing activities				
Principal payments on capital lease and other financing obligations	—	(12)	(312)	(119)
Other financing activities, net	4	—	2	(20)

Net cash provided by (used in) financing activities	4	(12)	(310)	(139)
Effect of exchange rate changes on cash and cash equivalents	(94)	(56)	(63)	(155)
Net increase in cash and cash equivalents	2,865	599	3,996	592
Cash and cash equivalents at beginning of period	6,038	4,308	4,907	4,315
Cash and cash equivalents at end of period	\$ 8,903	\$ 4,907	\$ 8,903	\$ 4,907

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016⁽¹⁾	2015⁽¹⁾	2016⁽¹⁾	2015⁽¹⁾
Supplemental cash flow data				
Cash paid during the period for:				
Interest	\$ —	\$ 2	\$ 11	\$ 10
Income taxes, net	\$ 446	\$ 71	\$ 1,210	\$ 270
Non-cash investing and financing activities:				
Net change in accounts payable, accrued expenses and other current liabilities, and other liabilities related to property and equipment additions	\$ (47)	\$ (19)	\$ 272	\$ 88
Promissory note payable issued in connection with an acquisition	\$ —	\$ —	\$ —	\$ 198
Settlement of contingent consideration liability	\$ —	\$ —	\$ 33	\$ —

- (1) We elected to early adopt ASU 2016-09 in the fourth quarter of 2016. The impacts of adoption, such as the recognition of excess tax benefits for awards that vested or settled in 2016 as a reduction to our provision for income taxes, have been reflected in our net income under net cash provided by operating activities for the three months and year ended December 31, 2016. Since we adopted the aspects of the cash flow presentation retrospectively, to conform to the current year presentation, we reclassified \$566 million and \$1.72 billion of excess tax benefits under financing activities to operating activities for the fourth quarter and full year 2015, respectively. See "Adoption of New Accounting Guidance" above for additional information.

Reconciliation of GAAP to Non-GAAP Results

(In millions, except percentages and per share amounts)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
GAAP revenue	\$ 8,809	\$ 5,841	\$ 27,638	\$ 17,928
Foreign exchange effect on 2016 revenue using 2015 rates	36		270	
Revenue excluding foreign exchange effect	\$ 8,845		\$ 27,908	
GAAP revenue year-over-year change %	51 %		54 %	
Revenue excluding foreign exchange effect year-over-year change %	51 %		56 %	
GAAP advertising revenue	\$ 8,629	\$ 5,637	\$ 26,885	\$ 17,079
Foreign exchange effect on 2016 advertising revenue using 2015 rates	35		269	
Advertising revenue excluding foreign exchange effect	\$ 8,664		\$ 27,154	
GAAP advertising revenue year-over-year change %	53 %		57 %	
Advertising revenue excluding foreign exchange effect year-over-year change %	54 %		59 %	

GAAP costs and expenses ⁽¹⁾	\$	4,243	\$	3,281	\$	15,211	\$	11,703
Share-based compensation expense ⁽¹⁾		(831)		(746)		(3,218)		(2,969)
Payroll tax expenses related to share-based compensation		(17)		(26)		(98)		(77)
Amortization of intangible assets		(183)		(191)		(751)		(730)
Non-GAAP costs and expenses	\$	3,212	\$	2,318	\$	11,144	\$	7,927
GAAP income from operations ⁽¹⁾	\$	4,566	\$	2,560	\$	12,427	\$	6,225
Share-based compensation expense ⁽¹⁾		831		746		3,218		2,969
Payroll tax expenses related to share-based compensation		17		26		98		77
Amortization of intangible assets		183		191		751		730
Non-GAAP income from operations	\$	5,597	\$	3,523	\$	16,494	\$	10,001
GAAP net income ⁽¹⁾	\$	3,568	\$	1,562	\$	10,217	\$	3,688
Share-based compensation expense ⁽¹⁾		831		746		3,218		2,969
Payroll tax expenses related to share-based compensation		17		26		98		77
Amortization of intangible assets		183		191		751		730
Income tax adjustments ⁽¹⁾		(449)		(260)		(1,916)		(946)
Non-GAAP net income	\$	4,150	\$	2,265	\$	12,368	\$	6,518
GAAP and Non-GAAP diluted shares ⁽¹⁾		2,938		2,878		2,925		2,853
GAAP diluted earnings per share ⁽¹⁾	\$	1.21	\$	0.54	\$	3.49	\$	1.29
Non-GAAP adjustments to net income		0.20		0.25		0.74		0.99
Non-GAAP diluted earnings per share	\$	1.41	\$	0.79	\$	4.23	\$	2.28
GAAP operating margin ⁽¹⁾		52 %		44 %		45 %		35 %
Share-based compensation expense ⁽¹⁾		9 %		13 %		12 %		17 %
Payroll tax expenses related to share-based compensation		—%		—%		—%		—%

Amortization of intangible assets	2 %	3 %	3 %	4 %
Non-GAAP operating margin	64 %	60 %	60 %	56 %
GAAP income before provision for income taxes ⁽¹⁾	\$ 4,533	\$ 2,557	\$ 12,518	\$ 6,194
GAAP provision for income taxes ⁽¹⁾	965	995	2,301	2,506
GAAP effective tax rate ⁽¹⁾	21 %	39 %	18 %	40 %
GAAP income before provision for income taxes ⁽¹⁾	\$ 4,533	\$ 2,557	\$ 12,518	\$ 6,194
Share-based compensation and related payroll tax expenses ⁽¹⁾	848	772	3,316	3,046
Amortization of intangible assets	183	191	751	730
Non-GAAP income before provision for income taxes	\$ 5,564	\$ 3,520	\$ 16,585	\$ 9,970
Non-GAAP provision for income taxes	1,414	1,255	4,217	3,452
Non-GAAP effective tax rate	25 %	36 %	25 %	35 %
Net cash provided by operating activities ⁽¹⁾	\$ 4,930	\$ 3,393	\$ 16,108	\$ 10,320
Purchases of property and equipment	(1,269)	(692)	(4,491)	(2,523)
Free cash flow ⁽¹⁾	\$ 3,661	\$ 2,701	\$ 11,617	\$ 7,797

(1) In the fourth quarter of 2016, we elected to early adopt ASU 2016-09. The impacts of adoption have been reflected in certain results of operations and cash flows data for the three months and year ended December 31, 2016. In addition, certain cash flows data for the three months and year ended December 31, 2015 have been adjusted accordingly. See "Adoption of New Accounting Guidance" above for additional information.

To view the original version on PR Newswire, visit:<http://www.prnewswire.com/news-releases/facebook-reports-fourth-quarter-and-full-year-2016-results-300400830.html>

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Facebook Reports Fourth Quarter and Full Year 2017 Results

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MENLO PARK, Calif., Jan. 31, 2018 /PRNewswire/ -- Facebook, Inc. (NASDAQ: FB) today reported financial results for the quarter and full year ended December 31, 2017.

"2017 was a strong year for Facebook, but it was also a hard one," said Mark Zuckerberg, Facebook founder and CEO. "In 2018, we're focused on making sure Facebook isn't just fun to use, but also good for people's well-being and for society. We're doing this by encouraging meaningful connections between people rather than passive consumption of content. Already last quarter, we made changes to show fewer viral videos to make sure people's time is well spent. In total, we made changes that reduced time spent on Facebook by roughly 50 million hours every day. By focusing on meaningful connections, our community and business will be stronger over the long term."

Fourth Quarter and Full Year 2017 Financial Highlights

	Three Months Ended December 31,		Year- over-Year %	Year Ended December 31,		Year- over-Year %
	2017	2016		2017	2016	
In millions, except percentages and per share amounts						
Revenue:						
Advertising	\$ 12,779	\$ 8,629	48 %	\$ 39,942	\$ 26,885	49 %
Payments and other fees	193	180	7 %	711	753	(6) %
Total revenue	12,972	8,809	47 %	40,653	27,638	47 %
Total costs and expenses	5,620	4,243	32 %	20,450	15,211	34 %
Income from operations	\$ 7,352	\$ 4,566	61 %	\$ 20,203	\$ 12,427	63 %
Operating margin	57 %	52 %		50 %	45 %	
Provision for income taxes ⁽¹⁾	\$ 3,194			\$ 4,660		
Effective tax rate ⁽¹⁾	43 %			23 %		
Net income ⁽¹⁾	\$ 4,268	\$ 3,568	20 %	\$ 15,934	\$ 10,217	56 %
Diluted Earnings per Share (EPS) ⁽¹⁾	\$ 1.44	\$ 1.21	19 %	\$ 5.39	\$ 3.49	54 %

(1) In December 2017, the 2017 Tax Cuts and Jobs Act was enacted and significantly impacted U.S. tax law. As a result of this legislation, our fourth quarter and full year 2017 provision for income taxes increased by \$2.27 billion, which impacted our effective tax rate, net income and diluted EPS for such periods. Our diluted EPS decreased by \$0.77 for both the fourth quarter and full year 2017. See "2017 Tax Cuts and Jobs Act" below for additional information.

Fourth Quarter and Full Year 2017 Operational and Other Financial Highlights

- **Daily active users (DAUs)** – DAUs were 1.40 billion on average for December 2017, an increase of 14% year-over-year.
- **Monthly active users (MAUs)** – MAUs were 2.13 billion as of December 31, 2017, an increase of 14% year-over-year.
- **Mobile advertising revenue** – Mobile advertising revenue represented approximately 89% of advertising revenue for the fourth quarter of 2017, up from

approximately 84% of advertising revenue in the fourth quarter of 2016.

- **Capital expenditures** – Capital expenditures were \$2.26 billion and \$6.73 billion for the fourth quarter and full year 2017, respectively.
- **Cash and cash equivalents and marketable securities** – Cash and cash equivalents and marketable securities were \$41.71 billion at the end of the fourth quarter of 2017.
- **Headcount** – Headcount was 25,105 as of December 31, 2017, an increase of 47% year-over-year.

2017 Tax Cuts and Jobs Act

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law and the new legislation contains several key tax provisions that affected us, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others. We are required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, remeasuring our U.S. deferred tax assets and liabilities, and reassessing the net realizability of our deferred tax assets and liabilities. In December 2017, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As a result, our provision for income taxes increased by \$2.27 billion and our diluted EPS decreased by \$0.77 for both the fourth quarter and full year 2017. Since the Tax Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation are expected over the next 12 months, we consider the accounting of the transition tax, deferred tax re-measurements, and other items to be provisional due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. We expect to complete our analysis within the measurement period in accordance with SAB 118.

Webcast and Conference Call Information

Facebook will host a conference call to discuss the results at 2 p.m. PT / 5 p.m. ET today. The live webcast of Facebook's earnings conference call can be accessed at investor.fb.com, along with the earnings press release, financial tables, and slide presentation. Facebook uses the investor.fb.com and newsroom.fb.com websites as well as Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at +1 (404) 537-3406 or +1 (855) 859-2056, conference ID 1279727.

About Facebook

Founded in 2004, Facebook's mission is to give people the power to build community and bring the world closer together. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

Contacts

Investors:

Deborah Crawford

investor@fb.com / investor.fb.com

Press:

Vanessa Chan

press@fb.com / newsroom.fb.com

Forward Looking Statements

This press release contains forward-looking statements regarding our future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors including: our ability to retain or increase users and engagement levels; our reliance on advertising revenue; our dependency on mobile operating systems, networks, and standards that we do not control; risks associated with new product development and their introduction as well as other new business initiatives; our emphasis on user growth and engagement and the user experience over short-term financial results; competition; litigation; privacy and regulatory concerns; risks associated with acquisitions; security breaches; and our ability to manage growth and geographically-dispersed operations. These and other potential risks and uncertainties that could cause actual results to differ from the results predicted are more fully detailed under the caption "Risk Factors" in our Quarterly Report on Form 10-Q filed with the SEC on November 2, 2017, which is available on our Investor Relations website at investor.fb.com and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 10-K for the year ended December 31, 2017. In addition, please note that the date of this press release is January 31, 2018, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update these statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States (GAAP), we use the following non-GAAP financial measures: revenue excluding foreign exchange effect, advertising revenue excluding foreign exchange effect and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures.

We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

We exclude the following items from our non-GAAP financial measures:

Foreign exchange effect on revenue. We translated revenue for the three months and year ended December 31, 2017 using the prior year's monthly exchange rates for our settlement currencies other than the U.S. dollar, which we believe is a useful metric that facilitates comparison to our historical performance.

Purchases of property and equipment. We subtract purchases of property and equipment in our calculation of free cash flow because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business. Free cash flow is not intended to represent our residual cash flow available for discretionary expenditures.

For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures, please see the "Reconciliation of GAAP to Non-GAAP Results" table in this press release.

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except for per share amounts)
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Revenue	\$ 12,972	\$ 8,809	\$ 40,653	\$ 27,638
Costs and expenses:				
Cost of revenue	1,611	1,047	5,454	3,789
Research and development	1,949	1,563	7,754	5,919
Marketing and sales	1,374	1,118	4,725	3,772
General and administrative	686	515	2,517	1,731
Total costs and expenses	5,620	4,243	20,450	15,211
Income from operations	7,352	4,566	20,203	12,427
Interest and other income (expense), net	110	(33)	391	91
Income before provision for income taxes	7,462	4,533	20,594	12,518
Provision for income taxes	3,194	965	4,660	2,301
Net income	\$ 4,268	\$ 3,568	\$ 15,934	\$ 10,217
Less: Net income attributable to participating securities	2	7	14	29
Net income attributable to Class A and Class B common stockholders	\$ 4,266	\$ 3,561	\$ 15,920	\$ 10,188
Earnings per share attributable to Class A and Class B common stockholders:				
Basic	\$ 1.47	\$ 1.24	\$ 5.49	\$ 3.56
Diluted	\$ 1.44	\$ 1.21	\$ 5.39	\$ 3.49
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	2,907	2,882	2,901	2,863
Diluted	2,954	2,938	2,956	2,925
Share-based compensation expense included in costs and expenses:				
Cost of revenue	\$ 50	\$ 32	\$ 178	\$ 113

Research and development	587	641	2,820	2,494
Marketing and sales	106	96	436	368
General and administrative	71	62	289	243
Total share-based compensation expense	<u>\$ 814</u>	<u>\$ 831</u>	<u>\$ 3,723</u>	<u>\$ 3,218</u>

FACEBOOK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)
(Unaudited)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,079	\$ 8,903
Marketable securities	33,632	20,546
Accounts receivable, net of allowances of \$189 and \$94 as of December 31, 2017 and 2016, respectively	5,832	3,993
Prepaid expenses and other current assets	1,020	959
Total current assets	<u>48,563</u>	<u>34,401</u>
Property and equipment, net	13,721	8,591
Intangible assets, net	1,884	2,535
Goodwill	18,221	18,122
Other assets	2,135	1,312
Total assets	<u>\$ 84,524</u>	<u>\$ 64,961</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 380	\$ 302
Partners payable	390	280
Accrued expenses and other current liabilities	2,892	2,203
Deferred revenue and deposits	98	90
Total current liabilities	<u>3,760</u>	<u>2,875</u>
Other liabilities	6,417	2,892
Total liabilities	<u>10,177</u>	<u>5,767</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock and additional paid-in capital	40,584	38,227
Accumulated other comprehensive loss	(227)	(703)
Retained earnings	33,990	21,670
Total stockholders' equity	<u>74,347</u>	<u>59,194</u>
Total liabilities and stockholders' equity	<u>\$ 84,524</u>	<u>\$ 64,961</u>

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities				
Net income	\$ 4,268	\$ 3,568	\$ 15,934	\$ 10,217
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	853	614	3,025	2,342

Share-based compensation	814	831	3,723	3,218
Deferred income taxes	(225)	(256)	(377)	(457)
Other	5	7	24	30
Changes in assets and liabilities:				
Accounts receivable	(1,374)	(1,011)	(1,609)	(1,489)
Prepaid expenses and other current assets	441	155	(192)	(159)
Other assets	26	(32)	154	14
Accounts payable	50	35	43	14
Partners payable	73	47	95	67
Accrued expenses and other current liabilities	215	372	309	1,014
Deferred revenue and deposits	(7)	14	4	35
Other liabilities	2,531	586	3,083	1,262
Net cash provided by operating activities	7,670	4,930	24,216	16,108
Cash flows from investing activities				
Purchases of property and equipment	(2,262)	(1,269)	(6,733)	(4,491)
Purchases of marketable securities	(5,272)	(4,974)	(25,682)	(22,341)
Sales of marketable securities	1,795	4,103	9,444	13,894
Maturities of marketable securities	760	227	2,988	1,261
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(17)	(41)	(122)	(123)
Change in restricted cash and deposits	3	(21)	67	61
Net cash used in investing activities	(4,993)	(1,975)	(20,038)	(11,739)
Cash flows from financing activities				
Taxes paid related to net share settlement of equity awards	(885)	—	(3,246)	(6)
Principal payments on capital lease and other financing obligations	—	—	—	(312)
Repurchases of Class A common stock	(958)	—	(1,976)	—
Other financing activities, net	1	4	(13)	8
Net cash (used in) provided by financing activities	(1,842)	4	(5,235)	(310)
Effect of exchange rate changes on cash and cash equivalents	43	(94)	233	(63)
Net increase (decrease) in cash and cash equivalents	878	2,865	(824)	3,996
Cash and cash equivalents at beginning of period	7,201	6,038	8,903	4,907
Cash and cash equivalents at end of period	\$ 8,079	\$ 8,903	\$ 8,079	\$ 8,903

FACEBOOK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Supplemental cash flow data				
Cash paid during the period for:				
Interest	\$ —	\$ —	\$ —	\$ 11
Income taxes, net	\$ 324	\$ 446	\$ 2,117	\$ 1,210
Non-cash investing and financing activities:				
Net change in accounts payable, accrued expenses and other current liabilities, and other liabilities related to property and equipment additions	\$ (77)	\$ (47)	\$ 363	\$ 272
Settlement of acquisition-related contingent consideration liability	\$ —	\$ —	\$ 102	\$ 33
Change in unsettled repurchases of Class A common stock	\$ 74	\$ —	\$ 94	\$ —

Reconciliation of GAAP to Non-GAAP Results
(In millions, except percentages)

(Unaudited)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
GAAP revenue	\$ 12,972	\$ 8,809	\$ 40,653	\$ 27,638
Foreign exchange effect on 2017 revenue using 2016 rates	(329)		(293)	
Revenue excluding foreign exchange effect	\$ 12,643		\$ 40,360	
GAAP revenue year-over-year change %	47 %		47 %	
Revenue excluding foreign exchange effect year-over-year change %	44 %		46 %	
GAAP advertising revenue	\$ 12,779	\$ 8,629	\$ 39,942	\$ 26,885
Foreign exchange effect on 2017 advertising revenue using 2016 rates	(327)		(292)	
Advertising revenue excluding foreign exchange effect	\$ 12,452		\$ 39,650	
GAAP advertising revenue year-over-year change %	48 %		49 %	
Advertising revenue excluding foreign exchange effect year-over-year change %	44 %		47 %	
Net cash provided by operating activities	\$ 7,670	\$ 4,930	\$ 24,216	\$ 16,108
Purchases of property and equipment	(2,262)	(1,269)	(6,733)	(4,491)
Free cash flow	\$ 5,408	\$ 3,661	\$ 17,483	\$ 11,617

View original content: <http://www.prnewswire.com/news-releases/facebook-reports-fourth-quarter-and-full-year-2017-results-300591468.html>

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Facebook to Acquire Instagram

[Download this Press Release](#)

MENLO PARK, CALIF.—April 9, 2012—Facebook announced today that it has reached an agreement to acquire Instagram, a fun, popular photo-sharing app for mobile devices.

The total consideration for San Francisco-based Instagram is approximately \$1 billion in a combination of cash and shares of Facebook. The transaction, which is subject to customary closing conditions, is expected to close later this quarter.

Mark Zuckerberg, founder and CEO of Facebook, posted about the transaction on his Timeline:

I'm excited to share the news that we've agreed to acquire Instagram and that their talented team will be joining Facebook.

For years, we've focused on building the best experience for sharing photos with your friends and family. Now, we'll be able to work even more closely with the Instagram team to also offer the best experiences for sharing beautiful mobile photos with people based on your interests.

We believe these are different experiences that complement each other. But in order to do this well, we need to be mindful about keeping and building on Instagram's strengths and features rather than just trying to integrate everything into Facebook.

That's why we're committed to building and growing Instagram independently. Millions of people

around the world love the Instagram app and the brand associated with it, and our goal is to help spread this app and brand to even more people.

We think the fact that Instagram is connected to other services beyond Facebook is an important part of the experience. We plan on keeping features like the ability to post to other social networks, the ability to not share your Instagrams on Facebook if you want, and the ability to have followers and follow people separately from your friends on Facebook.

These and many other features are important parts of the Instagram experience and we understand that. We will try to learn from Instagram's experience to build similar features into our other products. At the same time, we will try to help Instagram continue to grow by using Facebook's strong engineering team and infrastructure.

This is an important milestone for Facebook because it's the first time we've ever acquired a product and company with so many users. We don't plan on doing many more of these, if any at all. But providing the best photo sharing experience is one reason why so many people love Facebook and we knew it would be worth bringing these two companies together.

We're looking forward to working with the Instagram team and to all of the great new experiences we're going to be able to build together.

About Facebook

Founded in 2004, Facebook's mission is to make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

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Facebook to Acquire WhatsApp

[Download this Press Release](#)

- Acquisition accelerates Facebook's ability to bring connectivity and utility to the world
- Leading mobile messaging company will continue to operate independently and retain its brand
- WhatsApp co-founder and CEO Jan Koum to join Facebook Board of Directors

MENLO PARK, Calif., Feb. 19, 2014 /PRNewswire/ -- Facebook today announced that it has reached a definitive agreement to acquire WhatsApp, a rapidly growing cross-platform mobile messaging company, for a total of approximately \$16 billion, including \$4 billion in cash and approximately \$12 billion worth of Facebook shares. The agreement also provides for an additional \$3 billion in restricted stock units to be granted to WhatsApp's founders and employees that will vest over four years subsequent to closing.

WhatsApp has built a leading and rapidly growing real-time mobile messaging service, with:

- Over 450 million people using the service each month;
- 70% of those people active on a given day;
- Messaging volume approaching the entire global telecom SMS volume; and
- Continued strong growth, currently adding more than 1 million new registered users per day.

The acquisition supports Facebook and WhatsApp's shared mission to bring more connectivity and utility to the world by delivering core internet services efficiently and affordably. The combination will help accelerate growth and user engagement across both companies.

"WhatsApp is on a path to connect 1 billion people. The services that reach that milestone are all incredibly valuable," said Mark Zuckerberg, Facebook founder and CEO. "I've known Jan for a long time and I'm excited to partner with him and his team to make the world more open and connected."

Jan Koum, WhatsApp co-founder and CEO, said, "WhatsApp's extremely high user engagement and rapid growth are driven by the simple, powerful and instantaneous messaging capabilities we provide. We're excited and honored to partner with Mark and Facebook as we continue to bring our product to more people around the world."

Facebook fosters an environment where independent-minded entrepreneurs can build companies, set their own direction and focus on growth while also benefiting from Facebook's expertise, resources and scale. This approach is working well with Instagram, and WhatsApp will operate in this manner. WhatsApp's brand will be maintained; its headquarters will remain in Mountain View, CA; Jan Koum will join Facebook's Board of Directors; and WhatsApp's core messaging product and Facebook's existing Messenger app will continue to operate as standalone applications.

Upon closing of the deal, all outstanding shares of WhatsApp capital stock and options to purchase WhatsApp capital stock will be cancelled in exchange for \$4 billion in cash and 183,865,778 shares of Facebook Class A common stock (worth \$12 billion based on the average closing price of the six trading days preceding February 18, 2014 of \$65.2650 per share). In addition, upon closing, Facebook will grant 45,966,444 restricted stock units to WhatsApp employees (worth \$3 billion based on the average closing price of the six trading days preceding February 18, 2014 of \$65.2650 per share). As of February 17, 2014, Facebook had 2,551,654,996 Class A and B shares outstanding plus approximately 139 million dilutive securities primarily consisting of unvested RSUs. The Class A common stock and RSUs issued to WhatsApp shareholders and employees upon closing will represent 7.9% of Facebook shares based on current shares and RSUs outstanding.

In the event of termination of the Merger Agreement under certain circumstances principally related to a failure to obtain required regulatory approvals, the Merger Agreement provides for Facebook to pay WhatsApp a fee of \$1 billion in cash and to issue to WhatsApp a number of shares of Facebook's Class A common stock equal to \$1 billion based on the average closing price of the ten trading days preceding such termination date.

Facebook was advised by Allen & Company LLC and Weil, Gotshal & Manges LLP; and WhatsApp was advised by Morgan Stanley and Fenwick & West, LLP.

Webcast and Conference Call Information

Facebook will host a 30-minute conference call to discuss the acquisition at 3:00 pm PT / 6:00 pm ET today. The dial-in number for the call is (866) 751-3284 (toll free) and (973) 935-8772 (international), conference

ID: 2907041. The live webcast of the call can be accessed at the Facebook Investor Relations website at investor.fb.com. Facebook uses the website <http://investor.fb.com> as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Following the call, a replay will be available at the same website. A telephonic replay will be available for one week following the conference call at (855) 859-2056 or (404) 537-3406, conference ID 2907041.

About Facebook

Facebook's mission is to give people the power to share and make the world more open and connected. People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

About WhatsApp

WhatsApp is a personal real-time messaging network allowing millions of people around the world to stay connected with their friends and family.

Facebook Contacts

Investors:

Deborah Crawford
investor@fb.com / investor.fb.com

Press:

Tucker Bounds
press@fb.com / newsroom.fb.com

WhatsApp Contact:

press@whatsapp.com

Forward Looking Statements

This press release may be deemed to contain forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including the expected completion of the acquisition, the time frame in which this will occur, the expected benefits to Facebook and WhatsApp from completing the acquisition, and the expected financial performance of Facebook following completion of the acquisition. Statements regarding future events are based on the parties' current expectations and are necessarily subject to associated risks related to, among other things, regulatory approval of the proposed acquisition or that other conditions to the closing of the deal may not be satisfied, the potential

impact on the business of WhatsApp due to the announcement of the acquisition, the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreement, and general economic conditions. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. For information regarding other related risks, see the "Risk Factors" section of Facebook's Annual Report on Form 10-K for 2013. The forward-looking statements included herein are made only as of the date hereof, and neither party undertakes an obligation to revise or update any forward-looking statements for any reason.

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EXHIBIT 46

How Facebook Messenger clawed its way to 1 billion users



Josh Constine

@JoshConstine / Jul 20, 2016



Comment



Facebook’s gamble of forcing users to download Messenger has paid off. Despite the backlash, Messenger has doubled its user count in 20 months to reach the [one billion user mark five years after its debut](#). Messenger joins Facebook, its acquisition WhatsApp and Google’s YouTube in the [billion user](#) mobile user club.

The app has racked up some other impressive stats. Each month, 17 billion photos are sent and 1 billion messages pass between people and businesses, 380 million stickers and 22 million GIFs are sent each day and 10 percent of all VoIP calls go through Messenger. Messenger’s new

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up for Facebook’s

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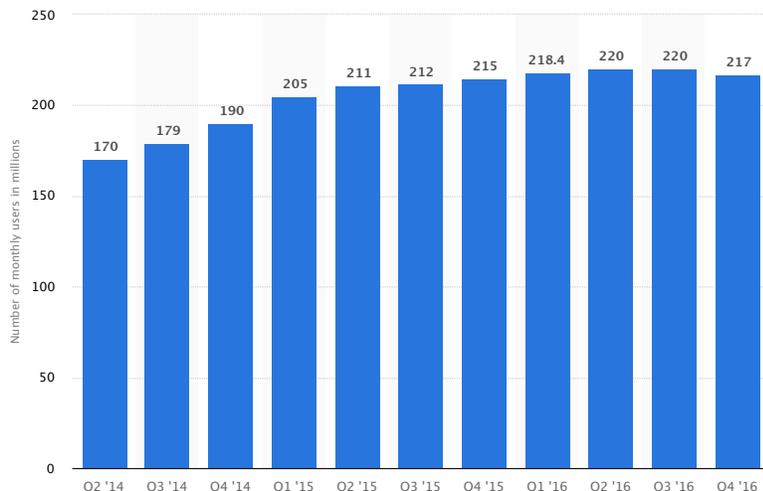
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EXHIBIT 47

Social Media & User-Generated Content > LINE: number of monthly active users 2014-2016

Number of monthly active LINE users worldwide as of 4th quarter 2016 (in millions)



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DESCRIPTION SOURCE MORE INFORMATION

This statistic shows a timeline with the amount of monthly active LINE users worldwide as of the fourth quarter of 2016. As of that period, the [mobile messaging app](#) announced more than 217 million monthly active users. In October 2014, LINE had also reported 560 million registered users worldwide.

The Japanese messenger app LINE was developed by engineers at NHN Japan, an arm of the South Korean [Naver Corporation](#), in response to damaged

Data visualized by + a b | e a u

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Global social networks ranked by number of users 2018

 Most popular global mobile messenger apps 2018

 Most popular Asia-based mobile messenger apps 2016

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Statistics on "LINE"

Metrics	The most important statistics
Usage	Leading mobile device activities in Japan Q3 2017
Revenue	LINE: daily message volume 2013-2016
	LINE: number of monthly active users 2014-2016
	LINE: number of monthly active users in Japan 2013-2017
	Number of LINE users in Japan 2016-2021

Related Studies: Available to Download in PDF or PPTX Format

All Information
**in one
Presentation**

Mobile messenger apps

Mobile messenger apps

127 page/s English PPTX Detailed references

Everything On "Mobile messenger apps" in One Document: Edited and Divided into Handy Chapters. Including Detailed References.

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LINE

Social media usage worldwide

Mobile social media

Statista for Your Company: The Research and Analysis Tool

The image shows a screenshot of the Statista for Your Company interface. At the top, there are three tabs: "Product Film" (with a small square icon), "Statistics" (which is currently selected and has a blue underline), and "Downloads". Below the tabs is a large, empty white rectangular area, likely intended for displaying content related to the selected tab.

You are in good company



Further Content: Statistics, Studies, and Topic Pages

Statistics

LINE: number of monthly paying users (MPU) 2013-2016

LINE male user access rate in Japan 2015

Line: knowledge and use among social media users in Spain 2015-2016

LINE female user access rate in Japan 2015

LINE: most popular features 2014, by gender

LINE: average sales of top selling stickers 2014

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Mobile messenger apps

Social media

Mobile app usage

Snapchat

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(NASDAQ: ZNGA)

Price: \$3.53
Change: -0.1
Day High: 3.62
Day Low: 3.515
Volume: 705,003

4:00 PM EDT on Apr 20,
2018

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minutes delayed.

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Zynga Reports Fourth Quarter and Full Year 2012 Financial Results

Feb 5, 2013

Zynga Reports Fourth Quarter and Full Year 2012 Financial Results

SAN FRANCISCO, Feb. 5, 2013 (GLOBE NEWSWIRE) -- Zynga Inc. (Nasdaq:ZNGA), the world's leading provider of social game services, today announced financial results for the fourth quarter and full year ended December 31, 2012.

- Full year 2012 revenue of \$1.28 billion, up 12% year-over-year, and bookings of \$1.15 billion, down 1% year-over-year
- Full year net loss of \$209 million and adjusted EBITDA of \$213 million
- Full year 2012 GAAP EPS of (\$0.28) and non-GAAP EPS of \$0.07
- Q4 revenue of \$311 million, flat year-over-year, and bookings of \$261 million, down 15% year-over-year
- Q4 net loss of \$48.6 million, down 89% year-over-year, adjusted EBITDA of \$45 million, down 34% year-over-year
- Q4 GAAP EPS of (\$0.06) and non-GAAP EPS of \$0.01

"The biggest highlight of the quarter was seeing our team deliver a successful sequel in *FarmVille2*, a next generation social game that offers cutting edge 3-D experiences loved by millions of *FarmVille* fans," said Mark Pincus, CEO and Founder, Zynga. "In 2013 we're excited to bring this new class of social games to mobile phones and tablets and build a network that offers an easier, better way for people to play together."

Financial Highlights (in thousands, except per share data)

	Quarter ended		Year ended	
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2012	Dec 31, 2011
GAAP Results				
Revenue	\$ 311,165	\$ 311,237	\$ 1,281,267	\$ 1,140,100
Net loss	\$ (48,561)	\$ (435,005)	\$ (209,448)	\$ (404,316)
Diluted net loss per share	\$ (0.06)	\$ (1.22)	\$ (0.28)	\$ (1.40)
Non-GAAP Results				
Bookings	\$ 261,269	\$ 306,507	\$ 1,147,627	\$ 1,155,509
Adjusted EBITDA	\$ 45,018	\$ 67,801	\$ 213,233	\$ 303,274
Non-GAAP net income	\$ 6,935	\$ 37,153	\$ 58,178	\$ 182,483
Non-GAAP earnings per share	\$ 0.01	\$ 0.05	\$ 0.07	\$ 0.24

Fourth Quarter 2012 Business Highlights

- Daily active users (DAUs) increased from 54 million in the fourth quarter of 2011 to 56 million in the fourth quarter of 2012, up 3% year-over-year. On a consecutive quarter basis, DAUs were down 6% from 60 million in the third quarter of 2012.
- Monthly active users (MAUs) increased from 240 million in the fourth quarter of 2011 to 298 million in the fourth quarter of 2012, up 24% year-over-year. On a consecutive quarter basis, MAUs were down 4% from 311 million in the third quarter of 2012.
- Monthly unique users (MUUs) increased from 153 million in the fourth quarter of 2011 to 167 million in the fourth quarter of 2012, up 9% year-over-year. On a consecutive quarter basis, MUUs were down 6% from 177 million in the third quarter of 2012.
- Average daily bookings per average DAU (ABPU) decreased from \$0.061 in the fourth quarter of 2011 to \$0.051 in the fourth quarter of 2012, down 17% year-over-year. On a consecutive quarter basis, ABPU was up 8% from \$0.047 in the third quarter of 2012.
- Monthly Unique Payers (MUPs) were 2.9 million in the fourth quarter of 2012, down 1% year-over-year and down 2% quarter-over-quarter.
- Zynga released six new titles during the fourth quarter of 2012, including four new titles on web-based platforms: *Bubble Safari Ocean*, *CityVille 2*, *CoasterVille* and *The Friend*

Game; and two new titles on mobile platforms: *Ayakashi* and *Party Place*. In addition, Zynga launched mobile versions of *Bubble Safari* and *Ruby Blast*.

- As of December 31, 2012, Zynga had five of the top 10 games on Facebook, based on DAUs as reported by AppData, including some of its most established titles, *Words With Friends* and *Zynga Poker*, and some of its newer games, *Bubble Safari*, *ChefVille* and *FarmVille 2*.
- In the fourth quarter of 2012, Zynga continued to expand its platform offering for third-party publishers, launching eight web games and four mobile games.
- In December 2012, Zynga mobile game players in the US spent more time in Zynga games than the next five game companies combined, according to comScore.

"Our team executed well in the fourth quarter and made important progress in building sustainable new revenue streams and further aligning our company around our best growth opportunities," said David Ko, Chief Operations Officer, Zynga. "2013 will be a pivotal transition year and we are focused on achieving three strategic objectives: growing our franchises on mobile and web, expanding our network and maintaining profitability on an adjusted EBITDA basis. With 298 million monthly average users, including 72 million on mobile alone, Zynga already has the largest social gaming audience and remains the best positioned company to lead in building the future of social gaming."

2012 Annual Financial Summary

- **Revenue:** Revenue was \$1.28 billion in 2012, an increase of 12% on a year-over-year basis. Online game revenue was \$1.14 billion, an increase of 7% on a year-over-year basis. Advertising revenue was \$137 million, an increase of 84% on a year-over-year basis.
- **Bookings:** Bookings were \$1.15 billion in 2012, a decrease of 1% on a year-over-year basis.
- **Net loss:** GAAP net loss was \$209.4 million in 2012, which included \$282.0 million of stock-based expense and \$49.9 million of income tax expense driven by a \$53.8 million charge related to accelerating the implementation of Zynga's international structure.
- **Adjusted EBITDA:** Adjusted EBITDA was \$213.2 million in 2012, a decrease of 30% year-over-year, primarily due to increased cash investment in research and development, datacenters and infrastructure.
- **Non-GAAP net income:** Non-GAAP net income was \$58.2 million in 2012, a decrease of 68% year-over-year, primarily due to increased investment in research and development.
- **EPS:** Diluted EPS was (\$0.28) for the full year 2012, compared to (\$1.40) for the full year 2011.
- **Non-GAAP EPS:** Non-GAAP EPS was \$0.07 for the full year 2012, compared to \$0.24 for the full year 2011.
- **Cash and Cash flow:** As of December 31, 2012, cash, cash equivalents and marketable securities were approximately \$1.65 billion, compared to \$1.92 billion as of December 31, 2011. Cash flow from operations was \$195.8 million for the year ended December 31, 2012, compared to \$389.2 million for the year ended December 31, 2011. Free cash flow was (\$114.3) million for the year ended December 31, 2012 as reported, or \$119.4 million excluding the purchase of the company's headquarters, compared to \$137.3 million for the year ended December 31, 2011.

Fourth Quarter 2012 Financial Summary

- **Revenue:** Revenue was \$311.2 million for the fourth quarter of 2012, flat compared to the fourth quarter of 2011 and a decrease of 2% compared to the third quarter of 2012. Online game revenue was \$274.3 million, a decrease of 3% compared to the fourth quarter of 2011 and a decrease of 4% compared to the third quarter of 2012. Advertising revenue was \$36.8 million, an increase of 35% compared to the fourth quarter of 2011 and an increase of 19% compared to the third quarter of 2012.
- **Bookings:** Bookings were \$261.3 million for the fourth quarter of 2012, a decrease of 15% compared to the fourth quarter of 2011 and an increase of 2% compared to the third quarter of 2012.
- **Net loss:** Net loss was \$48.6 million for the fourth quarter of 2012 compared to a net loss of \$435.0 million for the fourth quarter of 2011. Net loss for the fourth quarter of

2012 included \$86.3 million of income tax expense driven by a \$53.8 million charge related to accelerating the implementation of Zynga's international structure and \$14.9 million of stock-based expense compared to \$530.0 million of stock-based expense included in the fourth quarter of 2011.

- **Adjusted EBITDA:** Adjusted EBITDA was \$45.0 million for the fourth quarter of 2012 compared to \$67.8 million for the fourth quarter of 2011 and \$16.2 million in the third quarter of 2012.
- **Non-GAAP net income:** Non-GAAP net income was \$6.9 million for the fourth quarter of 2012, down from non-GAAP net income of \$37.2 million in the fourth quarter of 2011 and up from a non-GAAP net loss of \$0.4 million in the third quarter of 2012.
- **EPS:** Diluted EPS was (\$0.06) for the fourth quarter of 2012 compared to (\$1.22) for the fourth quarter of 2011 and (\$0.07) for the third quarter of 2012.
- **Non-GAAP EPS:** Non-GAAP EPS was \$0.01 for the fourth quarter of 2012 compared to \$0.05 for the fourth quarter of 2011 and \$0.00 for the third quarter of 2012.
- **Cash and cash flow:** As of December 31, 2012, cash, cash equivalents and marketable securities were approximately \$1.65 billion, compared to \$1.65 billion as of September 30, 2012. Cash flow from operations was \$19.8 million for the fourth quarter of 2012, compared to \$164.0 million for the fourth quarter of 2011. Free cash flow was \$29.5 million for the fourth quarter of 2012 compared to \$101.9 million for the fourth quarter of 2011.
- **Share Repurchase Program:** As of December 31, 2012, Zynga repurchased approximately 5 million shares of common stock under its stock repurchase program. The remaining authorized amount of stock repurchases that may be made under this plan was approximately \$188 million as of December 31, 2012.

Outlook

Zynga's outlook for the first quarter of 2013 is as follows:

- Revenue is projected to be in the range of \$255 million to \$265 million.
- Net loss is projected to be in the range of (\$32) million to (\$12) million.
- EPS is projected to be in the range of (\$0.04) to (\$0.02), based on a share count of approximately 780 million to 790 million shares.
- Bookings are projected to be in the range of \$200 million to \$210 million.
- Adjusted EBITDA is projected to be in the range of (\$10) million to break even.
- Non-GAAP EPS is projected to be in the range of (\$0.05) to (\$0.04), based on a share count of approximately 780 million to 790 million shares.

For full year 2013:

- Zynga is targeting an adjusted EBITDA margin (adjusted EBITDA as a percentage of bookings) of 0% to 10%.

Conference Call Details:

Zynga will host a conference call today, February 5, 2013, at 2:00 pm Pacific Time (5:00 pm Eastern Time) to discuss financial results. A live webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of the company's website at <http://investor.zynga.com> and a replay will be archived and accessible at the same website after the call.

About Zynga Inc.

Zynga Inc. is the world's leading provider of social game services, which include *Zynga Poker*, *Words With Friends*, *Scramble With Friends*, *Gems with Friends*, *Draw Something*, *FarmVille*, *FarmVille2*, *ChefVille*, *CityVille*, *Bubble Safari* and *Ruby Blast*. For the quarter ended December, 31, 2012, Zynga had approximately 298 million monthly active users playing its games. Zynga's games are available on a number of global platforms, including Facebook, [Zynga.com](http://www.zynga.com), Google+, Tencent, Apple iOS and Google Android. Zynga is headquartered in San Francisco, Calif.

The Zynga Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=11743>

Forward-Looking Statements

This press release contains forward-looking statements relating to, among other things, our outlook for first quarter 2013 revenue, net loss, EPS, weighted average diluted share count, bookings, adjusted EBITDA, non-GAAP net loss, non-GAAP EPS, non-GAAP weighted average diluted share count, stock-based expense and taxes; our outlook for full year 2013 capital expenditures, targeted adjusted EBITDA margin and taxes; our estimated pre-tax savings from our restructuring plans; our

ability to remain profitable on an adjusted EBITDA basis; our future operational and strategic plans; expanding our network, including creating and building a mobile network and the success of that network; our ability to transition our web franchises to mobile and create new franchises on the web and mobile; our ability to launch successful games, including invest & express games, on mobile; our ability to launch successful new games and hit games for web and mobile generally; the success of our franchise games and our games and platform generally and the growth of the social games market, including the mobile market and the advertising market. Forward-looking statements often include words such as "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking statements. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties and assumptions. Our actual results could differ materially from those predicted or implied, and reported results should not be considered as an indication of our future performance. Factors that could cause or contribute to such differences include, but are not limited to, our relationship with Facebook or changes in the Facebook platform, our ability to launch new games in a timely manner and monetize these games effectively on the web and on mobile, our ability to control and reduce expenses, our ability to anticipate and address technical challenges that may arise, competition, changing interests of players, intellectual property disputes or other litigation, asset impairment charges, our ability to retain key employees, acquisitions by us and changes in corporate strategy or management.

More information about factors that could affect our operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Quarterly Report on Form 10-Q for the three months ended September 30, 2012, in our registration statement on Form S-1, as amended, filed with the Securities and Exchange Commission on March 23, 2012 and in our Annual Report on Form 10-K for the year ended December 31, 2011, copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the SEC's web site at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this release, which are based on information available to us on the date hereof. There is no guarantee that the circumstances described in our forward-looking statements will occur. We assume no obligation to update such statements. The results we report in our Annual Report on Form 10-K for the year ended December 31, 2012 could differ from the preliminary results we have announced in this press release.

DAU, MAU, MUU, MUP and ABPU figures presented in this press release represent the average for each period presented. The figures in this press release above represent the quarterly average of the three months within each quarter presented.

MUPs represents the aggregate number of unique players who made a payment at least once during the applicable month through a payment method for which we can quantify the number of unique payers. MUPs do not include payers who use certain payment methods for which we cannot quantify the number of unique payers. If a player made a payment in our games on two separate platforms (e.g. Facebook and Google+) in a month, the player would be counted as two unique payers in that month.

Non-GAAP Financial Measures:

We have provided in this release non-GAAP financial information including bookings, adjusted EBITDA, non-GAAP net income, non-GAAP EPS, and free cash flow, as a supplement to the consolidated financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial metrics we use in making operating decisions and because our investors and analysts use them to help assess the health of our business. We have provided reconciliations between our historical and first quarter 2013 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. However, we have not provided reconciliation of our full year 2013 adjusted EBITDA margin (adjusted EBITDA as a percentage of bookings) outlook to a comparable operating income (loss) margin (operating income (loss) as a percentage of revenues) for full year 2013 because certain inputs necessary to accurately project revenue (including the projected mix of virtual goods sold in our games, the projected estimated average lives of durable virtual goods for our games and visibility into projected bookings) are not in our control and cannot be reasonably projected for the full year due to variability from period to period caused by changes in player behavior and other factors. As revenue is a necessary input to determine this comparable GAAP metric, we are not able to provide the reconciliation.

Some limitations of bookings, adjusted EBITDA, non-GAAP net income, non-GAAP EPS and free cash flow are:

- *Adjusted EBITDA and non-GAAP net income (loss) do not include the impact of stock-based expense and restructuring expense;*
- *Bookings, adjusted EBITDA and non-GAAP net income (loss) do not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of virtual goods or as virtual goods are consumed;*
- *Adjusted EBITDA does not reflect income tax expense;*
- *Adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses, interest income; and the gain from the termination of our lease and purchase of our corporate headquarters building;*
- *Adjusted EBITDA excludes both depreciation and amortization of intangible assets, while non-GAAP net income excludes amortization of intangible assets from acquisitions.*

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;

- *Adjusted EBITDA and non-GAAP net income (loss) do not include gains and losses associated with legal settlements;*
- *Adjusted EBITDA and Non-GAAP net income (loss) do not include the impairment of intangible assets previously acquired in connection with the company's purchase of OMGPOP.*
- *Non-GAAP net income (loss) does not include the net gain from the termination of our lease and purchase of the Company's corporate headquarters building;*
- *Non-GAAP EPS treats shares of convertible preferred stock as if they had converted into common stock at the beginning of the applicable period presented;*
- *Non-GAAP EPS gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation;*
- *Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, including the purchase of our corporate headquarters building, and removing the excess income tax benefits or costs associated with stock-based awards; and*
- *Other companies, including companies in our industry, may calculate bookings, adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS and free cash flow differently or not at all, which will reduce their usefulness as a comparative measure.*

Because of these limitations, you should consider bookings, adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS and free cash flow, along with other financial performance measures, including revenue, net income (loss) and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.

ZYNGA INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 385,949	\$ 1,582,343
Marketable securities	898,821	225,165
Accounts receivable	106,327	135,633
Income tax receivable	5,607	18,583
Deferred tax assets	30,122	23,515
Restricted cash	28,152	3,846
Other current assets	29,392	34,824
Total current assets	1,484,370	2,023,909
Long-term marketable securities	367,543	110,098
Goodwill	208,955	91,765
Other intangible assets, net	33,663	32,112
Property and equipment, net	466,074	246,740
Restricted cash	--	4,082
Other long-term assets	15,715	7,940
Total assets	\$ 2,576,320	\$ 2,516,646
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 23,298	\$ 44,020
Other current liabilities	146,883	167,271
Deferred revenue	338,964	457,394
Total current liabilities	509,145	668,685
Long-term debt	100,000	--
Deferred revenue	8,041	23,251
Deferred tax liabilities	24,584	13,950
Other non-current liabilities	109,047	61,221
Total liabilities	750,817	767,107

Stockholders' equity:		
Common stock and additional paid-in capital	2,725,605	2,426,168
Treasury stock	(295,113)	(282,897)
Accumulated other comprehensive income (loss)	(1,447)	362
Accumulated deficit	<u>(603,542)</u>	<u>(394,094)</u>
Total stockholders' equity	<u>1,825,503</u>	<u>1,749,539</u>
Total liabilities and stockholders' equity	<u>\$ 2,576,320</u>	<u>\$ 2,516,646</u>

ZYNGA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Revenue:				
Online game	\$ 274,337	\$ 283,910	\$ 1,144,252	\$ 1,065,648
Advertising	<u>36,828</u>	<u>27,327</u>	<u>137,015</u>	<u>74,452</u>
Total revenue	311,165	311,237	1,281,267	1,140,100
Costs and expenses:				
Cost of revenue	77,056	104,135	352,169	330,043
Research and development	131,847	444,702	645,648	727,018
Sales and marketing	32,446	112,228	181,924	234,199
General and administrative	32,206	136,733	189,004	254,456
Impairment of intangible assets	--	--	95,493	--
Total costs and expenses	273,555	797,798	1,464,238	1,545,716
Income (loss) from operations	37,610	(486,561)	(182,971)	(405,616)
Interest income	1,230	457	4,749	1,680
Other income (expense), net	<u>(1,111)</u>	<u>(1,933)</u>	<u>18,647</u>	<u>(2,206)</u>
Income (loss) before income taxes	37,729	(488,037)	(159,575)	(406,142)
(Provision for) benefit from income taxes	<u>(86,290)</u>	<u>53,032</u>	<u>(49,873)</u>	<u>1,826</u>
Net loss	<u>\$ (48,561)</u>	<u>\$ (435,005)</u>	<u>\$ (209,448)</u>	<u>\$ (404,316)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.06)</u>	<u>\$ (1.22)</u>	<u>\$ (0.28)</u>	<u>\$ (1.40)</u>
Weighted average common shares used to compute net loss per share:				
Basic and diluted	<u>771,533</u>	<u>356,305</u>	<u>741,177</u>	<u>288,599</u>
Stock-based expense included in the above line items:				
Cost of revenue	\$ 1,018	\$ 16,058	\$ 12,116	\$ 17,660
Research and development	15,395	334,227	200,640	374,920
Sales and marketing	3,528	71,225	24,684	81,326
General and administrative	<u>(5,079)</u>	<u>108,461</u>	<u>44,546</u>	<u>126,306</u>
Total stock-based expense	<u>\$ 14,862</u>	<u>\$ 529,971</u>	<u>\$ 281,986</u>	<u>\$ 600,212</u>

ZYNGA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2012	2011	2012	2011
Operating activities				
Net loss	\$ (48,561)	\$ (435,005)	\$ (209,448)	\$ (404,316)

Adjustments to reconcile net loss to net cash provided by operating activities:

Depreciation and amortization	33,430	31,266	141,479	95,414
Stock-based expense	14,862	529,971	281,986	600,212
Accretion and amortization on marketable securities	5,165	646	17,223	2,873
Net gain on termination of lease and purchase of building	--	--	(19,886)	--
(Gain) loss from sales of investments, assets and other, net	724	830	563	(550)
Tax benefits from stock-based awards	15,972	--	21,652	--
Excess tax benefits from stock-based awards	(15,972)	11,720	(21,652)	13,750
Deferred income taxes	14,550	4,367	(43,841)	4,367
Impairment of intangible assets	--	--	95,493	--
Changes in operating assets and liabilities:				
Accounts receivable, net	(726)	(16,156)	34,338	(55,432)
Income tax receivable	1,157	(14,626)	12,976	17,994
Other assets	10,988	7,555	19,908	(14,559)
Accounts payable	(14,272)	(8,466)	(21,312)	10,373
Deferred revenue	(49,896)	(4,730)	(133,640)	15,409
Other liabilities	52,358	56,587	19,928	103,637
Net cash provided by operating activities	19,779	163,959	195,767	389,172

Investing activities

Purchase of marketable securities	(298,815)	(137,408)	(1,826,137)	(649,972)
Sales of marketable securities	73,711	6,586	223,828	19,206
Maturities of marketable securities	206,218	116,245	647,916	841,560
Acquisition of property and equipment	(6,250)	(50,355)	(98,054)	(238,091)
Purchase of building	--	--	(233,700)	--
Business acquisitions, net of cash acquired	--	(4,823)	(205,510)	(42,774)
Equity method investment	(10,000)	--	(10,000)	--
Restricted cash	443	16,878	6,979	9,194
Other investing activities, net	--	1	(2,256)	(2,578)
Net cash used in investing activities	(34,693)	(52,876)	(1,496,934)	(63,455)

Financing activities

Proceeds from initial public offering, net of offering costs	--	961,402	--	961,402
Repurchase of common stock	(11,756)	--	(11,756)	(283,770)
Proceeds from debt, net of issuance costs	--	--	99,780	--
Taxes paid related to net share settlement of equity awards	(238)	(83,232)	(26,307)	(83,232)
Proceeds from exercise of stock options and warrants	2,670	663	16,960	2,894
Proceeds from employee stock purchase plan	--	--	4,489	--
Excess tax benefits from stock-based awards	15,972	(11,720)	21,652	(13,750)
Net proceeds from issuance of preferred stock	--	--	--	485,300
Net cash provided by financing activities	6,648	867,113	104,818	1,068,844
Effect of exchange rate changes on cash and cash equivalents	(144)	(68)	(45)	(49)
Net increase (decrease) in cash and cash equivalents	(8,410)	978,128	(1,196,394)	1,394,512
Cash and cash equivalents, beginning of period	394,359	604,215	1,582,343	187,831
Cash and cash equivalents, end of period	\$385,949	\$1,582,343	\$385,949	\$1,582,343

ZYNGA INC.

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

(In thousands, except per share data, unaudited)

	Three months ended		Twelve months ended	
	December 31,	December 31,	December 31,	December 31,
	2012	2011	2012	2011
Reconciliation of Revenue to Bookings				
Revenue	\$311,165	\$311,237	\$1,281,267	\$1,140,100
Change in deferred revenue	(49,896)	(4,730)	(133,640)	15,409
Bookings	\$261,269	\$306,507	\$1,147,627	\$1,155,509
Reconciliation of Net Loss to Adjusted EBITDA				

Net loss	\$ (48,561)	\$ (435,005)	\$ (209,448)	\$ (404,316)
(Provision for) benefit from income taxes	86,290	(53,032)	49,873	(1,826)
Other income (expense), net	1,111	1,933	(18,647)	2,206
Interest income	(1,230)	(457)	(4,749)	(1,680)
Restructuring expense	7,862	--	7,862	--
Legal settlements	1,150	(2,145)	3,024	(2,145)
Depreciation and amortization	33,430	31,266	141,479	95,414
Impairment of intangible assets	--	--	95,493	--
Stock-based expense	14,862	529,971	281,986	600,212
Change in deferred revenue	(49,896)	(4,730)	(133,640)	15,409
Adjusted EBITDA	\$45,018	\$67,801	\$213,233	\$303,274

Reconciliation of Net Loss to Non-GAAP Net Income

Net loss	\$ (48,561)	\$ (435,005)	\$ (209,448)	\$ (404,316)
Impairment of intangible assets	--	--	95,493	--
Stock-based expense	14,862	529,971	281,986	600,212
Amortization of intangible assets from acquisitions	4,845	7,151	39,843	26,282
Change in deferred revenue	(49,896)	(4,730)	(133,640)	15,409
Restructuring expense	7,862	--	7,862	--
Legal settlements	1,150	(2,145)	3,024	(2,145)
Gain on termination of lease and purchase of building	--	--	(19,886)	--
Tax effect of non-GAAP adjustments to net loss	76,673	(58,089)	(7,056)	(52,959)
Non-GAAP net income	\$6,935	\$37,153	\$58,178	\$182,483

Reconciliation of GAAP Diluted Shares to Non-GAAP

Diluted Shares

GAAP diluted shares	771,533	356,305	741,177	288,599
Assumed preferred stock conversion(1)	--	252,428	--	288,833
Other dilutive equity awards(2)	49,964	173,374	88,155	183,034
Non-GAAP diluted shares	821,497	782,107	829,332	760,466

Non-GAAP earnings per share	\$0.01	\$0.05	\$0.07	\$0.24
------------------------------------	---------------	---------------	---------------	---------------

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

Net cash provided by operating activities	\$19,779	\$163,959	\$195,767	\$389,172
Acquisition of property and equipment	(6,250)	(50,355)	(98,054)	(238,091)
Purchase of building	--	--	(233,700)	--
Excess tax benefits from stock-based awards	15,972	(11,720)	21,652	(13,750)
Free cash flow	\$ 29,501	\$ 101,884	\$ (114,335)	\$ 137,331

(1) Gives effect to the conversion of convertible preferred stock into common stock as though the conversion had occurred at the beginning of the period.

(2) Gives effect to all dilutive awards based on the treasury stock method.

ZYNGA INC.

RECONCILIATION OF GAAP TO NON-GAAP FIRST QUARTER 2013 OUTLOOK

(In thousands, except per share data, unaudited)

	<u>First Quarter 2013</u>
Reconciliation of Revenue to Bookings	
Revenue range	\$ 255,000 — 265,000
Change in deferred revenue	(55,000)
Bookings range	\$ 200,000— 210,000
Reconciliation of Net Loss to Adjusted EBITDA	
Net loss range	\$ (32,000) — (12,000)
Benefit from income taxes	(3,000)
Other expense, net	1,000
Interest income	(1,000)

Restructuring expense	2,000
Depreciation and amortization	33,000
Stock-based expense range	45,000 — 35,000
Change in deferred revenue	(55,000)
Adjusted EBITDA range	\$ (10,000) — 0

Reconciliation of Net Loss to Non-GAAP Net

Loss

Net loss range	\$ (32,000) — (12,000)
Stock-based expense range	45,000 — 35,000
Amortization of intangible assets from acquisitions	3,500
Change in deferred revenue	(55,000)
Restructuring expense	2,000
Tax effect of non-GAAP adjustments to net loss	(4,000)
Non-GAAP net loss range	\$ (40,500) — (30,500)

GAAP and Non-GAAP diluted shares 780,000 — 790,000

Net loss per share range \$ (0.04) — (0.02)

Non-GAAP net loss per share range \$ (0.05) — (0.04)

CONTACT: Investors - Krista Bessinger

415-339-5266

investors@zynga.com

Press - Stephanie Hess

415-503-0303

press@zynga.com

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(NASDAQ: ZNGA)

Price: \$3.53

Change: -0.1

Day High: 3.62

Day Low: 3.515

Volume: 705,003

4:00 PM EDT on Apr 20,
2018

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minutes delayed.



Aug 7, 2014

Zynga Announces Second Quarter 2014 Financial Results

DELIVERS \$175M IN BOOKINGS AND \$14M IN ADJUSTED EBITDA

Company Lowers Outlook for Full Year 2014; Continues Significant Investment in Future Pipeline

Announces Entrance into Sports Category and Multi-Year Licensing Agreements with the National Football League, NFL Players Inc. and Tiger Woods

Expands Presence in Runner Category Through Multi-Year Agreement with Warner Bros. Interactive Entertainment to License Looney Tunes

SAN FRANCISCO, Aug. 7, 2014 (GLOBE NEWSWIRE) -- Zynga Inc. (Nasdaq:ZNGA), a leading social game developer, today announced financial results for the second quarter ended June 30, 2014.

"While our quarterly financial results were in line with our guidance range, we aspire to do better and improve execution across our business. Inside Zynga, we recognize that our products have the potential to live for multiple years and with nurturing, refinement and investment, they can grow and scale. We are purposefully competing, and while we would like to be further along, we believe we are making the right decisions to grow our business and unlock long term shareholder value," said Don Matrick, CEO of Zynga. "We continue to make significant investments in the highest potential areas of our future pipeline. By Q4 of this year, approximately half of our game-related research and development will be allocated to new and recently launched games - this represents about a 45% increase year over year. We currently have capabilities and brands in content genres with Farm, Words, Casino, Racing and People and we are further diversifying our product portfolio in order to reach more consumers and widen our demographic across more entertainment genres."

Recent Business Highlights

- Generated bookings of \$175 million, Adjusted EBITDA of \$14 million and Non-GAAP net income of \$3 million
- Achieved sequential growth in bookings, Adjusted EBITDA, mobile bookings mix and mobile audience for the second consecutive quarter
- Delivered mobile audience growth at 22 percent quarter over quarter across monthly active users and 12 percent across daily active users
- Zynga lowers outlook for full year 2014 primarily to reflect the delayed launch of new games and features

Quarter Product Highlights

- Launched *FarmVille 2: Country Escape* in 16 languages across iOS and Android on April 17, 2014. At launch, the game received Apple App Store "Editor's Choice" featuring in 155 countries and Google Play top tier featuring in 71 countries
- Zynga partnered with A&ENetwork®'s *Duck Dynasty* series to expand its branded social casino experience with the June launch of *Duck Dynasty Slots* on iPhone, iPad and Google Play
- NaturalMotion expanded *CSR Classics* and *Clumsy Ninja* to additional platforms by launching on Google Play
- NaturalMotion released *Morpheme 6* and *Morpheme 6 with Euphoria* as the next generation of its innovative animation system

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

GAAP Results

Revenue	\$ 153,232	\$ 230,735	\$ 321,252	\$ 494,324
Net loss	\$ (62,533)	\$ (15,805)	\$ (123,716)	\$ (11,672)
Diluted net loss per share	\$ (0.07)	\$ (0.02)	\$ (0.14)	\$ (0.01)

Non-GAAP Results

Bookings	\$ 175,102	\$ 187,578	\$ 336,460	\$ 417,393
Adjusted EBITDA	\$ 14,491	\$ 8,310	\$ 28,337	\$ 37,045
Non-GAAP net income (loss)	\$ 2,808	\$ (6,129)	\$ (3,450)	\$ 2,976
Non-GAAP earnings (loss) per share	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00

Zynga Enters into the Sports Category

Today, Zynga announced it is entering the Sports category. Sports represents one of the largest evergreen consumer categories in entertainment, and as a first step in the genre Zynga is currently developing mobile games in both football and golf, which will live under a new franchise brand - Zynga Sports 365.

Starting with football, today Zynga announced multi-year licensing agreements with the National Football League and NFL Players Inc., the licensing and marketing arm of the NFL Players Association. These licenses will enable Zynga to bring real NFL teams and athletes, including their names and likeness, to players, creating an authentic team manager football experience that can be enjoyed anytime, anywhere.

Zynga's new football game - *NFL Showdown* - went live today in geo-lock and is currently available in select markets. The game is a manager-style mobile simulation game that offers a unique opportunity for football fans to engage with their favorite NFL teams and players 365 days a year, taking on the role of Coach, General Manager and Owner as they manage their team to victory.

Zynga also announced it has signed an exclusive, multi-year, multi-platform partnership with golf icon, Tiger Woods. The agreement will enable Zynga to create breakthrough mobile games that bring the world of Tiger Woods golf to life for consumers. While the product is in its early development, Zynga expects to globally launch the game across mobile platforms in 2015.

Expands Presence in Runner Category

Zynga also announced today that it is expanding its offerings in the Runner category and has entered into a multi-year agreement with Warner Bros. Interactive Entertainment to license the Looney Tunes brand for mobile. Zynga expects to launch its Looney Tunes mobile game before the holiday season.

"Today we are announcing that we are expanding our game development efforts in two new additional categories: Sports and Runner. Our Sports effort introduces a new franchise brand for us - Zynga Sports 365 - and with it, new mobile games in football with the NFL and NFL Players Inc. and in golf with one of the most iconic athletes in the world, Tiger Woods. Our Runner expansion features a new partnership with Warner Bros. Interactive Entertainment to bring to life their beloved Looney Tunes brand for mobile consumers. We are pleased to launch the geo-lock for our new football game - *NFL Showdown* - today and look forward to making it, along with our Tiger Woods golf game and Looney Tunes runner game available globally to fans around the world," said Mattrick.

Second Quarter 2014 Operational Metrics

- Average daily bookings per average DAU (ABPU) increased from \$0.053 in the second quarter of 2013 to \$0.067 in the second quarter of 2014, up 28% year-over-year. On a consecutive quarter basis, ABPU was up 7% from \$0.063 in the first quarter of 2014.
- Monthly Unique Payers (MUPs) in the second quarter of 2014 were 1.7 million, compared to 1.9 million in the second quarter of 2013. On a consecutive quarter basis, MUPs were up 18% from 1.4 million in the first quarter of 2014.
- Daily active users (DAUs) in the second quarter of 2014 were 29 million, compared to 39 million in the second quarter of 2013. On a consecutive quarter basis, DAUs were up 0.4% from 28 million in the first quarter of 2014.
- Monthly active users (MAUs) in the second quarter of 2014 were 130 million, compared to 187 million in the second quarter of 2013. On a consecutive quarter basis, MAUs were up 6% from 123 million in the first quarter of 2014.
- Monthly unique users (MUUs) in the second quarter of 2014 were 89 million, compared to 123 million in the second quarter of 2013. On a consecutive quarter basis, MUUs were up 2% from 86 million in the first quarter of 2014.

Second Quarter 2014 Financial Summary

- **Revenue:** Revenue was \$153 million for the second quarter of 2014, a decrease of 34% compared to the second quarter of 2013 and a decrease of 9% compared to the first quarter of 2014. Online game revenue was \$131 million, a decrease of 36% compared to the second quarter of 2013 and a decrease of 1% compared to the first quarter of 2014. Advertising and other revenue was \$22 million, a decrease of 19% compared to the second quarter of 2013 and a decrease of 38% compared to the first quarter of 2014. *FarmVille 2* and *Zynga Poker* accounted for 32% and 24% of online game revenue, respectively, for the second quarter of 2014 compared to 30% and 24%, respectively, for the first quarter of 2014.
- **Bookings:** Bookings were \$175 million for the second quarter of 2014, a decrease of 7% compared to the second quarter of 2013 and an increase of 9% compared to the first quarter of 2014.
- **Net loss:** Net loss was \$63 million for the second quarter of 2014, compared to net loss

of \$16 million for the second quarter of 2013 and compared to net loss of \$61 million for the first quarter of 2014.

- **Adjusted EBITDA:** Adjusted EBITDA was \$14 million for the second quarter of 2014 compared to \$8 million for the second quarter of 2013 and \$14 million in the first quarter of 2014.
- **Non-GAAP net income (loss):** Non-GAAP net income was \$3 million for the second quarter of 2014, compared to non-GAAP net loss of \$6 million in the second quarter of 2013 and non-GAAP net loss of \$6 million in the first quarter of 2014.
- **Net loss per share:** Diluted net loss per share was \$0.07 for the second quarter of 2014 compared to a diluted net loss per share of \$0.02 for the second quarter of 2013 and diluted net loss of \$0.07 for the first quarter of 2014.
- **Non-GAAP EPS:** Non-GAAP earnings (loss) per share was \$0.00 for the second quarter of 2014 compared to (\$0.01) for the second quarter of 2013 and (\$0.01) for the first quarter of 2014.
- **Cash and cash flow:** As of June 30, 2014, cash, cash equivalents and marketable securities were approximately \$1.15 billion, compared to \$1.14 billion as of March 31, 2014. Cash flow from operations was \$18 million for the second quarter of 2014, compared to (\$0.6) million for the second quarter of 2013 and (\$24) million for the first quarter of 2014. Free cash flow was \$14 million for the second quarter of 2014 compared to (\$14) million for the second quarter of 2013 and (\$25) million for the first quarter of 2014.

Q3 2014 and Full Year Outlook

Zynga's outlook for the third quarter of 2014 is as follows:

- Revenue is projected to be in the range of \$160 million to \$170 million
- Net loss is projected to be in the range of \$57 million to \$52 million
- Diluted net loss per share is projected to be \$0.06, based on a share count of approximately 885 million shares
- Bookings are projected to be in the range of \$165 million to \$175 million
- Adjusted EBITDA is projected to be in the range of \$0 million to \$5 million
- Non-GAAP loss per share is projected to be in the range of \$0.01 to \$0.00, based on a share count of approximately 885 million shares

Zynga's revised outlook for 2014 is as follows:

- Bookings are projected to be in the range of \$695 million to \$725 million, compared to previous expectation between \$770 million to \$810 million
- Adjusted EBITDA is projected to be in the range of \$40 million to \$60 million, compared to previous expectation between \$70 million to \$100 million
- Non-GAAP EPS is projected to be in the range of (\$0.01) to \$0.00, based on a share count projected to be in the range of approximately 874 million to 912 million shares.

Conference Call Details

Zynga will host a conference call today, August 7, 2014, at 2:00 pm PDT (5:00 pm EDT) to discuss financial results. A live webcast of the conference call and supplemental slides will be accessible from the Investor Relations page of the company's website at <http://investor.zynga.com> and a replay will be archived and accessible at the same website after the call.

About Zynga Inc.

Zynga Inc. is a leading developer of the world's most popular social games that are played by more than 100 million monthly consumers. The company has created evergreen franchises such as *FarmVille*, *Zynga Casino* and *Words With Friends*. Zynga's NaturalMotion, an Oxford-based mobile game and technology developer, is the creator of hit mobile games in popular entertainment categories, including *CSR Racing*, *CSR Classics* and *Clumsy Ninja*. Zynga games have been played by more than 1 billion people around the world and are available on a number of global platforms including Apple iOS, Google Android, Facebook and [Zynga.com](http://zynga.com). The company is headquartered in San Francisco, Calif. Learn more about Zynga at <http://blog.zynga.com> or follow us on Twitter and Facebook.

The Zynga Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=11743>

Key Operating Metrics

Please refer to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 for definitions of "DAU," "MAU," "MUU," "MUP" and "ABPU."

MUUs and MUPs in this press release exclude MUUs and MUPs from NaturalMotion as the necessary data is not yet available.

We manage our business by tracking several operating metrics: "DAUs," which measure daily active users of our games, "MAUs," which measure monthly active users of our games, "MUUs," which measure monthly unique users of our games, "MUPs," which measure monthly unique payers in our games, and "ABPU," which measures our average daily bookings per average DAU. The operating

metrics described above are recorded by our internal analytics systems. The numbers for these operating metrics are calculated using internal company data based on tracking the activity of user accounts. We believe that the numbers are reasonable estimates of our user base for the applicable period of measurement; however, factors relating to user activity and systems may impact these numbers.

Forward-Looking Statements

This press release contains forward-looking statements relating to, among other things, our outlook for the third quarter 2014 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP net loss per share and non-GAAP weighted average diluted share count; full year 2014 bookings, Adjusted EBITDA and Non-GAAP EPS; certain other financial items necessary for GAAP to Non-GAAP reconciliation; our future spend, including R&D and marketing spend; our future operational and strategic plans; the process of integrating NaturalMotion's operations into our operations, including but not limited to our expected ability to expand our creative pipeline, accelerate our mobile growth and fast track our ability to deliver more hit games; the planned launch of mobile first games and new features for existing games in the second half of this year, including planned launches from our Words and Casino franchises and in the Sports and Runner content categories; the evergreen potential of the Sports and Runner content categories; our entry into, or expanded game offerings in, new evergreen content categories, the evergreen potential of these categories, the timely launch of games in these categories and the success of these games; our ability to develop, identify, market and launch hit games for mobile and web on schedule; our ability to monetize these games; our ability to retain key employees in light of business challenges, including employees key to franchise games and planned launches; our ability to grow and sustain our franchise games, including through launching new features in a timely manner; the impact of our new hires on our organization and other changes to our personnel and roles; the continuing impact of our cost reduction plan; our ability to strengthen and sustain the core of our business and achieve future growth across all of our key metrics including audience, bookings, Adjusted EBITDA and mobile bookings mix; our ability to successfully transition our business to take advantage of the market opportunity in our industry; the success of *FarmVille 2: Country Escape*; our ability to manage new IP costs; our ability to deliver compelling entertainment experiences and our ability to efficiently deploy employees and leverage our teams and talent, including shifting resources where necessary to prioritize more important projects. Forward-looking statements often include words such as "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking statements. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties, and assumptions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance. Factors that could cause or contribute to such differences include, but are not limited to, the ability of key games, including our franchise games to sustain or grow audience and bookings, our relationship with Facebook or changes in the Facebook platform, our relationship and/or agreements with iOS and Android platform providers and/or changes in the Android or iOS platforms, our relationship and/or agreements with key licensing partners, the integration of our NaturalMotion acquisition and the success of its current and future games as part of Zynga, delays or challenges in implementing cost-cutting activities, attrition and declines in our existing games, our ability to launch new games and features in a timely manner and monetize these games and features effectively on the web and on mobile, including the planned features and games for our existing franchises and our planned launches in the Sports and Runner categories, the effectiveness of our marketing program, our ability to successfully identify new evergreen content categories and launch games that will capture the market potential of these categories, our ability to control and reduce expenses, our exposure to illegitimate credit card activity and other security risks, sales or purchases of virtual goods used in *Zynga Poker* or our other games through unauthorized or fraudulent third-party websites, our ability to anticipate and address technical challenges that may arise, competition, changing interests of players, intellectual property disputes or other litigation, asset impairment charges, our ability to retain key employees and retain and attract new talent, acquisitions by us, and changes in corporate strategy or management.

More information about factors that could affect our operating results is included under the captions "Annual Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the SEC's web site at www.sec.gov. Undue reliance should not be placed on the forward-looking statements in this release, which are based on information available to us on the date hereof. There is no guarantee that the circumstances described in our forward-looking statements will occur. We assume no obligation to update such statements. The results we report in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 could differ from the preliminary results we have announced in this press release.

Non-GAAP Financial Measures

We have provided in this release non-GAAP financial information including bookings, Adjusted EBITDA, free cash flow, non-GAAP net income and non-GAAP effective tax rate outlook to GAAP effective tax rate or non-GAAP EPS, as a supplement to the consolidated financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial metrics we use in making operating decisions and because our investors and analysts use them to help assess the health of our business. We have provided reconciliations between our historical and third quarter 2014 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. However, we have not provided

reconciliation of full year 2014 bookings outlook to revenue, Adjusted EBITDA outlook to net income (loss), or non-GAAP EPS outlook to GAAP EPS because certain reconciling items necessary to accurately project revenue (including the projected mix of virtual goods sold in our games, and the projected estimated average lives of durable virtual goods for our games) for a full year are not in our control and cannot be reasonably projected due to variability from period to period caused by changes in player behavior and other factors. As revenue and/or net income for the applicable future period is a necessary input to determine all of these comparable GAAP figures, we are not able to provide these reconciliations for the full year 2014.

Some limitations of bookings, Adjusted EBITDA, non-GAAP net income, non-GAAP EPS, and free cash flow:

- *Adjusted EBITDA and non-GAAP net income (loss) do not include the impact of stock-based expense, asset impairment charges, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;*
- *Bookings, Adjusted EBITDA and non-GAAP net income (loss) do not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of virtual goods or as virtual goods are consumed;*
- *Adjusted EBITDA does not reflect income tax expense;*
- *Adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses and interest income;*
- *Adjusted EBITDA excludes both depreciation and amortization of intangible assets, while non-GAAP net income excludes amortization of intangible assets from acquisitions. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;*
- *Adjusted EBITDA and non-GAAP net income (loss) do not include gains and losses associated with significant legal settlements;*
- *Non-GAAP EPS gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation in periods when non-GAAP net income (loss) is positive and GAAP net income (loss) is negative;*
- *Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, and removing the excess income tax benefits or costs associated with stock-based awards; and*
- *Other companies, including companies in our industry, may calculate bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS and free cash flow differently or not at all, which will reduce their usefulness as a comparative measure.*

Because of these limitations, you should consider bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS, and free cash flow, along with other financial performance measures, including revenue, net income (loss), diluted net loss per share, cash flow from operations and GAAP operating margin and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.

ZYNGA INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 135,628	\$ 465,523
Marketable securities	591,610	659,973
Accounts receivable	84,005	65,667
Income tax receivable	8,222	6,943
Deferred tax assets	3,698	16,293
Restricted cash	50,550	3,493
Other current assets	<u>28,938</u>	<u>23,507</u>
Total current assets	902,651	1,241,399
Long-term marketable securities	421,970	416,474
Goodwill	693,814	227,989
Other intangible assets, net	85,893	18,282
Property and equipment, net	317,258	348,793
Other long-term assets	<u>21,021</u>	<u>26,148</u>
Total assets	<u>\$ 2,442,607</u>	<u>\$ 2,279,085</u>
Liabilities and stockholders' equity		

Current liabilities:		
Accounts payable	\$ 22,942	\$ 20,973
Other current liabilities	129,529	68,866
Deferred revenue	<u>199,545</u>	<u>186,663</u>
Total current liabilities	352,016	276,502
Deferred revenue	5,578	3,252
Deferred tax liabilities	9,568	--
Other non-current liabilities	<u>105,761</u>	<u>122,060</u>
Total liabilities	472,923	401,814
Stockholders' equity:		
Common stock and additional paid in capital	3,022,193	2,823,743
Accumulated other comprehensive income (loss)	17,130	(1,046)
Accumulated deficit	<u>(1,069,639)</u>	<u>(945,426)</u>
Total stockholders' equity	<u>1,969,684</u>	<u>1,877,271</u>
Total liabilities and stockholders' equity	<u>\$ 2,442,607</u>	<u>\$ 2,279,085</u>

ZYNGA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenue:				
Online game	\$ 130,966	\$ 203,326	\$ 263,236	\$ 432,892
Advertising	<u>22,266</u>	<u>27,409</u>	<u>58,016</u>	<u>61,432</u>
Total Revenue	153,232	230,735	321,252	494,324
Costs and expenses:				
Cost of revenue	51,288	61,077	104,792	130,471
Research and development	93,722	124,322	191,306	253,503
Sales and marketing	41,608	31,163	71,461	58,470
General and administrative	<u>32,831</u>	<u>44,541</u>	<u>90,167</u>	<u>87,181</u>
Total costs and expenses	<u>219,449</u>	<u>261,103</u>	<u>457,726</u>	<u>529,625</u>
Income (loss) from operations	(66,217)	(30,368)	(136,474)	(35,301)
Interest income	776	1,105	1,646	2,268
Other income (expense), net	<u>896</u>	<u>(4,531)</u>	<u>2,021</u>	<u>(5,394)</u>
Income (loss) before income taxes	(64,545)	(33,794)	(132,807)	(38,427)
Provision for (benefit from) income taxes	<u>(2,012)</u>	<u>(17,989)</u>	<u>(9,091)</u>	<u>(26,755)</u>
Net income (loss)	<u>\$ (62,533)</u>	<u>\$ (15,805)</u>	<u>\$ (123,716)</u>	<u>\$ (11,672)</u>
Net income (loss) per share:				
Basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.02)</u>	<u>\$ (0.14)</u>	<u>\$ (0.01)</u>
Weighted average common shares used to compute net income (loss) per share:				
Basic and diluted	872,784	793,541	861,591	786,784
Stock-based expense included in the above line items:				
Cost of revenue	\$ 1,002	\$ (1,639)	\$ 2,281	\$ 294
Research and development	17,596	15,888	36,012	36,788
Sales and marketing	1,860	3,973	3,318	5,386
General and administrative	<u>8,389</u>	<u>7,666</u>	<u>15,562</u>	<u>13,342</u>
Total stock-based expense	<u>\$ 28,847</u>	<u>\$ 25,888</u>	<u>\$ 57,173</u>	<u>\$ 55,810</u>

ZYNGA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Operating activities				
Net income (loss)	\$ (62,533)	\$ (15,805)	\$ (123,716)	\$ (11,672)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	19,926	30,858	45,270	62,919
Stock-based expense	28,847	25,888	57,173	55,810
Accretion and amortization on marketable securities	2,612	4,729	5,398	9,585
(Gain) loss from sales of investments, assets and other, net	896	3,725	1,278	4,932
Tax benefits from stock based awards	(436)	(12,274)	--	(10,617)
Excess tax benefits from stock based awards	436	12,274	--	10,617
Deferred income taxes	(1,140)	(7,909)	(9,075)	(16,500)
Changes in operating assets and liabilities:				
Accounts receivable, net	(7,495)	19,100	(10,883)	32,909
Income tax receivable	(1,413)	(185)	(1,278)	(228)
Other assets	(2,600)	3,679	(7,892)	4,527
Accounts payable	10,181	(4,114)	1,584	(1,644)
Deferred revenue	21,870	(43,157)	14,961	(76,931)
Other liabilities	8,655	(17,454)	20,740	(37,907)
Net cash (used in) provided by operating activities	17,806	(645)	(6,440)	25,800
Investing activities				
Purchase of marketable securities	(295,445)	(344,998)	(470,174)	(623,717)
Sales of marketable securities	19,316	47,508	152,949	146,123
Maturities of marketable securities	273,478	220,093	373,471	415,161
Acquisition of property and equipment	(3,415)	(1,366)	(4,649)	(6,290)
Proceeds from sale of property and equipment	121	--	5,056	--
Business acquisitions, net of cash acquired	--	(18,054)	(390,993)	(18,054)
Restricted cash	--	60	--	227
Other investing activities, net	500	142	700	(661)
Net cash (used in) investing activities	(5,445)	(96,615)	(333,640)	(87,211)
Financing activities				
Repurchase of common stock	--	--	--	(2,432)
Taxes paid related to net share settlement of equity awards	(298)	(323)	(753)	(667)
Proceeds from exercise of stock options and warrants	1,414	1,225	7,948	3,618
Proceeds from employee stock purchase plan	--	--	2,975	3,506
Excess tax benefits from stock-based awards	(436)	(12,274)	--	(10,617)
Repayment of debt	--	(100,000)	--	(100,000)
Net cash (used in) provided by financing activities	680	(111,372)	10,170	(106,592)
Effect of exchange rate changes on cash and cash equivalents	134	(287)	15	(614)
Net increase in cash and cash equivalents	13,175	(208,919)	(329,895)	(168,617)
Cash and cash equivalents, beginning of period	122,453	426,251	465,523	385,949
Cash and cash equivalents, end of period	<u>\$ 135,628</u>	<u>\$ 217,332</u>	<u>\$ 135,628</u>	<u>\$ 217,332</u>

ZYNGA INC.

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

(In thousands, except per share data, unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Reconciliation of Revenue to Bookings				

Revenue	\$ 153,232	\$ 230,735	\$ 321,252	\$ 494,324
Change in deferred revenue	21,870	(43,157)	15,208	(76,931)
Bookings	\$ 175,102	\$ 187,578	\$ 336,460	\$ 417,393

Reconciliation of Net income (loss) to Adjusted EBITDA

Net income (loss)	\$ (62,533)	\$ (15,805)	\$ (123,716)	\$ (11,672)
Provision for (benefit from) income taxes	(2,012)	(17,989)	(9,091)	(26,755)
Other income (expense), net	(896)	4,531	(2,021)	5,394
Interest income	(776)	(1,105)	(1,646)	(2,268)
Restructuring expense	(2,270)	25,089	27,385	30,548
Depreciation and amortization	19,926	30,858	45,270	62,919
Contingent consideration fair value adjustment	12,070	--	13,350	--
Acquisition-related transaction expenses	265	--	6,425	--
Stock-based expense	28,847	25,888	57,173	55,810
Change in deferred revenue	21,870	(43,157)	15,208	(76,931)
Adjusted EBITDA	\$ 14,491	\$ 8,310	\$ 28,337	\$ 37,045

Reconciliation of Net income (loss) to Non-GAAP net income (loss)

Net income (loss)	\$ (62,533)	\$ (15,805)	\$ (123,716)	\$ (11,672)
Contingent consideration fair value adjustment	12,070	--	13,350	--
Acquisition-related transaction expenses	265	--	6,425	--
Stock-based expense	28,847	25,888	57,173	55,810
Amortization of intangible assets from acquisitions	6,591	2,912	9,198	6,570
Change in deferred revenue	21,870	(43,157)	15,208	(76,931)
Restructuring expense	(2,270)	25,089	27,385	30,548
Tax effect of non-GAAP adjustments to net income (loss)	(2,032)	(1,056)	(8,473)	(1,349)
Non-GAAP net income (loss)	\$ 2,808	\$ (6,129)	\$ (3,450)	\$ 2,976

Reconciliation of GAAP diluted shares to Non-GAAP diluted shares

GAAP diluted shares	872,784	793,541	861,591	786,784
Other dilutive equity awards (1)	44,109	--	--	45,496
Non-GAAP diluted shares	916,893	793,541	861,591	832,280

Non-GAAP net income (loss) per share:	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00
----------------------------------------------	----------------	------------------	----------------	----------------

Reconciliation of Cash provided by operating activities to Free cash flow

Net cash provided by operating activities	17,806	(645)	(6,440)	25,800
Acquisition of property and equipment	(3,415)	(1,366)	(4,649)	(6,290)
Excess tax benefits (loss) from stock-based awards	(436)	(12,274)	--	(10,617)
Free cash flow	\$ 13,955	\$ (14,285)	\$ (11,089)	\$ 8,893

Reconciliation of GAAP to Non-GAAP provision for (benefit from) income taxes

GAAP provision for (benefit from) income taxes	(2,012)	(17,989)	(9,091)	(26,755)
Stock-based expense	790	2,720	3,763	4,389
Amortization of intangible assets from acquisitions	332	313	606	517
Contingent consideration fair value adjustment	744	--	878	--
Acquisition-related transaction expenses	(224)	--	423	--
Change in deferred revenue	1,700	(4,075)	1,001	(5,960)
Restructuring expense	(1,310)	2,098	1,802	2,403
Non-GAAP provision for (benefit from) income taxes	\$ 20	\$ (16,933)	\$ (618)	\$ (25,406)

(1) Gives effect to all dilutive awards based on the treasury stock method.

ZYNGA INC.

RECONCILIATION OF GAAP TO NON-GAAP THIRD QUARTER 2014 OUTLOOK

(In thousands, except per share data, unaudited)

	<u>Third Quarter 2014</u>
Reconciliation of Revenue to Bookings	
Revenue range	\$ 160,000 - 170,000
Change in deferred revenue	<u>5,000</u>
Bookings range	<u>\$ 165,000 - 175,000</u>
Reconciliation of Net loss to Adjusted EBITDA	
Net loss range	\$ (57,000) - (52,000)
Income tax expense	-
Other income, net	(1,000)
Interest income	(1,000)
Depreciation and amortization	19,000
Stock-based expense	35,000
Change in deferred revenue	<u>5,000</u>
Adjusted EBITDA range	<u>\$ 0 - 5,000</u>
Reconciliation of Net loss to Non-GAAP Net loss	
Net loss range	\$ (57,000) - (52,000)
Stock-based expense	35,000
Amortization of intangible assets from acquisitions	7,000
Change in deferred revenue	5,000
Tax effect of non-GAAP adjustments to net loss	<u>3,000 - 2,000</u>
Non-GAAP net income (loss) range	<u>\$ (7,000) - (3,000)</u>
GAAP and Non-GAAP diluted shares	885,000
Net income (loss) per share	\$ (0.06)
Non-GAAP net income (loss) per share	\$ (0.01) - 0.00

CONTACT: Investors - Darren Yip

415-339-5266

investors@zynga.com

Press - Stephanie Hess

415-503-0303

press@zynga.com

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EXHIBIT 50



Twitter

4Q 2013 Earnings Report

Forward-looking statements and non-GAAP information

This presentation and the accompanying press release and conference call contain “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements about expected financial metrics, such as revenue, non-GAAP adjusted EBITDA and EPS, as well as non-financial metrics, such as average Monthly Active Users, mobile users and timeline views, for the first quarter of 2014, the full fiscal year and beyond. They also include statements about our possible or assumed business strategies, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For a discussion of these risks, you should read our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K that will be filed with the SEC. In addition, please note that the date of this presentation is February 5, 2014, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix.



Key metrics

Q4 2013



241

Million MAUs



613

Timeline Views
/ MAU



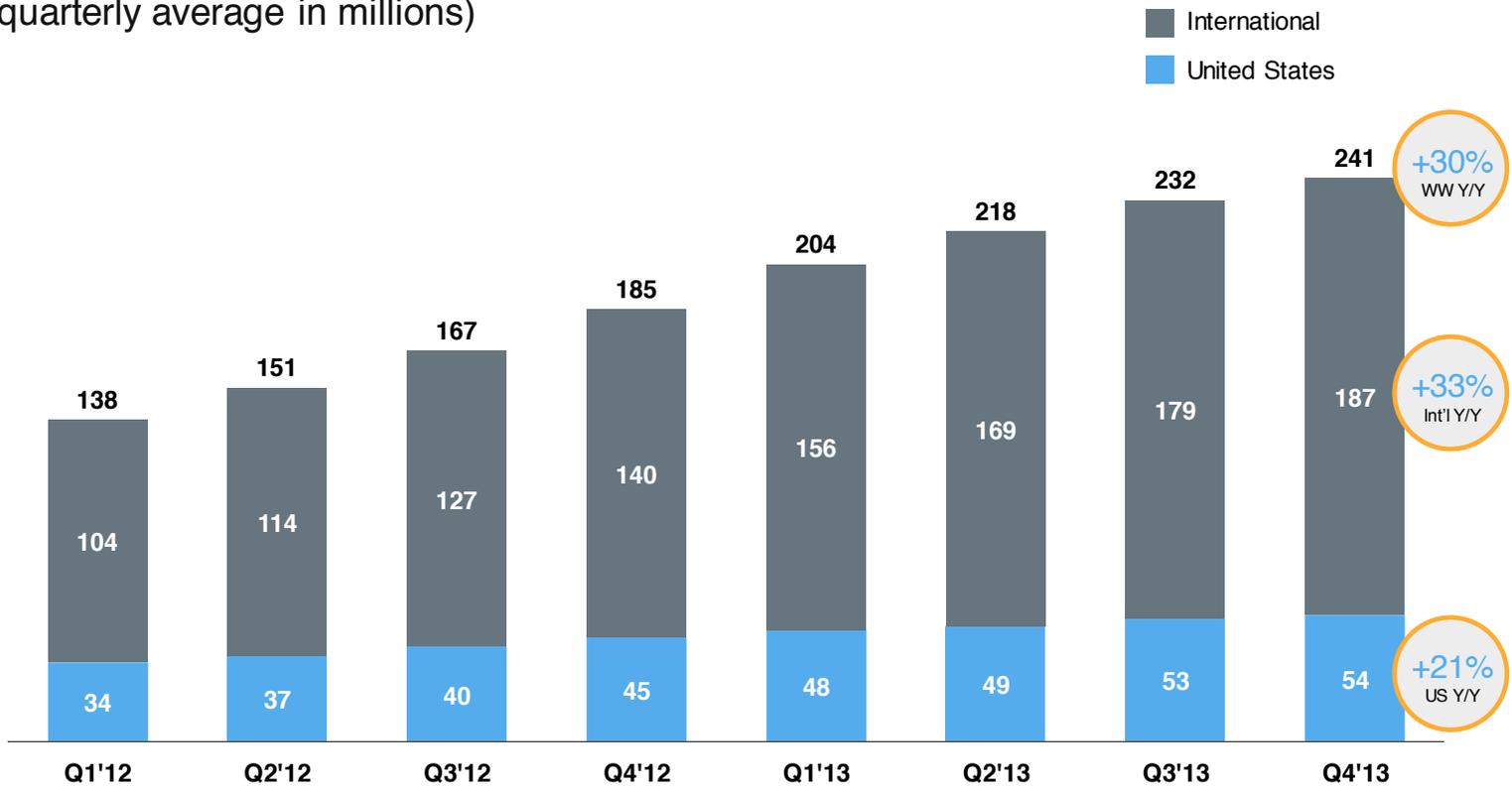
\$1.49

Ad Revenue / 1000
Timeline Views



Monthly active users

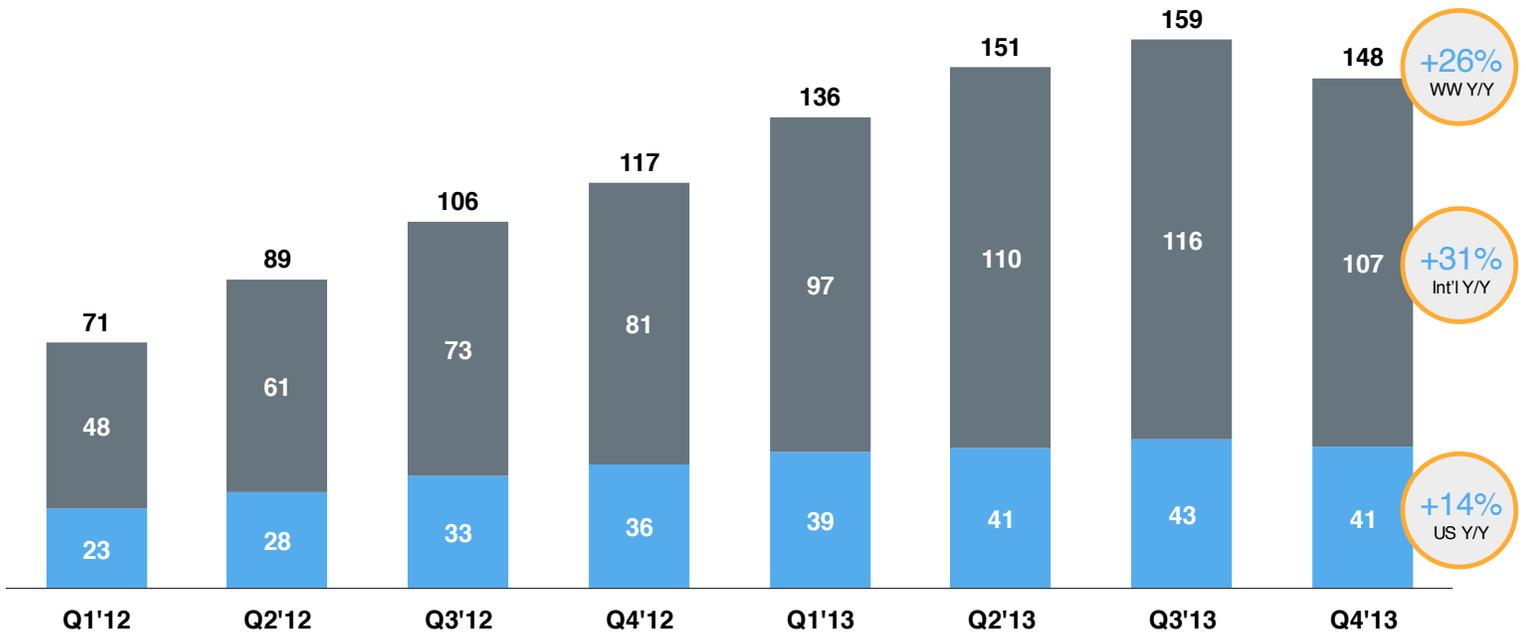
(quarterly average in millions)



Timeline views

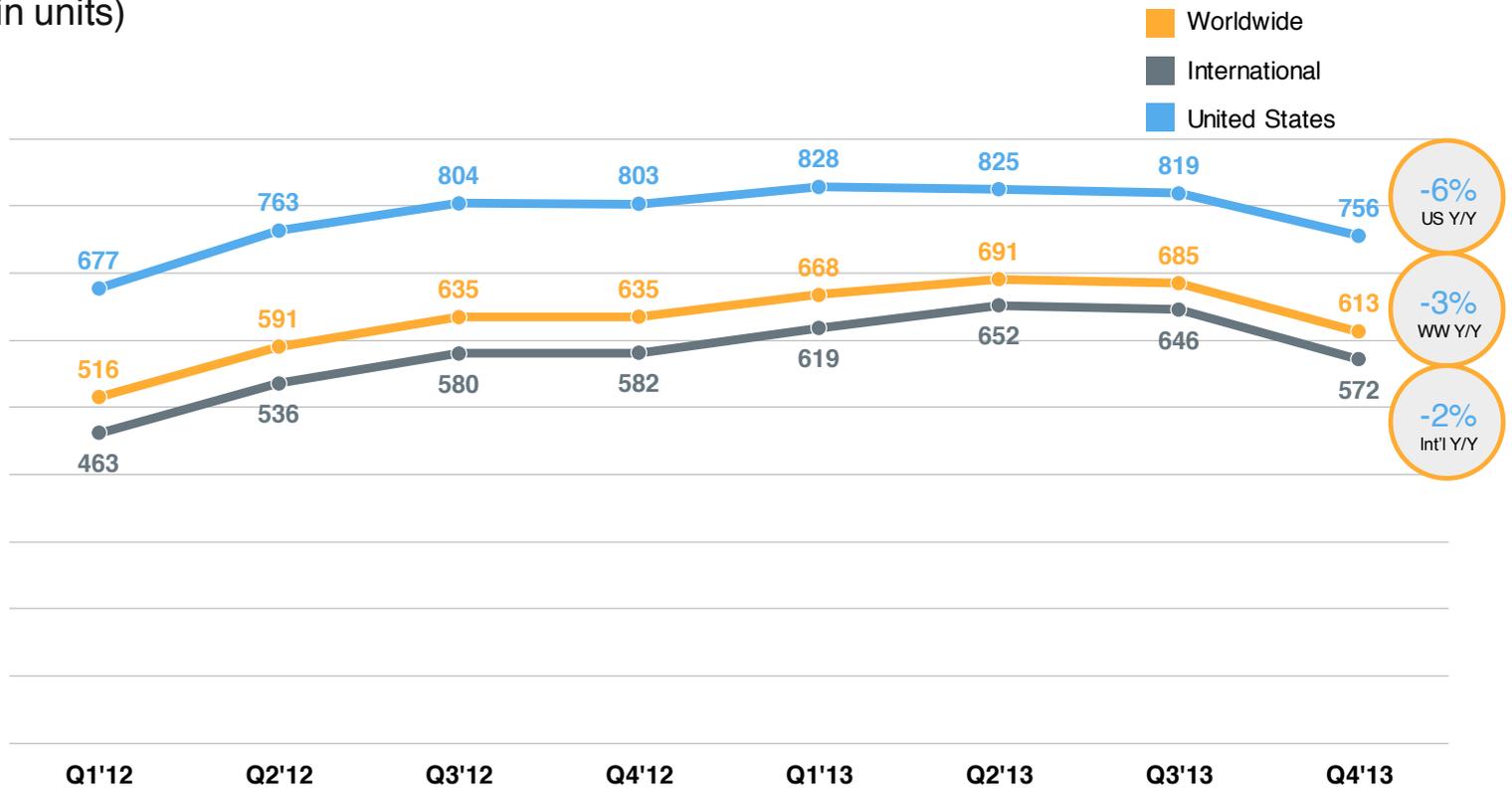
(in billions)

■ International
■ United States



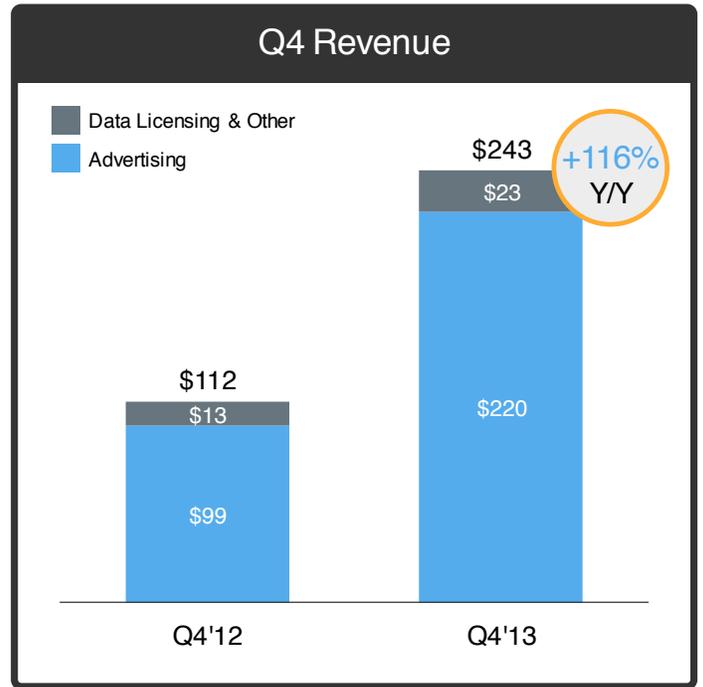
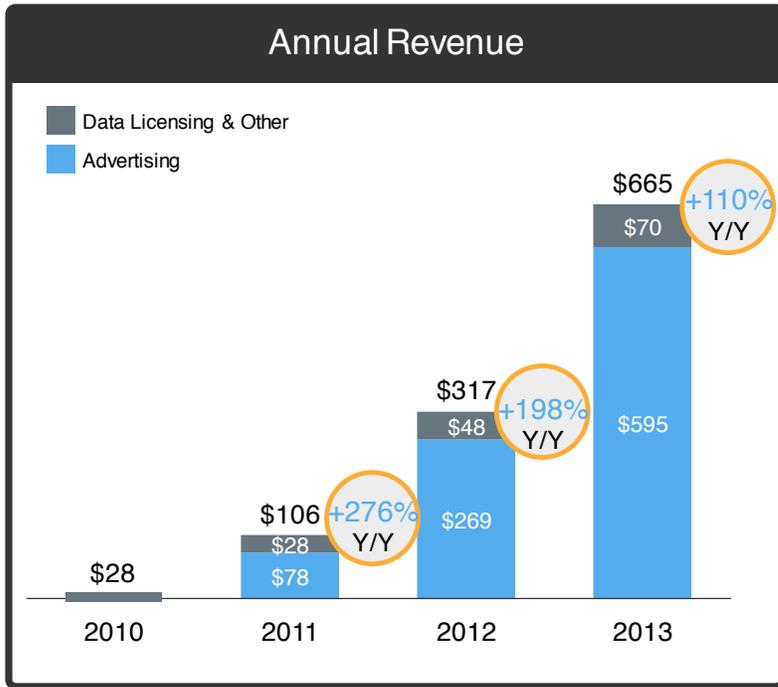
Timeline views / MAU

(in units)



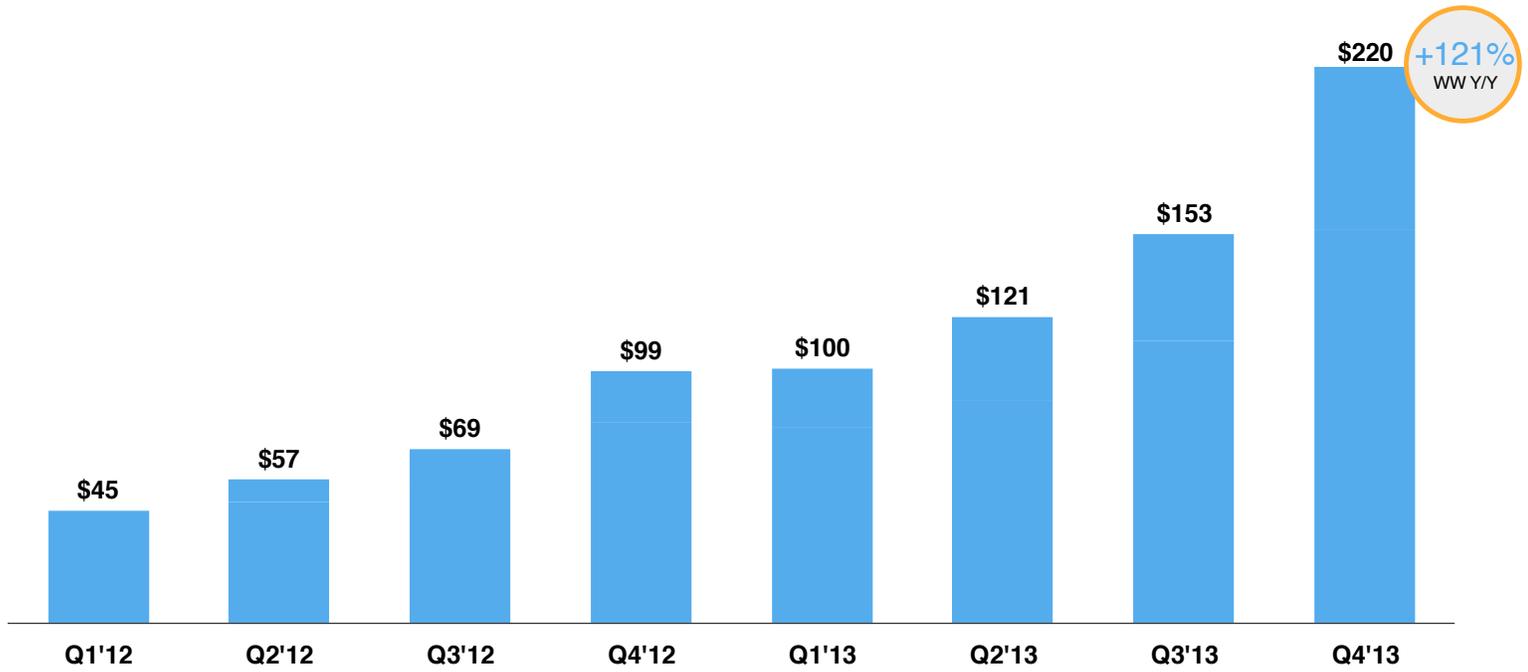
Revenue

(in millions)

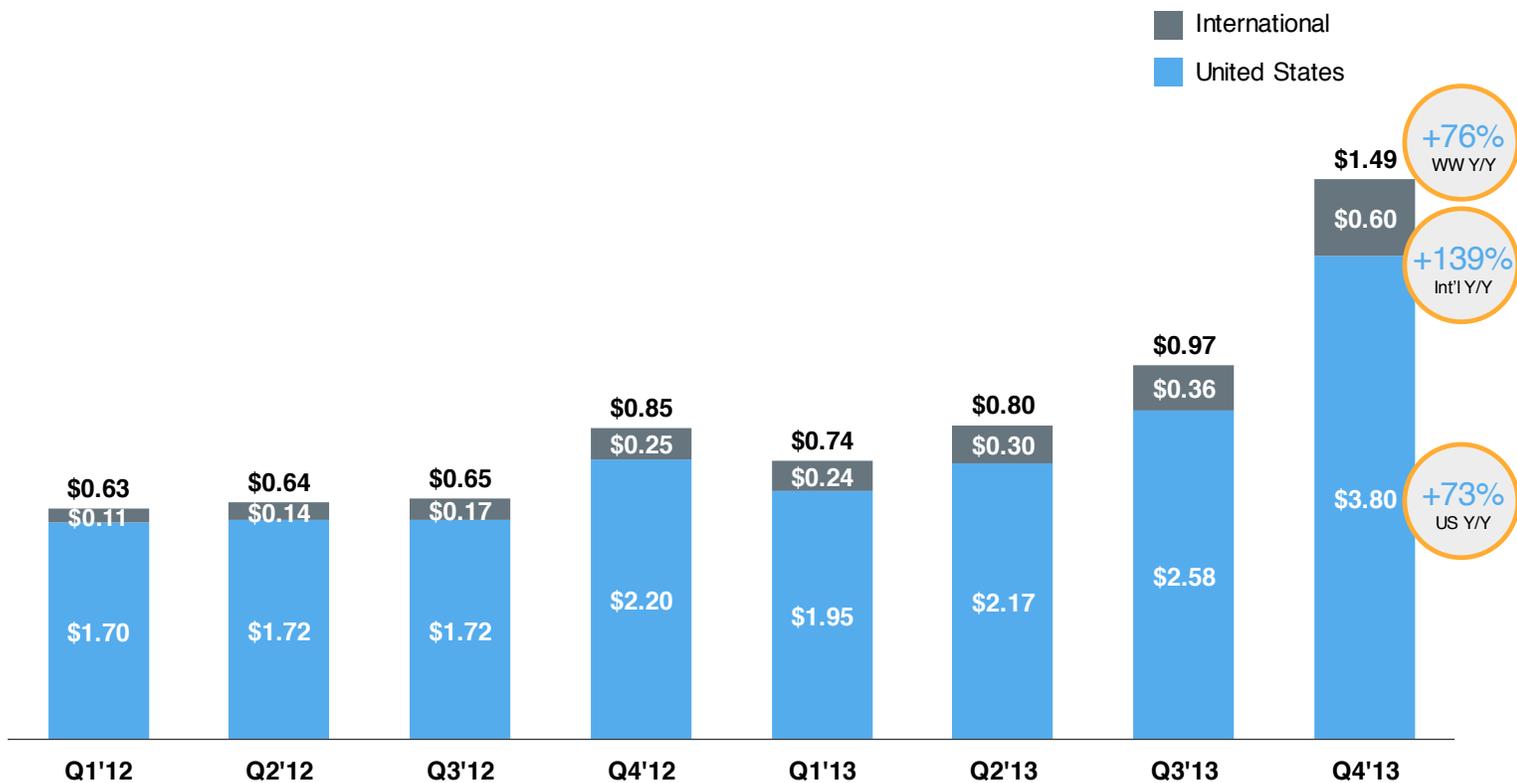


Advertising revenue

(in millions)

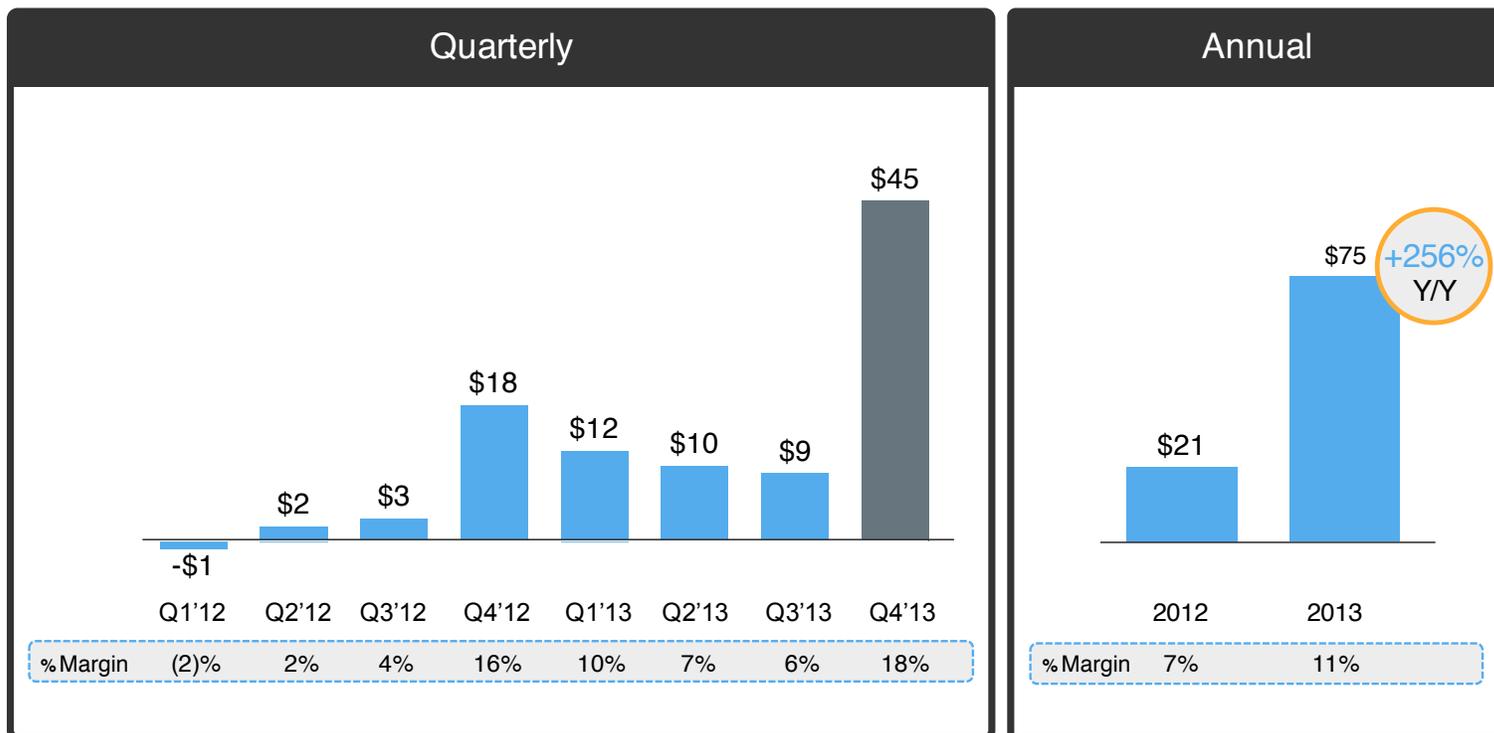


Ad Revenue / 1,000 Timeline views



Adjusted EBITDA

(in millions)



Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes. See Appendix for a reconciliation of net loss to Adjusted EBITDA.





Appendix

Adjusted EBITDA reconciliation

(in thousands)

Reconciliation of Net Loss to Adjusted EBITDA										
	Three Months Ended								Twelve Months Ended December 31	
	Q1'2012	Q2'2012	Q3'2012	Q4'2012	Q1'2013	Q2'2013	Q3'2013	Q4'2013	2012	2013
Net loss	\$(21,521)	\$(27,583)	\$(21,590)	\$(8,705)	\$(27,026)	\$(42,225)	\$(64,601)	\$(511,471)	\$(79,399)	\$(645,323)
Stock-based compensation expense	5,227	10,900	4,268	5,346	12,922	22,646	43,602	521,197	25,741	600,367
Depreciation and amortization expense	14,029	17,520	19,956	21,001	22,730	25,917	29,023	33,224	72,506	110,894
Interest and other expense (income)	636	266	(172)	1,357	2,762	2,532	909	5,112	2,087	11,315
Provision (benefit) for income taxes	754	442	461	(1,428)	357	777	360	(3,317)	229	(1,823)
Adjusted EBITDA	\$(875)	\$1,545	\$2,923	\$17,571	\$11,745	\$9,647	\$9,293	\$44,745	\$21,164	\$75,430

Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses and provision (benefit) for income taxes.



GAAP to Non-GAAP reconciliations

(in thousands)

Twelve Months Ended December 31, 2012

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-GAAP
Cost of Revenue	\$128,768	\$800	\$18,687	\$109,281
Research and development	119,004	12,622	-	106,382
Sales and marketing	86,551	1,346	-	85,205
General and administrative	59,693	10,973	-	48,720

Twelve Months Ended December 31, 2013

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-GAAP
Cost of Revenue	\$266,718	\$50,942	\$14,884	\$200,892
Research and development	593,992	379,913	300	213,779
Sales and marketing	316,216	114,440	1,346	200,430
General and administrative	123,795	55,072	-	68,723





Twitter

EXHIBIT 51



TWITTER

Q4 2015 EARNINGS REPORT

FORWARD-LOOKING STATEMENTS AND NON-GAAP INFORMATION

This presentation and the accompanying shareholder letter and conference call contain “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements about expected financial metrics, such as revenue, non-GAAP adjusted EBITDA, adjusted EBITDA margin, GAAP and non-GAAP share count, capital expenditures, and stock-based compensation, as well as non-financial metrics, such as average monthly active users, for the first quarter of 2016 and beyond. They also include statements about our possible or assumed business strategies, competitive position, industry environment, potential growth opportunities, and potential market opportunities.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For a discussion of these risks, you should read our filings with the Securities and Exchange Commission (SEC), including the Annual Report on Form 10-K for the year ended December 31, 2014, the Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, and the Annual Report on Form 10-K we will file for the year ended December 31, 2015. In addition, please note that the date of this presentation is February 10, 2016, and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the Appendix.



A NOTE ABOUT METRICS

The numbers of active users presented in our earnings materials are based on internal company data. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base around the world. For example, there are a number of false or spam accounts in existence on our platform. We have performed an internal review of a sample of accounts and estimated that false or spam accounts represented less than 5% of our monthly active users (MAUs) as of December 31, 2014. In making this determination, we applied significant judgment, so our estimation of false or spam accounts may not accurately represent the actual number of such accounts, and the actual number of false or spam accounts could be higher than we have estimated. We are continually seeking to improve our ability to estimate the total number of spam accounts and eliminate them from the calculation of our active users. Spam accounts that we have identified are not included in the active user numbers presented in our earnings materials. We treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization. As such, the calculations of our active users may not accurately reflect the actual number of people or organizations using our platform.

Our metrics are also affected by applications that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the users associated with such applications as active users on the day or days such contact occurs. In the three months ended December 31, 2014, approximately 8.5% of users used third party applications that may have automatically contacted our servers for regular updates without any discernible additional user-initiated action. As such, the calculations of MAUs presented in our earnings materials may be affected as a result of automated activity.

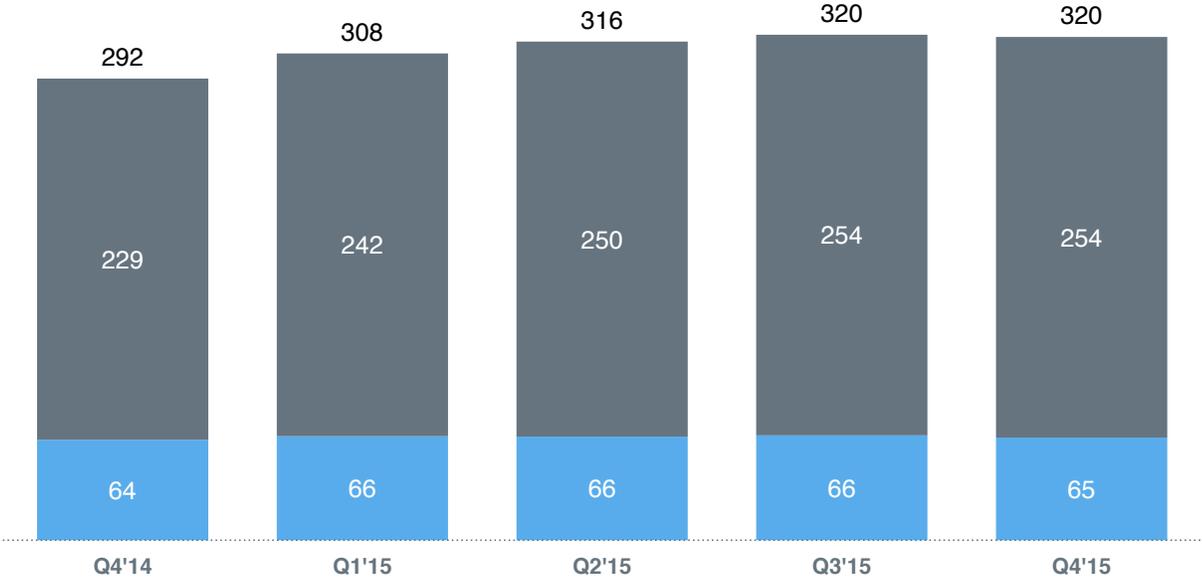
In addition, our data regarding user geographic location for purposes of reporting the geographic location of our MAUs is based on the IP address or phone number associated with the account when a user initially registered the account on Twitter. The IP address or phone number may not always accurately reflect a user's actual location at the time such user engaged with our platform. We present and discuss the size of our audience and logged-out usage based on both internal metrics and data from Google Analytics, which measures unique visitors to our properties. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly-titled metrics of our competitors due to differences in methodology.



MONTHLY ACTIVE USERS

(quarterly average, millions)

INTERNATIONAL
UNITED STATES



+9%
WW Y/Y

+11%
INT'L Y/Y

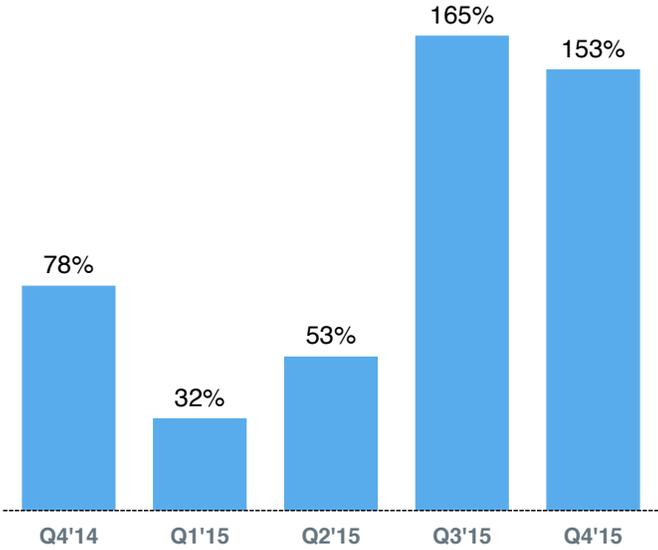
+3%
US Y/Y



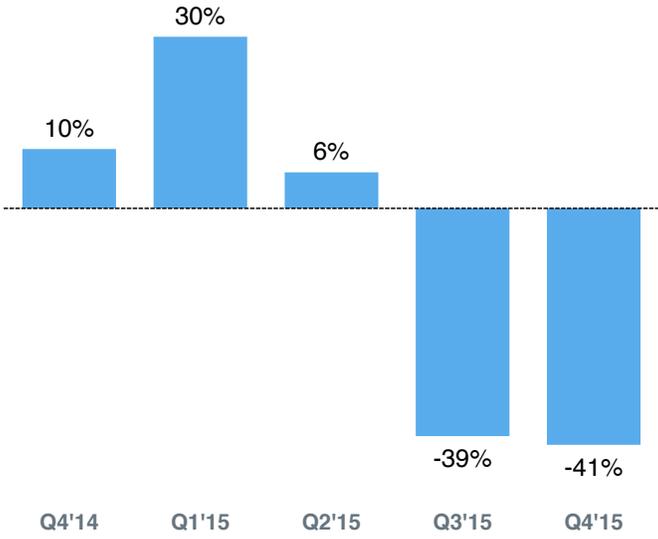
Note: Monthly active users include users defined as SMS Fast Followers. SMS Fast Followers represent users who sign up and access Twitter solely through SMS. The number of SMS Fast Followers is based on internal company data, which include estimates for some prior periods in 2014 and 2015. We believe these estimates to be reasonable, but the actual numbers could differ from our estimates.

MONETIZATION METRICS

Y/Y % CHANGE IN AD ENGAGEMENTS



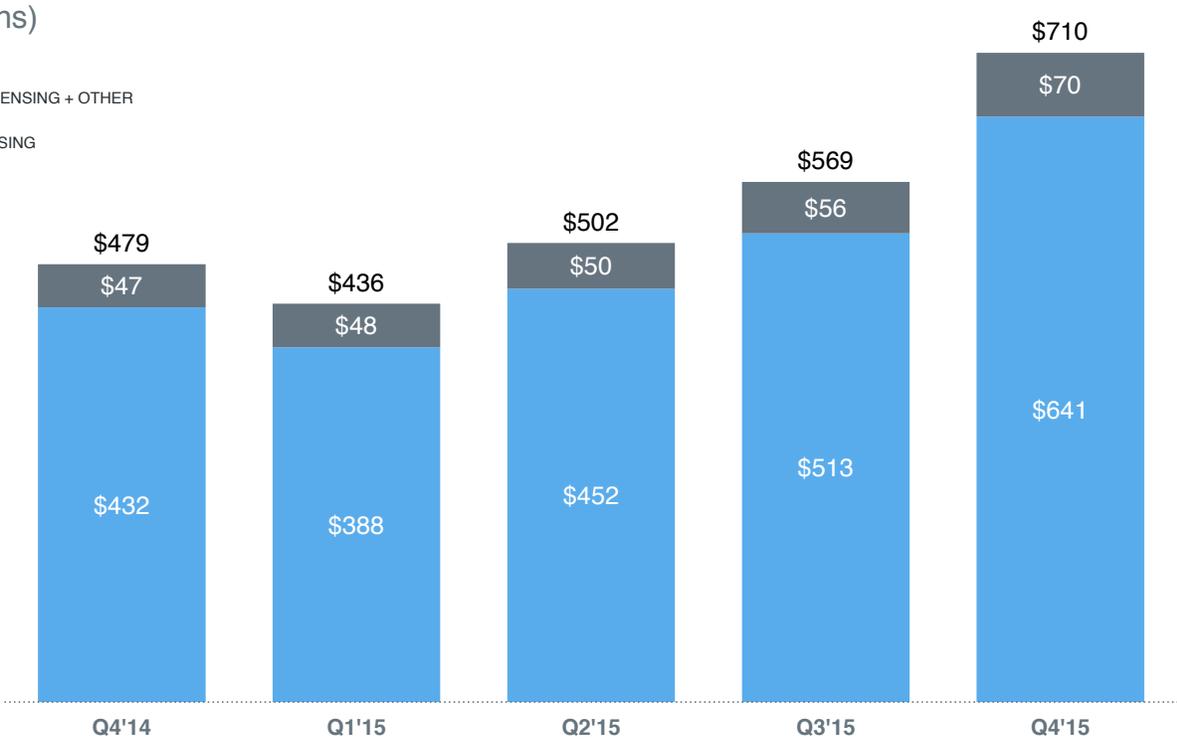
Y/Y % CHANGE IN COST PER AD ENGAGEMENT



QUARTERLY REVENUE

(\$, millions)

■ DATA LICENSING + OTHER
■ ADVERTISING



+48%
TOTAL Y/Y

+48%
DL&O Y/Y

+48%
ADV Y/Y

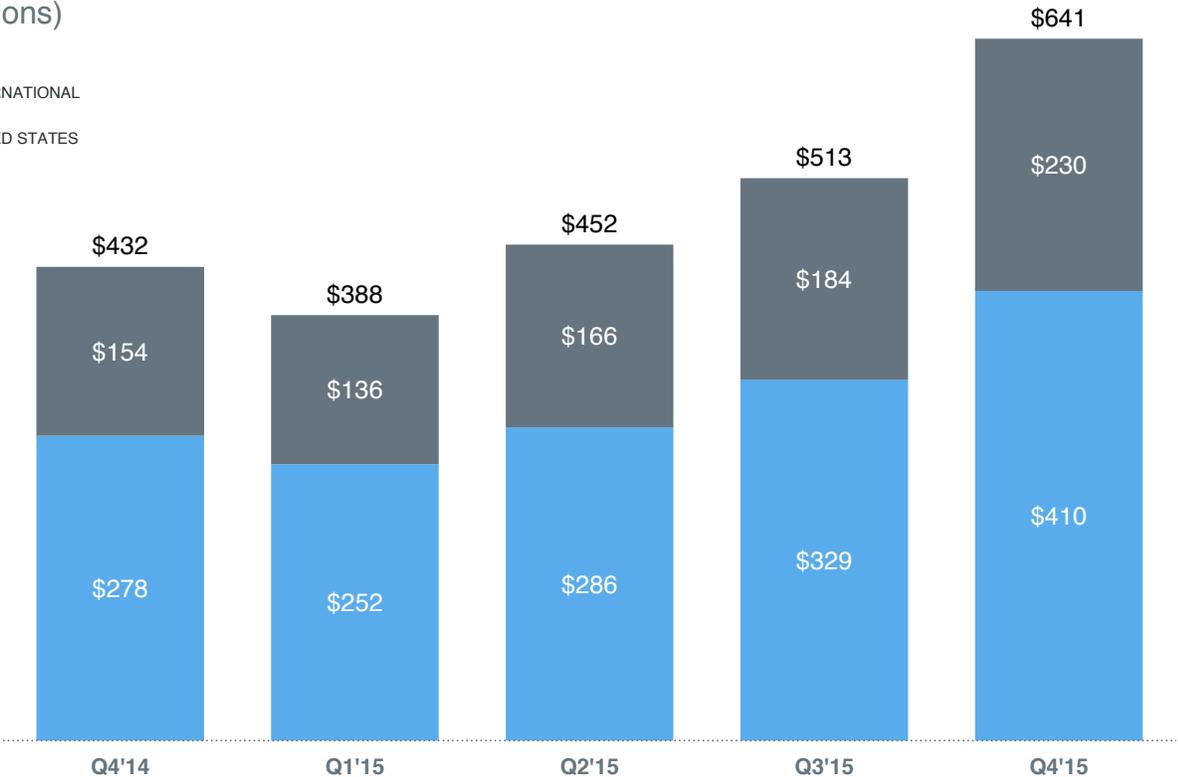
% INTERNATIONAL	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
	34%	34%	36%	35%	35%



QUARTERLY ADVERTISING REVENUE BY GEOGRAPHY

(\$, millions)

INTERNATIONAL
UNITED STATES



+48%
WW Y/Y

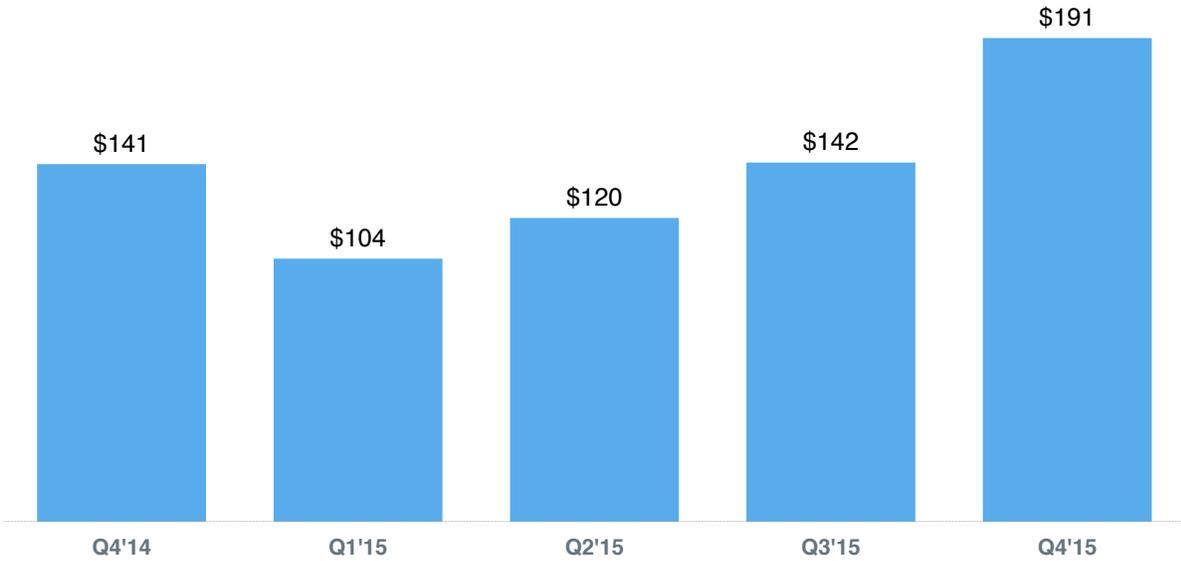
+49%
INT'L Y/Y

+48%
U.S. Y/Y



QUARTERLY ADJUSTED EBITDA

(\$, millions)



+35%
Y/Y

Quarter	% OF REVENUE
Q4'14	30%
Q1'15	24%
Q2'15	24%
Q3'15	25%
Q4'15	27%

 Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses, provision (benefit) for income taxes, and restructuring charges. See Appendix for a reconciliation of net loss to Adjusted EBITDA.

APPENDIX

ADJUSTED EBITDA RECONCILIATION

(\$, thousands)

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three months ended				
	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015
Net loss	(\$125,352)	(\$162,442)	(\$136,663)	(\$131,690)	(\$90,236)
Stock-based compensation expense	177,215	182,805	175,143	165,921	158,249
Depreciation and amortization expense	62,428	67,864	76,049	81,464	87,446
Interest and other expense (income)	23,512	15,194	25,132	23,291	19,652
Provision (benefit) for income taxes	3,687	632	(19,473)	3,162	3,405
Restructuring charges	—	—	—	—	12,902
Adjusted EBITDA	\$141,490	\$104,053	\$120,188	\$142,148	\$191,418



Note: Adjusted EBITDA is defined as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization expense, interest and other expenses, provision (benefit) for income taxes, and restructuring charges.

GAAP TO NON-GAAP RECONCILIATIONS

(\$, thousands)

THREE MONTHS ENDED DECEMBER 31, 2015

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Restructuring charges	Non-GAAP
Cost of revenue	\$217,963	\$8,360	\$10,405	\$1,087	\$198,111
Research and development	210,058	94,707	64	8,746	106,541
Sales and marketing	277,189	36,750	4,949	2,741	232,749
General and administrative	72,442	18,432	—	328	53,682

TWELVE MONTHS ENDED DECEMBER 31, 2015

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Non-cash acquisition-related expense	Restructuring charges	Non-GAAP
Cost of revenue	\$729,256	\$40,705	\$38,509	—	\$1,087	\$648,955
Research and development	806,648	401,537	256	—	8,746	396,109
Sales and marketing	871,491	156,904	15,894	—	2,741	695,952
General and administrative	260,673	82,972	—	926	328	176,447





EXHIBIT 52



Keynote

Unlisted

37,719 views

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Published on Apr 30, 2014

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Mark Zuckerberg, Ilya Sukhar, Ime Archibong & Deb Liu

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New



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Daily Dose Of Internet
831K views
New



Basically how trying to stay neutral is.



 **YouTube**



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4-30-2014

2014 F8 Developer Conference

Mark Zuckerberg

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Audience: (applause)

Mark Zuckerberg: Welcome. Welcome. Thanks for coming to f8. This is going to be a different kind of f8. In the past, we've had tha-, we've had f8 when we had some kind of big new product announcement or new direction that we were going in and this always meant a lot of different changes for your apps.

Now, we're focused on building a stable mobile platform. You're trying to build great mobile apps in businesses and we want to bring this community together once a year to talk about all of the different things that we're doing to help support you.

So we've heard from you that you want to use Facebook platform for three main things, to help you build, grow and monetize your apps. You want things like identity and sharing, push notifications, app installs, ad networks, and the best way that we can help you improve people's lives and help connect the world is by providing you with a stable mobile platform to build, grow and monetize your apps.

So we're going to help you build with tools like Log In, which are now used by more than 80% of the top IOS and Android apps. We're going to help you grow with stable distribution, like the more than one billion app installs that we've driven to your apps and we're going to help you monetize and build stable businesses like the more than \$3 billion in payments that we've helped process for you in the last year alone.

So, most of you are building mobile apps and you know, over the past few years, we've made this transition to being primarily a mobile company ourselves. Just a few years back, most of our business and most of our usage was on, but now more than a billion people use all of our mobile apps and more than 20% [00:02:00] of all time spent in apps on phones is spent in Facebook apps, and the majority of our business is on mobile.

But the thing is, it can be annoying to build for mobile because the mobile ecosystem is so siloed. Apple has a vertical platform, Google has a vertical platform, Microsoft has a vertical platform; then there's the mobile web and there are others too, and these are all important platforms and they're each growing.

But the thing is, all of these companies are just trying to compete and make their own platforms better and more different from the others. No

one has an incentive to help bridge the gaps between these platforms and make it easier to build on any of their competitor's platforms, but as a person using a phone, this is terrible. You know, I, I just want to be able to buy a phone and have all of the apps I want work on it and as developers, of course we want tools that work across all these different platforms. It's really annoying when we have to build the same thing three, four, five times just because of these different stacks.

So our goal with Facebook is to build the cross-platform platform and provide all of the tools that you need to bridge these different worlds. So we all want identity across platforms and sharing across platforms and push notifications across platforms and app installs and even monetization.

And this is what Facebook platform is all about, building the cross-platform tools that you need to build, grow and monetize your apps everywhere. Now, it's natural for us to focus on these things because a lot of these tools are the very same things that we've needed to build for ourselves in order to help more than a billion people connect across all these different systems.

Now, as I said, we're really focused on building a stable mobile platform and one thing you may not know is that all of our own mobile apps are built on top of the very same platform and APIs that you guys use [00:04:00] when you're writing for Facebook. And all of our engineers use the same tools and read all the same documentation that you do.

So because of this, over the past few years, as our apps have grown, the number of requests that our platform handles has grown by 20x. We now handle almost half a trillion requests a day, which, um, is a pretty ridiculous number when you think about it, and uh, and the thing is, when we've scaled, we've actually improved performance by more than 40% on, on average response time and we've reduced the already small amount of down time by more than 70% over the past few years.

So it's really important for you and for all of our teams internally that we build stable and efficient infrastructure that you can rely on for the long term. So this has been a really big focus for us.

We used to have this, um, famous mantra, move fast and, and break things, and the, the idea here was that you know, as developers, moving quickly is so important that we were even willing to tolerate a few bugs to do it, but what we realized over time was that this actually wasn't

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A Conversation with Mark Zuckerberg (2010 Web 2.0 Summit)

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John: So, um, thank you for coming. This is your third I think.

Mark: I think so.

John: Yeah?

Mark: Yeah.

John: Um, so you've sort of grown up in the Web 2 stage I would say. Um, I- I didn't mean that the way it sound. (laughs) I'm so sorry. Um, but, ye- yesterday, you had a very big announcement. Um, or perhaps just yet another announcement in- in (laughs) what has been a series of a lot of big announcements recently. Almost all of them are happy with the themes that we've been talking about here. This one was messaging.

So, um, many folks have said this is a Gmail killer. Um, and when we ask Carol Bartz, uh, to say one word after, uh, I said Facebook, she said, "Competitor." (laughs) Um, I think that's because of mail. Um, I'm not sure it was because of Facebook finance. Um, uh, so (laughs) ... Uh, give us your, you know, encapsulated view of what messages is about in- and how it differentiates, because I think people might be a bit confused by the framework of mail.

Mark: Sure, I mean, we- we went into this looking, not to build an email product, right? But thinking about, you know, what would be a modern messaging system if, um, if- if- if we rethought this from scratch. And, you know, one of the interesting things, I started off th- th- the conference yesterday, a little press conference giving the story of ... You know, a- a couple of Thanksgivings ago, I was hanging out with, um, with my girlfriend's family and my girlfriend has this sister who's in high school. So whenever- whenever I get a chance to talk to high school kids, I always wanna ask them, uh, wh- what type of stuff they are using, right? Because, you know, I think I'm kinda young, but when you talk to high schoolers, you like feel old immediately, right?

John: Yeah I know. (laughs)

Mark: And, um, so ... And, you know, so I was asking them kind of stuff are you using, right? Do you use email, do you use like th- these different social networks, do you use, um, like different iPhone apps. And, so, when we go to email, I was like, "All right, wh- what do you use?" And they're like, "Well, you know, some of us [00:02:00] use Gmail and probably most of us use Gmail. Um, a bunch of us use Yahoo. Um, but we don't really use it that much." I was like, "Wh- why? Everyone uses email." They got, "Well, it's too slow." I'm like, "What do you mean it's too slow? like, email is instantaneous. You send an email and it gets delivered." And, it- it- what they've mean was that it was too formal, right?

Th- the types of communication that a lot of people are doing these days, um, you know, things like SMS and IM are just a lot simpler, right? I mean, you don't have to remember an address, um, you- you- you pick out someone's name that you want to send something to, you send it to them. Um, you don't have to think of a subject line. You don't need to say, "Hey mom," at the beginning. You don't need to say, "Love Mark" at the end. Um, it doesn't need to- You know, there's no paragraphs or you don't need to keep track of different threads or anything like that. It's just really simple.

And I- I think that messaging in the future is gonna resemble that a lot more recent. It's a lot more natural. You know, I mean, we have one thread or at a conversation between us. You know, I don't have 20 different conversations. So, mapping it out like that, we think makes a lot more sense.

So when we, kinda got started thinking about how to build a messages product, we didn't come at it from the perspective of, "Oh, let's add email functionality." We came at it from the perspective of, "Let's take away everything that we can," right? So we got rid of subject lines. Um, we got rid of the divide between IM and messages on- on Facebook. Um, so those are now the same thing and we made it so now it's interoperable with email as well and SMS.

And I kind of have one system where you can just send people simple messages and it can get delivered to people wherever they are. If they're on Facebook, it will pop up as an IM. If they're not, then they can come back and it can get delivered to their inbox. If they have their phone, um, and they have the iPhone app, that can get send as a push notification. If they don't, it can get sent as an SMS. Um, if they want, it can get sent as an email. Um, seamless. So that's what we're doing.

Tim: So there are the things though, that, that people are in your friend graph and so of course one of the advantage of the email is this, uh, name space that you can discover and you can communicate with people who you're not connected with. [00:04:00] So how do you think about that in the context of-

John: Well, so one of the things that is very good to solve with, um, with the social graph is spam, right?

Tim: Mm-hmm (affirmative)

Mark: You know, it- it's been a- a classic email problem. Um, you know, email filters developed past 10 or 15 years have gotten very good at filtering out the real jump, right? So you don't get a lot of, like Viagra email anymore. But, you do get a lot of random emails from em- or from services that you subscribe or, uh, that you subscribe to. Um, you know, different things that you connect to but you

may not be that interested in hearing from. And, you know, one thing that email can't do is differentiate between two real people who your ... Who are both real people sending you legitimate emails but it- it- it can differentiate between which one do you like more, right? Um ...

Tim: Well, Gmail is starting to do the good job with that with priority inbox.

Mark: Yeah, I know and that stuff is- is- is pretty cool. I- it does factor in.

John: It would be better if you use Facebook Connect I think.

Tim: Yeah, a- absolutely. Yeah.

Mark: But, but I mean, I think for a long time, people have agreed that the real way to solve spam and filtering is you should have a list of the people that you want to hear from, right? And we can just do that so easily for people because they have their friend's list. Their friends have their friend's list. So we can tell not only who were the people that you communicate with but who are the people in your network who are likely to be sending you something that's interesting, um-

Tim: There's a fair amount of manual curation there that gets old pretty fast if you're in contact with a lot of people. Uh, uh, do you see automation of that in your future? Uh, you know, the way that- that Google is ... Even though they don't always deliver on the promise, they're trying to get algorithm like about figuring out who- who you really wanna communicate with.

Mark: Yeah, I mean, I think a- a lot of the products that we build have the property that you create, social dynamics for people explicitly wanna share things with other people. And that ends up being a better way to, um, to filter things, then you can get through an algorithm right?

Tim: Mm-hmm (affirmative)

Mark: I- I- I think, you know, I mean, some of the examples of products that we've launched or worked on recently are good examples of this. So, I mean, photos [00:06:00] goes back a while. Um, Groups is pretty recent. But they both have this property right? If you would ask people like ten years ago, what would be the best way to take a big set of photos and identify the people in them. Most people said you should probably have like a face recognition algorithm or something like that and kinda crunch all the photos. Um, but it turns that it's just a lot easier to let people tag your photos of their friends and create a good interface where you- you have your friend's list there and you could do that. Um, it's just, it works really well. Um, and, you know, the same thing with groups right?

I mean, people have- have come up with- with interface that you try to sort people into groups automatically. Um, what we found ... I mean, Groups has been one of our fastest growing products ever. Um, and what we've found is that it just, it works really well when you can put your friends into a group, right? I mean, one person does manual work and they do the work for the network, right? So, you know, you got 5% or 10% of users putting all their friends into groups and now, everyone can use, um, th- this products for effective small group communication. It's really cool.

John: Some people don't like being put into groups.

Mark: Well, they can leave those groups.

John: But they don't like being put in it in the first place. Um, and- and then they got a bunch of mail.

Tim: It's- it's a kind of spam, different kind of spam.

John: Well ... I mean, it's just an interesting ... There's a- there's a sort of ... To pull back a bit. Th- There is something about Facebook which and- and I think you- you'll acknowledge is, which is that it- it sort of doesn't ask for permission and ask for forgiveness. That seems to be a Facebook sort of trait. That it sort of like, "Well, we'll just keep pushing that envelope and tell, 'Oops, okay, sorry, we hear you,'" and then you've listen and you pull back and that happened with the user ID in rape- Rappleaf, uh, you know, uh, incident and it happened with groups too.

It's like all of the sudden I was put in all these groups, they started getting all these mail, I'm like, "Don't," and then I had to go change my permissions and say, "No, don't send this stuff," and so on and so forth. Um, is that a- an intentional point of view or is it sort of ... An- and I'm not against that. As a matter of fact, there's m- m- many cases when, you know, I've set the boards that I've [00:08:00] had to face, "Sorry." Right? I mean, is- is that, is that you put (laughs) ... You know, I didn't ask for permission, I ask ...

Mark: You know.

John: ... Now, I'm asking for forgiveness. So is that ... Do you- do you- does that resonate with you?

Mark: Well, our view is that the friend relationship is meaningful, right? And that's the whole point of having a two ... Uh, bi-directional relationship instead of a one way fell in level, right? It's a confirmed thing. I mean, we're friends. In this graph, what that means is that you now have the right to do certain things. You can post on my page.

John: Right.

Mark: You can tag me in photos.

John: Right.

Mark: Um, now, filtering in my inbox has, uh, sorted on that too, because now any of your friends can send a message that goes through my inbox. So that's really how we look at it. But, I mean, a lot of these that we're talking about-

John: But you don't have a right to export my data.

Mark: What's that?

John: We don't ... You don't have a right to export my data. You've made that very clear in this war with- with Gmail.

Mark: Well- well ... Yeah I mean, th- th- the view there is that everyone owns their own information and has the ability to export it, right? So if you upload photos, I mean, you can export that and take it anywhere you want through Connect and we've made that really easy. And if you want, you can just download all that in a Zip file. Now, I- I think email is a little bit different from social networks in this way. And, in that ... In an email program if you have an address book, you've put all the addresses in there. So those addresses are very much your information, right? And downloading that, I think, is a no-brainer.

In a social network, you know, your friend list, I think, is your information, right? I mean, so you- your set of connections. But if you have an email attached to your account, that's yours. Now, I- I think there's ... It's- it's- it's gray though, right? I mean, I- I ... When we think about this, there's information that's clearly yours, right? Like, if you upload a photo album or write a blog post, that's yours, right? Um, there's information that's clearly not yours right? If it someone else's photo album.

John: Right.

Mark: Um, and then there's information that maybe is somewhere in the middle. When I think, um, you know, maybe a photo that you took that I'm tagged in maybe is somewhere in the middle. It's like, what are my rights or what are my rights for what I should be able to do with that [00:10:00]. Um, What should I be able to do with, um, your email address if we're friends and I can see your email address. Um, and I think that was our, kind of, unsolved problems.

John: Well, that's good. That's ... Right.

Mark: And I think we need to sort through that. So, I- I'm not sure we're a 100% right on this. Um, but I do think it's not way that simple.

Tim: I think you're ... I-

Mark: And we're trying to think through these things.

John: Right.

Mark: And be respectful with all th- the forces that are at play, right? Because on- one that we do here a lot. You know, we- we ... Our value system is a very strong line of sight of openness and- and- and portability and that's why we've build Connect which in- in ... You know, as far as I can tell, it's th- the single largest system that allows people to bring their data from one system to another that's ever been created.

Um, but, you know, we hear most of the time ... There's- there's a- a community here that I think is very invested in stuff and- and we feel pretty aligned with that, because we think that in a lot of ways that's the future. That's what's enabling a lot of the new applications and great stuff to get built.

But the feedback that we get on a day to day basis from hundreds of millions of people is more along the lines of, we want control of all the information that we put into the site. I want to make sure that if I upload a photo album, that stays with exactly the set of people that I said could see it. And, um, it's just mediating that attention I think is- is challenging. Yeah?

Tim: So, so, so one of the options is to say, "Okay, I'm okay with this information to be downloaded." I mean, it- it seems to me that, uh, you know, however you get the email address, you have the option manually to transfer it from one place to another. If- if it's visible to you, then ...

Mark: Mm-hmm (affirmative)

Tim: ... Effectively you have it. It seems a bit of sophistry to say, "Oh, we- well that's really private information and you can't own it." I mean ... And if you can suck it in from- from Google, certainly seems that, it- it ought to be symmetrical that they ought to be able to [crosstalk 00:11:40]

Mark: No, I mean, I think what you're saying is definitely true.

Tim: Yeah. Yeah.

Mark: And this is a design principle. What we have said ... I mean, you take photos for an example.

Tim: Yeah.

Mark: If you set a photo to be visible to friends only ...

Tim: Yeah.

Mark: ... And we're friends and I see that and I go to share it with someone else who's not my friend, technically, I can download it and send it an email to my friend. But if you try to send it to them through Facebook we give an error message.
[00:12:00]

Tim: Yeah.

Mark: Right? I mean, that's just, we're trying to give user control. I mean, th- this is an example where these two things are somewhat at odds in attention. I just think the correct answer isn't completely obvious.

Tim: Yeah I- I- I agree with that.

Mark: I'm not sure that we're completely right, but it's, but it's not I think a completely black and white thing.

John: This is the thing that I find fascinating both about Facebook and where we are a- as a culture is that, you know, we- we could talk for two hours on this stage about this and- and- and- and- probably maybe make a little progress in understanding a- a- a conversation that is ongoing in our culture that has not finished as you point out.

Mark: Mm-hmm. (affirmative)

John: On the other hand, we have now, you know, the congress, sort of interested, not just in this question but very specifically in your, in your company. How do you handle, you know, I mean, a headline such as, "Facebook response prompt strong words from privacy law makers." There's a new congress and- and- the- the chair of the Energy and Commerce Committee, Joe Barton, incoming he said, "In the next congress, uh, we in our sub committees are going to put Internet privacy policies in the cross-hairs." Can you go to them and say, "Look, we're figuring it out. (laughs) Leave us alone for now (laughs)."

Mark: No. But this is what I was saying. I think right now, a lot more of the feedback that we get is on the side of, "Users need complete control of making sure that

anything that they put on the site will only go to the people who they say it will go to." Right? And my guess would be that over the next, you know, few years. I don't know how long this- this will take to play out. Um, the data portability and openness side of this will ... It will become a lot more obvious why that's valuable.

John: Yeah.

Mark: And the types of great experiences that can be created through that. But I think right now, a lot more people are just on the side of asking for- for user control. And, um, I don't know. It's- yeah, I mean, y- you just said we can be up here for two hours and have this discussion.

John: Yeah.

Mark: I mean, this is something ... These are some of the intellectual debates that we have inside the company everyday.

John: Right.

Mark: I mean, frankly, it's one of the reasons why being at Facebook now is so exciting, right? I mean, I- I think we are kind of at the forefront of some of these issues which were really unsolved issues [00:14:00] in- in the industry. And, um, I don't know, trying to- to come up with solutions and propose them is a really interesting problem and an exciting thing to be doing.

Tim: Yeah, I have to say I- I- I do think despite the fact that it's a very tough position to be in with, uh, for example, congress. The approach we're taking is right. We got to figure out, go push the boundaries and figure out where they are, because if we, um, set rules too early, we won't figure it out. We just won't. We're gonna stay in the past. So ...

John: I want to, um, ask you about a couple of, uh, uh, questions of- of- of competition. Um, it strikes me and I ... And we talked about it, that's the last time you- you're here on this stage. That- that you really going ... You- you're in a very interesting phase. You're in what, some may call the pre-IPO stage. I won't even bother asking you when that's happening because you- you'll- you'll- your eyes will face it.

Tim: You don't have to go to [crosstalk 00:14:54] you know.

Mark: Well, a couple of years ago, you asked me [crosstalk 00:14:56]

John: I asked you a couple of years ago and you're like, it will be a couple years from now. It's like, "Ugh, it's so far away, a couple years from now." Um, so I'm waiting for that S1 to drop. But, um ... (laughs) But I know it's-

Mark: Don't hold your breath. (chuckle)

John: Yes don't hold your breath exactly. Um, but- but, you know, there is something that I- I wonder w- with- with Open Graph and- and Facebook Connect on so many, uh, and likes and everything just spreading out across the web. It strikes me already to distribute Facebook's business model off domain. Um, and- and do, uh, a f- friend or a social graph driven, uh, ad network. Uh, not on like, uh, with Google did about this time in it- It's history six years in which was AdSense. Um, d- d- do you think that's a reasonably good idea?

Mark: Well, I think it's earlier stage than Google is when, when they did that. So, I- I- I have no idea when or if it will make sense to do something like [00:16:00] that. Um, I mean, w- we spent a lot of time building up our ad system and making it [crosstalk 00:16:03]

John: You have a very, very good, as I understand it, in a very profitable ad system that's starting to scale to the billions in revenue just for your domain.

Mark: Well, we- we're doing okay. Um ... (laughs)

John: I've heard.

Mark: You know ...

John: But the web is much bigger. There's a whole another web out there that's waiting for-

Tim: And you've been very successful with non-monetized, uh, Facebook reaching out on to the web.

John: Right, so you've got sort of the, "You're in." Yo- you just need to light that all the way up.

Tim: The worrying is there. The worrying is there.

Mark: So ... I mean, yeah, we- we're getting started wi- with ads and I think that that's ramping up well. And, um, you know, one of the more important-

John: Now, figure isn't just getting started.

Mark: Well, I- I think it is. Um, and-

John: I figured that you've landed and taken over with a lot of territories.

Mark: I think we have a lot left to do. Um, and, you know, same on the credit side where- where that one is really just getting started. And he- heres the way that I look at it. R- rather than kinda pushing out any of these systems a- aggressively or anything like that. I think that over the next five years, most industries are going to get re-thought to be social and designed around people.

Well, I mean this is kind of the evolution that we have seen at Facebook, right? When we started, um, just built the first Facebook directory product when I was in college. Th- th- the whole theory was, you know, there were all these products out there. You know, if you wanted music, you can use Kazaa back then, right? Or iTunes.

Um, if you wanted, um, reference material, you could use Wikipedia. If you want to search the web, you could use Google. If you wanted to look up, um, anything to buy, you can use Amazon. There is no people service. And this struck us. It's really weird because, um, you know, people are just ... Humans are hardwired to be very interested in- in people. Psychology it's- it's deeply wired into our brain. So we built this- this directory people service. And it immediately became, um, the most engaging product that- that was on the web, right? We didn't have the biggest user base immediately but it- it had the most usage, um, per user [00:18:00] from the beginning. And um-

Tim: Where are those numbers today? I mean, what's your-

Mark: Um, and we still. And one of the things that's crazy is we still have more than 50% of people who are on Facebook using it everyday. Um, so, yeah, more- more than 500 million people. More than 50% everyday. Um, and now it's- it's growing because of all the mobile stuff.

Uh, but ... You know, so then a few years then, a couple of engineers th- that the company kind of branched off and said, "We're gonna build different products," right? And we got photos. We got the first version of groups and events. And at this phase, all these projects kinda have the same thing in common. They were groups of two or three people, um, competing against whole startups that were out there, right?

I mean, Flickr was a- a photo sharing start up and that's all that they did right? And there were group companies and event companies and, you know, we have these teams of two or three people and they were building, u- usually, over a period of just a couple of months, very simple versions of these products, right?

I mean, our initial photo product didn't have high resolution photos. It didn't have printing. You can't even reorder the photos in an album. But the thing that it had was it was very deeply socially integrated, right? I mean, you upload a photo and it went to all your friends immediately and they could all see it and they could ... I mean, they could interact with you around it.

And it turned out that that social feature was more important than every other feature put together. And very quickly, our photos product became the most used photos product on the web. Same thing with Groups. Same thing with Events. Over the last five years, we've kind of filled in a lot of those products to make them more fully featured, because we think you should have high quality and good social products.

But the bottom line that we found was that, um, you make something social and that kind of rethinks the whole space, right? A social version of anything can almost always be much more engaging and out-perform a non-social version. So 2007, we- we- we pivoted and said, "Okay, instead of building all these little things ourselves, let's pull the platforms that other people can build these." And since then, we've seen a lot of really interesting innovation and, um-

Tim: But you are also building them yourself. I mean, Facebook Places is a good example.

Mark: We- We're building some ourselves. We're building some ourselves, but a lot of them [00:20:00] we're not gonna build ourselves, right? And, um, uh, especially around content, right? So, I mean the games, uh, part of the platform has been really interesting. I mean, Fred was just talking about this one when he was up here before and they've have been four really good game companies that have been built almost entirely on top of Facebook, right? I mean, Zynga, Playfish, Playdom and CrowdStar are- are really meaningful companies. I mean, Playdom was just bought for three quarters of a billion dollars. Playfish, um, was bought for almost half a billion dollars. Um, Zynga, obviously independent and worth multiple billions of dollars. Um, but th- the way that we look at this is that, you know, I mean, that's really disruptive, right? I mean, Zynga's market cap I think at this point is greater than EA is, right? And that's like a structural disruption in the industry because they, um, went at it and built social games. They're just much more engaging on a- on a pre-user basis.

Tim: Okay. What you just said contradicts Fred Wilson's point that Zynga is the only, uh, successful company built on the Facebook platform. You just named four. (snicker)

Mark: Well ... Well, th- The way that we look at it is if you look at a lot of platforms ... I- I do agree that games have been the first big vertical to tip, right? And that- that

have gotten rethought to be completely social. But, I think, that's actually true on most platforms, right? I mean, iPhone and- and iPad, um, games were some of the first major things that took off. Even if you go back to the early PC, um, some of the first things that got people to bring PC's into their home were games.

John: So what do you think the next things are?

Mark: Um, it's really tough to predict, because I think a lot of it comes down to excellent entrepreneurs with vision, right? And I mean ... That it- it really isn't like, it's not obvious, right? You- You just don't like plug social stuff in it that works-

John: These excellent entrepreneurs in the audience would like to know the ones you're gonna do so they can steer clearly. (laughs)

Mark: Well, I- I think, you know, anything that ... It's, I think it's actually pretty clear the type of stuff that we're gonna do and not, right? I mean, we- we do things that involve people sharing information with other people. Anything that involves-

John: That's pretty broad.

Mark: No. (laughs) But- but- but anything that involves content or specific expertise in- in the area. So games is- is I think a- a really deep area. Music, movies, TV, news, like any [00:22:00] media thing, e-commerce like any of the stuff.

John: You gonna wanna stay away from those movies.

Mark: Like, it's um-

John: Oh, now I get that. Um ... (laughs)

Mark: I wasn't sure where you're going with that.

John: Um, I had to get it in somewhere you know.

Mark: Whatever, it's- it's all good. (laughs) I- I think that over the next five years, those verticals are all gonna be completely rethought and there gonna be some really good businesses built. And some of them will be incumbents than- than corporate social functionality and some of them will be new startups thinking it from scratch.

Tim: Um, take that, uh, music makes me think-

Mark: Sorry, I- I didn't actually get back to your ads thing at the end. But th- th- the two sentence link at the end there ...

John: Yeah.

Mark: ... With our views that w- we should play role in- in helping to reform and- and rethink all of those industries and we'll get value proportional to what we put in, right? So, in gaming, we get some percentage of the value of those companies largely, um, through their transactions, through buying ads and- and credits right now. But that's all because we're helping them, right? And if we are helpful to other industries in building out, um, what would be a good solution for e-commerce or anything like that, then I think that there will be some way that we'll get value from that.

Tim: But-

Mark: But I don't think about, you know, exporting an ad system or anything like that any- anytime soon.

Tim: But there's sort of a- a segue here, uh, whether it's advertising or not, there's two models for you to exploit your platform. And one is, uh, you know, demonstrated by something like Zynga. They're on Facebook. The other is you're exporting your social knowledge, your social graph out to other sites. Even if it's not advertising, you could for example, imagine, uh, Facebook as an engine for social commerce that's available to many, many start ups ...

Mark: Mm-hmm. (affirmative)

Tim: ... Off Facebook or you can say, "No, no. What we're really gonna do is we're gonna build social selling into Facebook." You can imagine, you know, Facebook Places. Well, it's build in to Facebook versus you could have been an- an enabler for many, many location-based startups. How do you decide, uh, on the inbound platform versus the outbound platform aspect of what you do? Uh, because social enabling, uh, other people [00:24:00] is a really, really powerful capability that you have.

Mark: Yeah, so I guess we think it's gonna happen to all these places. Earlier on, even even six months ago, I- I kind of thought of this distinction between there's canvass inside of Facebook and there is Connect if you wanna build outside of Facebook. But, recently our thinking has come around to ... You know, actually they're just kinda different things and in- in a lot of ways, it makes sense for people to do both. There- an- and in addition to a mobile app and- and mobile web app and like lots of different types of apps, right? I mean, one of the things that I think is-

Tim: But it's something, you wanted to make a social music app. You know, you can say we're gonna have social music in Facebook. You know, or you could say, we're gonna help Google. It is not your best friend. Um, you know, compete with Apple. You know, because Apple has a pretty good music product. They're trying to make it social.

Mark: Mm-hmm. (Affirmative)

Tim: Um, but hey, you know, if ... Anybody for that matter who wanted to have a better music product could partner with you if you were in the partnering mood or you can say, "No, we're gonna build our own music product." I mean, so which is it?

Mark: Oh, I- I mean, our default is just build an open platform, right?

Tim: Mm-hmm. (Affirmative)

Mark: I mean, th- the stuff that we work on like groups, location, messages, are like really core parts in- in either distribution channels or ...

Tim: Mm-hmm. (Affirmative)

Mark: Wh- What we view are kind of foundational building blocks of- of the Social Graph, right? Um ...

Tim: Okay, that's a really pretty clear distinction to make.

Mark: Right. An- and That's like ... Th- That's how we think about it, right?

Tim: Yeah.

Mark: I mean, anything that doesn't have to be built by us, we would rather not be built by us. But anything that, uh ... Just because we- we- were pretty small company and have like few hundred engineers, right? But, like, you know, I- I mean I think it's small. Um ... (laughs)

John: Yeah. It's growing, um ... (laughs)

Tim: But in gene- ... And general point is that- that you see a fairly, uh, robust partnering strategy for Facebook as part of your future.

Mark: Yeah.

Tim: As oppose to, "We're gonna try it harder."

Mark: I think- I think this is a big ... I mean this is one of the defining things I think about [00:26:00] more strategy but also our version for what the web and ... And- and really mobile should look like, right? We fundamentally are not gonna build all these things ourselves. But if you're Google or you're Apple and you're like, "Okay, we want a music solution in our, kind of ecosystem. We want a cloud music solution or we want music on- on iPhone." They build those things themselves for the most part.

Tim: Or required.

Mark: Or strategy. Yeah. Or- or required but bring it in, right? And our view is mostly, "Okay, this- this should be more decentralized," right? Why not empower a really good entrepreneur to go build their own company. Um, give them all the incentive around building a great company or probably get a lot more innovation that way. Um, and make it so that they can integrate social dynamics into their product extremely deeply, designing around people, not make it a traditional music application for example. And we figure it will blow everything else out of the water.

John: Interesting. I- I am curious, uh, a- as i- in that model, I think that you're getting to the point with Facebook and I'm sure you feel it. Um, where some people just don't trust you, because they feel you have too much power. You- That you've- That you've pretty much cornered the market on the social graph. It's one ring to rule them all and- and you've got the ring.

Um, and ... (laughs) And did you feel that pressure yet? Because I get this ... I certainly feel it when I have conversations with entrepreneurs. They're like they- they have to make a decision. Do I or do I not integrate with Facebook. And do you believe that there really is just one social graph or is there room? We have Jeff Weiner here tomorrow from LinkedIn wh- who believes he's got a very powerful sort of vertical social graph around with LinkedIn. Um, and- and Twitter believes that it has a very powerful sort of interest graph o- or, uh, you know ... So there are different sort of socially, social type graphs but, you know, and you- ... As far as I know, you're still not integrated with Ping right? With Apple?

Mark: I don't think yet.

John: No- not yet. Um, I know you guys have been having, um, talks about that or had talks [00:28:00] about that. But is- is-, you know, do you feel that pressure of- of- of power?

Mark: Well, I mean it's interesting. I- I think you share the criticism that you're talking about or th- the sentiments they are talking about. It's like, "Woah, do we want go all in and build a social app?" Um, but at the same time, the apps that have

done the best are the ones that have gone all in, right? I mean, one of the things that's defining about the games so far on- on Facebook is when you ... A- a lot of these companies that are building games, they go in and develop an app assuming that every single one of their users is gonna be socially enabled.

John: Right.

Mark: You know, now it's through Facebook. But I mean ... But I think Zynga today announced that they're doing something with Yahoo, right? I think that this- this kinda well spread out and that's good. Um, so, I just think it's a different modality of thinking, right? If- if- if you go in building an app expecting that people are gonna be there with their friends and expecting a social experience, then you're building a fundamentally different thing than if that's the not the expectation or if only a few percent of your users are doing that.

John: Yes.

Mark: So in some ways, I actually think we're only now entering the zone where a lot of the best entrepreneurs will consider working with us. Now that we've achieved the scale ...

John: Interesting.

Mark: ... But now a large enough percentage of their users will be using Facebook. But I mean, th- this is one of the things that I think is interesting with the instant personalization program that we're doing too.

John: Right.

Mark: But it's now ... You know, if we done instant personalization a few years ago, it wouldn't have been that interesting right? Because ...

John: Well I was beaten. (laughs)

Mark: Because a very small, I mean ... No.

John: Right? It was a sort of in a way.

Mark: Um, I mean, inter-personalization is only about sharing in that you've already said that you wanna share with everyone.

John: Right.

Mark: But, um, it wouldn't have been compelling a few years ago right? Because, we just didn't have the user base. Right, I mean now, if, you know, 60 or 70% of any given websites users are likely to be Facebook users, a few years ago, there would have been 10%. And it's like no one is gonna design an app, um, assuming that 10% of their users are gonna be social. It just doesn't mean anything right? But now, yo- you can design something assuming that the vast majority of your users will be socially enabled [00:30:00] and just go in with a completely different mindset around how you build something.

John: Yeah. That's true.

Mark: Um, and I just think that that's get you in more and more true. And, in- in terms of the thing that you were asking about, are there gonna be different graphs. That's definitely our vision. I don't think that there can ever be only one and that's why we, we kinda change some of the language around how we talked about this from the social graph to the open graph, right? At- at F8 this year.

And the idea there was that each of these different services kind of were mapping out their own different parts of the graph. And- and our view is what we should be doing is trying to facilitate making these more interoperable. And it's not just all that people in the social networks either, right?

I mean if you are Yelp, you have a graph of how local restaurants and businesses fit together and the reviews of them and things like that. If you are a music app, you probably have a graph of how musicians map the songs and albums and things like that. And these rich data sets being interoperable, I think it's gonna be one of the really defining things that allows a lot of innovation over the next few years.

John: Tim opened the conference with a call for partnerships and interoperability. Um, you- you've had this sort of desktop with- with Google over which we discussed, um, and you haven't like come to terms with Apple. Sometimes, the reality of PNL seems to getting away of that vision. Um, do you feel like that's ... Th- that's going to be resolved? Um, is that a goal of yours?

Mark: Which part?

John: Well-

Tim: I mean the people that you won't partner with. (laughs).

John: The people ... Well, it's th- th- that it seems from the outside that you've said "no, we don't wanna partner with you because that's a key point of control that we wanna hold to ourselves."Um ...

Mark: I think that we would [crosstalk 00:31:41]

John: In other words, I don't wanna build that by Apple social brand.

Mark: Yeah.

John: That's threatening to my business, right?

Mark: Oh, I don't think. I don't think.

John: There's hundreds of millions of users with hundreds of millions of credit cards and if they get their social graph and ...

Mark: I don't, I don't think we look at that way.

John: You don't think about that that way.

Mark: I mean, we- we do have this thing where, for very large companies, we are building out. Like, we build our tens of [00:32:00] millions of dollars of infrastructure to support the games that are on Facebook.

John: Right.

Mark: Right? So, I mean, w- we have this thing earlier this year where we kinda sat down with- with Zynga and a bunch of th- the lead developers (cough) and said, "Okay, we don't have any formal relationship but you're each ... I mean you guys are all investing a huge amount of building on top of Facebook and want, um, more stable, uh, resources from us." We want them know that we're building out all these infrastructure for you that that's gonna be stable. So we should have a relationship. An- and we formalize that. And I think that's been pretty healthy so far.

John: Yeah.

Mark: Um, so that's all that we require is, you know, I mean for- for any, you know, any college student or any entrepreneur who's starting something from scratch, come use our tools. Um, we don't require any relationship.

John: Right.

Mark: If you're a very large company and supporting you is gonna cost us tens of millions of dollars, then we want to at least to have an understanding of how you're gonna use what we're doing and that you're not just gonna import the data but also, try to contribute back to the ecosystem and make people's

Facebook experience better. Um, and I think we- we're working through that to different extents with the different companies.

John: Right. I mean, you're all working with very much larger companies. A- as I recall, uh, uh, in May, uh, Steve said ... Steve Jobs said that th- the demands that Facebook made were just, just crazy and- and- and-

Tim: Only Steve gets to make those kind of demands.

John: Only Steve gets to make those demands. (laugh) Um, (cough) uh, wh- what was your response when you heard that?

Mark: It's fine. (laughs) I mean, look, he- here is my view. I- I- I think we do a lot with Apple. So, I- I haven't ... These things don't always have to start big, right? I mean, you can- you can start small and build some great stuff. Um, my view as I said before is that I think over the next five years, almost every major product verticals gonna rethought to be social. Get on the bus, right?

Like, y- you're either gonna be like, y- you're either gonna have a- an incumbent, um, who embraces this. [00:34:00] Like Apple is doing, right? An- an- and trying to push into social stuff, um, i- in to their, in- into iTunes and that will be good. Or there will be some really creative entrepreneur with great engineers who are building and rethinking the experience from scratch.

And, um, I just think it's gonna be a really exciting period to see how this plays out, right? I think some of these are gonna be incumbents that are, that are very, um, versatile able to rotate their business and- and- and make things more social and design around people. Some aren't gonna be able to make it and there's an amazing opportunity, I think, for new entrepreneurs to build, um, to build new applications and rethink a lot of verticals. But I think over the next five years, there's gonna, just be this opportunity and everyone is gonna have to think about this, kind of in the same way that they are about mobile, right? I mean, you can't ...

John: Right.

Mark: But there's no way that five years out or even three years out, any major company isn't- isn't thinking about how their interact with- with phones ...

John: Right.

Mark: ... In a- in a mobile environment. And, um, I think people will get there and they just need to, I think, take those steps th- that make them comfortable to

understand how valuable it is and understand how to integrate it. An- and I think a slow approach is ne- necessarily a bad one.

John: Right. We- we're gonna take a few questions. We certainly don't wanna, um, you know, stop without doing that. So you guys know where the mics are. They're right here.

Tim: I'll ask one other question before we get ... Uh, p- people should start coming up. But Facebook is still relatively young company. Uh, one of the things that we see as companies get bigger, it's harder to maintain the culture. How much do you think about that, uh, at Facebook? You know to- You know, to build the DNA (cough), uh, into the culture.

Mark: I mean, everyday, right?

Tim: But concretely what do you about it?

Mark: Well, so ... I think when you're building a company you can ... You can pick a few behaviors that you want your company to have that are different from other companies and that's like the personality of the company. And, um, so we have th- these values that we write down right? And there are five [00:36:00] of them that we write down. Um, th- the two that I'd focus right now that I just really try to hammer home everyday are, move fast and be bold, right? And take risks. And, um, you know, technology companies are interesting, because a lot of companies get stronger with scale. Like Coca Cola, the bigger it gets, the bigger its distribution network gets, the stronger it is.

Um, technology companies have some scale advantages but, also they're just trying to get slower, right? And then they get replaced by smaller companies that are more versatile. So one of the things that I just think about everyday is how could we make this company operate as quickly as possible, right? And often that's- that's kind of encouraging people to move quickly. Um, but a lot of it is just about building out really good infrastructure that enables people to- to move quickly on top of solid obstructions that we built.

And, um, that's a really big deal I think, right? I mean, because if you think about it. You know, a company with a few hundred engineers putting out the number and- and quality of the products that we do, I think it's pretty ... I mean, I'm really proud of it. I mean, that's- that's I think one of the main things th- that I'm really proud of.

Well, I mean, looking back over the past few months and, you know, seeing like just all the awesome stuff and in my opinion at least that we've- that we've launched, right? I mean, messages yesterday and then the location platform and

the places deal and, uh, deals and single sign on and places just before that and groups and all the photos improvements and, um, you know, just to name a few. Th- that's like, that's pretty good. Where so- some ... And I- I just think kind of encouraging small teams to move quickly, um, take big risks. Um, it's better to a risk to do something (cough) big and try and fail, you don't need to get everything right. But, um, better [crosstalk 00:37:39]

Tim: Is that chance to influence things and make things happen part of why you guys are second in talent from other companies? Or what's your ... You know, what's- wh- what's your magic or ... Besides the, you know, the, you know, the fact that you're on the upwards growth.

Mark: I mean, I think that really good people have this way of seeking out what is the most [00:38:00] impactful position for them to be in, right? And, you know, for a long time, we've had this ... We have this, um, ratio that we measure internally which is the number of users divided by the number of engineers at Facebook. And Facebook I think is one of the only companies-

Tim: The number with a lot of zeros (laughing).

Mark: Well, it- it's been more than a million right? More than a million, um, users per engineer at the company for a while. And, um, and I ... I mean it's interesting because, I mean, if you think about the spectrum, right? You can be a tiny startup where you have like all this creativity and all this flexibility but you don't really have any users yet. So from that perspective, the leverage is fairly low. To the other end where you're like a Google or a Microsoft or basically of all the users right? Yo- you're- you're a mature company in your- in your space but you also have, you know, ten thousand engineers or in Microsoft's case, tens of thousands to leverage. There is pretty ... There's pretty limits. So if you flooded out the graph, it would basically be something like this, where Facebook would be like right in that golden period right now.

Tim: I see.

Mark: And, um, and I just think like really talented people have just a knack for being able to find and seek out, um, what the positions are where they're gonna have the most leverage. So it's just ... It's- it's interesting. I mean, that's all different kinds of people. If we would just go through the- the messages team from yesterday, it's just all different folks, right? Um, the engineering director on it, this guy Buzz, um, who's someone ... He was my TF at Harvard. Um, and- and I ... He was the one of the first people to join the company. So he's been here for about five years now.

Um, the engineering manager joined us ... He was a platform developer building a classifieds app on top of Facebook and he joined us because he wanted to be a part of the company that was actually building the platform. Um, the lead designer on the project joined us as an intern. Um, and we- we realize that there's management presentations where interns come and talk to the management team about what they did that summer. And like, I remember, I like asked them some questions and he would just like went off on me and had like all these awesome points about why I was wrong about my criticism of this project and- and feedback. So, I was like, "All right, this guy is awesome. We're definitely hiring him when he graduates." Um- (laughs)

John: Why did you wait till he graduated [00:40:00] then? (laughs) It didn't really stopped you?

Mark: Yeah, well ... It's a good question. He was actually, I think he was a sophomore at the time. He came back for, um, for one more internship before he joined us full time. Um, the guy who built the whole iPhone version of messages, um, joined us through a talent acquisition, right? The [zin-bee 00:40:18] team. Um, this guy Will. A really talented dude. He- he build the whole thing basically by himself. Um, you know, th- the back end right? To build this stuff. I'm just, uh, like a few guys leading the team doing that. I mean, these are opportunities that you just don't get in a lot places, right? No matter what your background is or, you know, how you came to us or what you're, what you are trying to think about doing like it's ... I don't know, I think it's a really exciting place to be right now.

Tim: We should go to the audience.

John: We need to get the questions now. Before you guys answer your questions, no lectures. Okay? No long questions. We have a lot of these, so we want to get them rapid fire.

Speaker 4: Um, Mark I think it's fair to say that you're a celebrity entrepreneur and I think it's also fair to say that the public perception of you is one of a computationally minded, sort of, rational and logical entrepreneur. But maybe you can talk a little about, what it's like to be young and so far ahead of so many other founders and entrepreneurs and CEO's and talk about the effect that's had on you as a person. Uh, and maybe, some of the lessons you've had to learn in your shoes.

Mark: I mean, I think. Oh man, I- I just made ... I made so many mistakes in running the company so far. I mean, like basically any mistake that you think you can make, I probably made or will make. (laughs) Um, In the next few years.

John: There's time. (laughs)

Mark: Yeah. Uh, uh, but, I don't know. I think if anything ... The Facebook story is a great example of how if you're building a product that people love, you can make a lot of mistakes.

John: Nice.

Mark: Um, and- and I think that's like ... And, I don't know. It's ... I- I just think [00:42:00] that the lesson to other folks from that is focus on building something that people really like and that's very valuable and ... Um, you know, one of our board members always at- at our board members ... At- at our board meetings used to make this, um, whenever we'd be analyzing a problem, he would say ... You know, there's- there's a hundred problems that you have to deal with right now but only one or two of them probably really matter, right?

Um, so just ignore the rest and put all your effort into- into focusing on a couple of things that really matter. Um, and I- I just think that for almost any industry or product that- that you're in, it- it's just all about building products that people like, right? And like, If you do that, you can do so much other stuff wrong and- and like learn from that and- and fix those mistakes over time and like still end up at a reasonable place and, I don't know. So I mean I- I think that like we still make mistakes all the time.

I mean, take for example the con- the conversation we were having earlier about, um, you know, the contact importer stuff and, you know, contact syncing. Like, do I know that we're on the right place? No, I think we're doing the best that we can right now. Um, and we- we wake up everyday trying to build a great product for people that, that's res- that's responsive to- to what they've asked us for. So ...

Speaker 4: Great.

Speaker 5: Mark here's that education. My 15 year old daughter, Holly Jeffs, studies with Facebook in full gear. She is interacting with her friends while studying. With the first couple of years, I thought this is a total destruction but her grades are actually pretty good. So it must be working and it made me think, do you think of education as an opportunity area for Facebook? You know, corporate, uh, Facebook pages are fine but how about, uh, i- is that an area that you think of building applications and services for?

Mark: Sorry, I didn't hear the end of that. The echo is [crosstalk 00:43:38]

John: [crosstalk 00:43:38] The question is that do you think education is an opportunity in terms of building applications or- or services on-

Tim: For making education social.

Speaker 5: It's inherently social activity.

Mark: Yeah. You know, I've spent a lot of time over the last year researching education. And, um, you know, one of the ... One of the issues and one of the reasons why I, um, ended up [00:44:00] choosing to get involved with that outside of Facebook is that on- one of the- ... One of the issues is you can actually sign up for Facebook until you're 13, right? Unless you have your parent's permission. But basically, like, it's- it's not very well adapted in under 13, so that kinda cuts out a lot of th- the time when people are developing. But, yeah, I mean, I- I think that a lot of the problems in education are- are technology around efficiently sharing things. Um, and if you could, if- if someone could build a good application that got people engaged, um, then I think there's a big opportunity there.

And one analogy is kind of enterprise software to consumer software. I think a lot of enterprise software gets developed from this mindset of like, "I want a feature checklist," right? Rather than like what is really good to use, right? And, um, and I think that's one of the reasons why a lot of communication tools are going from, you know, like a lot of communication that we do now, it goes over IM, right? It's not owned by, by whatever company, um, companies, IT department yo- you're operating under. It's a consumer product that people are using legitimately to do work. And the reason why they do that is because it's enjoyable to use.

And I- I think the same is gonna be true in a lot of, um, like kind of traditionally non-consumer areas right? Not only enterprise but I think things like education as well where traditionally, they are just, "The software hasn't been like as great to use as, um, as kind of th- the best consumer software." But I think that there's an opportunity now for people to do that and create great socially designed products and, I don't know. I- I think we'll see it.

John: But we should keep going here.

Tim: Yeah, we got to keep going.

John: We're moving here. [inaudible 00:45:36] guys.

Speaker 6: Hi. [Hassel 00:45:38] from the Netherlands. I'm your biggest fan of Facebook. Um, in the last few years I've been advocating to my customers or potential customers that social business, social commerce should be in Facebook and that any W-, you know, website can be in Facebook. I believe that, you guys can do billions of revenues. Do you agree with that? [00:46:00]

John: Can you do billions in revenues and particularly where, as I understand.

Speaker 6: Commerce and business. No more commerce and business, not just advertisement.

Mark: Sorry, the echo is very tough.

John: Yeah, uh, it's hard to understand through the echo I'm sorry.

Speaker 6: So now your business is about advertisements right? You help, you're helping social gaming, but no more businesses. If they sell stuff, they can do through Facebook.

John: Commerce, yes.

Speaker 6: Commerce, yeah.

John: So is commerce is a big area and social commerce is one of the [crosstalk 00:46:30]

Mark: This is- this is, I mean, what I was trying to say in response to you before but I actually never got back to your question u- until the end with one sentence. But what social applications have is they are just much more engaging, right? Because, you have the choice of either ... I mean, going back to like th- the music example or the games example. You could either, um, you know, play a game or play a game where the dynamics involve playing it with your friends. You could either play music or you can see what your friends like to listen too through playlist and discover new stuff through that.

And I think, what you find is that these social apps when they're executed well, are a lot more engaging, right? And they are just enjoyable for people to use. Now, that creates a lot of opportunities for people to monetize them and build great businesses, right? I mean, whether it's advertising or, you know, commerce, buying things or subscriptions. I think those are kind of the classical business models. But there might be other things that people come up with as well. I- I just think that it all starts with building a product that people love.

And when you execute the social product well, I think we have shown that you can extend that to many, many verticals. Maybe any vertical and make it so that it becomes, a- a great product that's [crosstalk 47:42] in order of magnitude more engaging than, than anything else.

John: If I'm Andre Mason at- at GroupOn or Susan Lyne at Gilt, she was here. Should I be worried about Facebook deals combined with location, places? Should I be worried that you're eating my lunch?

Mark: No. I mean, I think we wanna work with them. I mean, [00:48:00] it's a deal platform.

John: Right.

Mark: But it's not, uh- I mean, they are, they are business there. Uh, I mean they are out selling all those deals.

John: Right.

Mark: And I mean, we don't have a [crosstalk 00:48:08] sales force that's focused on selling those deals.

John: Yeah. Right.

Speaker 6: How much commission will you take? (laughs)

John: How much commission will you take?

Mark: I don't know. You wanna just pick a number? (laughs) It's dangerous.

John: Uh, this is Ari Emanuel's answer last night which is "Fair is where you end up." (laughs) Over here.

Julianne: Hi! Julianne Pepitone with CNN. Um, I reported earlier today on a bug in Facebook that deleted some users' account saying that they were in violation of terms of service when in fact they were legitimate accounts. I was wondering if you have any further information on that and whether it's at all related to Facebook's messaging system and if you're concerned about those kinds of bugs for the messaging system going forward?

Mark: Yeah, uh, I don't have any new information on that. I apologize to those users for that. Um, my understanding that was, that it was a bug. It was not related to messages. Um, it's unfortunate, but I think we were able to get them all back on the site.

John: Great. Over here.

Francois: Hi! My name is Francois at [inaudible 00:49:16]. And so Fa- Facebook, uh, move 500, um, friends, million friends, uh, into the cloud. Uh, what would trigger 500 million small business to move to the cloud with Facebook?

Mark: A little help?

John: Di you say ... Oh, you wanted that-

Mark: I need a translator for this side of the room. (laughs)

John: Uh, uh, he said ... He said 500 million people are- are on, um, the platform. How could you get 500 million businesses on the platform. Is that-

Francois: It's correct.

John: Yes. Where you interested in- in getting businesses on the platform as well as people?

Mark: Yeah and I mean we have this whole pages product, right? That's very widely-

John: It's mainly focused on pretty [00:50:00] big brands isn't it?

Mark: I mean, I think that the biggest brands have the biggest followings. But ...

John: Right.

Mark: And there's, uh, I- I don't know, I don't want to give a name, credit starts. But th- there's a lot of pages that are small businesses or different entities, um, th- that- that are pretty small. Um ...

John: Are you interested in the business social graph? I got to ask because Jeff Weiner is coming tomorrow and I'm sure-

Mark: Oh, business social graph you mean professional connections between people?

John: Or between business. I'm asking because he asked.

Mark: I don't know what that means. Um,

John: Well, businesses do business with each other all the time and ...

Mark: Yeah. (chuckle)

Tim: Okay, move it along.

Mark: Yeah.

John: Thank you for the question. I feel to translating it.

Mark: No, it's cool. It's- I- I mean, I'm just having a hard time hearing on- on this side of the room.

Speaker 9: We have seen key functionality from Facebook move outside of Facebook to a degree. You know, where the API with the like button available in different pages. Is it going to be Facebook as a destination in your mind or Facebook as an enabler?

Mark: Well I think the first chapter has definitely been building out Facebook via application, right? The site that people use everyday. The long term, if- if you buy my- my vision and what would I hope plays out over the next five years of just having all these different verticals get rethought by b- brilliant entrepreneurs in these different areas, will be that the vast majority of the social ecosystem will not be Facebook but we will help those businesses get built, right?

Because they're gonna be able to focus on doing what they do well, right? And- and they can just plugin the social part. And, um ... And if we do that, then- then I think will be, will be enabling to- to your ... To use your words and, um, that I think is th- the- a bigger of long term opportunity. Right? I mean, I- I don't think that, you know ... Actually, I- I like this map that you have up here but my first instinct was, "Your map is wrong." (laughs) Because ...

John: Of course it's wrong. It's version 1. (laughs)

Mark: Because the- [00:52:00] I think that the biggest part of the map is, has got to be the uncharted territory, right? And I mean one of the best things [crosstalk 52:06] about the technology industry is that it's not zero or something right? This thing, this makes it seem like it's zero or some right? In order to take territory, you have to be, taking territory from someone else. But I think on- one of the best things is that it's like we're building real value in the world, not just taking value from other companies. And, um ...

John: Absolutely but there are a lot of companies to start and act that way (applause). You're totally right. Yeah. I think our point is, yeah.

Mark: So-

John: We see a lot of companies acting as if it is a zero some game and that seems to be framing the debate and it's refreshing to hear you say that.

Mark: So, I mean- No, that's our view. I mean, our view is not only that it should expand but that we should enable to expand and that our best strategy and the best thing for the web would be for us to enable the next kind of, set of entrepreneurs to go build all those great businesses and discover that and not even trying to do it ourselves because I don't we can.

John: That's a great-

Mark: I think we do a few things very well and we're gonna keep on trying to do this very well because even those things are at the beginning.

Tim: That's a great argument why you're gonna win. (laugh).

Mark: If you say-

John: I'm getting like the absolute stuff but you're so far over. We have a sponsor is that-

Mark: Yeah I think we're like -25.

John: Yeah we're, we're ... I just- I didn't, you know, we have a lot of people in the room. I don't know how thought the live stream is probably busting the servers. Um, but there is a woman who's been waiting for so long. Last question. Make it quick.

Speaker 10: Um, mobile social. Well, right at the beginning. Um, can you give us some risk taking things that Facebook can do to move the space forward for us?

Mark: The mobile space?

Speaker 11: Mobile social.

Mark: Mobile social. Well, I mean, just a couple of weeks ago, we announced, um, a- a few things right? That we thought we're kind of key building blocks for the social platform. Right? One was single sign on. Right now, it- it's actually amazing how, you know, signing into an app and creating an account on mobile is so difficult. Right? I mean, e- even using Connect previously was, was very difficult [00:54:00] because you click connect and then you had to enter your Facebook password for each- e- each app. And it turns out that remembering your password is actually pretty difficult on mobile because it's all that muscle memory, not actually remembering the string that you-

John: And if you're driving, it's really hard. (laughs)

Mark:

Well, that, I won't even get to. But, um, so, you know, single sign on now. Um, and this is, I mean, this is a good example of non-zero or some things. We weren't able to do this until recently. Um, yo- you could on Android, you could on iPhone until Apple built fast app switching. And because they built that, we were now able to, um, create this functionality where any developer can put Connect into their app and as- as long you have the Facebook app, you no longer need to authenticate. All you do is click a button and you're in. And now, that app has access to your- your public information. They can ask you to- for- for other information if it wants.

Um, that I think is a really foundational building block for good mobile apps. Another is just location information. I mean, we aren't trying to build places the app, we're trying to build places the location platform that anyone can plug into both from a read and a write perspective. Um, so that way, your apps can all be location enabled right? And not only do you know who the person's friends are, but you know where they are and who's around you. And that's really powerful.

And in the third was the deals thing which again is also a platform where th- the goal was not like, "Okay we're gonna go sell some deals." It's ... There should be an economic platform and engine that anyone can plug into and we want to enable that on mobile as well. So, under mobiles, it- it's a- it's a really interesting space now.

Um, you know, we're ... I- I think what we have found is, you know, already so many people use Facebook on mobile. It's more than two hundred million mobile users. But really, th- the mobile platform I think is just getting started and some of those type things and things like that going forward, and that kind of collaboration between these different companies is gonna enable really good things over the next few years.

John:

Well, please join me in thanking mark for taking so much of his time. (applause)
Thank you very much. [00:56:00]

EXHIBIT 54

Robert Scoble's Augment Your Life

Helping get ready for the 2020's: when self-driving cars, AI, cryptocurrencies, digital assistants, and XR (Augmented Reality AR / VR) will disrupt us.

Great interview: candid, disruptive Mark Zuckerberg

👤 Robert Scoble 📁 Uncategorized 🕒 November 3, 2010 ⌵ 1 Minute



[\(http://www.flickr.com/photos/scobleizer/5143324943/\)](http://www.flickr.com/photos/scobleizer/5143324943/)

<http://www.cinchcast.com/cinchplayerext.swf> (<http://www.cinchcast.com/cinchplayerext.swf>)

While at Facebook a group of us got called aside for a private interview with Mark Zuckerberg. In the interview was MG Siegler and Jason Kincaid of Techcrunch and David Gelles of the Financial Times. From Facebook was Erick Tseng, head of mobile.

[You can listen to this interview on my Cinchcast \(http://www.cinchcast.com/scobleizer/106370\)](http://www.cinchcast.com/scobleizer/106370), thanks to the other journalists for letting me record that.

We covered a wide variety of topics and Zuckerberg answered them in a candid and open way that you rarely see him do.

More later tonight as I digest what he said, just wanted to get this up since it's a very interesting look into the mind of the guy who is disrupting industries and major tech companies.

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39 thoughts on “Great interview: candid, disruptive Mark Zuckerberg”

Anonymous says:

November 3, 2010 at 8:57 pm

Incredible interview. Thanks for sharing. This is what @davewiner has been calling “rebooting the news”. You have unfettered access to probably one of the most influential people in the world.

Exciting times.

Alan

Anonymous says:

November 3, 2010 at 9:17 pm

a summary of the interview would have been cool – who has time to listen to it?

Scobleizer says:

November 4, 2010 at 12:21 am

Sorry, I’ll try to do a summary, but I only had time to post it.

N.Cearlock says:

November 4, 2010 at 12:27 am

Yeah, seriously. Look, d_n doesn’t have time to listen to an entire interview. Therefore, by default, no one else has time either. So please, next time just summarize the interview, because d_n doesn’t have the time.

/srcsm

Sorry, is that too bitchy? I’m new here. Thx for posting!!

Anonymous says:

November 4, 2010 at 12:34 am

What’s your problem?

bryansays says:

November 5, 2010 at 5:53 pm

I don’t have time to watch The Social Network can you summarize that for me too. Who has time to watch that.

/Sarcasm



Khalid says:

November 3, 2010 at 9:19 pm

MG Siegler and Jason Kincaid of Tech Crunch, perhaps?

Scobleizer says:

November 4, 2010 at 12:21 am

Yeah, sorry for messing that up.

Anonymous says:

November 3, 2010 at 10:19 pm

Fascinating interview. Thanks for sharing.

Mari Smith says:

November 3, 2010 at 11:12 pm

I feel like a fly on the wall, Robert!! Brilliant interview with Zuck. Amazing how often he used the word "disrupt." And so the revolution continues – love it!!!

Anonymous says:

November 4, 2010 at 1:22 am

how much money did you steal today?

Anonymous says:

November 5, 2010 at 9:50 pm

I noticed that as well. I thought it was just me. It was a great interview. Nice job.

Anonymous says:

November 5, 2010 at 9:50 pm

I noticed that as well. I thought it was just me. It was a great interview. Nice job.

Scott Graham says:

November 3, 2010 at 11:50 pm

Enjoying the interview right now. Thanks for always delivering the inside scoop.

Scobleizer says:

November 4, 2010 at 12:03 am

Thanks, sorry for screwing that up.

Jon Deutsch says:

November 4, 2010 at 1:19 am

Bill Gates 2.0

Anonymous says:

November 4, 2010 at 1:34 am

Great interview, just a great conversation in general. Would've loved to have been in the room.

Charbax says:

November 4, 2010 at 1:37 am

Does Facebook single sign-on require a modified android firmware? Was it demonstrated on a

jailbroken iPhone (reason for it crashing during the demo)? Will Google allow their Marketplace on such a modified firmware?

DavidAFenton says:

November 4, 2010 at 2:54 am

On iPhone it uses Fast App switching with Callbacks

Kelly Porter says:

November 4, 2010 at 1:52 am

Fantastic interview Robert ... really cool vision, great tone, excellent and insightful questions. Congrats.

DavidAFenton says:

November 4, 2010 at 1:53 am

that was great

Anthony Farrior says:

November 4, 2010 at 2:08 am

Awesome way to hear the news...as it's made!

Navjeet Chabbewal says:

November 4, 2010 at 3:24 am

Great interview. I could sense Mark sharing much more information than he would in a bigger forum.

Jay Aaron says:

November 4, 2010 at 3:32 am

Robert, What a COUP! I greatly admire that you often seem to show up at the cutting edge of what's happening with regards to technology and how it impacts our day-to-day lives, with regards to everything from our personal lives to how we think (and act) about business, marketing and selling. Thanks for making this "insider access" available to the rest of us who weren't. It's great to be able to be a "fly on the wall" with such forward thinkers, and get the advantage of their insights. As the Founder of <http://BestSmallBusinessOnlineMarketing.com> I'm constantly on the lookout for ways to better serve local brick-and-mortar businesses, and I have a sense that although the verdict will be out for at least some short time with regards to Facebook Deals (newly announced today), hearing this conversation has helped to allow me to make a better decision about recommending that local small businesses become "early adopters" of this service (which I'll be doing). For a micro-second I thought about not sharing this interview so that those of us that have heard it could keep the competitive advantage (hahahaha), but the truth is that the more people that are aware of what's on the minds of the people in this conversation, the greater the possibility that even more people will benefit in some way or another from knowing what these people think, what they're doing, and where they're heading. Congratulations! And with great appreciation, as always...

alpinefolk says:

November 4, 2010 at 8:54 am

Great info. Brilliant candid discussion of the implications of Facebook mobile. Nice to hear the conversation in its full context.

raznick says:

November 4, 2010 at 1:15 pm

great interview guys!

Noah Carter says:

November 4, 2010 at 2:22 pm

zuck really needs to stop saying “right”, right?

Jeremy Campbell says:

November 4, 2010 at 3:04 pm

Awesome conversation, I loved it, thanks for sharing it Robert! Love hearing about the future of the social web.

Mike Vogel says:

November 4, 2010 at 5:20 pm

I’m getting the feeling that Mark Zuckerberg is subconsciously channeling his own dramatic portrayal by Jesse Eisenberg in The Social Network by trying to be a little less geeky and a little more badass. I think it’s a good thing.

paramendra says:

November 4, 2010 at 7:02 pm

So glad you recorded it.

Christofer Coulter says:

November 4, 2010 at 7:20 pm

Yoda-speak Rant of Day: Known for 15 years I people have, somehow, get past Facebook, cannot “know this person do you” algorithms. Smart, it not.

JoshuaKahn says:

November 4, 2010 at 7:34 pm

Good stuff, nice to hear a conversational tone rather than the stilted robotozuck that shows up at pressers.

Anonymous says:

November 5, 2010 at 5:55 pm

Great interview. Thanks Robert.

Anonymous says:

November 5, 2010 at 5:55 pm

Great interview. Thanks Robert.

MrDal says:

November 5, 2010 at 10:58 pm

It is very glad that has found and has heard to this interview.

Peru says:

November 7, 2010 at 1:01 pm

yeah, you need to shorten interviews into a minute, like an elevator pitch.

i don’t care about what ceo’s know about running their startups.

the beotch gay voices in my head will help me build the next killer, disruptive start-up.

Sahas Katta says:

November 7, 2010 at 6:17 pm

That cinch player is awful annoying. Most annoying progress bar I've seen to date.

Anonymous says:

November 10, 2010 at 3:00 pm

cinch is based on flash FTL (For-The-Lose) technology

Scobleizer says:

November 10, 2010 at 5:49 pm

No, it's not. Every item Cinch makes is an MP3 file. It works just fine on iPhone and iPad. This recording was made on an iPhone, where Flash doesn't work at all. Check into your facts.

Comments are closed.

[Blog at WordPress.com.](#)

11-3-2010

Candid, Disruptive Mark Zuckerberg

Robert Scoble

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Abstract:

Mark Zuckerberg is interviewed by Robert Scoble, along with MG Siegler and Jason Kincaid of Techcrunch and David Gelles of the Financial Times. From Facebook was Erick Tseng, head of mobile.

Document Number: 36

Recommended Citation

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Female: Cinch.

Robert: So, we're here in the office with Mark Zuckerberg. So, Mark, what's up? (Laughs) um, the announcements you made this morning were pretty uh, interesting for developers. Um, where do you think this is going in terms of how is our [inaudible 00:00:23] changing because of social location. That's really I think the key thing that I've seen going on.

Mark: I don't know. I don't think it has changed much yet. Um, but uh, I mean our view on all of the stuff is that if you look five years out like every vertical or industry is going to be rethought in a social way, right. So, I, I just just moved (laughing) other people out of the way. That's cool.

Robert: [Crosstalk 00:00:53] we're all trying to record it.

Mark: It was amazing how like liquid that was. Um

Male: He's done it before.

Mark: So, I mean I think that that's the big thing, right. The, and before today, I think a lot of people just thought about Facebook on mobile devices as the app, right. Like you, you use the Facebook app or you use the Android app or you use Facebook on web, uh, but what we're really trying to do is build a social platform that spans every device, right, and with things like single sign on that's tied to logging into the Facebook app, which like almost everyone has on iPhone, Android. It was like a real opportunity to create a whole new way of building applications.

Now, that's a thing that I think is really exciting, right. I mean so as soon as we get up there, we talk about you know groups on iPhone and Android and that's cool and even the Places out that we're doing. I think it's cool but it's a fraction of what the total value is going to be that if you kind of look at the whole ecosystem uh, of people who are going to be building social apps and using a location API's and stuff like that.

Robert: Reason that everybody was [00:02:00] laughing, there's other journalists here in the room, (laughs). I want, I want to authorize the conversation.

Mark: [crosstalk 00:02:05]

Robert: (Laughs) I know [crosstalk 00:02:07]

Mark: [crosstalk 00:02:08] right. I'm okay with it.

Robert: I just jumped over TechCrunch (laughs).

Mark: It's all right. I

Male: I'm in between Robert Scoble and Mark Zuckerberg (laughs) [crosstalk 00:02:15]

Mark: But if there's, so I mean if people get anything out of today, I think that that's the thing to take away, right. It's, if, if yesterday you thought of Facebook as a mobile application that a lot of people are using, what we're trying to do in the future is build a platform so that way, you know, it's not a vertical platform, right. It's not iPhone. We're not trying to sell a phone. Um, what we're trying to do is no matter where you go and what phone platform you're using and probably most important is the web, right, mobile web. Um, we want to make it so that all those experiences can be social. So ...

MG: Can you talk a little bit about um

Robert: That's MG [Seeler 00:02:50].

MG: I understood that there's no phone obviously but um, you know, what about the idea that if you tied more deeply into something like Android, if you're working on that where you can do, have everything that's on the phone tied into a Facebook sign and say, rather than you know, it's this individual apps where you still have to go and click on that. Is that something that you guys are looking towards [maybe 00:03:12]?

Mark: Yes, it's something to think about, right, and one of the interesting things is single sign on is not instant personalization, right. So, instant personalization on the web is you sign into Facebook and then for a handful of partner sites where we think it makes sense to have a really seamless experience, you, you can automatically just have it be social and personalized. And then, we also have the social plug ins where we make it so that everything can be automatically um, social and personalized um, without any doubt of transferring or anything like that.

And we don't think the mobile is there just the app but we do think that in a low of ways, the single sign on experience is lighter weight than the connect experience of clicking a button on the web, right. Um, I mean I, I kina made a joke about this during the presentation today but like, on, for any kind of single sign on [00:04:00] interface including the old version of connect before this on mobile phones, it was like a non native dialogue that popped up and it literally looked like you're [inaudible 00:04:08], right. Um, but now, I mean, uh, one of the things that made this possible now is with fast apps switching on iPhone um, it's now possible to make it so that, that just switches into the Facebook app and

then, you authenticate there and then you can go back to the app immediately by registering a call back right with the system.

And um, and so that's the kind of deeper thing that we're thinking of building, right. I was like Apple and Google and um, like uh, all the standards [inaudible 00:04:33] HTML5 get built out more. We'll just be able to do more and more and that, that I think is going to be cool.

Robert: How does that mechanism work right now in Android? So, I know at iPhone, it's fast app switching. What happens if you're in an Android app and you click the single sign on button?

Mark: Um, I think Android just supports multiple apps running at the same time, right. Fast app switching on iPhone was there way around the fact that their architecture was based on only doing one thing at once.

Robert: Right. So, you don't even have to switch out of the app, you don't think? You just

Mark: Yeah, no. I just think you can like call it the [interface 00:05:01] app.

Robert: Okay.

Mark: Yeah.

David: It was exciting to hear you start to talk about uh, different industries being able to be transformed by social platforms.

Robert: That's David [Gellus 00:05:10] from Financial Talk.

David: Uh, what other industries and when we're starting to see kind of local businesses, maybe some national chains. Um, is it, you know, it's interesting to see the [Palms 00:05:18] there.

Mark: Yeah.

David: Some travel, travel industries involved.

Mark: So, I think that um, look anything around entertainment, I think that it's kind of an obvious first step, right. So, gaming is the first thing. Well, so, personal sharing on Facebook is the first step. I mean, we saw it with kind of photos and groups and stuff like that where um, I mean we had small teams build early apps, right. Teams of two or three people um, build something that got an order of magnitude more usage than everything else put together and uh, the takeaway

from that is, okay, the social features are really like the killing part of this, right? Um, having good social integrations more important than high res photos for example or extra features in a group's product.

Um, and then [this interesting 00:05:59] thing is open the [00:06:00] last five years we built all that out. Um, on platform gaming, I think it's really been uh, the runaway so far. So, you have really four big gaming companies that have been built on top of the platform, right. I mean you have Zynga which is the obvious one which by the way, I don't know how many of you guys caught this news last week but their second market evaluation is now bigger than the [Yay's 00:06:18].

Robert: Yeah.

Mark: Right, which is insane if you think about it. I mean I think Zynga has only an [order 00:06:21] of an eighth the number of employees and that's like, that's disruption, right. And that's like a new business model that's highly more efficient than the existing one um, and I mean, I think that's a big part of the reason why [Yay 00:06:32] is pushing to get in on this and we're working with them as well. Um, but so, you have Zynga which is a multibillion dollar playdom which was bought for 3 quarters of a billion dollars. Playfish was bought for almost half a billion dollars and then CrowdStar is kind of the fourth big one which probably um, a little less valuable than Playfish currently but growing, right.

So, that, that's really disruptive, right. Before that games were not built, um, with specific social dynamics in mind, and now they are and uh, I just think that we're going to see that in probably the other entertainment type where it goes first, um, and you see kind of what Apple is trying to do with iTunes and Ping and I think that's kind of going in the right direction. Um, so, I would be surprised if there's a music thing or movies or just kind of, I mean, because those are naturally social things. I mean it's interesting because um, when we look at like the ads on Facebook, right, there are certain verticals that are naturally social ads that work very well. Right, and entertainment is kind of one category that, that overtime I think eventually everything, right.

So, ecommerce I think, will get there but um, there's probably some more sensitivity around sharing what you're purchasing. I mean there's stuff like [Bluffy's 00:07:41], I mean some people are doing it but I think that that's still like earlier along but I think we'll get there and all these things.

Robert: What, what are you learn? Go ahead.

Jason: Uh, I have a question about recommendations like at this point, it seems that you're getting a ton of data as far as people checking into Places and now, it seems like you in some instances might sort of a deal [high rater 00:07:57] you [now have 00:07:58] time to just putting deals and [00:08:00] is there any plans for [inaudible 00:08:01] deals API where like Groupon and LivingSocial uh, kind of distribute or syndicate rather the deals when someone signs up. I know they can publish to the feed but is there, first of all, is there any central hub there? And second, when are you going to take all the data and start telling the user, this is something, looks like something you're going to be interested in?

Because at this point, it shows up in your newsfeed but it doesn't sound like it's really, it's not pushing a recommendation on how you, uh, so much as just kind of showing like, oh your friend like this.

Robert: And that's Jason Kincaid from TechCrunch.

Mark: Yeah. No, and I think you're right on both of those. This is religious kind of the early stage, right. Just like Places when we originally launched it about two months ago and people had all those questions of like obvious things that we should do we weren't ready to do it yet. Um, I still kind of feel like that with deals and there's like so much more to take this to but um, we are just starting off with this, right and there's no real commercial part, right. It's like just the deals in, we're not promoting them uh, massively. It's only if you are in the area that you can see it.

Um, there's like clearly a lot more stuff that we can do. Um, in terms of how the API, I'm not real evolved. I mean, I kind of view it similar to what we've done with ads I guess or like for a while, we just built out an interface that people could use, right and then we went to see what made sense. And then, after that, it, when it made sense, we built out an API. So, in the future, I think it's definitely in line with the vision that we have to make this an open platform that as many people can tap into as possible. And um, looks like we're doing it with the open graph.

When, our, our view of the world is very much that, um, there should be programmatic interfaces to access anything that a human can, right. So, you want to look at my profile, you go to www.facebook.com/zach. You want to have a computer look at my profile, you go to graph.facebook.com/zach. All right and um, eventually, I think we'll get there but I, but really like, probably not for a while.

Robert: What have you learned by doing Places? What, what have you learned from Places? And where?

Mark: A lot of people like it (laughing). I don't know. I mean that, that [inaudible]

Robert: Exactly.

Mark: Wouldn't it be [inaudible 00:10:00] about [inaudible]

Robert: And that's Larry. You're?

Larry: [Air 00:10:02] Design.

Robert: [Air 00:10:04] Design.

Larry: Um, there's actually uh, one good [learning 00:10:06] that we have which dog tails exactly what Jason was asking about earlier. Um, in just uh, two and a half months that we've launched Places, one of the really cool insights is that a lot of people are actually going first to their Places page before they go to Newsfeed on their phones because it's so much more relevant.

Mark: Yeah, it's interesting, yeah.

Larry: I can see who's around me and what they're doing um, and now the beauty of what we launched today is that in addition to that same page, we'll show offers that are near me as well and also, syndicate all the different check-ins from all these different platforms.

Male: Yeah.

Male: So, it's truly becoming this really rich starting point from the entire social experience. Um, that is just within two and a half months. So, there's so much more than what we're discovering.

Male: And, and that's why I started out with [inaudible]

Mark: Yeah, that's even more of an [inaudible 00:10:48]. I mean, if you look at one of the updates in the most recent version, I don't know if we, if I have [any announcements 00:10:52]. I just cleared it but we're now gauging the Places app. Right, so if there are people nearby you who you haven't see, we'll like light that up and you'll just click on that and you could see. So, um, I think even more so, we're going to be going in that direction.

Robert: That's why we started the interview out by our buying behavior is changing because I've been watching where you checked in and I've tried some of those restaurants, right because oh, Mark Zuckerberg has gone to that restaurant. It must be cool. It must be a good place to go, right?

Mark: Yeah, well, (laughing) maybe. I'm, I'm agreeing, I'm agreeing with you in general point not um, not necessarily my

Robert: Taste on restaurants?

Mark: Taste on restaurants.

Robert: MG is actually better than you are but I, I wasn't going to let him know that (laughing).

Mark: But I mean, the power of social recommendation is obviously, a big driver of all the stuff. Right, I mean, it's I think why, you can integrate in a person's friends into almost anything and make the app instantly more engaging and viral is because it's like, I mean take any of these examples, uh, photos, [groups 00:11:52] games, commerce, whatever, like you care so much more about your friends. Right, it's not like an intellectual thing. It's like hardwired [00:12:00] into humans that you need to focus on what the people around you are doing and I don't know. I just think it's like this very visceral deep thing. Um, and that I think is the structural thing that's going to make it so that all these industries change and uh, going back to your other question about what we've learned from Places.

Um, one of the things that I've been pretty surprised about is the value of the tagging. I mean, I thought that those are going to be really cool but like, it's even better than I thought it was going to be. Um, and I just find that, look, I rarely ever want to check in just to say I'm at a place but like, I often want to like share who I'm with, right because that's a social experience and it just, it works so well as a social dynamic because a lot of the time, the people I'm with are completely fine sharing where they're with but they just wouldn't have check in the right, themselves, right.

So, like everyone has different thresholds. Some people would check in just to say where they are. Some people would check in to say who they're with. Some people would never check in but are okay being checked in. Some people don't ever want location data about them but the app is designed in a way that you can like express more of this data than a lot of people would put in themselves but are happy with it. So, that's been very powerful in my experience.

Robert: Do, do you think you're, would then give users the ability to control what gets shared on other people's feeds because if I check in it safely, I don't, I don't want to mess up MG's feed with that, right? But if I'm checking in uh

Mark: Oh, if you, if you um, oh, you're talking about his newsfeed on the homepage?

Robert: Yeah, yeah, you know because right now, all check in's are

Male: [crosstalk 00:13:24] out for me?

Robert: Yeah, well, or give the ability to say this one's not really important enough to show up on MG's page but if I'm you know, hanging out with Zach at French Laundry that's, I want MG to be jealous about that, right? (Laughing)

Female: Wow (laughing).

Mark: Um.

Robert: Well, that's why we check in, right? I check my wife and I check people in because of different

Mark: [crosstalk 00:13:45] jealous?

Robert: Absolutely (laughing). It's one of the reasons.

Mark: Yeah, yeah (laughing) um

Male: Scoble and Zach (laughing).

Mark: I'd like

Male: French Laundry.

Mark: Yeah, um

Robert: I was, I was jealous that I wasn't checked in with you there (laughs) [00:14:00].

Mark: Yeah, I mean uh, uh, I think, look as there's more information on the system, making it so that people can effectively filter that. Obviously, it becomes more important but ...

Male: [Wasn't 00:14:12] my direction now, so on www.facebook.com um, any newsfeed story if you just to the upper right hand corner, you guys go check it out [inaudible 00:14:19] but there's a little X. So, you can actually per object um, say you vote up or just, I never want to see this again, right, and hide

Robert: But it's not, it's, I don't want to get rid of all places check ins. I only, I don't want to see when MG's at the Safeway. I do want to see when he's hanging out with you know, [crosstalk 00:14:36] the CEO or something like that.

Male: It's the first step. It's a first step towards being able to start giving feedback into the system to see what you like and what you dislike and it's just a matter of time. We're going to that

Robert: Absolutely, I'd use that a lot somewhere in the future.

Male: Um, (clears throat), for a second I know Robert wants to know this too. Can we talk a little bit about what like Google is doing? Because they're also obviously, making a heavy push into Places. You know they've been rolling out different API's and they've been making these Places pages. Uh, have you guys, you know, kind of worked with them at all about any of this stuff? Are you thinking about working with them? Is it kind of going to be a you versus them thing for this foundation of Places?

Mark: I think some of the stuff that they're doing is pretty good. It's different, right? I mean because they're more focused on the MAC data and the Places data. So, one area where I think the services compete is we have the Places search API that we launched today and this is kind of a different view of getting that than, than Google's. Um, and Google obviously, has like years ahead of us. So, mapping stuff out of their satellites and like all these crazy stuff. So, I mean that's awesome but um, and this is going to be an interesting example over the next couple of years to see how these different methods of organizing information play out, right.

I mean just like we talked about at um, at the groups event that we did I guess at those, just a few weeks ago, right? Um, uh, I'll give this example of photos where you know before people tagging came out, I think most people to [inaudible 00:15:54] that the best way to like, figure out who's in photos is like have some face recognition algorithm but it actually turns out the best way to do it is just have [00:16:00] people tag. Um, and I think you know the databases that you know, that we're building out and I mean even to some extent at like Four Squares building out um, there's much more, it's much more about people dynamics in that and I, I think because that is going to grow a lot quicker but I think, but Google has been doing this for years. So, I think that their service is quite good there.

Robert: Are you going to make a deal with Microsoft to get their card data, their camera data, their mapping data into Facebook? So that you can display new things with

Mark: I mean we are, we're, with Microsoft on maps, um, I don't know. We, I think like in order of, in terms of seeding the data, we worked with like a number of different folks to get some data in because then you want to have like a good baseline before you set the dynamics so people can edit stuff but I mean, there's

a whole sophisticated system that the team has built where it's like you create a place and then your friends can see it but it's not global yet and then if a bunch of other people check in then it's like promoted to be global. So, we want to keep it like very high quality.

Robert: Yeah.

Male: It's [inaudible 00:16:56] you launched Places but it's also [have been 00:16:58] a few months more than that since you really rolled out the open graph API and I wonder if you're also going to talk about [inaudible]

Mark: Busy year (laughing).

Male: Yeah. Um, and I'd like [inaudible 00:17:09] the question, what have you learned from the open graph API. I think you know Like buttons and social plug-ins are installed. A million sites around the web now and it seems like you're starting to have the opportunity to really look and see, how is this changing the way people move around the web, how this is changing the way you know, people navigate from one place to another and, and discovering new sites and, and ...

Mark: Um, you know the open graph stuff is still on its infancy, right and when we roll that out, we talked about the Like plug-in and the Like button as one type of edge but the whole vision of the open graph is like, we want to make it so that all these different web 2.0 company sort of going to [inaudible 00:17:47] they're building their own webs of different stuff, right, can meet those into [operable 00:17:51] and, and all these different graphs that different services have, have their own object types and their own relationships and actions between those and eventually you want to map all, [00:18:00] like make it so they can map all that stuff out and that you know, a service that um, gets built on top of Facebook can access their friends but can also access you know, the music database from iTunes or different things and [inaudible 00:18:13] common language.

So, Like is really just a start to that. Um, it's still really early. Um, and I think it's going pretty well and the Like button is such a simple interaction that people can click on it and um, and again, going back to the social recommendation stuff, it's more about the people than actually the object, right. So, look if you're producing content, the reason why your friend isn't going to care about that content is because they care about their friend, right. Um, and I think that that just drives like a huge amount of click throughs and um, at some point, someone will do a study. There's actually a good TechCrunch article. I don't know. I forgot which one of you guys wrote it but the one on EventBrite about the value of a click?

Robert: Yeah.

Mark: And (laughing) [crosstalk 00:18:57] um, and I, I felt that that was like a good early analysis um, that was kind of like one case but once you can start to break down with the value of someone. No, it's the value of a share, right. There was, on EventBrite, it like if, for every person you shared something to Newsfeed, that created this amount of value and I just think that, so right now, we kind of experience this anecdotally like, okay, games are more engaging like photo tags are sweet, right. But um, but when you start getting into things that are much like economic tradeoffs like ecommerce, which I still think, would be kind of later in the whole revolution.

Um, I think a lot of that is going to come down to boiling down and understanding like very clearly like if I share this, like this thing, right then that makes more money for Amazon or whoever that the company is that's allowing the share so therefore Amazon should actually give you some incentive to share stuff, right and like, and I think it'll just kind of ripple through the whole system like that. Um, so, anyhow, I still think it's really early like the Like button is creating a lot of value. Um, the measurement of it is kind of, is a bit behind [00:20:00]. We have more than a million sites that are using social plug-ins. So that part is going well. Um, but there's so much more to do.

Male: You, you talked about kind of the impact that it's having on the web 2.0 companies but I think what's been very striking is how um, a lot of mainstream sites whether it be Best Buy or New York Times have really adopted it and you made these sites that are previously not been social at all, very social. And [sometimes 00:20:20] when I go to the Times, I see what all my friends have recommended. Can you just talk about the importance of that and how you see that playing on? Again, it's very early but where does this go when you start seeing very mainstream sites that haven't been social start to become social in the future?

Mark: I, I think it's kind of, I mean it's fascinating, right. Um ... one of the things that we're seeing is that there are two types of social implementations. One, I mean we're pretty far away from the mobile stuff that we're supposed to be talking about but um, (chuckles) but I think that this stuff is also pretty interesting. There are sites that integrates some Facebook functionality and then there are sites and apps that are really like designed from the ground up to be social and uh, I think like, the state of social networking is that it's at the point where like everyone in this [inaudible 00:21:07] of knowledge that um, that social networking is kind of important, right.

It's like, in the enterprise phase, I think the way of putting it is no one's going to get fired for focusing on social networking, right. No one's going to get fired for having a social strategy but there's a different between these two um, types of

approaches. I mean I think a lot of these apps are really just, they implement some social stuff to check a box to say that like they got their social implementation and then they're done. Um, and then there are companies like Zynga that are really like going all in and like investing and saying, "Okay, well, I want all of our users to have access to a social API um, and all be in kind of social mode and all be sharing and what's that going to look like."

Um, so, in a way, the social plug-ins are actually extremely light, right. It's good. It's good. I mean it makes it so that the people can share stuff on their sites. Um, sites that weren't at all social before can now be and now there's more engagement and growth and all that good stuff that mathematically, we can show comes from that but um, but I [00:22:00] still think of a lot of those implementations are extremely light and the real disruption is going to come from people like rethinking these spaces.

Robert: Yeah.

Male: I have a question. Um

Mark: If you look at backload of the stuff that we're doing today, I mean, this is where the single sign-on stuff is so fundamental, right. I just think that there's a huge difference between an app where some of your users might be logged into Facebook and some of those might click a Like button and something were like a fundamental part of the experience is you load the app, click log in with Facebook, the app developer can assume that the majority of their users are using Facebook and have a social API. So, you can just like build the experience in a completely different direction because of that. So ...

Male: Are, are you seeing any increasing hesitation from third-party developers as you guys roll out new API's? I mean historically, Facebook has really owned social graph and increasingly, you're going to have the interest graphs with the Like, through like, on, you're going to have Places and it sounds like you may have more API's in the future regarding say deals in ecommerce. Uh, I'm a third-party developer, it seems like this definitely [inaudible 00:23:00] barrier of entry for me to get into the game but it also makes it much easier for competitors when I also do something similar and you have to build off that.

Are you seeing any hesitation from third parties to use this write API's to submit this data to Facebook? Because they are worried, that it'll be easier for someone else and kind of eat their lunch.

Mark: Yeah, it's actually, that's a good question. So, this is like a principle that we have pretty strongly internally. A lot of people have asked us like can I have a version of the write API where my stuff is quarantined. So, I want to write it and get all

the distribution benefits of putting in all this people's Newsfeeds and all that but I don't want my competitors still [to suit them 00:23:33], right. That's exactly what you're saying. Um, we've taken a really firm stance on that to like, no, this is an open graph, like it's an open platform. Um, we want to make it so that it's the user's data. It's not yours, right. So, like basically, the user is sharing it. Um, they should be able to share that data with any application or take it anywhere that they want.

Um, and what we found is that um, sometimes when we're trying to build partnerships, that'll like stall it out for a few months, right but like fundamentally, the [00:24:00] functionality is so powerful that eventually, people come back and they're like, "All right, fine like I didn't want to do it the first time because you didn't, you wouldn't do what we wanted but now that we are seeing our competitors do it or we just thought about it more, we like really want to see that happen."

Male: And speaking of that a bit, um, I know and this might have been just because the write API wasn't open until today fully. You know, it's only been a, like Four Squares as an example of someone who is pushing data to you guys and um, but they were only pushing it, not waiting to phase with Places, right. It was only uh, they were linking to their own elements you know, when you [dicking 00:24:31]

Mark: Unstructured, yeah.

Male: Yeah, so, it's unstructured. So, are you guys doing away with that? Will they not be able to do it anymore or are you still going to be open to that or do you really

Mark: Well, [crosstalk 00:24:40]

Male: want to tie them with places?

Mark: Uh, our view is that it's actually not Four Square sharing that, it's like people, right.

Male: Yeah, of course.

Mark: People can make whatever unstructured post they want.

Male: [Crosstalk 00:24:49]

Mark: But overtime, and this is a big part of the open graph, is that if we understand the semantics of how the data is structured then we can just do so much more interesting stuff, right. So, I mean the first where I can publish something or the

[they 00:25:02] can enable their users to publish something, um, that shows that it's been [received 00:25:06], that's just like a straight chair that has no semantic value attached to it but if they don't say like, okay, this is a place and the place is here then like, we can show it and your friends nearby.

We can't do all these other things and this is like our view on how disruption happens, right. It's like companies will be afraid of changing and they will not take advantage of somebody's new things and they will all get beaten by companies that go all in. And it will take time right, and I think some of these industries um, are quite entrenched but like, I just think overtime, this stuff is so powerful.

Male: Can you talk a little bit about uh, like what were your recommendation be to some of these other companies you know, like you know, we saw [them loop 00:25:47] today, we saw you know, there's obviously, [inaudible 00:25:50]. There's a lot of them out there right now. You're kind of taking this deals element away from them for their business model because you're giving it away free or you know, you said that, that you won't [00:26:00] be charging for it, uh, these companies.

Um, so they, you know a lot of them have been doing this stuff for free but kind of what the idea that going forward you know, they might strike a deal with a company and now, maybe that company won't think twice about that because you know, they could just do a deal with you guys and have also these deals through Facebook. So

Mark: Mm-hmm (affirmative)

Robert: what do you kind of think about the, the ecosystem I guess with the location space and what people should go towards?

Mark: Yeah, I think, it's, none of this stuff is exclusive, right. So, it's kind of advertising. Like you advertise on Google and Yahoo and Facebook, right. It's like why? Because you want to reach people in all those places, right. So, it's not like someone does something on Yahoo and then decides not to do it in the others. Um, you do it wherever it's valuable. So

Male: You think all ships are kind of rising like this will, I think this is expanding pretty quickly.

Mark: No, I mean at some point, that might go in a different direction but um, but right now, I think like if you're trying to get customers, you should go anywhere where you can get customers for lower than the cost of what the customers are going to be valued to, right. That's like, so, um, so, we think we have a good solution

because we're not charging anything, right (laughs) um, but um, but that doesn't mean that doesn't take away from anything that anyone else is doing.

Robert: Yeah.

Male: There's a lot of opportunity to differentiate on just the product level.

Male: Sure, right.

Male: I mean, this is such a huge space where so early on um, there's actually a company that TechCrunch actually writes about quite frequently, Scavenger, right?

Robert: Right.

Male: Scavenger is doing very interesting things. Part of the reason why the um, [invite them to join our 00:27:26] beta programs [inaudible 00:27:28] (laughing). Yeah, we asked them to join our beta because we're so excited about the kind of vision they have of starting enterprise first, building this contest platform that lets the Patriots or the Celtics like create really interesting offers. That's not something, which you come to Facebook for. That's a very customized experience. So, it's just a huge space where I think there's a lot of [room for all the 00:27:49] players.

Robert: It sounds like you guys are still very, very focused on people and that's what I see when I go with the Places, right. I see people. I see MG checked in here, Brad checked in here [00:28:00].

Mark: Mm-hmm (affirmative)

Robert: Are you ever going to shift to uh, showing other things or letting me see more about the place that people are checking into and tell a story about the place like putting up photos of the place and putting up comments about the place like, like all of that sorted out?

Mark: Yeah, so there's

Male: [Crosstalk 00:28:18] just to go on the photos that I'm able to then add to uh, a check in, do those show up on the Place page now?

Mark: Well, they do but they're yours, right. So, assuming that that's

Male: So, they're not public?

Mark: Well, unless you make them public, right. So, um, and we have the whole pages product right and that's pretty widely used and there are like all these pages that have millions of people and a lot of pages that [inaudible 00:28:37] there. Um, and there are still a lot to do there in that specific part of what we do but I mean people is just, it's just such a fundamental part of [crosstalk 00:28:47]

Robert: [crosstalk 00:28:48]

Mark: to people (laughing) that like, it's like that's like what you care about that um, that I think is

Robert: [crosstalk 00:28:53]

Mark: like the strongest product element that we have and like likely, one of the strongest product elements that ever existed, right. So, I mean that's, so I mean our view in the whole platform strategy is like we're not going to build out everything on top of that. We want to make it so that this is [explorable 00:29:06] so other people can tap into that and build all these awesome things.

Robert: But I, I do like seeing like Four Squares' icons that show you what kind of place it is that you just checked into and uh, I'd like to see more of that. I'd love to see more story telling about place by people.

Mark: Yeah, yeah.

Robert: I'd love to hear your story maybe even the Cinch cast and attach that to the check in, you know.

Female: [crosstalk 00:29:29]

Robert: Just use [crosstalk 00:29:31] (Laughing).

Mark: Yeah.

Robert: Or you can [crosstalk 00:29:32] more of uh

Male: [crosstalk 00:29:35] pictures I had was actually just this last weekend or last week. So, I got lucky and was able to see um, game one

Robert: Me too.

Male: You were there?

Robert: Oh.

Male: Actually, I saw you were there. You know why? Because you're in the here now section of my check in. You [crosstalk 00:29:47] (laughing).

Robert: Yeah, (laughs).

Male: There you go. Served it right.

Robert: You know I'm bragging. I want to make everyone else jealous (laughing).

Male: But I don't know if you looked at the Place page after you checked in (coughs) or you could actually see everyone's comments during the game. It [00:30:00] was, the thought I had was like how awesome would it be if we just made this a little bit more like known then you could, even if you weren't lucky to be at the game, um, you could just go to that Place page and in real time, see people's comments as the game is happening from the perspective of being there. Um, and imagine being able to see the tag in photos, the real time comments. It's like the true live stream of the game 360 degrees.

Robert: Oh, absolutely.

Male: Um, and that's just, that's what we have today and in uncertain unstructured

Robert: I have a lot of experiences where you check in to a restaurant and your social graph tells you, "Oh, you better try this on the menu because people have bought them in there." And I love that real timeness about it.

Male: And I uh, I wonder, deals is obviously a natural place to start to kind of incentivize this kind of behavior but I was interested to see charitable giving as a part of this and what we're talking about now, it starts to seem that um, you know, mass adoption of check in can actually change behavior beyond just kind of incentivizing to buy something here and there. Can you talk about your thoughts of you know, how does, when everyone's checking in, what is kind of mass location awareness on the social graph, what might that, what else might that enable?

Mark: I mean just like all these different personalization examples, right. Uh, and the, the whole thing that we're trying to do is connect and um, all right, it was, we have this instant personalization for [inaudible 00:31:22] and the whole idea is that like the whole next generation about locations are all going to be personalized too, right. Social elements are I think probably the most powerful part of that personalization, right and even when you have location involved, it's like because you mostly want to see people who are around you, right. Um, but the idea is like, if you're going to meet a person like, the more you know about

them, the better of a conversation you can have like the better of like an interface that you can create.

It's like isn't our software like that, right? And it's like why do we have software that assumes that every person that's using it is the same. It's crazy, right. So, and I just think, we're going to look back in five years [00:32:00] like wonder like why it was like, uh, that, that [so 00:32:05] location is obviously one element about you. That's like very hyper um, contextualized too.

Male: Mm-hmm (affirmative)

Male: So, we have one more question then we got to wrap up.

Male: The most important question (laughing).

Male: [crosstalk 00:32:20] the company?

Male: Yeah.

Male: Who's the company that could go boring (laughing)?

Male: You mentioned briefly that you're working with a team of Android developers to create your Android thing (laughs) and that uh, Google stepped in and bought that?

Mark: Yeah, I thought that was obnoxious (laughing).

Male: Do you know who it was just like?

Mark: Uh, it was like this, it was this really small shop that we're working with but that's like they created it.

Male: It's like one developer, it's a team [there's 00:32:43] a company?

Mark: No, well, yeah, so, [crosstalk 00:32:46] (laughing). So, but like, but it's the main thing that they were working, right. It wasn't like there was some shop and this any other reason why like Google had to buy them but it, it, it was obviously wasn't a huge deal but I mean, but it, it definitely set us back for a while and like, I don't know, but it was kind of frustrating.

Male: Did you lose all the progress that you made on the application at that point or?

Mark: Well, I mean we definitely didn't have that person working on it anymore, right and that like person had all the momentum and all that. So, I think we had the

relationship worked out that we could use the code going forward and stuff like that but like

Male: Sort of like a [crosstalk 00:33:18] guy.

Mark: But he was not, it wasn't great.

Robert: Yeah.

Male: Now we just have to figure out who it was.

Robert: One bonus question, what, what about iPad (laughs)?

Mark: I mean, eventually, we'll build something like I think it's the, it's different enough from like what I mean then disagreed with me when I said that iPad wasn't mobile. I mean, I think like you can argue with semantics of that but I think it's clearly a different form factor than this and um

Robert: My mobile phone.

Mark: What's that?

Robert: The phone you [pointed at 00:33:45]

Mark: [Crosstalk 00:33:45] on the mobile phone. So, just like porting between thing is not as obvious and um, and like we just want to be good. All right. We want stuff that we launch to be good.

Robert: You'll do a mobile [web app now 00:33:55] for the iPad?

Mark: What's that?

Robert: It sounds like you were talking about a web [00:34:00] application then for the tablet form pad

Male: The point is that you can use the web form factor [crosstalk 00:34:03]

Mark: And what's wrong? That's what I use on my iPad.

Male: But what, what about all those people who are searching you know on the Appstar for it and they come upon that friendly thing

Male: These guys must be [crosstalk 00:34:12]

Male: Which suggests our touch type

Male: Yeah, so this touch [like wrapped 00:34:15] in this thing but they're selling it. So, like, those guys must be making so much money. Isn't that kind of a weird situation?

Mark: Yeah, I mean the, our view over the long term is that the development and ecosystem right now is kind of crazy, right. There's like all these different, I talked about this a little bit at StarApps. I don't know if you guys, if you guys were there but um, it's like we were getting started on 2004 with Facebook. There was like no question what we were going to build or like what platform we were going to build on top of, right. It's like software development was kind of already ah, right, like too complicated and like you don't want to make people download something like mobile environment is more mature enough and all.

So, this [occurring 00:34:52] of course, we're going to build for the web but like today, if you're building something from scratch, it's like all right. You're going to build a website but by the way now, like there's a good Javascript that, and and kind of all these Ajax type directions that work in some place and not others. So, you probably want like different versions of the website and then you want um, a simple mobile website and probably HTML5 mobile website and iPhone app and an Android app and iPad app and Win app and like all these different things and it's just like insane, right.

And something has to rationalize all these and I think our view overtime is the HTML5 environment that is being created across all these should be a very valuable thing for making it so that we could build all these. So, um, but regardless, like I think the, the modern app development environment is definitely, like you build apps that people use in multiple places. It's not just like you build a website. It's like you build a website but then you also build a mobile experience and then you probably also built something inside a social network because that's how you get a lot of exposure to a lot of users and um, but the more we can make those all web that, that I think is good.

Robert: Very cool, thank you.

Mark: Yeah, thanks.

Male: Thank you.

EXHIBIT 55

10-23-2012

Facebook Q3 2012 Earnings Call

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The transcript indicates that the call is introduced by a conference call operator, who introduces Deborah Crawford first. Crawford says that she joined by Mark Zuckerberg, Sheryl Sandberg, and David Ebersman from Facebook.

(Zuckerberg) Thanks, everyone, for joining us. I'm going to use this time today the same way I will use it on most these calls, to talk about our vision and strategy.

Our mission is to make the world more open and connected. We do this by building services that give people the power to share whatever they want and stay connected to whomever they want no matter where they are. For at least the next few years, there are three pillars to our strategy. First, we want to build the best and most ubiquitous mobile product. Second, we want to build a platform that every new app that gets created can be social and enable people share. And third, we want to build a strong monetization and economic engine to build Facebook into one of the world's most valuable companies. I'm going to give an update on where we are in building each of these pillars.

Let's start with mobile.

I think our opportunity on mobile is the most misunderstood aspect of Facebook today.

Most people underestimate how fundamentally good the trend towards mobile can be for Facebook. This is because there are three trends that are kind of compounded together. First, mobile would give us the opportunity to reach way more people than desktop. Second, people on mobile use Facebook more often. And third, long-term I think we're going to monetize better per amount of time spent on mobile than desktop. All of these combined together make mobile a much larger opportunity for us than I think most people realize. Now let's go through each of these points.

First, we should be able to reach more people on mobile than desktop. To us this isn't really controversial. In the coming years there could be billions more smart phones than desktop computers. We already reach more than 1 billion people worldwide, including 600 million on mobile, growing quickly and up from 376 million last year. Facebook is the most widely downloaded app on basically every smart phone platform, so we are well-positioned to reach the growing smartphone population.

Second, people who use our mobile app had to visit Facebook more frequently. Someone who uses only our desktop platform has only a 40% likelihood of using Facebook on a given day. But someone who uses mobile has a 70% likelihood of using Facebook on a given day. This data is surprising to many people and very good news for our opportunity on mobile.

Another thing I found encouraging is that we've shown that we can really increase mobile engagement. Over the past year, a lot of people give us feedback that our mobile apps were just too slow. So we took the time to rewrite them to make them faster. And since we released of the new faster iOS app, we've seen an 80% increase in iOS News Feed loads, and more than a 20% increase in iOS engagement in terms of likes and comments. We haven't released the rewritten Android app yet, but we have many more updates on the way. So people on mobile are already more engaged than people on desktop, and there's a lot more we can do to help drive deeper mobile engagement as well.

Third, as people spend more time using Facebook on mobile, the business question becomes, how much money we can make from that time. I believe that over the long run we're going to see more monetization per time spent on mobile than on desktop. Now, this isn't proven yet, but we're committed to getting there.

The reason why I believe this is that on mobile, monetization has to be integrated deeply into our product. On desktop we have built a multibillion-dollar business with ads on the side, separated from people's primary

experience. But on mobile, we believe ads will be more like TV. High-quality and integrated into the experience rather than off to the side. Mobile is a forcing function for us to rethink these experiences to be in line.

Since monetization needs to be integrated directly into the core product experience, I've now asked each product group to own the mobile monetization experience for their product. This is already unlocking a lot of ideas and creativity. And we're starting to see higher quality monetization experiences in terms of better ad products for people and better results for advertisers.

Finally, I wanted to dispel the myth that Facebook can't make money on mobile. This may have seemed true earlier this year because we haven't started trying yet. Today, after just six months of ramping up our mobile ads business, we're already at a point where 14% of our ad revenue this quarter is from mobile. That's about \$150 million. And the most important thing to understand here is that we're just getting started with our mobile product development and monetization.

So in mobile, we have these three forces compounded together. We can reach more users. Those users visit Facebook more often. And I think we will make more money. So I'm excited about this opportunity.

Next, I want to talk about platform.

At a high level, for our platform the last five to 10 years has been about getting everyone in the world connected and mapping out all the relationships between people. The next five to 10 years are going to be about all the apps and experiences that are now possible to build now that all of these connections have already been mapped out.

The Social Graph is a new sort of critical instructional for companies since the majority of people use their services are on Facebook, increasingly developers are building social apps. Today, eight of the top 10 iOS apps integrate with Facebook and 40% of the top 400 use our SDKs.

We believe that social apps will be the best product in every business category. In some categories it may be an abrupt, disruptive, or revolutionary change, and in others the change may be more subtle or rollout more slowly over time. But over the next five to 10 years, we believe that the best product in every category will be social. We've already started seeing this through media and games, and in the future we expect to see this in areas like commerce and even finance.

One question I often get is what's our business here? As these apps get built and industries get transformed, why is this good for Facebook? We believe that over time, the more value we provide, the more revenue will be positioned to get back, whether that's through developers buying ads, running our ads, their network, using our payment service or other possible ways. We're committed to building a sustainable and profitable platform.

Now, I want to talk specifically about games for a bit because I think the story here is a little misunderstood as well. Overall, gaming on Facebook isn't doing as well as I'd like, but the reality is that there are actually two different stories playing out here. On the one hand, our Payments revenue from Zynga decreased by 20% this quarter compared to last year. But the interesting thing is that the rest of the games ecosystem has actually been growing. Our monthly payments revenue from the rest of the ecosystem increased 40% over the past year, since Payments has been adopted. This evolution is pretty encouraging.

Additionally, I want to talk about Instagram. It is really a platform success story. We got to know them because they built a social integration with us that a lot of people really like and both companies saw the opportunity to do even more together. When we agreed to acquire them, Instagram had 27 million registered users. Today they have more than 100 million. The most recent comScore report showed that in US there's more mobile time spent on Instagram than on Twitter. By getting Instagram access to some of the tools we have internally here at Facebook, it can grow even faster than it would have alone.

EXHIBIT 56



CHM Revolutionaries: Facebook Effect- Author David Kirkpatrick & FB's CEO Mark Zuckerberg

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The growth and impact of Facebook is mind blowing, even for an industry that considers "overnight success" to be a long-range goal. Founded in a Harvard dorm room on February

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The Facebook Effect (interview with Zuckerberg and Kirkpatrick)

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John: Good evening everyone and welcome to the museum. My names John Holler, I'm the CEO. And on behalf of the trustees, our staff, our members, and everyone involved with the museum, it's a pleasure to welcome you here tonight to this event. It is the latest installment in our series of programs on the 40th anniversary of the events that led to today's fully wired world.

I want to begin by thanking Intel for serving as the lead sponsor of our Net at 40 series. Intel is a very generous supporter and a good friend to the museum. We very much appreciate they're underwriting of these programs. Along the way we've also had support from Semantic Corporation and, of course, our donors, and members who in the last 12 months have provided more than two million dollars in support for our work. Kepler's is the museum partner for books related to our programs, as they are tonight. They'll be selling the Facebook Effect after our program. I want to thank Clark Kepler for their ongoing partnership. Clark is here tonight. Clark, thank you. And finally, thank you to HP and its MagCloud service, which is the partner for the publication of the booklets that are on your chairs and around the museum tonight. All of our MagCloud publications are now available for purchase online in case you didn't get one tonight or you want to order one for a friend.

A member of the museum emailed me a few days ago with this note. He said, "I hope when you're introducing the Facebook event, you'll remind everyone that we're here tonight because two guys named Kline and Duvall were hunched over computers late one night in 1969, trying to send the letters l-o-g-i-n from SRI to UCLA over the ARPANET." So there, I've done my duty, alphabet soup and all.

The connection between the launch of the ARPANET and relative solitude 40 years ago and the explosion of Facebook is not linear as we have covered in previous events and in the history that's printed tonight, but, without (00:02:00) question, our global society is surly traveling at breakneck speed down a continuum that began with l-o-g-i-n, and today connects billions around the world. This journey is at its core, what this museum is all about. If you reduced all of recorded human history to a 24 hour day, the birth of the internet would amount to a fraction of a second. The birth of Facebook and the socially connected electronic world far less than that, and yet consider the immensity of the reality that we are all living, in as little as two generation, two generations, we are moving from a time of no electronic connections at all to a time when we can hardly

imagine not being connected. We, therefore, confront an interesting paradox.

The blockbuster innovations of the information age are coming thick and fast. And their impact is enormous as impactful as anything may have ever been. And yet we risk losing their history as quickly as quickly as we see their history created. This is the essence of the work of the museum. We're seeking to capture the stories, the firsthand accounts, the lessons learned, and the physical and digital products of both genius and failure in our time. Or, as Donna Dubinsky put it in her famous analogy from the film you saw a moment ago, to talk to Michael Angelo as he paints the Sistine Chapel. One big difference, of course, is that from time to time an historian of Michael Angelo's era might have found him flat on his back atop a scaffolding. We don't find many people sitting still, so, what we are attempting is contemporary history at speed. It's humbling and it's challenging.

But with the help of many 100's of people we're determined to make it work, and to make it worthwhile for generations to come. That's why we have assembled the world's largest collection of more than 100 thousand items related to computing, going all the way back to (keyfoo 00:03:55) sticks and the ancient abacus and all the way forward to the iPad. (00:04:00) it's why we have recorded nearly 500 oral histories of the men and women who have made history here in Silicon Valley and around the world. It's why we have our fellows program, the 52 portraits of which are collected on the wall, just outside this auditorium. They comprise some of the greatest figures in the history of technology. It's why we undertake 20 to 30 programs like this every year. All of which are fully viewable on our branded Youtube channel. It's why we're the only major museum in the world with an internet history program and a fourth coming area of our revolution exhibit dedicated to the web and networking. And finally, it's why we have a vast digital museum at computerhistory.org, where among other things, we release the original source code for Mac Paint and QuickDraw for the world to see for the first time yesterday morning. Something our friends at Apple have at least to this point permitted only us to do.

Those of us in this branch of contemporary history do better when we stick together. That's one reason why we're so delighted to be associated with David Kirkpatrick, author of the fascinating book that we're exploring tonight, and Facebook CEO Mark Zuckerberg,

who just a few hours ago, announced that the Facebook community has now exceeded this milestone, 500 million users.

We may not know how history will ultimately write the Facebook story, but two things are certain, David Kirkpatrick has made an excellent start, and his help and support was clearly instrumental, Mark's help and support, was clearly instrumental to David's exceptional story telling. All of David's experience is on full display in the Facebook Effect, 20 years as a senior writer at Fortune Magazine, author of the Fortune Column Fast Forward, founder, host, and program director of the Brainstorm Conference series, founder of the Techonomy Conference kicking off next month at Lake Tahoe.

Conducting this conversation between David and Mark tonight is NPR's Guy Roz, weekend host of All Things Considered, one of the most sought after interviewers (00:06:00) in the business. He has interviewed everyone from Ariel Sharon to Eminem. This marks a return trip to the museum for Guy who kicked off the Net at 40 series in the spring by interviewing ARPANET pioneer Bob Taylor. If tonight is as freewheeling and candid as his evening with Bob Taylor was, we are in for a real treat. You can contribute to that with the question cards that are on your chair. You can write your questions down. We will be collecting them for Guy once we get a little further into the program. Please join me now in welcoming Mark, David, and Guy to the stage for tonight's program. (Applause)

Guy: Okay, well thank you very much John. I'm going to dispense with any opening remarks and dive right into the questions cause I think many of us here have many questions for both Mark and David. The first question is for you David. I just want you to give us a sense of what you mean when you talk about the Facebook effect, what is that?

David: Well, it's, it's a generic kind of concept about all of the ways in which this massive social phenomenon, social and technological phenomenon is changing the world. And I, you know, I talk about politics governments, business, marketing, identity, privacy, social life, and other area really, when you get to 500 million people on any system, there are enormous ramifications and Facebook was designed from the beginning in order to have certain ramifications (inaudible 00:07:33) successfully having.

Guy: Mark Zuckerberg, obviously congratulations are in order because of the announcement today on your Facebook page, right? Was it your Facebook page that I saw it, or was it the blog post?

Mark: Yeah, we posted it a number of places.

Guy: Saw the video. 500 million users, that's double the number of users you had about a year ago. Give me a sense of a Facebook moment over the past year (00:08:00) that has wowed you. Something that has happened that you thought that, the thing that I created made that happen.

Mark: The thing that we did to commemorate now having 500 million people is we, I just assembled the collection of stories that the people who used our service have written in to us over the years. I can go get a few.

Guy: Yeah.

Mark: They're really kind of amazing and, and, very varied, right. I mean everything from the, the guy who is the last prime minister of Denmark found, basically had a bunch of connections on his Facebook page and they became his jogging buddies.

David: I was going to put that in my book and I think I forgot, yeah, that's a good story. (laughing)

Guy: This (Lars 00:08:51) Rasmussen, right?

Mark: Yes, who, I mean there was a mayor in a city in Connecticut who found that one of his constituents needed a, I think it was a kidney, and then went and donated his own kidney. Um, so it, it, like the stories that we hear from people range from these kind of incredibly profound, things like that, to just really kind of day to day things were people are just trying to stay connected with their friends and family and the people that they care about. Now have a way to do that that's a lot easier than anything that they had before.

Guy: Do you ever get freaked out about how, how powerful this tool that you invented has become, that those things can happen? Do you ever think ...

Mark: Well, I mean, its people doing them. Right, I think like, the, what we've really built is a platform, right. I mean, we're not building a

system where people are donating organs. I mean, we're doing a system where people can stay connected with the people that they want to. And, um, there's always been the ability for people to sit down face-to-face and have a conversation, right. I mean, for awhile there's been the ability for people to call someone up no matter where they are (00:10:00) and it's been, gotten a lot cheaper recently, but, to be able to have kind of a synchronous one way conversation with people who you're willing to call up, right. And who you have that level of comfort with. But, until recently there hasn't really been a good system for you to keep in touch with all of the other people who are in your life or you meet at some point who are important or were important and you want to keep up with, but you don't have a way to talk to on a day-to-day basis and you wouldn't go out of your way to call and you would never sit down with in person. And, the power that's unlocked from that is really what we're seeing here, right. And when you can build up all of the value of those latent connections and keep them open, this is the type of stuff that becomes possible. But it's because people want to do it on their own anyway, we're just kind of allowing people to have that, the ability to do those things.

David: And all that is what I would call the Facebook effect. I mean, it was, it was designed to be a viral platform for communications. And, you know, I think it is a good point that Mark has made that Facebook is literally just a platform. It has no content of its own whatsoever. Everything there is created by its members. And, and, and I think, this, this viral system that Mark effectively designed quite consciously where information flows, especially because of a news feed from person to person with amazing efficiency, if it's of interest, that is sort of the root of the effect that's kind of the name of my book.

Guy: David, in, in John's introduction, he mentioned Bob Taylor who was on this stage actually in your seat, about two or three months ago. He is not an international celebrity, um, most people in the world have not heard of Bob Taylor. Far more know who Mark Zuckerberg is, he is arguably the father of computer to computer communication, okay. And you mention him in your book. Which, by the way is a great, not just a primer on Facebook but a (00:12:00) fun book to read. So.

David: Thank you.

Guy: Wanted to let you know that. (laughter) Where, where does Mark Zuckerberg, in view, fit into the history of the internet or the history of communication?

David: Well, I think that anybody who's created a system that gets to 500 million people, particularly in six years, deserves a fairly great prominence in the history of innovators in communication. Um, you know, the world is changing so fast now, that it's harder to put someone in the hierarchy the way we might of once felt comfortable doing. So, you know, is Mark more important than Alexander Gram Bell, or equally important, I have, I don't have a clue. (Laughing) He doesn't think so, I mean, but, you know, we'll find out over time. But, you know, I mean, Facebook will not last as long as the telephone did, I can assure you of that. So, we'll have to make our judgments more rapidly about these men. (laughing)

Mark: You heard it here first. Um.

David: I'm not, I'm not saying it's not a great thing Mark, but, it's not going to, telephones have been around for like 100 years. You think Facebook will be here in 100 years, literally, you really do?

Mark: I don't know, but I don't know how long telephones are going to be around for. (laughing)

David: No, no, I mean, no, that, that I agree with. But, I mean, I mean, I'm talking about from its inception to today. Do you think Facebook has a prospect of 100 years?

Mark: I, I don't know. I don't know.

David: I mean, literally, but this is the question that I get all the time. What's Facebook going to be in 10 years? And I always say, "I cannot even begin to answer any question like that about any internet business." Do you think it's a reasonable assumption that Facebook will be a strong and powerful business in 10 years or even? I mean, what do you think? Is that the given.

Mark: Oh, 10 years I hope so.

David: Ten years, okay, what about 40 years?

Mark: I, I mean, like, I think that things change over time. So, I mean, I think that, you know, if you look at some of the great technology

companies, they made a huge change in the world and then transitioned into great long-term businesses. I mean, companies like IBM, are (00:14:00) maybe not kind of at the forefront right now of consumer technology, but are still great companies long after being the massive innovators in their space. I think that these companies can be around for a very long period of time. But, I certainly think that the trend that we're operating on now, of helping people, um, share information, which is really something that, you know, going back 20 years ago, most people in society did not have the power to do. I mean, the internet has really brought that about. Now everyone can share their opinions and information about themselves or what's going on around them. And that, that's a new thing, and I think that's the trend that we're hoping to help push forward. Um, and, I think that that's going to be one of the most transformative trends in society over the next 10, 15, I mean, who knows how long.

Guy: But, but, but, can I ask one ...?

David: Sure.

Guy: The fact that a system could have grown to 500 million in a little over six years, does suggest that the pace of change is truly accelerating.

Mark: Oh yeah, yeah.

Guy: So, something else, many other something else's are going to come along and burgeon with incredible speed. So, this is what I would say, tell me if I'm right about that, that, you'd, I would say that you take as a mantra only the paranoid survive. And one of the reasons why you make all these changes that affect privacy and product is because you are literally afraid of the 4th square and the twitters and the other innovators and you do not want to be rendered irrelevant and you want Facebook to remain a vital, cutting edge service, and you know that requires constant change.

Mark: Well, I like to think a little more pro-active than that.

Guy: What do you mean?

Mark: I mean, I don't think that the changes are motivated out of, out of fear as much as wanting to help move the world forward.

David: Okay, okay.

Guy: Let me ask you about moving the world forward because with, with this incredible product you offer, I'm sure there isn't a person in this room who doesn't use it, um, I obviously use it. Um, you also have a very powerful database. I believe the largest database of personal information that exists outside the realm of government, right. (00:16:00) Facebook, if it were a country, would be the third most populous in the world. You are the head of a country. I mean, one out of 14 (laughing)

David: Don't tell that to the (inaudible 00:16:12) by the way.

Mark: There's a lot of assertions going on up here that I don't agree with.

Guy: One out of 14 humans on planet earth is now has a Facebook profile.

Mark: It doesn't make us a country. (laughter)

Guy: It does, actually, it does. Five hundred million does. It's an extraordinary number of people. Do you remind yourself daily of the responsibility that that puts in your hands. You're 26 years old. You are a young guy. I know that you're reminded of that all the time, and I'm sorry to do that again, but you are. And it's an immense amount of responsibility, what do you, how do you handle that responsibility?

Mark: I mean, I think the main thing is we've just assembled the team as a company that has this tremendous sense of purpose for what we're doing, right. I mean, It goes back to some of the questions that you were asking about building companies. Where a lot of the people at Facebook, including myself, never thought we would be a part of a company. I mean, we, I started Facebook and a lot of people who joined early on, I think still join the company, are doing it just because they believe in what we're doing. And they believe that if you can give people tools to share information and stay connected with the people that they care about that, that just opens up all these possibilities. And then, if you can build a development platform on top of which all these other people can build social applications, then you can create a whole lot of new experiences that weren't possible before. I think it's that kind of clarity around what we're trying to do, um, that I think is what give us the ability to keep on doing, like, these rounds of innovation, instead of, um, you

know, the type of stuff that you're talking about, like becoming a company. Right.

David: People have a very hard time believing that about Facebook. That's a fact. I mean, they really, to be honest, I don't think you do as good a job (00:18:00) communicating as you could, the scope of the visions and the passion that you and you're colleagues as you describe, share. It's one aspect of my book that people challenge me on everywhere I go. They cannot believe that Facebook isn't doing it for the money, for the ad market place, etcetera, etcetera. Could I just follow up with a specific question about this?

Guy: Sure.

David: One of the things that I know about you is you love product, you love engineering, what you would rather be doing is sitting at a terminal talking to the product team and the engineers to make the product better.

Mark: I'm doing that later tonight. (Laughter)

David: I know you will, so, probably every night. But, Facebook is, as Guy is implying, at sort of a turning point where its scale is requiring a new sort of responsibility on its part. One of the questions that I have for you is, you know, do you really want to be the leader of a company that requires this constant interface with government and regulators around the world in order to, you know, keep explaining what it is you're doing, because, they are pushing back as you well know.

Mark: And quite understandably, because it's something you've described as a utility. So, I mean, the way that I think about this is, a lot of people have asked me this question of, okay, now that Facebook has 500 million people, or, is nearing 500 million people before today, um, you know, a lot of the job has become, in addition to building things, building out a team, communicating externally now and kind of dealing with a lot of these different constituents that we wouldn't have had to deal with when we had 10 million people using our products. You know, those are the things that are typically, you see in a mature company, right. And, um, and I think, the way that we think about this is that, if we thought that Facebook was a mature company and was anywhere near the end of its trajectory in terms of being able to innovate or that the product was near maturity in terms of its development, if people were sharing on the order of the amount of information (00:20:00)

that we think that they'll end up sharing, then maybe those things would overwhelm how fun it was to build this. But, we just don't think we're anywhere near the beginning. I mean, instead what we ... I mean, anywhere near the end. What we've seen is, you know, there's this massive trend on the internet toward there being all kinds of information available. Right, I mean, when I was growing up, I, Google came out when I was in middle school. Right, and, and, (laughter) so, I mean, search engines. It's like growing up. And, like every year there, there was like some new cool thing. Right, so, um, it's like one year, it's all right, there's a search engine, now you can look for anything you want, or, another year, it's like, all right, now there's Wikipedia, you can like get reference material on anything you want. Now there's Napster, you can get any song you want. Right and it's like all these different services. But, the thing I think is most interesting to people is other people. So, I think it makes sense in a way that Facebook is by far the most engaging app that's been built on line to date. I mean, people who use Facebook spend much more time with Facebook per person than any other app. So, we did, for the first few years of building the company from 2004 to 2007, was with really a small group of people, we just started building versions of products that were designed from the ground up to be built around people, right. We built things like photos and groups and event, and what we found was, you know, each of these projects was built with a group of two or three people, right, because at the time the company was 20 or 50 people, or 20 to 50 people, in that range, and so when we built this photos application that don't have a lot of the features of other photos applications, right. There were no high resolution photos, you couldn't print, I mean, early on you couldn't even reorder the photos in an album, but what it had was it was built from the ground up so that as soon as you shared a photo, all your friends had it. And it turned out that that feature was more important than every other feature combined.

David: Tagging of people was the key.

Mark: And the same thing for groups and the same thing for events. So, what we have now is Facebook photos are used, I think, three, (00:22:00) four, or five times more than all other photo services on the internet combined, right, and a similar story for groups and a similar story for events. So then we hit this turning point in 2007 where we said, "Okay, we think that we can take basically any application and by building it to be around people which are the thing that people care the most about. If we just, if we, if we, if we

did that, then we think we can build a more engaging version of any application out there. Because there's so many applications that need to get built, rather than trying to build these all ourselves with teams of two or three people where we're not building all the features that whole companies could, let's build a development platform, right. That's what we've been focused on since then. What we've seen since then, is, just in the most recent release, right, we built this thing called social pluggins where, um, where you can just, any site can take a line of HTML copy and paste it and drop it into their site. For example, CNN.com already has this, you can look at any news article, and you can see which of your friends like that article without CNN ever knowing who you are or who your friends are. It's a really cool experience. What sites that have used these social plugins have seen is that the engagement that they've gotten from people using Facebook has gone up by about 2x, the referrals from Facebook. And that's just a simple integration. Um, so you can imagine that people are doing a lot of deeper things are getting even stronger results, right. And the first one that I think we're really seeing of an industry getting completely transformed is games. I think games are often an early indicator in a new platform. We kind of saw that with the iPhone. There were games that took off.

David: It used to be porn, but okay, go ahead.

Mark: Fair. I think early pc there were a lot of games. Facebook, games are really one of the first things that took off, and there were all these companies, there's Zynga, there's Playfish, there's Playdum, Crowdstar, a whole kind of new set of companies and, I mean, these are real companies. Playfish was acquired for almost \$400 million last year. Zynga on the secondary private markets has a market cast that's (00:24:00) about half of that of EA with an eighth of the number of employees. And that's disruption, right. So I think what we're going to see is, so this is year one, in terms of this industry is, is kind of the first one that's getting transformed, but I just think over the next few years, we're going to see it in every industry.

Guy: Mm-hmm.

Mark: So, that's exciting, right. So now back to your question about is it okay to spend some time interfacing with the media and governments and all that, yeah, if you get to do that. So but ...

Guy: David, let me just talk, sorry, interject here for a moment.

Mark: Guy is the moderator.

Guy: I want to get back Mark, to this idea of the question that I asked and this idea of this immense data base. And I don't mean to present it as some kind of nefarious thing that you're sitting atop, but, we know that Facebook has this incredible ability to say to an advertiser you want to target 26 year old women who like Bikram yoga, and we can get you there, which is amazing. Now, I trust you and you trusted you're currency, and you're telling us to trust you and we do, let's say, but what happens in 10 years, or 20 years, or 30 years when you're not, let's say, in charge of the company or your power is altered in the company and somebody in the company decides to take that data about us, the information that we have volunteered and handed over about our likes and dislikes, the music we listen to, our birthdates, who we're married to, what our kids names are, and sell that information. What kind of guarantee is there that that won't happen?

Mark: Well, I just think it would be the stupidest thing we could possibly do.

Guy: But, so, but ...

David: (Cross talk 00:25:40) CEO or what. I mean.

Mark: For um, no, I mean, the internet, we're talking about how technology moves so quickly, right. And I think it's really easy to say that there's all this information that Facebook has or something like that. But really what (00:26:00) Facebook is today is this engine and this community of people sharing a lot of information on a day-to-day basis.

Guy: Except that it's, that information is in a centralized ...

Mark: Actually, I think that that's maybe a misconception because the rate of information that people are sharing is increasing so quickly that the nature of any sort of exponential growth, right, is that the amount of content that people have in the system last year, will be just a fraction of the content that's in the system at the end of this year. It's going to keep on growing. And, not only are more people signing up to use the service, because they want to stay connected with friends and family, but every day that goes by each person on the service on average is sharing more information into the system.

Here's an analogy that I think is actually pretty apt for this. Think about Wikipedia, right, Wikipedia has this policy where any person can go download all of Wikipedia and fork it and create a rival encyclopedia. And, you know, some people have taken some Wikipedia content and tried to do that, but no one ever creates anything that's anywhere comes near close to, um, to quality of Wikipedia. The reason for that is because the real thing that Wikipedia is, isn't an encyclopedia, it's a community of people that build encyclopedia somewhere else, but you're not copying the community. Now, Facebook is very similar because we have all these open APIs and we're building a platform like I was just talking about and people can go and they can take all their information anywhere else. What Facebook is isn't a set of information today, it's a community of people who are using Facebook to stay connected and share information. They're only going to do that as long as they trust us and as long as we're the best tool that exists to do that.

Guy: So, just to confirm, if they were to decide to leave it, that data would be wiped out? You would no longer have that information?

Mark: Yeah, I mean, people, people can use the API, they can take their information to all these other services. Not only are we okay with that, we're encouraging it. That's the whole platform strategy that we're embarking on. By allowing people to do that, we're allowing much more innovation in other apps that we would never get around to building. (00:28:00)

Guy: We know that that, for many people, is not a choice any longer because so many people have come to depend on Facebook, it is not just a cultural phenomenon, it is an indispensable part of many people's lives. You describe Facebook as a utility like the electric company, like the phone company. Two questions, should it be regulated, why shouldn't be regulated like utility, and if it is a utility, couldn't you make the argument that it's a monopoly?

David: He doesn't mean that, when he says utility. But he should not use the word utility because everybody thinks what you think a lot.

Mark: So, when we talk ...

Guy: I get you.

Mark: Here's, here's what we started off talking about. You know ...

David: He should stop using the word utility because utilities are regulated.

Mark: When, when, when we got started, everyone compared us to MySpace. And, the big difference we saw between ourselves and MySpace was that, people used MySpace because it was cool and because it was fun. And people ask us this question all the time. What's going to happen when Facebook is no longer cool? Right, it's been around for six years, where things don't stay cool forever? My answer to that question is that our goal was never to build something cool, it was to build something useful, right. Something that's cool is not going to be around for a long time. Something that's useful is around for a very long time, potentially, if it continues to be useful. Um, so to me when I say utility, that's what I mean is that we're trying to provide people with a utility, not to have something that's fun. Um, in terms of regulation, I mean, we get regulated by users, right. I mean.

Guy: Mm-hmm. And is that enough you think?

Mark: I think like, there's plenty of dialog around what we do and important issues that are going on on the internet, I think we've shown that we listen carefully to that and that influences our policies and the products that we make. And like I was just saying, we support this open platform and we want to design it so that people can go and they can take their information and go to any other service they want.

Guy: Mark, in David's book you're quoted as saying, "Having two identities for your self is an example of a lack (00:30:00) of integrity." which I think is an interesting quote. And it goes on to explain that people shouldn't have a different persona, present a different persona to their coworkers and present a different persona to their friends. So, say, um, you know, I behave in a certain way around my family and behave a slightly different way around my coworkers, you would argue that there's a lack of integrity there. I'm wondering why you think that is? Do you think we should all interact in the exact same way with everybody we know?

Mark: No, I think that was just a sentence that I said. Um, (laughter) I mean, that was like the wrong part of an argument.

Guy: That's a quote. I was worried you were going to say that. Oh geez. (laughter)

Mark: No, I mean, what is the definition of integrity? I think it, it literally is being the same thing in different spaces.

Guy: Are you the same person right now that you are when you're with your friends for two years?

Mark: I'm not, actually, probably, yeah, I mean.

Guy: They're around.

Mark: Same acquired person. Um, I think that that is the definition of integrity, right. Like the dictionary definition is having the same face, not saying one thing to someone and saying a different thing to someone else. So I think actually by definition, um, if you are presenting one face to another, to one set of people and another to another, that is a lack of integrity. I wasn't making a value estimate on whether or not ...

David: Perhaps it would help if you studied Greek. Yes, go on.

Guy: I mean, the, the, the, Janice (Headright, 00:31:22) but you do talk a lot about from this idea of, I want to expose any transparency with both of you because I think it's fascinating. I'm interested in this idea of transparency because there's different ways of looking at. David Brooks in the New York Times writes about this a lot. He talks about transparency in government and how paradoxically it has created a climate where more, more, fewer Americans actually trust government. The more transparent government is, the fewer people trust it. You really push this idea of openness and transparency, um, what do you think it will lead to. Why do you think people should be willing ...

Mark: What do I think of what?

Guy: What do you think it will lead to? Why do you think people should be willing (00:32:00) to reveal details about their lives, open themselves up to the world? I mean, why not keep some things private and personal?

Mark: Well, I think people will always keep some things private. I think there's a big difference between now and 20 or 30 years ago is now everyone at least has the tools if they want to, to share things. But, a core tenant of Facebook has always been control. From the

very first version of the site, we built privacy controls that every single piece of information that you put on the site. You could say exactly who saw it. Um, and, one of the challenges that we've had is the company has grown is trying to make it so that scales because now people are sharing way more things than they were at the beginning and we want to make sure that they continue to have controls for each thing, but we don't want to have a thousand different controls that they touch. So, so that's one of the big areas that we've been modifying and innovating on recently. It's just, now, you know, there's just one master control, you know, you go to your privacy page, you can say in a few clicks I want all the content I share on a day-to-day basis to be visible to only my friends. That's what I want.

Guy: And clearly that was a response to the criticism and, and, and that has dissipated by and large. Um.

Mark: But going back to the question, oh, I'm sorry. You were going to ask a different question. Go for it.

Guy: No, please, please.

Mark: Control, when people feel comfortable sharing information and they feel like they have control what they share and who they share it with people become comfortable sharing more things, right. So for example, if I only can choose my mobile phone number with everyone on Facebook I wouldn't do it. But because I can do it with only my friends, I do it, right. So now, there's more ability for me to actually share those things. What I think that that creates over time is there are these opportunities for people to share more thing and I think a lot of people are realizing that, "hey, it's really valuable for me to share more things in certain context." And that leads to this kind of broader social change where I think now there's more transparency, right. I mean, more people are blogging, more people are using (00:34:00) Facebook to share more stuff, more people are using Twitter, more people are posting stuff on Youtube. That means if we want there's more out there that we can go look at and research and understand what's going on with the people around us. I just think that leads to broader, kind of, empathy, understanding, um, just a lot of kind of good (inaudible 00:34:16) human things that make society function better.

Guy: David, a brief note, a very interesting chapter on privacy in the book which I found very useful and did you want to say something about that.

David: Well, I was going to say, first of all, I totally buy what Mark's said. I mean, the reason people put so much data on Facebook is because from day one it was the first place that ever existed on the internet that had privacy controls. It was the only place anybody had ever put their real name and their cell phone number and their email address because they could control who saw their data. I think one of the reasons this privacy issue is so fraught for Facebook and leads to so much discussion and controversy is because people have entrusted an enormous amount of data to it. And I think they're worried that maybe their trust was misplaced. This is where I think Guy's question before is a legitimate one about what would happen if you weren't in charge. You know, there is this huge mass of data in there. But rather than have you answer that again, I would like to ask you another question, which is closely related, and very related to what you just said. My own personal feeling, and I've spent a lot of time talking to people about Facebook, it's like all I've been doing for the last six or eight weeks, cause I've been promoting my book. I just came from Kansas City last night. So, why doesn't Facebook make it much, much, even easier than it is to set up group functionalities? You can control, like, the family, the best friends, the high school friends, the church friends, the friends you just friended on Facebook because you couldn't say no, (laughter) but each one, each one of, but each one of those is a different category for whom you want different visibility into you and you want to see different visibility into them. It seems to me you would get more sharing if that functionality was radically improved. (00:36:00) You've got it. It does exist.

Mark: Yeah, yeah, no, no, you're right.

David: But it's not easy enough to use if people don't even know it's there. So how do you deal with that? You're going to improve that?

Mark: We're going to do better. We can do better. Yeah, this is one of the core areas that we need to work on now and we are working on. Now people have all these different groups of friends and. It used to be that saying I want to share with my friends was a good ... that, that meant private. Like, I don't want to share with everyone. I want to share with my friends. But now I think more and more people have sub groups of friends that they want to be able to share

different things with sub groups. That I think is a really important case and we're cutting at it in a lot of different ways to get there. And hopefully soon we'll have more to talk about.

Guy: To what extent. To what extent does, to what extent does the success of Facebook depend on the majority of users choosing the least restrictive setting, privacy settings?

Mark: I don't really think that that matters much. I think the key is that people can share with whoever they want, right. And that people, it goes back to the point I was making before with Wikipedia, what we have is a community of people here who are this engine for sharing and connecting. The key is that they can do that in whatever way that they want. I think the question that you're talking about, of being able to segment it into, um, and just saying, here's my family, here's my work friends, here are my school friends, here are my high school friends, whatever it is, um, that would be really valuable to do. But I think that that kind of gets to one of the core things in building Facebook is that designing products that do these things simply is pretty hard. I think that's one of the big innovations that we've had is, I mean, earlier on, you guy, like, we were watching that video, I mean, we're not designing microprocessors, but what we are doing is designing very simple ways for people to have social interactions that are very nuanced. And, um, I think it's a lot easier in (00:38:00) a lot of these cases to point to what a problem is than to come up with what is a solution that people will actually use. Um, so let me give you an example of something that we did that actually didn't work that well. Um, our first cut at trying to help people segment stuff, segment their friend list into groups was this functionality that we call friend list, right. It's basically you can go and you can create a list of people, um, and you can put whatever friends you want to whatever list, you can say okay, here are my high school friends, here are my college friends, here are my work friends, whatever. It turns out that most people don't want to go and create lists of thing. Most people would not even even have a friend list to begin with except for the fact that the act of creating friends is a very nice social interaction, right. You get to reach out to someone and say, "Hey, I like you, will you be my friend." And the person can say like, "Yeah." Right. And, I mean, that's nice, right. There's this nice feeling that goes along with that. Um, and I think that that's why people do it. People aren't on Facebook because they want to list their friends, right. So that's what designing the product is about, right. It's kind of coming up with these way that kind of align people, what people are trying to

do, which is stay connected, with building out this platform which is going to help them stay connected even more when you can do more things with it. I think everyone agrees no doubt, we would be in a better place, and people would be able to share more if everyone magically had these sub groups created. Um, I think that there is a solution to it and we need to get there, but it's hard, and that's one of the big things that we're work on.

David: This is a passionate subject for Sean Parker as you know, I mean, he believes that you should, every time you see a name on Facebook you should have an easy drop down menu and you should be able to put people into a group based on, you know, your groups, (inaudible 00:39:44) every time you see the name, shove them into a different group, change the group or whatever. You know, you said something before that I think is really interesting and I'd like to just quickly, I know, it's kind of a dual interview here, but anyway. Um, you said (laughter) it doesn't matter whether people use the everyone privacy (00:40:00) setting that much, right? You made this change in December where you sort of forcibly caused people to use the everyone privacy setting and it led to a lot of controversy and you undid that later. Are you saying that when you undid it you didn't regret it and feel like, "oh, we sort of lost the ability to do things I wanted to do." I mean, I personally was not happy that I had always had my friends list friends only and you undid that. Now you've given me the ability to go back to the way I like it. But, how important was it to you to try to make it the way that you tried to make it?

Mark: So, honestly a lot of what we were trying to do, was just create a very simple experience, right. We don't want to have a million different setting that people have to touch, because if they do then they won't. Then they won't use the system because then they don't feel like they can control their stuff. We tried to create a simple, a simple set, um, a simple system for them, based on the settings that we actually saw that people were using. And we made some mistakes and we got it wrong. And it turns out that even if only .1% of users use a setting, they really care about that setting. (laughter) and so it's fine, right. That's our job is to try and balance that. We make a lot of these tradeoffs. I hope more often than not we get them right. Sometimes we make mistakes. We always listen. We try to, um, to make sure that when people have feedback that we take that into account. And when it's real user feedback, right, not, not just something's that are getting kind of a lot of attention. But I think the reason why we made a lot of the

changes is because we look at how people use the site. The site has evolved a lot over time. It started off as this college thing, right. I built the first version when I was in my dorm room at Harvard. The way that the site worked early on was you shared with the people around you and your college community and your friends. So, it's always had this element of it was your friends but it was also the people around you, like, cause, I mean, you wanted to share with maybe (00:42:00) the people who were in your classes at school, or maybe the people who you were in a club with who weren't your friends yet, right, and that was really valuable. Now, as we got out of college and more people started signing up we found that there weren't as good proxies in society as a college for like the social circle that surrounded your whole community. So we tried other things like the city around you, right. And that worked pretty well, but then we were growing so quickly that what happened was we couldn't actually keep up and we couldn't actually provision a city for each geographic area. So, what we ended up with, especially early on when we didn't have a lot of international growth was, we had these kind of crazy situations where a whole country would be a network, right. So Germany was a network. India was one network. China was a network.

Guy: Everyone of those countries could have effectively see everybody's info.

Mark: Yeah, exactly. Now, the interesting thing is that those users were more engaged on the site than people who could only see and communicate with the people around them in college. So, in the US, we almost had this completely different experience, right. Where a lot of us have these college networks, we have work networks or we have networks for our companies and that's been our experience. It's been a lot tighter and we enjoy that even though, ironically, it's led us to use the site less on average, whereas, internationally where at now 70% of our users are outside of the US, they are actually getting a huge amount of value out of sharing in that way and having those be the setting. So we decided okay, well going forward for new users, let's do something that's more like that. When we got feedback that people wanted to make sure that they could tweak it more easily, um, if they weren't happy with those setting, then we kind of holed up in a room for a few weeks and we built that. Or we built this one control where now you go to your privacy page where there's just one control and, um, you know, you can click twice and have all your content set to friends and you're good. But, we really listened at what people used, how

people used the site, because people are (00:44:00) the site. So we listen to what people when they write into us, but we also listen to what their actually doing and we look at the data of how people are using the site and we try to make informed decisions on that.

Guy: Um, Mark, let me move away from the privacy issue for a moment. We still have a lot of questions for you and I'm sure there's a lot of questions out there as well. I want to ask you about Apple. And I want to ask you about how much of an impact Apple had on how you are thinking about calibrating your product. As you're aware, many people are using Facebook on mobile devices increasingly, myself included. You cannot right now, for example, upload a video you take with your iPhone directly to Facebook. Um, as more and more people start to use Facebook on mobile devices, particularly Apple devices, will you start to alter your product to accommodate those users?

Mark: Well, I think in a way we already do. I mean, we have an iPhone app which is specific to the iPhone which more than 50% of people who have iPhones have.

Guy: But the thing I'm talking about, for example, uploading video, I mean, obviously Apple has this, issue I think is an understatement, with Adobe. (laughter) how do you, sort of, what do you do about that?

Mark: We do the best we can. (laughter)

Guy: You stay diplomatic.

Mark: I mean, there's, it's a great platform, right. And a lot of people like using it. Actually it is an interesting challenge developing things today because in 2004 when I got started with Facebook, it was very clear what we were going to build, we were going to build a website. We weren't building desktop software. We weren't building something for a phone. Desktop software was the past phones were too far off into the future and not a mature enough platform yet. Build something for the web. Today I think it's, it's, it's, there are all these opportunities and challenges because (00:46:00) you have a web version, you have a iPhone version, you have an Android version, you have an iPad version, you have a mobile web version for phones that have touch interfaces, you have a mobile web version for cheaper feature phones which don't have, um, which don't have, like rich and browsing interfaces, and it actually ends

up being really challenging to develop for all these environment, but it reaches a lot of people. You know, it's how people want to use the service so we, we spend a lot of time doing it.

Guy: In a recent article in the New York Time, (Megill Health 00:46:33) wrote an article that said, "Google regards Facebook as its biggest threat today." Do you think that you threaten Google?

Mark: It's interesting that people talk about that so much, because if you think about it on its face, we don't do any of the same product, right. I mean, like, they do search, we don't to search, they have email, we don't do email, we have mass ...they do more direct response advertising and we do more brand advertising so even that is quite different. So I don't know. I think there's one perspective on Google which is that Google's market cap is greater than that of all other internet companies put together, so from that perspective they could see any growing company as a threat. But from our perspective, they don't have to lose for us to win. More people are using Facebook everyday and that doesn't mean that people are using Google less, right. So, what we're trying to do is just make it so people can stay connected with their friends and the people around them better. That's just not a service that anyone else currently provides, we think it's important, so we're going to try and do it as best as we can.

David: I just wanted to make a point on the Apple issue. You know, the Facebook app is so central to the success of the iPhone that if Facebook were to determine that the way that Apple was handling video was truly problematic for Facebook, in my opinion, they would have more leverage than anybody (00:48:00) probably on the planet, to argue for a change in the way that it's handled. I firmly believe the iPhone would not have become nearly the phenomenon that it is, and I have one. If the Facebook app wasn't on it. It's a huge percentage of total application use on the iPhone. I'm sure if any us heard the number which is a highly closely held secret, it would be astonishing how high of percentage of usage it is. So, Mark is not enthralled with Steve's job is what I'm saying. I think Facebook has extensive leverage if it needs to exercise it. I doubt if Mark would confirm his opinion on that, but that's my opinion. And I do know, isn't it true, you're spending a lot of ... you've gotten to know Jobs pretty well recently haven't you? Haven't you spent some time talking to him lately?

Mark: And he's great.

David: I think he's spent a fair amount of time talking to him. (laughter)

Mark: No, I wouldn't say a fair amount. I spend all my time building product. But, um, you know ...

Guy: What do you make of, um ...

David: There's that Ambassadorial responsibility coming up again. (laughter)

Guy: Speaking of competitor or potential competitors, what do you make of these groups of people who are working on open source, um, social networks like Facebook where data would not be central, would not be stored in a central location, Diaspora, for example, you've got to be aware of this.

Mark: I've donated money to them.

Guy: There you go. Reading David's book it reminded me, and reading about how you guys created Facebook, it seems like there's a lot of that kind of energy in Diaspora. A) Does it worry you? But) Does it remind you of yourself three or four, five years ago?

Mark: You know, I think it's cool. Early on in Facebook we had this project wire hog that I think you actually cover a bit in your book.

David: Just a bit, yes.

Mark: I don't know, I actually haven't read the book.

David: He doesn't like, he's not ... (laughter)

Mark: I don't read stuff often.

David: Are you going to watch the movie though.

Mark: Probably not.

David: That's what I thought.

Guy: We'll get there, we'll get there. (00:50:00)

Mark: So, early on, you know, so, we talked about a little before about how photos ended up being such an important part of the Facebook eco system. From early on, our users were requesting that we add more photos to the site and ready or not, we had no money, right. And hosting photos is expensive. Um, so we figured, okay, let's build a decentralized, um, application that can plug into Facebook that's a web server, it looks a lot like what these guys are doing, where people can host their own photos, wouldn't that be great, right. Um, and I think it just turned out, at least in our implementation. We couldn't get it to work as well as we wanted. And it turned out that us hosting the photos application and running that our selves was a much better solution once we had the resources to be able to do that. But, I just think it's cool that all these people are trying all these different things, right. I mean, I think some things, some technical systems become decentralized, some become centralized, right. I think we can all probably agree that it would be pretty bad if the search index were split on to 10 different sites and you had to search in a lot of different places. I mean, that's a service that I think makes a lot of sense to have centralized. Um, but, are you okay?

David: Yeah, yeah, I'm fine.

Mark: All right. Um, and so, I don't know, I just think it's cool to see what all these people are doing, right. People are building great apps the use the social graph through Facebook like games and all these other applications, people are building other kind of alternative structures to mapping out the graph that I think are cool innovations, um, it's all cool.

Guy: Um, Mark, in the spirit of openness and transparency that obviously you, um, I do have to ask you some questions that you probably don't want to talk about. But, there is a Facebook fan page. 5000 users have signed up to this fan page for a film called the Social Network. It has a Facebook page. You know that it is a ...

David: I have more than that for my book. (laughter)

Mark: There you go.

Guy: We all know that this is a, um, telling, um, we'll just say, a kind (00:52:00) of telling, or an imagined telling, of um, well, imagined history of Facebook, first thing, do you plan to see the film?

Mark: I mean, probably not. Generally I don't read stuff or watch stuff.

Guy: I just asked you. Do you, I mean, do you have any anxiety about it coming out? Do you have any worries or concerns? Is it annoying?

Mark: You know, honestly, I wish that when people tried to do journalism or write stuff about Facebook that they at least tried to get it right. Um, so, I mean, that's why having not read all of your book, I've read a part of it when you sent it to me, um, I at least appreciate the effort that you put in, in terms of spending all those hours and days talking to dozens of people, um, in the eco system around us, at least trying to understand what's going on, right. If I had read your book I probably wouldn't have agreed with everything, right. But at least there's a sense of serious journalism, right. And at the same time, I mean, there's another book that was written about us that was written by a fiction writer and these guys were, um, decided to have this idea, right, let's make a movie about Facebook. Um, and they seen they had a few choices of books to base it on. We'll just base it on the fiction book.

Guy: Just in his ...

Mark: You know what I mean?

Guy: Just in his defense, he did try to interview you for his book.

Mark: Um, the reason why we didn't participate is because it was very clear that it was fiction from the beginning. When we talked to him about that. And he basically told us, I'm most interest in telling the most interesting story. We want to make sure that we're never, that we never participate in something like that so then someone can take something that's really fictional and say, "and we talked to Mark Zuckerberg for this." Right. So, um, I think it's clear that it's fiction. All the book reviews of that (00:54:00) book, um, from people who know it say that it's fiction. The movie is based on the book. I don't really know how much else there is to say about it.

Guy: Do you wish that Justin Timberlake was playing your character?
(laughter)

Mark: That really would not make a difference one way or another. You know, the guy who was playing me, his cousin works at Facebook.

Guy: Oh really.

David: And he still has a job right?

Mark: He is currently the lead designer on newsfeed and I meet with him every week to go through the next version of what we're building. I mean, he's a cool guy and he's really talented. Um, you know, I'm sure all the people involved in the movie are talented, right. So, that's cool, but I mean, the movies fiction and I think that's really the most important thing that we have.

Guy: And you'll just sort of let it go and hopefully it will pass?

Mark: Yeah, I mean, I really believe that all that we can do is focus on building the best thing and that over time people will remember us for what we build, right, and not what anyone said about us along the way. And, um, maybe that's idealistic and maybe I have to think that, but that's what I chose to focus on, right. And what I want to keep the company focused on. But I think that that means, you know, you can't just say that I want to ignore things that sound bad or that that are kind of made up about us. I think it's really important if you're going to have that perspective that you also don't pay too much attention when people are saying really good things about you either. We have a really strong sense of the company of what we're trying to do, and that's what guides us.

Guy: Do you sometimes wish you could drop out and escape for a moment and get away from the inevitable celebrity that comes with being who you are and what you created? Do you sometimes just think, "God, I just wish is could, like, shut it off." for a day or two days or a week.

Mark: Well, I mean, I can, it's called hanging out with my friends at home or at their homes.

Guy: You can't, you'd be recognized anywhere here.

Mark: Not in my house. (laughter) I mean, you can't come to my house. (00:56:00) (laughter), I mean, a lot of my friends now, my closest friends are people who I've known throughout the whole experience or people who I've gotten to know by working with them really closely over the past few years, right. I mean, as an example of one piece of fiction in the movie, I think they somehow try to portray it as if I'm building Facebook to get girls. (Laughter)

Guy: Somehow, that's like the whole theme of the movie and the book.

Mark: I haven't read the book and whatever. The truth is, I've been dating the same girl since before I built Facebook, right. So, um, like a lot of the people who have been through the story have been consistent throughout. It's that core group of people who work on it, who care about it, who are your friends, who are really the important people, and that's what matters.

David: Also, wait, it's not, it's a much bigger issue for Facebook, it's the issue of how media books, movies, change the image of Mark Zuckerberg and the company is a far smaller issue for them, in my opinion, than what governments and regulators are going to be saying and doing. And this is why I think this issue of, you know, do you really want to be out there meeting with David Cameron every week, like you did the other day. That's what you're gonna have to be doing, because whether you like it or not, I don't think the movie really matters in the grand scheme of things from a stand point of Facebook's success or failure. I do think when you are maintaining all this identity information for people and you're getting into areas where governments feel very threatened and this issue of privacy is of such great concern in so many jurisdictions, this is a real issue. I think the movie is something of a distraction and I honestly would like to hear more about how you think you're going to handle this issue. We've seen it with the privacy regu, the commissioner of Canada, you guys negotiated with them for a full year, and then she got mad again after you did the recent stuff. And the EU is coming (00:58:00) at you and the Australian government's coming at you and, and. This is a real, I must think about that, don't you?

Mark: Yeah, I think that there important dialogs to have. And you know, there are all these folks that we work with. We obviously mostly listen to what our users' want, both in terms of what they do and what they tell us. We work with a whole set of nonprofit organizations who are the voice of users on privacy issue and security issue and things like that and we interface with governments. What I find more often than not is that all of these people are reasonable. They all are doing what they're doing because they think it's good for the world. No one is coming at us with bad intentions. I think the key is just to engage with all these people who are trying to have this real discourse around serious issues and try to come to the right issues. The internet isn't stopping.

Guy: Are you personally willing to engage in that to the degree, I think it's going to be necessary for the CEO of Facebook, whether it's you or somebody else, to spend a very substantial percentage of their time doing that. I wonder whether you want to do that. I mean, Larry and Sergey hired Eric Schmitt. This is like the question people ask me all the time. Are you going to hire that kind of a person because you really are a product guy, you know, I don't know whether you, I've heard you did a great job with Cameron by the way, and the whole cabinet, that's very cool. Maybe that is what you're going to want to do more of, and I'm not saying that you can't succeed at convincing them of a lot of things you're talking about up here, but there are enormous misconceptions abroad about Facebook's reality and intentions, and when you are operating in literally in every country on the planet, except for North Korea, China, Cuba and a few others, you're going to have these issues day in and day out.

Mark: I think the strategy is as (01:00:00) follows. I mean, we have a great team of people who are just top notch in this field. We hire the best engineers and product folks, we also hire great policy thinker because a big part of what we're doing is shaping internet policy, right, and how that plays out over time through our product, right. And, like I said, we're not the last chapter in this. The internet will not stop, right. The internet is going to keep on going. These issues are going to be important issues. We want to make sure that we engage with the people who are having this debate to make sure that everyone gets to the right place. I think that the great people that we have on our team are actually going to be able to do a lot of it. Now, in terms of these companies, I don't know if the model of hiring a CEO to be externally facing, while the people who are making a lot of the decisions aren't that person is really a viable model. I mean, this technology company is really our product companies and a lot of the most important decision, I think all of the most important decisions come down to what you're offering to the people that you serve, who are your users, in the end, right. And I think that's the most important thing, right. So we need to make sure that we handle all these things as part of a team. And that's why we spend a lot of time just trying to get the most talented folks on all of these different realms to join us. But, I think for the long term, I think it gets back to what I was saying before about how I don't we're anywhere near the end of developing the platform. The platform decisions we make, the product decisions, the technology decisions we make are going to be the most important

decisions we make over the next five or 10 years. I think that's what the roles are.

Guy: Um, in, um, in the book, David describes a leather bound notebook that you started carrying around in 2005, you used to scrawl notes in it. Um, as (01:02:00) far back as 2005, you laid out your vision for the newsfeed, for opening registration to everyone, opening Facebook up to apps by outside developers. All of those things happened. Um, what's in your book today? Or if you're not keeping a book anymore ...

David: He might be. He probably is.

Guy: What are you thinking about, what's swirling around in your head?

Mark: I think I've talked about a lot of it. But I mean, the platform stuff I think is, it's just there's so much more to do.

Guy: What should users of Facebook expect to see in the coming years? There's actually a good question here that ties into this, I mean, will we be able to make phone calls or do two way video chats or get CNN video for example, 24/7, is that a possibility?

Mark: I don't know if the goal is to get that inside Facebook.com, right. I think what people should expect over the next five years is that virtually every important service that you use online, but eventually off line too, are going to get remade and designed from the bottom up with people at their center. That might happen from (inaudible 01:03:11) leading incumbents into the spaces, or it might happen through disruption, from new entrepreneurs who are structurally have more of an incentive to take risks and just will overturn things like we're seeing with games now. But, I think that that's what's going to be exciting. We have a lot of work that we need to do, um, to make sure that we build out that kind of plumbing properly, right. And that we build all the products on Facebook well enough to handle all of the different types of information that people are going to want to share and that are going to be flowing through the system. But, if we can do that, then you can imagine the world is going to look a lot different. Everything from how we get news, which won't necessarily be on Facebook, but maybe the CNN of the future, or the New York Times of the future just looks a lot more social. Instead of just getting the pick that are from editors, (01:04:00) you get picks from the people who you trust the most and who have similar interests and the whole news

paper's personalize to the things that you've said that you're interested in. You know, we've already seen experiences where you can go to internet radio on Pandora and it just automatically starts playing the songs that you like, without you having to do anything, cause it's personalized. You can turn it off if you don't want that experience but it's a great experience.

Guy: Um, we, of course, in our business know that there are major consequences for that as well,

Mark: And they're going to be good. (laughter)

Guy: We hope so. I'm going to turn to some question form, some more questions ...

David: I was going to say, you know, there is no question that what he's saying should be listened to by anybody who's concerned about the future of Facebook. Facebook's goal and strategy is not to be a website long term. They are very consistent about it. Mark and his engineering and product people all say the same thing. The platform is Facebook's future. And that's basically what he's saying. It won't happen inside the confines of Facebook.com. Facebook is aiming to be a set of services that are applicable to people no matter what they do. It really will extend beyond the internet itself. It's going to be on your web, on your phone or your mobile device, you're going to carry with you and you're going to apply it to, increasingly, everything you do, if he gets what he's trying to build, you know, implemented. That's ...

Mark: You know, I think that if we don't succeed at building it someone else will. I think, I just think that this is likely the way that things are going to go. If for no other reason, that we've seen that every single app that has been built and designed with this methodology of build and design around people is significantly more engaging and grows faster than all the other types of apps that haven't. Right now it doesn't mean you can do it poorly and have it work, but whenever there are good entrepreneurs, whether it's folks who work at Facebook on photos or groups or events or folks (01:06:00) who are tackling games now or people who are working on ecommerce stuff in the future, when people hit that it's going to work. And, um, we can be the platform that provides that, I think we're certainly in the lead now, but we're not near the end, right. So there's a lot of room for innovation left and we need to keep on moving in that direction if we want to help support this.

Guy: Mark, I got to get to some of these questions cause there's some very good ones here. Here's one I like, it's, um, the question is, "as CEO, when was the last time you actually wrote code?"

Mark: For Facebook or not? (laughter)

Guy: Well why don't you answer that (cross talk 01:06:43)

David: Your not developing another product again are you?

Mark: No, no, I mean, all the time for fun. I think it's really important that you use your own product, right. So, for example, I use Facebook.com all the time. I use the mobile versions, all right, I have an iPhone and I have an Android phone because I think it's important to use all these different things. If you want to build a platform you also have to be a user of that. That means writing code. So on the weekends sometimes I do. Um, the most recent time that I checked in code for Facebook.com, um, was actually for the platform as well. Leading up to F8 which was in the late April this year, that's our annual developer event, the platform team which was kind of sitting there and they had this big monitor on the wall with the number of bugs that they had left to fix, um, and it was like 150 three nights before and everyone was pulling all-nighters constantly, it was like, "alright, I've already written my keynote, um, I'll help out." I figure that's pretty good for moral, right, I mean, you get like, that people and then Schroepfer joined in, our head of engineering, and, um, we just kind of sat there and we fixed some bugs and we wrote tests to make sure it was going to be stable when it launched and it was fun, right. (01:08:00) And it felt so good because so much of the infrastructure of what we do requires having good code and good abstractions that actually being in there and being able to see the work that people are doing on a day to day basis, um, just gives us a much clearer sense of, kind of, the investments that we need to be making to run the company better, to build better products in the long term.

Guy: What are the issues or things that keep you up at night?

Mark: The main thing is just that, it just kind of gets back to the theme of, there's so much more to do, and, I mean, we're just this little company, right. We have 1500 people now.

Guy: Little company worth \$27 billion.

Mark: Well, you know, I mean, who cares. I measure it in terms of ...

Guy: Your investors do.

Mark: I measure it in terms of the number of, the number of people who are working on it, right. And there are 400 engineers at the company and right now about 150 really excited interns who are writing code. Um, but, that's it. There's no other organization on the face of the earth that has 500 million people that it's serving with 400 people writing code for that. Um, so, I think the biggest question when you look at the eco system and you come to the conclusion that I have that we are not near the end, right. We are not in maintenance mode. Um, there's a lot more innovation, there are a lot more people, I mean, 500 million people may be using the service today, but I think that this is something that over time everyone is going to want to use. I mean, everyone has friends and family and wants to stay connected with those people. So, we have a lot more work that we need to do to get it there, um, the question is how do we get there, right. And are we moving fast enough, how can we move faster. We do all these things and we try to be bold and we try to move quickly, but I actually think the biggest challenge might be, maybe, how can we move even faster.

Guy: Because you see other people creeping up?

Mark: I mean, not, it's just that the opportunity (01:10:00) is so big, right. I mean, I think, if we, if we fail then inevitably that will happen, but I think that there are companies that their primary dynamic, that they're primarily limited by competition, right. And they're in more of a zero sum market where their win directly means someone else's loss. I don't see that much with us. I mean, I think that there are competitors and that's important. And we want to look out and see what good things other people are doing so that we can learn from them, but it's not zero sum. I mean, there are, a couple years ago, there were many fewer people using Facebook, now there are a lot more. In a few years there will be a lot more people using social networks. It's our job to make sure that we build the best one so it's Facebook that they're using. And um, but the segment is growing, the behavior in the world is growing. I just want to make sure that we do our best and kind of getting the world there.

Guy: In David's book, he describes, um, sort of the evolution of how you dealt with being the CEO, being 22 and now 26 and working with people older than you. Your COO obviously at least 14 years older than you. Um, what in your opinion, this is a question from the audience, makes a successful entrepreneur? Why are some people, why did you become a successful entrepreneur rather than others who had great ideas, who had some success but then failed? What do you think you did different and are you still learning how to be a CEO?

Mark: Well, I think they're actually two different things, being an entrepreneur and being a CEO. I've spent a lot of time thinking about this because obviously it's a very important thing for me to reflect on and talking to the folks around me, what I really think it comes down to are two key things for building something well. (01:12:00) One is just having a really strong sense of what you want to do, right. Because along the way, there are so many distractions that if you're not completely clear on what you want to do, you're going to get sidetracked. I was watching this interview with Steve Jobs once where he was basically, an entrepreneur asking for advice, it's like, what would you say to me, um, as an entrepreneur, and the advice was make sure that you really love and care about what you're doing because if you don't, it's so irrational the amount of time and energy that you have to put in to building what you're going to build, that it's just not worth doing and you're going to fall off at some point along the way. So I think that's number one. It's kind of being clear of what you want to do and really caring about it. Number two is building a good team, right. And like, that's what I spend a huge amount of time on and when I'm not building products and, I don't even really build products anymore, I work with teams who build products, it goes all the way down the organization from a really good head of engineering who can scale out and really get the perspective, the best packers and engineers and people who want to build stuff to a head of product who can really communicate exactly what you're going to do to make sure that every person in your company knows exactly what the plan is, um, to really good business folks like Cheryl who, keep in mind, any of these people could run the company. Um, I mean, it's to the question before about like, should I be running the company or not. If I were to disappear, any of them could run the company. I just think that that's a really important thing when you're trying to build something. You need to, you to get great people around you, right. So, but I think that if you've got a clear idea of what you're doing and you have great people then you're, that's a lot of the battle.

David: The scope of the vision that he had from the beginning was quite extraordinary, I think that, in case, was a secret sauce element, but it's really interesting (01:14:00) that he has been able to hire people from the time, from getting Sean Parker, you know, all the way through to Cheryl and all the amazing senior leaders that he has now who really share the vision. I mean, the scope of the vision to begin with was very, very, very big and he's done an amazingly good job at finding people who are good at all sorts of sub segments of the task who also share the scope of the vision. That's kind of, if I were a, if you could mimic that, you're going to have a successful company.

Guy: And do you still, do you still sort of study how to be a CEO. I mean, do you think about what you need to do and what you need to learn to do that job?

Mark: Yeah. I mean, I started this when I was 19 and I knew nothing. So, I mean, when I moved out here I was so lucky in terms of just happening to meet the right people who could help us with the simplest things about building a company. Um, meeting venture capitalists who have seed investments so you don't have to keep on spending all of your college tuition, doing a contract to set up a data center, I mean, I took computer science classes, none of them were on how to set up a data center. So, um, so, yeah, we've made probably every mistake that you can make, like, as a company and yeah, I think that if the plan plays out, right, and if the next five years are as exciting as the last five or six have been, then there are going to be a lot of hard decisions to make and we'd better spend a lot time thinking about how to get those right. We're going to get a lot of those wrong, and we'd better learn from that. Um, so yeah, yeah.

Guy: I like this question, (01:16:00) um, it say, "you are always asked the same questions in every interview about privacy and data, are there any questions that you wished people would ask you?" What would you wish that I asked you, or that David asked you?

Mark: Yeah, I mean, there's this odd dynamic in these interviews where the stuff that I'm most excited about in any point in time is what we're building now and I can't talk about it. (laughter)

Guy: What about openness and transparency? Right?

Mark: We can talk about the future, um, I think, yeah. I think we've touched on a lot of those topics. Um, I don't know. Maybe I don't spend enough time thinking about that because I'm too busy answering the questions that I don't want. (laughter)

Guy: But it is part of the price you pay for pursuing openness and transparency, which I think is a good thing, but at the same time, there's responsibility that come with the pursuit of those ideas, right? Fair enough, isn't it?

Mark: Are you talking about just doing interviews and things like that?

Guy: Yeah.

Mark: Yeah. I mean, it's definitely important, I think, as the company is scaled, to make sure that all the people who use our service everyday, which I mean is actually perhaps one of the most amazing statistics about Facebook, I mean, we talk about we just reached 500 million are using Facebook. We've always had this crazy stat that more than 50% of our users use the site every day.

David: It's still true.

Mark: Still true, yeah. Um, we figured it would, as we got into people using computers less, that would stop being true, but it hasn't. Actually, in the last year, the percent has gone up, which I guess means were doing a good job.

David: What is the percentage?

Mark: Um, it varies. I don't want to give a specific number, but you can say it's a little more than 50% use it every day. (01:18:00) Um.

David: Where do you see the largest growth potential by the way?

Mark: Well, I mean, there are different countries. So, for awhile our strategy was, just kind of see where it grew. We had no targeted marketing or anything like that. And really, that's an interesting thing about Facebook too, we don't do broadcasts, right, we're not trying to market ourselves. The way that the site grows is because people tell their friends that they should be on it and then they get their friends on it. So the whole marketing for the service is, um, us basically giving people the tools that they need to get the people that they want onto the site. Um, so we never, until very recently, targeted a

specific country as a place that we wanted to grow in. And we started off in colleges and from very early on, we just basically took request. I mean, people emailed in and said, "Okay, launch it at this college." And then when we had servers, early on, I mean, I was renting servers for \$85 a month. Um, we'd put ads up, when we had enough money, we rented more servers, when we had more, enough servers to have more capacity, we basically stack rank the colleges that wanted to get on Facebook and, um, by the number of requests that people had sent us, and we opened it up to those colleges first. When we made it so that anyone could sign up, we built a tool so that users themselves could translate the service. So basically, we had this thing where, we opened it up and within two weeks all of our users had submitted and voted on all these translation, to translate every single string of text, of which there are 10s of thousands into Spanish, and then we opened up to French and they translated in one day. I guess they're really passionate about their language. (laughter) and that's kind of how it grew. You know, people who wanted in their country, (01:20:00) um, did the effort to get it in their country. Now it's only recently that we're doing more targeted things, and the reason for that is that we ran out of countries. Um, we, um, there are really, there are a couple of countries where we aren't yet the leader, but I think the trajectory is pretty clear that we will be, like Brazil, India we just passed the previous leader there. There are really are only four countries that we're not the leading social network service in, it's Japan, Russia, Korea, South Korea, and China. So, we're focused on that now. This year we're focused on Japan and Russia, we have three engineers who are like, "All right, we've never done anything like this, we want to just get parachuted in to Japan and we want to just rent an apartment and code and go rogue." And we're like, "all right, go for it." And they're working on that. And in Japan, I think we're already more than a million people and they've been there for six or nine months. So that's going pretty well, so that's one area for growth. There's the countries that we haven't yet, yet really gotten into. But the other one is just making it so that everyone uses the service. We've seen countries get up to as much as 80% of the internet population on Facebook. The theory is that, it really is a universal service. Basically, everyone has friends and family and they want to stay connected with those people. Whereas the people ask us these questions all the time of, how do people use it differently in different countries, how do people use it differently at different ages? And the thing that's crazy isn't how people use it differently. It's how similarly they all use it. Um, so I mean, there are differences, differences here and there. I mean, there are different

applications that people use in different countries, but by and large, it's really similar and I think that that's why something like this will end up being extremely universal. There are countries where we're at 80% of the internet population are on (01:22:00) Facebook and their countries like the US where I think we're around 130 million people are using it and there's a lot more to grow. I think it's just going to be really interesting over the next few years, and this is one of the challenges at the company that's really fun, is we get to build product both for countries where there are no users yet and for countries where a huge amount of people are on the service and the real challenge is getting people who barely use their computer to be able to ramp up and wire up in a social network.

Guy: Mark, last summer, the state department reportedly asked Twitter to delay a routine maintenance outage, and the was during the Iranian street protest, the demonstrations against the re-election of President of Mahmoud Ahmadinejad, if the government asked Facebook to do the same, to allow people to have access to a site where they can post information and videos and other material, would you honor that request?

Mark: I think it depends on what it is exactly. We've never had that exact situation that they were in, I've had other ones, but, um, it is really interesting, because some of the most interesting use cases that we've seen, um, have been of people using Facebook for political purposes, right. So there's this example, I think you cover in the forward of your book, Oscar Morales?

David: Oh, yeah, that's the (cross talk 01:23:31)

Mark: Um, and, um, basically, in Columbia there is the FARC, right, and a lot of people in the country are really opposed to that group. But I guess the group has a massive amount of control over media and there was never before Facebook an outlet for people to organize or to express their concern about it. This one guy was pretty (01:24:00) brave and he went out there and he made a group and it was pretty easy to do and he started spreading it and before long, um, what was ...

David: Ten million people in the streets one month later.

Mark: Yeah, 10 million people all cities across the world protesting FARC and FARC had recently taken hostages and there were a lot of other things going on around the time, so, I don't think that he really

claimed credit for this, but I think that this was one of the things that put pressure on that organization to release the hostages, which they ended up doing. And, I think things like that, large scale political movements are pretty interesting to see play out in this new medium. It's all this stuff, its Youtube, it's Twitter, it's Facebook, and all this other stuff that's going to get built on top of these social platforms going forward. But, I don't know it's one of the really gratifying things about building this, and we get to be just a part of kind of empowering people to do those things that they couldn't do before.

David: I think one of the most interesting things about Facebook is attention that it's in so many countries, literally every country, pretty much, and so many of those countries are not truly free and democratic and yet, the governments let the internet operate and let Facebook operate and the tension is developing in a number of countries, which I consider extremely healthy, which Facebook is playing a very prominent role in, you know, it's countries like Egypt where it's been playing out very dramatically just in recent week, but you see it in different ways in Indonesia, in Bangladesh even, certainly Venezuela, Columbia, you know, it's really really interesting that a, I must say, Facebook is a platform for the empowerment of its members. One of the things that I think people don't appreciate about the difference between Facebook and Twitter, is that people get on Twitter to be broadcaster, right, but people get on Facebook to say, let's meet at the mall, right. But once (01:26:00) they get on Facebook to meet at the mall, they happen to have acquired a broadcast platform that when they get upset about something political, they have at their disposal. So, ordinary people find themselves in control of this political tool at the very moment when they need it and it is not something a lot of governments are going to be that comfortable about going forward. And I think that's great.

Guy: Where do you draw the line, Mark, as you know in Pakistan for some time the government blocked Facebook. There was a page set up by somebody, it was called submit your cartoons of Mohamed, um, I mean, are you ever worried that you might be sort of targeted by some group that feels well, you know, you're in charge of this company and you haven't shut it down.

Mark: Well, actually I think someone is trying to get me sentenced to death in Pakistan now. (laughter) that's not a joke. (laughter) I mean, it might be funny, but it's not a joke. I mean, this is where, I

think, you were asking before what you have to do to build something like this, and you have to really believe in what you're doing, right. We think that what we're doing is a really valuable thing in the world, and, I hope I don't get killed.

Guy: Obviously there are restrictions on pornography, how do you sort of decide, I mean, I know there's a policy, how do you sort of decide what skirts the line and what doesn't?

Mark: You know, one of the approaches that we take, I think that there are a lot of countries, company, sorry, that, um, that now we're serving a very international user base, but really espouse American values, (01:28:00) right. And to a point where I think it's almost, um, almost closed minded, right. How much they only have American values and write off the values of the other countries. And, you know, I think with our user base and the community of people that are using Facebook, we really have as a goal, to be an international company. We have 70% of people who are using Facebook outside of the US. And, like you were saying, different countries have different standers for what hate speech is, right. So, for example, in the US we have one standard, in Germany, it's illegal to post anything with Nazi content, it's a law, it's in law, you can't post anything with Nazi content. That's a decision that they made because they felt that it was very sensitive after World War II. Our stance is that we respect that if it's a law. Different countries have different stances on what hate speech is, right. Now, if Germany came to us and said, "Don't allow Nazi content anywhere around the world." That would be ridiculous. Some people have, there have been blog posts written about this, why does Facebook allow holocaust denial and things like that, especially when the person running the company is Jewish, and, it's like, because we believe in free speech. Um, so, that's why we do that. But we also don't want to take and American centric approach to it, right. So, um, where we get, where we really, um, where we think that we draw the line is, when a country has a clear standard that's written into law, it isn't just being arbitrarily enacted by the country, but I feel that these are some of the really interesting questions that have to get resolved over time. (01:30:00) Um, but I think that's for this next wave of companies, I mean, there's so many more people outside of the US than inside the US, I think you wanna have that global perspective, right. Look, we believe in certain things, like, we believe in certain things. We believe that openness and transparency and free speech are good and that giving people the tools to share things are generally going

to be valuable all over the world, but we also believe that you should respect other cultures. I don't know. That's our take.

Guy: Last question Mark, before we have to wrap up, um, on paper of course, we all know that you are a billionaire, you're a wealth guy, or you have the potential to be if you sold the company and you had opportunities. Where do you see yourself in 20 years and beyond, with your name on buildings or public philanthropy, following in the footsteps of Bill Gates, um, running a different company, even living here in Silicon Valley?

Mark: It's funny to think about. I don't know how many of you guy are, know Kevin Rose, he's the founder and CEO of Dig and he once had this awesome quote, you know, there's this story on the front page of Business Week, how this kid made \$80 million or \$60 million in two years, and, I was like, okay, this is ridiculous, this is a private company, um, I don't have any money. Um, he does this podcast, or this, sorry, this weekly video where he sits on a couch with another guy and they talk about whatever the biggest issues are that are facing Dig. Someone asked him what he thought of that piece, and it's funny, "I'm not a millionaire. I'm not even a thousandire. (laughter) I had to borrow money to buy the couch that we're sitting on." (laughter) so, you know, I don't know, in terms of that, really, I don't think it affects me.

David: I did once hear Mark ask Jim Pryor for a raise because he was moving into a bigger place.

Mark: So, the most important thing to me, and this is maybe (01:32:00) kind of a funny story, is, I just want to live within walking distance of our office, right. It's California, it's beautiful, I want to be able to walk to work. Um, and we moved offices from downtown Palo to University Ave to California Ave to get a bigger building so we could have everyone in one place, and, we had to, so we moved to this new place. And I just wanted a new apartment that was within walking distance of the office. So, you know, so my assistant was looking for an apartment for weeks and weeks and weeks, and finally I was out traveling somewhere and I get this phone call and she calls me and goes, "all right, I found an apartment, I'm renting it." I'm sorry, "I found a small house, I'm renting it." So, I literally, I hadn't even seen the house before I moved in, um, because, like, I don't care, like, I don't spend any time there, I'm at the office the whole time, right. I was like, well, what I want to be able to do is be able to walk home

at the end of the day, sleep, and then go back to the office.
(laughter) so, I don't know, that's me, that's me. And I was like.

Guy: And in 20 years from now, Bill Gates, philanthropy.

Mark: I think we'll see. I think we'll see. Like I, I really care about what we're doing, I think there's a lot more to do. I think this trend towards people sharing more, towards the world becoming more open and transparent is I think one of the most transformative things in society over the next 10 or 15 years, maybe longer, who knows, but, that's what we're focused on, um, there's a lot more to do, it's really exciting.

Guy: Mark Zuckerberg, David Kirkpatrick, thank you. (applause)

Guy: That was good. (applause)

Mark: Thank you. (applause) (01:33:53)

EXHIBIT 57

Seeking Alpha^α

Facebook Management Discusses Q2 2012 Results - Earnings Call Transcript

Jul.26.12 | About: Facebook (FB)

Facebook (NASDAQ:FB) Q2 2012 Earnings Call July 26, 2012 5:00 PM ET

Executives

Deborah Crawford

Mark Zuckerberg - Founder, Chairman of the Board and Chief Executive Officer

Sheryl K. Sandberg - Chief Operating Officer and Director

David A. Ebersman - Chief Financial Officer

Analysts

Spencer Wang - Crédit Suisse AG, Research Division

Mark S. Mahaney - Citigroup Inc, Research Division

Jason Maynard - Wells Fargo Securities, LLC, Research Division

Douglas Anmuth - JP Morgan Chase & Co, Research Division

Herman Leung - Susquehanna Financial Group, LLLP, Research Division

Scott W. Devitt - Morgan Stanley, Research Division

Anthony J. DiClemente - Barclays Capital, Research Division

Heather Bellini - Goldman Sachs Group Inc., Research Division

Laura A. Martin - Needham & Company, LLC, Research Division

Kenneth Sena - Evercore Partners Inc., Research Division

Benjamin A. Schachter - Macquarie Research

Daniel Salmon - BMO Capital Markets U.S.

Operator

Good afternoon. My name is Mike, and I will be your conference operator today. At this time, I would like to welcome everyone to the Facebook Second Quarter 2012 Earnings Conference Call. [Operator Instructions] Ms. Crawford, you may begin your conference call.

Deborah Crawford

Thank you. Good afternoon, and welcome to Facebook's first earnings conference call. Joining me today to talk about our second quarter results are: Mark Zuckerberg, CEO; Sheryl Sandberg, COO; and David Ebersman, CFO.

Before we get started, I'd like to take this opportunity to remind you that during the course of this call, we will make forward-looking statements regarding future events and the future financial performance of the company. We caution you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements in the press release and this conference call. These risk factors are described in our press release and are more fully detailed under the caption Risk Factors in our final prospectus filed with the SEC on May 18, 2012.

In addition, please note that the date of this conference call is July 26, 2012, and any forward-looking statements that we make today are based on assumptions as of this date. We undertake no obligation to update these statements as a result of new information or future events.

During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release. This call is being broadcast on the Internet and is available on the Investor Relations section of the Facebook website at investor.fb.com. A rebroadcast of the call will be available after 6:00 p.m., Pacific Time, today. The earnings press release and an accompanying investor presentation are also available on our website. After management's remarks, we will host a Q&A session.

And now I'd like to turn the call over to Mark.

Mark Zuckerberg

Thank you, Deborah. And thanks to everyone listening for joining Facebook's first earnings call as a public company. We appreciate having the opportunity to speak directly to all of you and to share our perspective on how we're doing in fulfilling our mission of

making the world more open and connected. Hopefully, you'll come away from today's call with a clear sense of the investments we're making to create value over the long term by making Facebook even more useful for all of the people who use our services worldwide.

We ended June with 955 million monthly active users, over 1/2 of whom used Facebook on a daily basis and over 1/2 of whom used Facebook for mobile devices. We saw more people using our services at the end of June than at the end of March across all key countries, including 3 million more people in the U.S. Growing the network of people who use Facebook and expanding the social experiences available to them remains the foundation of our efforts and the key to our future success.



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7-26-2012

Facebook Q2 2012 Earnings Call

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Q2 2012 Earnings Call

July 26, 2012 5:00 pm ET

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I'm going to focus the rest of my comments today on our top priorities across our product areas for 2012, specifically mobile, platform and social ads.

Let's start with mobile. Mobile is a huge opportunity for Facebook. Our goal is to connect everyone in the world. And over the next 5 years, we expect 4 billion to 5 billion people to have smartphones. That's more than twice as many people that have computers today. So building great services for these devices is essential for us to help people connect. We also think that people are inherently social, and having a device with you wherever you are creates more opportunities for sharing and connecting.

We're finding that people are quickly adopting our mobile services. As of the end of June, 543 million people were actively using our mobile services every month, each month. That's 67% more people than the 325 million who were using our mobile services just a year ago. We've also found that people who use our mobile services are more active Facebook users than people who only use our desktop services. On average, mobile users are around 20% more likely to use Facebook on any given day. So mobile not only gives us the potential to connect more people with our services, but it also gives us the ability to provide more value and a more deeply engaging experience.

We don't just want to have the most widely used mobile apps, though. We want to build the best apps and we also want to build experiences that are as deeply integrated as possible into every device and mobile app that people use. We're investing very heavily in improving our mobile apps, primarily across iOS, Android and the mobile Web. This involves building out world-class teams with competencies in different technical stacks, making significant investments in improving the technical foundation of our apps and designing new products and integrating into these mobile systems as deeply as we can.

We've made some good progress from the past quarter as we released our Camera app, shipped new releases of Messenger, shipped 2 releases

of our Android app, agreed to acquire Instagram and worked with Apple to integrate Facebook into their upcoming release of iOS. Going forward, you should expect to see a frequency of improvement to each of these mobile experiences.

Finally, we're also beginning to demonstrate that we can advertise effectively within the mobile experience. I'll discuss social ads more in a minute. But at a high level, our Sponsored Stories, which we launched in mobile News Feed earlier this year, have grown quickly and demonstrated early success.

Now let's shift to platform. We believe one of the biggest opportunities we have is to create the identity and social layer that all new apps and websites can be built on top of. We think almost every product is better when you can experience it with the people you care about. So over time, we expect almost all of these products should naturally become social. Since there's no way we could ever build all of these ourselves, we're focused on building a successful platform, which enables developers to build great social experiences into their own apps by integrating with and exchanging information with Facebook.

Our platform strategy enables millions of developers to build better products and helps us provide a lot of value to the people who use Facebook. We've already seen how social dynamics can transform industries, like gaming, and we believe other industries, like music, are starting to follow as well. Our goal is to make it easy for developers to build these social apps. We do this in 2 ways: first, by enabling people to sign in to apps using Facebook and thereby bringing their real identities, friends and other information to the apps so that the apps can offer a more personalized experience; and second, by enabling people to share what they're doing in these apps to their friends back on Facebook so these apps can get accessed to our distribution and they can scale and grow quickly.

Today, you could download Spotify, log in with Facebook and immediately see our music player light up with songs your friends are listening to and recommending. We can imagine a day when you buy a new car and by logging into the car's computer with Facebook, you can similarly have it immediately light up music, addresses, restaurants, stores and other destinations targeted specifically for you based on your friends and your interests.

We believe social products like this will provide better experiences. But if we're right, then Facebook is in a unique place to enable these experiences to get built. It's worth calling out that our vision for platform is bigger than what most people perceive. We believe our platform is about bringing social context to apps and providing distribution for apps regardless of what environment they're built in, including mobile apps, websites or on our own Canvas on our own website. When many people think about our platform, they think only about games that are built inside of the Facebook website directly and not all of the other kinds of apps that developers can build.

Our Open Graph platform is what we call the tools we've launched last year that enable developers to easily integrate more kinds of actions and experiences with Facebook. Open Graph has already been adopted by many of the most popular websites and mobile apps. Many of the top apps in the iOS and Android app stores are integrated with Facebook. Apps like Spotify, Netflix, Pinterest, foursquare, Instagram, Airbnb, Tumblr, VeeHD, Nike+, SongPop and thousands more have integrated with Open Graph to provide better social experiences and grow their user bases. Already people are sharing nearly 1 billion pieces of content each day using Open Graph.

These Open Graph integrations enable Facebook users to share more of the content they want with their friends. This helps make our service more engaging overall since there's more content to consume. Additionally, we found that our largest developers also tend to become our largest advertisers as they look to further boost the distribution they're getting from us.

We're still in the early days of our Open Graph effort, and we're continually working to improve how it works. A big focus for us right now is giving people more tools to control how they share their information using these integrations. We're also working on improving the distribution that these apps get in exchange for the content they help people share. These are some complex problems that will take time to work out, but you should expect us to make steady progress towards building out this ecosystem.

Finally, I'd like to discuss our social ads initiatives. The basic idea here is that the best type of advertising is a message from a friend. Facebook wants to offer advertisers the best tools to create ads that are social. We believe that the more our advertising include interesting content from people you care about, the more marketers will be able to create

advertising that adds value to people's experience on Facebook. Advertisement on Facebook today is already delivering a compelling ROI, even though most advertising on Facebook today isn't social. We believe the experience can be better and more social. For example, if I like a restaurant, then my friends might see that I like that place, and that's likely a more convincing ad than anything the restaurant would produce on its own. That's an example of aligning social activity in ads. One important aspect of social ads is that since they're based on social activity, they've been to our News Feed product on both mobile and desktop. This is important because mobile users already spend so much time reading their News Feed. So these social ads in News Feed give us a clear path to building a strong business on mobile.

I mentioned earlier that we recently began to roll out our Sponsored Stories in both desktop and mobile News Feed. By the end of June, Sponsored Stories in News Feed was at a run rate of over \$1 million per day in revenue and about 1/2 of that is coming from mobile. This is an encouraging start in our effort to generate revenue from the mobile use of Facebook. We know that social ads perform much better than nonsocial ads, so our job over the next few years is to increase the percentage of ads that are social and engaging.

Overall, I hope my comments here give you a good sense of our priorities around mobile, platform and social ads. We have a lot of interesting things going on here. There are a lot of challenges and these are the types of problems that we like to work on. We're working hard to staff up across the company, especially in the technical groups, to make sure we make progress against these goals.

We just announced we've begun recruiting engineers to work in our London office to help us access talent across Europe. We're pleased that the company and culture are centered on building great products and around our mission to make the world more open and connected.

Thanks, again, for taking the time to be on the call with us today. And now I'd like to hand it over to Sheryl.

Sheryl K. Sandberg

Thanks, Mark. I'm going to focus today on Facebook's opportunities in the advertising market and the progress we've made in the past quarter. Our total second quarter revenue of \$1.18 billion, \$992 million came from

advertising. This represents a 32% year-over-year increase overall and a 28% increase for advertising.

Facebook's power to change the way people and businesses influence each other creates unique advertising opportunities. We offer marketers the ability to reach a mass or a targeted audience and establish real and ongoing relationships directly with our customers. Marketers have always known that a recommendation from a friend is one of the most powerful ways to sell their products. Marketing on Facebook is fundamentally different than other mediums because messages can be shared from friend-to-friend. This is word-of-mouth marketing at an unprecedented scale. In an increasingly crowded world, this is essential for the world's largest global companies, as well as the small business around the corner.

We believe we are very well positioned to compete for advertising dollars throughout the entire marketing funnel, from the very top where companies focus on generating demand, to the bottom where the focus is on fulfilling demand. The majority of the advertising spend that is migrated online to date has been for demand fulfillment, which happens when a customer already has intent to purchase. Search advertising has been the primary driver of this migration. Facebook is also effective at the bottom of the funnel, with gaming being a primary example. But we believe that Facebook also helps marketers build brands and generate demand. This is important because the majority of the \$600 billion global advertising market is spent on demand generation.

Over the past quarter, we have made important progress in our monetization efforts in 3 areas: first, rolling out new ad products; second, demonstrating their ROI of Facebook ad spend; and third, making it easier for businesses to advertise with us.

I'll start with the new products we introduced. Earlier this year, we launched Sponsored Stories in Facebook News Feed. Sponsored Stories are regular stories that people see in the News Feeds already, updates, likes, comments posted to Facebook every day that a marketer pays to highlight. For example, if I post a positive review of a product I purchased at Walmart, about 20% of my friends have seen the post, depending on things like when they check their News Feed. Using Sponsored Stories, Walmart can pay to boost distribution of this post so a larger percentage of my friends see it.

Delivering social messages in Facebook's News Feed is an extraordinary opportunity for marketers. On the Web, people spend more time using

Facebook than any other service by far. We believe this is true in mobile devices as well. Moreover, Facebook users spend a large percentage of their time on News Feed. Sponsored Stories enable marketers to interact with their customers where their customers are spending their time. Our early results are encouraging. As measured by click-through rates, Sponsored Stories in News Feed perform multiple times better on both desktop and mobile than ads in the right-hand column.

Sponsored Stories in News Feed are the cornerstone of our mobile monetization strategy. News Feed functions in exactly the same way whether you're on the desktop or phone. This is important because we avoid the dilemma faced by other industry players, where to put ads on the smaller screens. With News Feed, marketing is incorporated seamlessly into the user experience on mobile devices. We recently enabled our advertisers to buy us exclusively in mobile News Feed. We're seeing strong interest, particularly from our clients, who know mobile is critical to reaching new customers, especially in emerging markets.

As always, at Facebook, the user experience is paramount. We've been delivering and introducing Sponsored Stories in a way that maintains the experience users have with our service. As we continue to roll out Sponsored Stories in News Feed, we are carefully monitoring user engagement and sentiment, and we're pleased with the results today. We believe that Sponsored Stories in News Feed has the potential to be among the most relevant ad formats for marketers. As Mark mentioned, in the short amount of time since launch, by the end of Q2, we are already generating more than \$1 million a day from this product with approximately 1/2 of this generated in mobile.

In Q2, we also began testing another new ad product. The Facebook Ad Exchange, or FBX, allows marketers to bid in real-time for ad impressions on Facebook. Real-time bidding is a standard industry practice to help advertisers reach the right customer at the right time, and it will help us deliver more relevant ads to users. We're in an early-offer test with FBX, but advertiser interest is strong. eMarketer estimates this market to be approximately \$2 billion in the U.S. alone.

The second area of progress this quarter has come from our efforts to better demonstrate the effectiveness of ad spend on Facebook. Today, nearly every one of the Global Ad Age 100 advertisers spends with us every quarter. But to date, most only allocate a small size of their budget to Facebook, even though their customers spend large amounts of time

using our service. This imbalance represents a substantial opportunity for us if we can educate the market about the ROI our ads deliver.

We have partnered with Nielsen to demonstrate that Facebook ads are not just seen but remembered. Studies of over 500 ad campaigns show that on average, Facebook ads drive 98% that are ad recalls and 31% higher brand awareness than non-Facebook online ad campaigns. Independent research has also demonstrated that social context significantly increases both ad recall and brand awareness of Facebook ads. This is not surprising since people are more likely to remember a message that comes from their friend.

We recognize that ad recall is important, but it's only the first step in delivering results for marketers. Marketers' ROI is generated when the cash register rings. We're making great progress measuring our ability to help marketers generate sales. Independent analysis of more than 60 campaigns, 45 of which were completed in the first half of this year, show that 70% of those campaigns delivered a return on ad spend of 3x or better. And 49% of those campaigns delivered a return of 5x or better. I'd like to share a few examples.

Electronic Arts recently spent \$2.75 million promoting Battlefield 3 on Facebook. They attributed \$12.1 million of their sales to these ads, translating to a 4.4x return on their Facebook marketing spend.

Barclaycard agreed to purchase Facebook ads as part of the direct response strategy to promote NFL team-branded credit cards. They targeted the ads to people based on the specific teams those people like. Their Facebook ads generated a 40% higher conversion rate than any other online ad platforms they used in a campaign. This made their cost per acquisition 48% lower on Facebook than from other online ad buys. In total, 60% of the approved credit card applications from the campaign came from Facebook.

Wooga, an international games developer, used mobile News Feed to drive installs of its Diamond Dash game. They increased downloads by 26% in the U.S., 29% in Germany and 37% in France, all at attractive costs per app installed.

This is just the beginning of our important effort to educate the market about the ROI Facebook ads deliver. We will continue to work account-by-account and campaign-by-campaign to demonstrate the value we provide.

Finally, our third area of progress has been to make it easier for small- and medium-sized businesses to advertise on Facebook. Local business advertising is considered by many to be the Holy Grail of Internet advertising since the market opportunity is so great. This is proving difficult, however, because small business owners often lack the time or ability to adopt new technology. Facebook is uniquely accessible to them. As they typically learn to use Facebook by setting up personal profiles or Timelines, they then discover the value our service can provide them as business owners. Many of the world's approximately 60 million business owners are already Facebook users. Over 11 million businesses already have pages on Facebook. Over 7 million of these pages are actively used each and every month. In addition, hundreds of thousands of small businesses advertise with us. By making it easier to create a business page and run ads, we believe we can increase the number of small and local businesses who use our tools.

In the last quarter, we began testing simpler ads and easier purchase loads. For example, page owners can now turn a post into an ad campaign with just a few clicks. We're still in the early days of building our monetization engine. For the rest of 2012, we plan to focus on the same priorities I have discussed, in particular the ramp-up of Sponsored Stories in News Feed. If we are successful working with advertisers to increase the amount of content they generate that are social and engaging enough to promote on News Feed, we believe we should be able to increase our revenue on those PCs and mobile devices.

In 2012 and beyond, we will also continue to invest in developing new products, particularly in mobile, and in educating the market on the value we deliver. We believe the world is becoming increasingly social and personal, and the future of marketing depends upon building where the map is scaled. We also invest tools for marketers to not just participate in, but to shape this evolution. This will close the gap between the audience we deliver and our share of advertising budget.

Now I'm happy to turn it over to David, to walk you through our financial results for the quarter.

David A. Ebersman

Thank you, Sheryl. And good afternoon, everyone, thanks for joining us on the call today. I'm going to walk you through our Q2 progress against our key financial metrics related to revenue, users and expenses.

As Sheryl mentioned, revenue in the second quarter was up 32% from last year. The strengthening of the dollar cost us a few percentage points of revenue growth, which would've been 36% with constant exchange rates. Ads revenue was up 28%, driven by an 18% increase in the number of ads delivered and a 9% increase in the average price per ad. The increase in ads delivered was primarily due to user growth and also benefited from the net effect of product changes that increased the average number of ads per page relative to last year. Ad impressions continued the recent trend of growing more slowly than users as more of our usage is on mobile devices. This trend is particularly true in markets such as the U.S., where smartphone use is expanding rapidly. The overall number of ads delivered in the U.S. this quarter decreased 2% year-over-year despite a 10% increase in daily users and despite the increase in ads per page from the product changes I mentioned earlier, as daily Web users in the U.S. declined in favor of mobile users. And we're seeing similar trends in other developed markets.

The 9% increase in price per ad was driven primarily by the United States, where CPMs increased by over 20% due in large part to the ramp-up of Sponsored Stories in News Feed on both PCs and mobile devices. Sponsored Stories in News Feed are displayed where the user's primary attention is and are stories that we believe users will find engaging based on their interest and connections. That makes Sponsored Stories in feed more relevant, resulting in stronger click-through rates and higher prices.

Price per ad also increased significantly in Asia and the rest of world markets. These markets are growing more rapidly in terms of users, and therefore, are receiving a growing share of our ad impressions each quarter, so we're pleased to see continued improvement in pricing. The relatively faster volume growth in Asia and rest of world does have the effect of reducing our worldwide average price per ad due to the relatively lower pricing in those markets.

In Europe, price per ad decreased a few percentage points compared to last year, similar to what we saw in Q1, and we believe due in large part to the overall macro environment there. Over the long term, we continue to believe that we have a significant opportunity to increase CPMs. There are a number of potential drivers including: increasing the number of Sponsored Stories delivered in News Feed across desktop and mobile; improvements in our ad products, including better targeting capabilities; increased advertising demand as we continue to demonstrate ROI and as

our clients get better at creating social and engaging ads; and overall growth and development of online ad markets globally.

Payments revenue for Q2 was \$192 million. For the past 3 sequential quarters, payments revenue has been essentially flat. We believe this trend is due to the fact that gaming, in general, has been growing mainly on mobile devices, where our payment system is generally not utilized. We're continuing to invest in the gaming ecosystem on facebook.com, for example, with our new Facebook App Center, which is designed to help people discover new games and other types of apps as well.

In terms of revenue per user, ARPU increased by double-digit rates in North America, Asia and rest of world and by 8% in Europe, and worldwide ARPU was \$1.28 in the quarter. Our higher user growth in geographies with relatively lower revenue works to weigh down worldwide ARPU and the global growth rate.

Staying with user metrics for a minute. We ended June with 955 million monthly users, up 29% from 12 months earlier. On average in June, 552 million people accessed Facebook each day, up 32% from a year ago. Relative to last quarter, Brazil, India and Japan were key contributors to our growth in daily users. 58% of our monthly users were active daily users of the products, which we view as a positive measure of user engagement. And in addition, engagement patterns remain steady or grew across user groups as measured by the percentage of people creating content or providing feedback, such as likes and comments, and by the amount of content and feedback created per person.

We're encouraged that growth in engagement have remained strong as our network has expanded and as we've added later adopters to the service. We view this strong engagement as a sign of the utility of the service in the network and as the foundation for everything we're trying to accomplish.

A couple of points on user metrics. First, we reviewed our methodology for estimating users by geography, and as a result, have made small adjustments to the geographic distribution of users as of the March 31 measurement date. Second, we also refined and improved our methodology for recognizing what we call duplicate or false accounts. These refinements resulted in an increase in our estimate of duplicate or false accounts relative to our earlier global estimate, primarily driven by emerging markets such as Turkey and Indonesia. Please see Slides 18 and 19 for more detail. Since authentic identity is so important to the

Facebook experience, we'll continue to try to improve our user measurement techniques with the goal of ensuring that every account on Facebook represents an authentic unique individual.

Turning now to expenses. In Q2, our GAAP expenses were \$1.93 billion. As planned and described in our prospectus, the biggest expense item was stock-based compensation, including associated payroll tax, which totaled \$1.3 billion in the quarter, driven by the completion of our IPO and the recognition of expense for RSUs granted between 2007 and 2011, which had a vesting condition tied to the IPO. Please take a look at Slide 9 for more information on the past and expected future flow of stock comp expense.

Excluding the effect of stock comp, our remaining expenses increased 60% to \$669 million, driven by headcount growth and infrastructure. Headcount at the end of the quarter was just under 4,000, a year-over-year increase of about 50%. While we will seek to remain disciplined in our spend across the company, hiring top talent remains a key priority, enabling us to aggressively pursue the opportunities in mobile, platform and monetization that Mark and Sheryl discussed earlier.

In the second half of 2012, we expect our operating expenses, excluding stock comp, to continue to increase significantly relative to our spend in the second half of last year, probably at a slightly higher growth rate than we observed in Q2. While we ultimately believe Facebook's business model should support attractive operating margins, at this early stage of our growth, investment is a top priority as opposed to managing for a target margin. Therefore, you can expect us to continue an aggressive pace of investment in R&D and infrastructure, in particular.

We had a GAAP operating loss of \$743 million in the second quarter. Excluding the effect of stock comp, our operating income would've been \$515 million, representing a 43% operating margin. Our effective tax rate for Q2 was 79%, driven by the fact that a portion of our stock comp expense is not tax-deductible. Excluding the effect of stock comp, our tax rate would've been approximately 40%. We expect that over the long run, our tax rate will be similar to the rates of other U.S. technology companies that have a similar mix of business inside and outside the U.S. The future reduction in our tax rate will occur gradually over several years.

As described in our prospectus, the amount of cash tax we pay in 2012 and thereafter will be significantly different from the tax provision we

report on our P&L, due to the deductions we expect to get from vesting of RSUs and exercise of options. At today's stock price, we estimate we will have a tax deduction of around \$13 billion that would reduce our cash taxes for several years.

Our net loss for Q2 was \$157 million or \$0.08 per share on a GAAP basis. Excluding stock comp, net income in Q2 was \$295 million or \$0.12 per share compared to \$285 million or \$0.12 per share in Q2 last year. We purchased \$413 million of property and equipment in Q2 and acquired another \$52 million of equipment financed through capital leases. As noted in our prospectus for 2012, we expect to invest approximately \$1.6 billion to \$1.8 billion in capital expenditures, including equipment purchased through capital leases. And we ended Q2 with \$10.2 billion in cash and investments on our balance sheet.

As we look to the second half of 2012, we're encouraged that the network of people using Facebook continues to grow and their engagement is strong. We remain focused on building out better and deeper social experiences for the people who use Facebook, while at the same time executing on the monetization strategies and initiatives outlined today.

Thank you for giving us the opportunity to discuss our progress. We're committed to providing you with balanced and thorough disclosure, and we welcome your feedback today and in the future in terms of how we can make our communications most helpful to you.

On a related note, I want to welcome Deborah Crawford, our new Director of Investor Relations, who you heard from at the beginning of the call. Deborah's been with us for 3 weeks now. And we're thrilled to have her leading our IR efforts.

And now we'd like to open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Spencer Wang from Credit Suisse.

Spencer Wang - Crédit Suisse AG, Research Division

I guess, maybe for Sheryl. I was wondering with respect to the Facebook advertising exchange, based on some of the initial tests, could you just talk about how that may impact monetization as you roll that out? And

then the second question is on the Yahoo! patent deal. Just beyond the IP, can you talk about or provide any details on the advertising partnership or the expanded distribution agreement part of it?

Sheryl K. Sandberg

Sure. Facebook Ad Exchange, our real-time being offered, which was advertisers getting real-time on a specific ad impressions. The goal of this is to show people more relevant ads. This is something third parties have been doing across the Web for a while. For us right now, we're at very early alpha stage test and we don't have more information to share. But we're really encouraged by how interested our advertisers and customers are because this gives them an opportunity to connect to users, our users, that they're trying to reach to other things they do across the Web. On the Yahoo! deal, the Yahoo! deal had 2 parts. The first part was a cross license of all the patents. And the second part was a partnership, where we worked with Yahoo! on tent-pole anchor events, such as the Olympics. We were really pleased to sign the Yahoo! deal because it really extended the platform relationship we've had and really brought us back to what was a very good relationship we've had historically with an important client. And I think we'd also like to take the opportunity to congratulate Marissa on her new job at Yahoo!

Operator

Your next question comes from the line of Mark Mahaney from Citigroup.

Mark S. Mahaney - Citigroup Inc, Research Division

2 questions for Mark. You talked about the engagement. Have you seen any trends in terms of the engagement with the younger cohorts, anything that indicates decline in engagement? And then broadly, how do you think about the size of the company? Facebook relative to other leaders in the technology space runs pretty thin. You've tried to have a pretty lean organization. As you think about the 3 elements of the 3 broad growth areas for the company in the future, do you think you -- is there any change in your thinking about how big the company physically needs to be?

Mark Zuckerberg

Sure. So just to take the first one first. I think what we're seeing is pretty steady growth in engagement in all these cohorts, including the younger ones. So really, nothing out of line with the overall metrics there. On your

second question about the overall size of the company, we've always been significantly smaller per employee compared to the number of people who we serve in the world. So it's really baked into the company that we have to build systems and software that take into account the leverage that employees here have. And that's actually one of the reasons why a lot of people love working here and one of the biggest reasons why people cite for wanting to join the company and staying here. So it's also affected the strategy. I mentioned we believe that all these consumer products, and maybe even more than consumer products that people use, will become social over time. But we can't build all those things ourselves, so we focused on building this platform. Over time, it might make sense for us to build more of these things ourselves. But because of the scale that we're at, we really focus on the 3 things that I laid out today. This shift towards mobile is incredibly important. Building the highest quality applications and products is really critical. Building a platform so that the 1 million more developers who use Facebook can build these products. It's the highest leverage thing that we can do. And we think that social ads are just going to monetize much better than nonsocial ads as we increase the percent of our overall advertising that has social context in it. So that's kind of where we are, and we're basically growing by trying to find as many talented engineers as we can for the most part. But I think for the foreseeable future, we're just going to be way smaller than other companies that address significant or comparable size user bases.

Operator

Your next question comes from the line of Jason Maynard from Wells Fargo.

Jason Maynard - Wells Fargo Securities, LLC, Research Division

One of the questions I'm curious on the mobile front is when you look at monetization, I think there's a lot of different views on how this will play out over the next couple of years. And I'm curious just philosophically, do you think that it is important to own the entire experience, i.e. integrated device, versus being, if you will, purely an application? Or do you think it's, if you will, a federated view of kind of a platform feeding into many applications? How do you think about the different scenarios on that front and how that could potentially work for Facebook?

Mark Zuckerberg

Well, Facebook is the most used app on basically every mobile platform, right? So when we think about what we want to do right now, we want to

increase the depth of the experience in addition to just growing users. We thought a lot about this question of -- and I even talked about it in my opening remarks today, we want to not just have apps that people use but also be kind of deeply integrated into the systems as possible. We want to support a development ecosystem, where other apps can build on top of Facebook. So that's why you'll see us do things like support Apple in the iOS integration that they wanted to do. There are a lot of things that you can build in other operating systems as well that aren't really taking -- that aren't really like building out a whole phone, which I think wouldn't really make much sense for us to do. So I think that there's a big opportunity for us here. The amount of time that people spend in the apps is greater. People come to the apps and use Facebook more when they have mobile phones. And I think we're really much closer to the beginning here than the end in terms of what we can do. If you use the apps today, they're relatively basic compared to what I think anyone can imagine they would want from their Facebook experience on a phone.

Operator

Your next question comes from the line of Doug Anmuth from JPMorgan.

Douglas Anmuth - JP Morgan Chase & Co, Research Division

I just wanted to ask 2 things. First, Sheryl, you provided some color on click-through rates on Sponsored Stories relative to the ads on the right-hand rail. I was hoping you could provide a little bit of color on what you're seeing in pricing here on a relative basis early on. And then David, perhaps if you could talk a little bit more about the potential for margin expansion going forward, how you're thinking about that potentially into the back half of the year and '13.

David A. Ebersman

Sure. Doug, this is David. I'll start on the pricing, and then Sheryl can chime in. So we're very pleased by what we've seen in the early ramp-up of Sponsored Stories in feed in both desktop and mobile. But it's important to note that it's early, so we have a relatively limited amount of volume that we've put into the system at this point. I think the test over the second half of the year that we're excited to see happen is working with advertisers to increase demand for Sponsored Stories in feed creating better social content that we can put in feed without having a deleterious effect on the user experience and seeing where that takes us in terms of clicks and prices and things along those nature. So while the early data is quite positive, it is at low volume, so we just have to be

careful about extrapolating from it. In terms of margins, not a lot to add to what I said earlier in the call. At this point in time, we are growing the business really focused on the opportunities that we seek to invest in and the importance that they could have and should have for the long-term business that we can build. And so we're more focused on making sure that we're positioned to capitalize on what we're trying to do in mobile and platform and social ads and not trying to optimize for a short-term margin target. In the long run, I think we have the kind of business that because we have such a large network and so much value comes from the content that it's created and distributed by the members of the network to have a business that works really efficiently.

Sheryl K. Sandberg

I'll just add one thing, which is while we're not commenting on pricing specifically because it's early, it's really worth noting that higher click-through rates lead to higher CPMs over time even without pricing changes.

Operator

Your next question comes from the line of Herman Leung from SIG.

Herman Leung - Susquehanna Financial Group, LLLP, Research Division

Wondering if we can talk about some of the penetration of some of the social ads that you guys have on the platform. Wondering the level of penetration of social ads that you have today on the site and the opportunity -- and I have a quick follow-up.

Sheryl K. Sandberg

So fewer than 1/2 of our ads are social, and it's an increase. We're very focused on increasing the percentage of our ads, which are social in nature. We know from a large number of studies in working with advertisers that the ads that are social have higher engagement rates from users, much higher ROI for advertisers. So driving that percentage up is also, is really important to us. It also feeds into the Sponsored Stories in News Feed strategy that I've spent most of my remarks talking about, which is that we put things in News Feed that are most relevant. So the more social context the ads have and the more relevant they are to our users, the more we'll be able to drive up that percentage of our ads that go into News Feed.

David A. Ebersman

And just to add, just to make sure that we're communicating this clearly, a very small percentage of our ads are Sponsored Stories in News Feed at this point. We just started with that product recently and we're being very careful in terms of the volume that we've put into News Feed because it's such a core part of the user experience.

Operator

Your next question comes from the line of Scott Devitt from Morgan Stanley.

Scott W. Devitt - Morgan Stanley, Research Division

I had 2, please. Given the various testing that you always seem to be doing around products and monetization, you've talked a lot today about the success of Sponsored Stories. I was wondering if there are other areas that are looking promising to you based on recent testing. And then secondly, from our calculation, the DAU to MAU ratio declined moderately sequentially both in North America and Europe. I was wondering what you would attribute that to. Is it seasonality? And what are you doing to drive engagement in those regions?

Sheryl K. Sandberg

I can take the first part. Yes, the Sponsored Stories have shown really, really good results. And we are also seeing good results from other ads on the site that have social context. So as we rolled out more ways to make your ads social, we see increasing engagement, increasing ROI from those ads. FBX is early. But our initial testing showed very promising results for advertisers as they are able to connect what they're doing elsewhere across. It's also worth noting how optimistic we are around our early testing around mobile. Mobile for itself is an inherently social experience and for our service is inherently social. And what people are doing on their mobile devices is continuing their News Feed and sharing. So really, the big accomplishment we've had in ads over the last quarter or 2 as we rolled Sponsored Stories into News Feed and on mobile, has been very promising for us because the results show that users engage with those ads and advertisers get a high ROI from them.

David A. Ebersman

First, the DAU relative to MAU comparison. We remain really pleased with the percentage of our monthly users who come back every day. We have

sort of assumed earlier on in our history that as we further penetrated the market of people in the world and got into late adopters that, that number would go down. And we've seen that just consistently go up, which I think speaks to the value of kind of the network effects, the more people that use Facebook, the more interesting it is. The number doesn't tend to move dramatically from quarter-to-quarter. It's a slow-moving number. It did decline fractionally from Q1 to Q2 as you noted. I think that 2 things there. One is that we did make some changes to what we've described earlier as background pinging, or I think we called it automatic background activity in the prospectus, which is when phones contact our servers without there being a user active on the other end just to download information. We see that on several of the mobile services, it helps you to have more information from Facebook when you do check your phones. We try and understand what that looks like in terms of technically so that we don't count that as usage, and we sort of continually make some changes. That had some impact on the apples-to-apples nature of the DAU comparison, June versus March. You asked about seasonality. I don't know that we have a great handle on the seasonality effects as it relates to by month. We tend to see things like holidays. There would be some drop in daily level as engagement, so it depends on what month, holidays and other things happen in.

Operator

Your next question comes from the line of Anthony DiClemente from Barclays.

Anthony J. DiClemente - Barclays Capital, Research Division

One for Mark and one for David. Mark, wondering if you can give us an update on your acquisition of Instagram. I know it's early but would be curious to hear how the integration of that acquisition is helping your efforts on mobile and monetization, and if there are others out there, other acquisitions like Instagram out there that you see as potentially desirable. Are there other acquisitions like that one? And then David, just wondering on the outlook, most of the models have 2Q as the lowest quarter of the year in terms of your year-over-year growth in revenue. Can you -- I guess, can you validate or confirm that? Is 2Q the lowest quarter of the year in terms of year-over-year growth?

Mark Zuckerberg

Sure. So to the first one, the acquisition hasn't closed, right? So there's been no integration or anything like that. And there will be an update

when that happens. In terms of what else we might acquire, I mean, our strategy has primarily been to buy companies for talent. I mean, we have this very entrepreneurial culture, where we want the type of people inside the company to take risks and be the type of people who would want to build out whole companies on their own. So often the best way to find a lot of those people is to find people who are building companies, who maybe are working on a problem where they think that they'd have more leverage if they joined Facebook. So x of Instagram, most of the acquisitions that we've done fit that category, and that will continue to be the approach going forward.

David A. Ebersman

To your second question, I mean, if you sort of start by looking backwards a little bit in terms of how revenue has grown to get us to where we are today, a couple of years ago, we had a couple of hundred million dollars in revenue, and obviously it's grown a lot. It's sort of a combination of, I would say, 2 things: a series of ongoing optimizations that we make every day in trying to make the business work better, increase advertiser demand, better ad formats, et cetera; and then on top of that, major changes that we make, like the introduction of payments, which really started impacting the business late last year, or fundamental changes to the product and how we advertise on it. And so when we look forward to the second half of this year, I think we'll continue to make the kinds of optimizations we're always making to try and drive more advertiser demand, better targeting of ads, et cetera. But the big priority and the big opportunity for us is what we're doing with Sponsored Stories in News Feed. And I think it's just difficult to forecast what that's going to look like because we're still early into it. We started putting Sponsored Stories in feed earlier this year but really didn't ramp that up substantially until really June of this year is when the numbers, we started putting more volume in. And thus far, we feel like we're in a really good position because as we've ramped up to where we are today, we see high levels of advertiser demand and good levels of user engagement. But the forecasting part is difficult because we're going to proceed slowly with this. We want to be sure. The biggest mistake I think we could make is to move too quickly and to find ourselves in a situation where we're having an impact on user engagement that we didn't anticipate or is hard for us to manage. So I think as we continue to ramp up, we will learn from each change we make and see how quickly, or what kind of speed of ramp-up makes the most sense for us. But I think right now, trying to forecast that is difficult.

Operator

Your next question comes from the line of Heather Bellini from Goldman Sachs.

Heather Bellini - Goldman Sachs Group Inc., Research Division

Great. I just had a follow-up on that, David. In terms of how fast you -- how do you gauge how often to show Sponsored Stories? I mean, what type of feedback are you looking for from people to know that maybe you're showing them too many in News Feed or that you have the ability to maybe put the foot on the gas pedal a little bit more? I also wanted to know if these are rolled out globally at this point to everybody. And then I guess, the last question maybe for Mark would be -- or Sheryl, how do you see local fitting into the mobile experience? And where do you see advertisers in terms of leveraging what Facebook can offer there?

Sheryl K. Sandberg

So for Sponsored Stories, in terms of rolling it out, what we're doing is we're looking at 2 things very carefully. We're looking at the social context to make sure it's really relevant. So the better stories we can generate, where people are interacting with things that are monetizable, the more Sponsored Stories we can roll out. We're also looking really clearly at user reaction. And the good news for us is that it's easy for us to measure user reaction because we can see if users are sharing, clicking, liking, commenting, if they're engaging with those stories. And we can look at how much they're engaging with those stories relative to others. We've also been pretty careful, even when both of those metrics are high, at just limiting the number of Sponsored Stories as we roll out. We've been fairly cautious on only rolling out a certain amount. And we intend to be continually cautious as we really work on user demand, on the user perception. We have not rolled out Sponsored Stories in News Feed across all countries. There are certain countries that we're still working out finishes, so it's not entirely globally rolled out. And with apologies, I'm not sure I remember this -- local, yes, I knew there was a third part of the question. Yes, I mean, local is huge. We've always talked about it. And I think I mentioned it in my remarks. Local is the Holy Grail of the Internet. Everyone is about to get people into local. And this is something, certainly, in my history of working on -- in this industry, I've spent a lot of time on. The problem is that local businesses are just not very tech-savvy. So if you look at local businesses in the United States, obviously one of the more developed markets, something like more than

40% of them have no Web presence at all. So they don't adopt things that are really, in our view, might be something that we would think they would obviously adopt. This is where I think Facebook has a huge competitive advantage because those same local business owners are using Facebook as users. So while they won't adopt something for their product, they've set up their profiles or their timelines, and when they use the product, they start to see messages from other businesses. And then they start thinking, "Wow, this could work for my business as well." The product we want them to use, which is pages, is also incredibly similar to their timeline or profile. And so the leap the small business owner needs to make is just smaller here than we think it is with anyone else. And the numbers bear that out. We have so many, as I mentioned before, 7 million small businesses that are using their pages on a monthly basis. Which is something we've done without any really targeted marketing effort to them at all, and then hundreds of thousands of those get up-sold into becoming advertisers. Our push, which I mentioned in my remarks, to make it easier for them to advertise, so the thing we rolled out last quarter, which is you can just pick a poster, do it on your page and make it super easy to advertise. I think those things will make a business a really big difference in accelerating this even further.

Operator

Your next question comes from the line of Laura Martin from Needham & Company.

Laura A. Martin - Needham & Company, LLC, Research Division

A couple for Mark. So Mark, we've been writing a lot about the optionality or the option value of the Facebook platform globally. And I guess, I'm really interested outside the visible revenue streams, which today are payments in advertising. Could you talk through how you're thinking about commerce on this platform? And also video, because video is one of the most shared things, as you know. As we think about over the next 3 to 5 years other revenue streams, how do you think philosophically about what Facebook could become over a longer period of time in terms of revenue streams?

Mark Zuckerberg

Sure. Well, the basic approach that we have for now is we're building out this platform and other companies can build on top of that. And you can view our business as an advertising and payments business or you could view it as there will be these companies that help to transform these

industries, and we will get some portion of the value that comes from that, that we're helping to provide, right? So in gaming, for example, we think that we're helping to provide a lot of the value, so we end up getting a relatively high percentage of the revenue that comes into those companies. Whereas in something like music or some of the media companies that are now getting built using Open Graph, I think we aren't providing quite as much of the percentage of the value as with games, so the overall amount of the revenue that comes to Facebook through, whether whatever the breakdown of ads and payments is, I think, will be somewhat less. But a lot of people will do that stuff, too. So I think the real way to think about this is that over time, more and more nuanced experiences will become social. So gaming is such a basic thing that people want to do with their friends, so even with a relatively basic platform, people could build that ecosystem out. Some of the media stuff required more nuance. I think commerce will require a little more and so on. But as these things get built out, I think we'll build out the tools to both enable those products to get built and to be able to capture some percentage of the value that we're helping to create. But I mean, I don't really have any more plans that I'm going to share with you today about our product roadmap or anything like that.

Sheryl K. Sandberg

One thing to think about in the commerce area or in other areas like video is that our view of the world is things become increasingly social. And that takes time. Gaming was obviously first. But people are informed when they purchase things by their friends, and the commerce companies that are really adopting social are seeing good responses. Fab is one of them. Fab is very early on in its history, but it's a truly social shopping experience. And they're seeing near 20% to 40% of their traffic from Facebook on a daily basis, as well as a very good return on their investment on ads that their CEO has been talking about publicly. We look out at what people's shopping behaviors are. And so much of them really -- so much of their shopping behaviors really are social, that we think there's a big opportunity for the social context that we offer to be a major part of how people discover products.

Operator

Your next question comes from the line of Ken Sena from Evercore Partners.

Kenneth Sena - Evercore Partners Inc., Research Division

We hear from marketers a lot that the platform is relatively complicated still in terms of the ad products offered and services. How long -- or how quickly can marketers expect to see that simplified? And then also, in terms of the App Center, can you give us any sense of the economics behind that arrangement? And is there a rev share? And if so, how does that compare to your standard 30% on your platform for payments? And then finally, if you could look back over the last few months in terms of going public, is there anything that you would redo?

Sheryl K. Sandberg

I'll take the first 2 and hand off the third. When you think about the advertising experience on Facebook, it is complicated today. And that's mainly because we're a completely new kind of marketing. We're not TV, we're not search, we are a third medium. And that's presents a challenge because the messages that talk at consumers on other platforms need to really be adopted and changed to be more inclusive. The right ad on TV or on search is the wrong ad for Facebook. Facebook marketers need to learn how to make their ads really a two-way dialogue with consumers. We also have a measurement challenge. When you see an ad on Facebook, you don't go and click to a purchase right there, but you're more likely to search later on and buy a product or to walk into a store and buy a product. So we have the challenge of teaching marketers how to develop social marketing, and then working with them so that we can tie the consumer experience of seeing a Facebook ad and interacting with that brand to a purchase that happens later on. And that's why we're so focused on the market education. With our clients who have done a lot with us, I think they're learning a lot on those trajectories and seeing very positive returns. But it took a long time for the TV market and advertising to be truly understood. It took a long time for search. And I think we're still in that learning curve with a lot of our clients. The good news is that our results are so strong. The ROI results I talked about in my remarks, where we've now done 60 campaigns, if you talk to CMOs, those ROI results of getting to 3x their ad spend or 5x their ad spend or better are truly good, compared very favorably with anything else marketers do. And so our view is that if our ads work and we continue to make our ads work and they work for advertisers and our users, we'll be able to educate the market over time, how quickly that will happen will depend. But we feel like we're on a good part of that growth trajectory. In terms of the App Center, the goal behind the App Center is that we believe social discovery will lead to app installs. You are more likely to want to use an app your friends are using than you are one that you know the generic

population represents. Right now, we are not offering paid apps, so the revenue share issue you're talking about is not something we have a product to deal with right now.

David A. Ebersman

And Ken, you asked about lessons learned looking backwards. Obviously, we're disappointed about how the stock has traded, but I think the important thing for us is to stay focused on the fact that we're the same company now as we were before. We've got the same opportunity in front of us to build something really important and valuable over time. And if we stay focused on building great products, we expect and we want to be judged based on the quality of the experiences as we build and the value we can create over the long term.

Operator

Your next question comes from the line of Ben Schachter from Macquarie.

Benjamin A. Schachter - Macquarie Research

I had some phone problems, so I apologize if you got these already. But one question for Mark and one for David. David, when you're thinking about visibility into the back half of the year and how quickly ad revenue is ramping, how does that look versus sort of expectations that were earlier in the quarter pre-IPO? And then a similar question on the OpEx growth. Do you have more visibility, less visibility? How do things look now versus where they were just before the IPO? And then Mark, on the top of the sort of information in the News Feed that the user did not specifically ask for, trending stories or trending video and certainly Sponsored Stories, beyond click-through rate, how do you think about measuring and understanding that user experience so you know not to sort of go over the edge and degrade the user experience?

Mark Zuckerberg

Sure. So I mean, in terms of the methodology for building News Feed -- and at any given point, we have a lot of different tests, different algorithms running, and we measure engagement of everything downstream from News Feed and the whole system, right? So obviously, clicks and engagement and feedback in News Feed, how many people want to share, but also how many page views and how much time people spend on Facebook overall, ad performance, everything, down to all of the different tweaks that we do in News Feed, and user sentiment as well.

So I think we have pretty robust systems that are built out around this. And one of the things that I think is pretty interesting is what we've seen is that we can put in good sponsored content and have it not degrade those metrics. So that's really what we're trying to do, is we're rolling some of these Sponsored Stories out more conservatively because we want to make sure that the quality is very high. And we're basically continuing to run those tests to make sure that we are producing the best product that we can.

David A. Ebersman

So Ben, thanks for your question on the looking forward part. I think the 2 things you asked are pretty different, at least from my standpoint. Trying to project operating expenses is, while not easy or precise, we have a fair amount of understanding of how things are trending and what we expect to spend in the second half of the year. So that's why we provided a little bit more specifics in my opening remarks or my prepared remarks about what we expect in terms of operating expense growth. I think revenue growth is just harder to predict, and it's particularly hard to predict when you're really focusing on a new product that you're in the early stages of launching, as we are with Sponsored Stories in News Feed. So as I said, we're pleased with where we are, where we were at the end of June, where we are now. And that's going to make, we hope, a sizable impact on what kinds of performance we can deliver, not just in the second half of the year but over a longer-term horizon because we think this can be, fundamentally, a really important marketing product.

Operator

Your last question comes from the line of Dan Salmon from BMO Capital Markets.

Daniel Salmon - BMO Capital Markets U.S.

My question was on the Preferred Marketing Developer Program, where I think you're up to around 330 formal partners today, with a great many of them qualified for apps. But around 50 or so, and I think around 20 -- 50 for ads, 20 for insights, and I just wanted to see what your expectations are to see those numbers, both the total number of PMD developers growing and in those 2 categories, in particular.

Sheryl K. Sandberg

I think we're very optimistic about our platform partners. Our goal is to take everything people do, or at least close to everything people do, and make it social. And what we do is provide technology for our platform partners to do that. How many people go into specific programs is not the thing we most focus on. We focus a lot on how many developers out there are using our tools, how many of the apps that are growing quickly, how many of the services people are growing quickly are using tools like Open Graph, as well as ads, so that we can build an ecosystem. Mark said in his remarks that we really believe that we are going to provide the identity and the social layer for everything that happens across Web, across mobile. Given the size of our graph, this engagement people have with us, which even as we grow, is not just staying flat but in many ways increasing. We're very optimistic that if you were choosing to develop a service, you would choose to do it with us. We really consider ourselves a partnership company. And that means that we want to take social companies and make them big, and big companies and make them social, because we think bringing what Facebook provides, which is your friends, makes every service better.

Operator

I will now turn the call back over to management.

David A. Ebersman

All right. Thank you very much. We're grateful to all of you for joining us today. And we look forward to speaking with you again next time.

Operator

This concludes today's conference call. You may now disconnect.

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Kara: I just want to say [a lot of things 00:00:05] talking about Mark that I think he has a lot of guts to come up here and talk about it and [crosstalk 00:00:10]-

Walt: I just was telling him that.

Kara: Yeah.

Walt: He's, he's, he came here. He's eager to talk about uh, where Facebook is going. Uh, both the controversies and issues they've been going through on-

Kara: And where [crosstalk 00:00:22]-

Walt: privacy and also where social networking is going. So, without further ado-

Kara: So, without further ado, Mark Zuckerberg.

[Music]

Walt: Thanks man.

Kara: So, so, what would you like to begin?

Walt: Um, well, why don't we do it this way, we do want to get to the talking about the future but we have some, there is some controversy you've just been through. So, let me just start by asking you um, you have a business that's based on sharing. Obviously, people go on Facebook unless they wanted to share with groups of people but there is this perception that uh, you're on a course or have been on a course to push people's information into a position where it's pretty much visible across the internet, unless they do a bunch of stuff about it. Is that a wrong perception and [been wrongly 00:01:23] labeled with that or is that something that you didn't communicate right or what is your feeling about that?

Mark: Sure. Privacy is a really important issue for us and for the internet. So, we spent a lot of time thinking about these things. In terms of the settings that we have, I think that there are some misperceptions and then some of it I think is in line with what we're trying to do. So, you know the primary things that people do on the service like you are saying are, they use it to share with their friends and the people around them in their community and they use it to stay connected, right with, and to kind of keep in touch with people and you know, there are different parts of the service that people use for both [00:02:00], right.

So, a lot of the time when I talk about sharing. What I'm talking about is you know, people will um, push the status update, sometimes I'll do that and make it available to everyone at Facebook, everyone at the company. You know, sometimes you'll share photos or you might go on vacation and take photos with your family and only want to share that with your family, right, you have the control to be able to do that. So that's kind of on the sharing side. That's most of what people are doing on a day-to-day basis. Then there's the side of uh, staying connected with people where you know, you don't start off on Facebook with all of your real life friends already being your friends.

So, people need to be able to search for you, type in your name, um, figure out which person you are, right, I mean, we probably have pretty unique names but

you know, our head of products, his name is Chris Cox. So, there's a million Chris Coxes. Um, so when looking for him needs to be able to know, okay, here's, we share these friends, he works on Facebook, he's from this place. Um, and having some information be visible more broadly is very valuable for that. So, what we found overtime is that there are really good settings for people to have to enable people to stay connected with them and find them and there are good kind of default ways that people want to be sharing information with the community around them and that's kind of what we're trying to do.

Now, I mean, there have been misperceptions that say that we're trying to make all the information open or something like that and that's completely false. I mean there are big buckets of information that we recommend that you share with only your friends privately. All the really sensitive stuff like your contact information, your address, your phone number, who can go and post stuff on your page. That stuff is all set to friends only. Um, more sensitive stuff like um, like photos of you or videos of you, we recommend that that's only visible to your friends of friends like people in the community around you and then some of the more basic information we recommend that that's visible to everyone.

Kara: Okay, now, when you did that though, this was, this is a complaint I hear from a lot of people, not to [inaudible 00:03:48] people is they come to Facebook with the beginnings of these are people I know that I'm linking with and I'm not sharing with people I don't know and I will pick who I know and I don't know. Some of these things were changed because you recommend them [00:04:00]. Perhaps we don't agree with your recommendations. Why did you go to that at that one point? Did you expect that kind of backlash or did you feel like it's a blogosphere backlash? It's just annoying people like myself.

Um, would you feel like it's an actual genuine backlash that people were expecting one thing and then you recommended something that made it so before they had a chance to participate in it which was Steve was talking about last night. You tell them again, you tell them again and then you tell them again in plain English.

Mark: Sure, I mean, I think the most important thing is we recommended settings for people and that we always do whether it's when they sign up or you know, along the way when we launch new things. W-we recommended settings for people and we ask that everyone go and review their settings and make a choice for what they want their settings to be. You know, so, that, all of that process and we didn't change any settings or anything like that. I think that that's a really important piece of this. Um, you know, the big feedback that we got, that I actually, it really resonated with me, um, was that overtime, the privacy settings have just become too complex, right.

We built privacy into every single product that we've ever launched during the, from the beginning of the site, each piece of information that you shared, um, had a privacy setting. It's not only whether it's public or private. It's, you can set it to be open to everyone. You could set it to be open to the communities

around. You could set it to be open to just your friends or even a smaller group than that and over years of just launching product and product and product, we accumulated dozens of settings. So, it really resonated to me at least, when people are saying you know, what we want to make sure is that we have control over how we're sharing information.

Um, but with all these settings, we're not sure how to use them. So that's what we did, we kind of, we spent a couple of weeks building this. We built one main setting that people can now use um, so that it controls all of the information they're sharing on a day-to-day basis and you could just set it all to be open to everyone or friends or whoever you want.

Kara: Right, [we're talking about 00:05:49]-

Walt: But there's a difference between sort of your user interface for your settings which you have overhauled and so it's good to be simpler and I know that you can still go on and customize them and have them more [00:06:00] complex for you if you want and that's all good but real issue is whether people trust that you're still onboard with the idea that they thought you are onboard with when they join. I think this is what Kara was saying, which is it's a place to share with people, a limited group of people, not an unlimited group of people and certainly not the whole internet and you did this in personalization thing.

You did these community pages. Is that what they were called? These things just came at members of Facebook, you know, you go on to Facebook one day and there's an announcement from you guys that oh, you know what, you know those interest you put on your page three years ago when you joined, now, they're all linked to some pages and you're like, what, what does that mean? Who has access to those pages? What are those pages? Now, if you've done some abrupt things that yes, there was a way to back out of them by going to privacy settings but even if they were simpler privacy settings, you're still putting the owners on me to do some work to maintain the level of privacy I expected at the beginning.

So the question that I have is not about whether your privacy settings were complicated or simple or better or worst but why do I have to do the work to even go to them. Why are you taking preemptive steps that make me go and check and make sure that I have the control I want?

Mark: Sure. Well, I think that how the system is set up is a really important part for how it functions and before, I was talking about how there is two primary things that people do. They share information with the people around them. It's never been by default just for friends. It's always been kind of community around you, whether it was colleges or companies or regions most recently. Um, you know and then the other thing is people want to stay connected with the people around them and, you know, I mean there's this thing that we're seeing more and more. There's serendipity in how people are sharing information on these services. Um, that can only happen when you're sharing it with, when you're sharing things with a broader group of people. So, let me give you an example

[00:08:00].

Walt: Yeah.

Mark: Um, you know, pretty recently, I've been trying to schedule um, a dinner just to hang out with our head of technical operations Jonathan Heiliger for weeks and we just, we haven't been able to set it up just because we're both busy on different evenings and one night, I found you know, my dinner plans got canceled and I posted something online. I was like, okay, I'm going to this place uh, status. This uh, go to people in my community around me. Um, and he actually in a reply, and he said, okay, I'm there. So, I ended up going and we ended up getting dinner and it was pretty kind of, i- it was this great kind of serendipitous moment. That happens through sharing. The type of thing that I think, the type of connection that gets made on Facebook-

Walt: I'm a little confused. You wanted to have dinner with one single person-

Kara: Well, no, I, I didn't expect that he was going to be there. Um, so, what I'm saying is-

Walt: Because you could have e-mailed him, right or you could have texted him or something-

Mark: Maybe I'm not doing a great job telling the story. I was trying to get dinner with him for a while. I did not expect that he was gonna be here-

Walt: I see, okay.

Kara: So, you're saying that the idea which [crosstalk 00:08:56]-

Mark: So, yeah, so I was going to a place and I ended up running into a friend there, right and you know, not that we call that serendipity, right. It's kind of a lucky coincidence when something like this happens and, I, I think one of the reasons why we consider this to be a lucky coincidence is because we miss most of the connections like that that are happening in the world around us. But if-

Walt: But you did answer my question. My question is, you seem to have take some steps to make more public my information as a Facebook member on your own, by yourself, all of a sudden announcing them and without, in my mind, I'm thinking, well, what I really have is I have X number of friends here. I'm happy to have them see my photos or my status messages. I'm happy to know when their birthdays are, happy to have them write on my wall. Why is the management of this company, saying they're going to take some of my information and do some things with it?

Kara: I think what he means is there's different levels of what sharing means to you, something different than what it means to Walt obviously. You are thrilled that people know you're somewhere and they show up or something that, is there a level [00:10:00] of privacy that just has to apply to everyone or do you think, I mean, you might have a view of this is what's privacy means to Mark Zuckerberg. So, this is what it's going to mean at Facebook.

Mark: Yeah, I mean, people can control this by themselves. I mean, simple control has

always been one of the important parts of using Facebook and people, one of the interesting fact that I think a lot of people don't know is that more than 50% of Facebook users um, have changed the privacy settings at some point in their experience, right. So, most of users, go through their settings and will tweak at least one thing. Now, I think that that's interesting because it shows that, A, people understand what the settings are or people are using them, right. So, we go through and we recommend what we think are the right settings for people um, and then they use the product if they want.

They can change it if they want. People are, but then also the majority of the people who are going through this um, aren't changing most of the settings, right. So, th- they're going through and they're seeing the settings and changing what they want but also kind of keeping the things that they want to have.

Kara: Right.

Mark: So, to me, that's a signal that we're on a whole, getting it right but also doing a reasonable job of giving people control so that way, it can go on and change the things that they want as well.

Kara: So, do you feel like it's a backlash or do you feel like you're violating people's privacy when you're [inaudible 00:11:12] because some things do for better or worse whether you deserve it or not, some of these, you know, you're a public figure, you get a lot of things. Those e-mails back in college, they stick to you now whether you like it or not and it's probably unfair to, I don't want to see texts that I wrote when I was 19 years old or maybe last week even. Um-

Walt: (laughs)

Kara: Truly, um, why does that, do you feel like it's fixed to you or why does it, because you happen to run a service that is sharing. How do you explain the hubbub around it? How, what do you, and it must affect you as a person because-

Mark: Yeah, you know, I mean when I was 18 or 19 years old, I did a lot of stupid things, right, when I was in college and I think um, you know, I don't want to make an excuse for that, right. I did stupid things. I think they're embarrassing and um, [00:12:00] I'm really sorry that I did them. Um, you know some of the things that people accuse me of are true, some of them aren't. I think a lot of them has been pretty well documented.

Kara: Right.

Mark: Um, you know the case [Max Franks 00:12:09]-

Kara: Would you like to say which ones are true?

Mark: Um, you know, I mean I think there's, there's, I actually don't even know, looking back, you know, like oh, I am so [printed 00:12:16], it's tough for me to tell.

Kara: Right.

Mark: But I mean, there's face mash, right and there are some IM's that have been

printed. There's pranks, there's blogs. Um, you know, it's-

Kara: I think the issue is, you became the head of the biggest social networking company on the planet-

Mark: Yeah, I know but I-

Kara: [crosstalk 00:12:32] so everything you said doesn't matter-

Mark: I think the interesting thing is that, you know, so, I started this when I was, you know, I started working on this type of stuff when I was 18. I started building this when I was around 19 years old. Um, and along the way, just you know, we, I just came to, I think you know, a lot of stuff changes. We've gone from building this project in a dorm room to now having a service that almost 500 million people-

Kara: Right, [crosstalk 00:12:52]-

Mark: are using um, on a day-to-day basis and um-

Kara: It's [that 00:12:57]. They want to know who you are and what you actually think. I mean you should, and you should explain to them. I mean in some way, do you feel like you're adequately portrayed as a, because they want to wonder about the person who actually created this thing.

Mark: Yeah, I mean, uh, a lot of stuff happened along the way. I think um, you know, there are real learning points and turning points along the way in terms of um, in terms of building things. You know, it really went from this position very early on where we're just in this college dorm room to, we moved out to California. There was a few friends and me, and um, you know, I just kind of had this project [feel 00:13:36] for a while and there was this real turning point when um, when companies started trying to buy the company for a huge amount of money and you know, I tell you, I kind of get my friends together and we had to decide what was it that we really cared about and what was it that we wanted to do um, and we decided not to take those offers and-

Kara: Right.

Mark: to me a lot of that decision was that, what we wanted to do and what we wanted to spend you know, a big part of our lives [00:14:00] doing, was just continuing to push and um, and kind of build products that help people share information um, build products that help people stay connected and that's really what we're spending our time doing and you know, I think there's just been a lot of space between that early stuff and where we are now, um, if I knew what I knew now then, then I hope I wouldn't have made those mistakes but I can't go back and change the past. I can only do what we think is the right thing going forward.

Walt: So, the [poem about 00:14:30] this privacy thing and I thought that was a fascinating answer.

Kara: That's okay. You want to take off the hoodie.

Mark: No, I never take off the hoodie.

Walt: (laughing)

Kara: I know you don't. What's up with that? There's a group of women in the audience that wish you would.

Mark: No. (Laughing)

Kara: Girls?

Mark: Whoa. (Laughing)

Walt: All right.

Kara: Right. That's okay.

Walt: Um, can you explain what this instant personalization thing was that you did and why you did it and what was the, what's the value of it to your users?

Mark: I guess I should take off the hoodie.

Kara: Take off the hoodie.

Walt: Go ahead, what the hell.

Kara: Do you want to? Are you hot? (Laughs)

(Applause)

Kara: Here, let me get someone ...

Mark: Ah.

Kara: You're all right?

Mark: Yeah.

Kara: This is a great moment in internet history.

(Laughing)

Mark: What? Ah. Um, what am I going to do with the mike.

Kara: Put it on your ...

Walt: Put it on the collar of our t-shirt. Do you want something to [inaudible 00:15:20]?

Kara: Do you need some help?

Mark: No, I'm good.

Kara: All right, okay.

Walt: Sorry about this.

Kara: I hope I'm not being [inaudible 00:15:26] Mark.

Mark: No, it's ...

Kara: We're not even yelling at you.

Mark: Yeah.

Kara: Yet.

Walt: We're not gonna yell.

Kara: No, of course not.

Mark: Ah.

Kara: That is a warm hoodie. What [crosstalk 00:15:35]-

Mark: Yeah, no, it's a thick hoodie. We, it's um, it's a company hoodie. We print our mission on the inside.

Kara: What?

Walt: Oh really?

Kara: Oh my god, the inside of the hoodie everybody.

(Laughing)

Mark: Ah.

Kara: What is it? Making the ...

Mark: Making the world more open and connected.

Kara: Oh my god. It's like a secret cult.

Walt: Oh.

(Laughing)

Kara: Look at that, making the world open and connected (applause) stream, graph, platform and this weird symbol in the [00:16:00] middle that is probably for the Illuminati.

(Laughing)

Kara: Oh, 2010.

Walt: No, it's 2010.

Kara: Okay. Oh no. I read [inaudible 00:16:10] on it.

Walt: So, what's the, what is instant personalization and why did you do it? What's it about?

Mark: Sure, it's [something 00:16:14]. So, what we're trying to do is um, you know, we're building Facebook in this way that we think is pretty different from most other sites. It's a lot more engaging than, than you know, most every other website out there and we think that the reason for that is that it's designed to round people fundamentally. Um, you know when you look at the newsfeed, um, we've done this interesting I tracking studies where you know, to see how people use the site and unlike most applications, people don't browse to looking at navigation. They browse through looking at people, right.

It's like you kind of fix it on a person's face and um, and you navigate through that. Um, a lot of apps, you might kind of go to messages. Um, and that, and [create 00:16:58] messages do that on Facebook, what you do is, a lot of people navigate to go to a person and they choose to send him a message or write on

their wall or view their photos or whatever they're going to do. Um, and we just think that this model is a more engaging way to build apps and you know, so we built a bunch of them ourselves. Whether it's photos or videos.

Walt: Right.

Mark: Um, and what we, we have this strategy where what we're trying to do is make it possible for everyone to build different social apps um, that are basically designed with people at their center and that's what we um, a lot of the stuff that we started talking about at [F8 00:17:28], right. Um, we started the strategy around 2007 where people could build apps inside Facebook. There are now more than a million developers doing that um, ranging from you know, the largest companies like Zynga that have really started the whole social gaming thing that's now multibillion dollar industry, um, to a lot of hobbyist developers and what we're trying to do now, is make it so that people can extend that outside of Facebook, right, because we never thought that it would all kind of stick within one website to the rest of the web.

Um, so, we have focused on a number of different things [00:18:00] that make it so that people can build these people-centric um, websites um, and apps on their phones and desktop software and one of the main things that we've done is social plug-ins, right. Which basically, um, is it makes, it means that we have a single line of code you can just kind of insert uh, a plug-in onto your site. A lot of new sites have done it. ABC, a lot of different new sites and a that is a really simple way to personalize your site.

Kara: Right.

Mark: Right and um, those actually since I [inaudible 00:18:32] 200,000 different sites have started using social plug-ins, um, and most of them have seen that their referral rate from Facebook users has gone up by about 2X, right. So, it's been a big increase in terms of the engagement on the site um, that people have gotten from making their site more designed from the ground up around people-

Walt: Right, so I get that, I get that part-

Mark: Now, in terms of getting the instant personalization is um, kind of the other side of that program, right. We're trying to make it so that um, you know all of these sites can be designed around people, you know all these different websites, applications and social plug-ins, I think are going to be the primary way that that happens but for sites that um, are you know more technical and want to build things, um build you know kind of the whole stack themselves, we wanted to have a program where we could partner with just a handful of sites um, to make it so that they can use only the information that's open to everyone on Facebook to personalize things.

So, for example, um, Pandora, um is an application where you can go and if you set your music to be visible to everyone then it can access your music and it can start playing songs that you like as soon as you show up on their site and it's a great integration. Um, and it's a good personalized experience as soon as you

used it that they have kind of coded in collaboration with us. That's kind of how we see this whole picture of building-

Walt: Why not say, why not when I log onto Facebook, say, hey, we've got this new thing with Pandora, if you happen to also like Pandora, uh, which would do just what you just describe which sounds great.

Mark: Mm-hmm.

Walt: Check here if you want to do it. You did it kind of the [00:20:00] opposite, you-

Mark: We have that program. It's regular connect, right. I mean the, like any website-

Kara: This has been very popular.

Walt: Right but what's the [problem 00:20:08]-

Mark: Yeah, so hundreds and thousands of sites have used it-

Walt: So, why did you sort of put up a notice saying uh, Mic- what is it, Microsoft docs, uh, with the other one was Yelp I think-

Mark: Yeah, so docs, Yelp and-

Walt: and Pandora-

Mark: partners with us. So, what we found is that-

Walt: You are automatically now instantly personalized there.

Mark: Um-

Walt: Without asking.

Mark: So, what we have found is that, you know, so a lot of sites are using connect. It's more than 100,000-

Walt: Right.

Mark: um, but it's actually, even though it's just one click to click on this blue button to use connect, um, it's a lot more friction than I think it seems, right. Because, like you go to a site like Yelp or you go to a site like Pandora and it's, you're going to because you want to use Pandora so not immediately clear what you get if you have a personalized experience or if the site were, had, if it knew who all your friends were. So that's why we're doing the push both around social plug-ins and around instant personalization um, at the same time. Right, it's this big push were we just think that all of these different products are going to get an order of magnitude better when they're designed with people of their core.

Walt: But shouldn't people make the decision themselves to opt in on it. This is my last question on this, seriously but I don't understand (applause) yeah, thanks. Shouldn't people, uh, I'm sorry if you don't think it's important but I do. So, shouldn't people have to opt in?

Mark: No, so, I think that the, you know, making these products that people can share and that people have control, and that are simple to do both, is this balance, right and opt in versus opt out is one part of that balance, right. So, for example,

we've got a lot of products this time that's going on. When we launched the first version of Facebook, um, there was, there were no messages on the site, right. So, I think clearly when we added messages, it, I think it's fine to make it, so, I mean you can go now and you can turn off messages if you want.

You can make it so people can't message you, um, but that we thought, that was right to have as an opt out thing um, similarly when we launched newsfeed, you now there's a pretty big backlash around that. I mean that was actually per the ratio of Facebook users. Um, 10% of Facebook users were protesting and a lot of that, what people wanted was let us turn it on or at least you know, just make it so that people have to choose to turn it on before they can use newsfeed um, and looking back on it, I think newsfeed is such a critical part of the experience that it would have been pretty crazy if now, for, you know, when you sign up for Facebook, if you had to choose that you want to turn on each individual one of these features, if newsfeed wasn't there by default, I mean there are whole services that they are now is a newsfeed.

Walt: Okay.

Mark: Um, so, I just think, I think it's a balance on all these things and-

Kara: If you use some of the picking and other people do some of the picking.

Mark: And yeah, and I don't know if we always get it right and we always to listen to feedback and do what we think are the right things, um, but my prediction would be that a few years from now, we'll look back and wonder why there was ever this time when all these websites and applications, whether they're mobile applications or websites weren't personalized in some way. Whether it's through social plug-ins or connect or instant personalization or whatever programs other companies come out with but I just think the world is moving in this direction where things are going to be designed more around people um, and I think that it's going to be a really power direction.

Kara: Let's talk about where that's going. Let's talk about the next phase in social networking. Here you are, you've gone to 5- close you're about to announce 500 million users and have a lovely party. I understand. Um, what, are you going to a billion, what's the go- what is the next phase in social network because you have such a massive influence on the rest of the ecosystem now. What do you [know 00:23:33]? What are the, what are three or four things you see on the short-term horizon or long-term horizon?

Walt: Well, I think the industry is, it's come a long way in the last five years, right. From the sites like Friendster and Myspace and the first version of Facebook that were really these wild garden sites, um to now becoming more of a social platform and I just think that that trend is going to continue. So, what we found [00:24:00] was you know, Facebook built a lot of these apps itself um, early on. We built photos. Um, we built groups, we build events and those are um, respectively, the most used photos, groups, events um, applications online and along the way, we just realized you know, we're never going to build all of these

applications ourselves.

It will be the wrong strategy for us to try to do that. So, we started building this platform and opening up um, overtime and you know, it's, and it's interesting because the privacy concerns that people around having their information with third-party applications is something that I think overtime um, people use these applications. They have a good experience with them. They understand the controls that they have and they can get more comfortable as that happens. So, that's one of the reasons why, you know, when we started with applications, we started off building it inside Facebook to begin with.

But the goal is never to have all these applications built inside Facebook, it was to make it so that every application that gets built and every industry um, can be designed in this new way around people first and um, that's really the direction that I think it's going in. So, you know, first, we built kind of, some of the core apps, then platform inside Facebook then connect, now, social plug-ins and instant personalization. Um, and I think, we're gonna look out, you know, over the next few years and a lot of the industries that there hasn't been innovation in for a while are gonna have new applications built, that are built with people of their core-

Kara: Such as?

Mark: Um, such as anything. I mean I think um, I think Yelp is actually a really interesting example where you know, there have been directories of businesses for a long time but now, um, you know now, for the first time, there's, it's, there's the service where you can go and you can see what your friends like and you can see what people around you are reviewing and people that you respect and um, and just being able to go now and I mean Yelp is one of the instant personalization partners and being able to see what the people around you are connected to, I just think it adds an element to the experience that is both qualitatively good and is extremely good for engagement and use of the sites.

Walt: Can I ask you what you think is mean by the social graph [00:26:00]? Is that something that Facebook controls or somebody else controls or what's the social graph and secondly, how can it be monetized in a way that's-

Mark: Mm-hmm.

Walt: you know, uh, fair to people who use it, who are included in it.

Mark: Well, I mean so, the idea of the social graph that we, I mean we just, we introduced this at the first [F8 00:26:22] in 2007 when we rolled out platform and it was kind of our way of explaining the phenomenon that we thought was happening in the world and um, the idea of the social graph is that um, you know, if you map out all of the connections between people in the world that it would form this graph and you know, what we are trying to do with Facebook is just try to map out um, the connections that people have because we think that once those connections are mapped out then you can start to offer all these great social products um, both as part of Facebook.com and you know, all the different

Facebook services that people use.

Facebook mobile, all the things like that but also start to enable this broader platform where people can build games, they can build, um, they can start to remake any site or application on the web around knowing who you know um, and kind of personalizing things to you. So, there is some interesting thing because I think a lot of people have characterized it as if somehow we own the graph or we're trying to own the graph or someone else has a graph and um, it's not really how you intended it at all.

I mean we think that there is a graph in the world and that the best that anyone can do is try to map it out and that even better now with some of the open graph stuff that we're doing when different services can pull their different respective parts of maps of the graphs together then you can build even better services that combine all of the stuff together.

Kara: And how do you look at Facebook's role in the graph? You're a very big part of this graph if that's the case, if it's built around people, a lot of things have been built around search. They've been built around all kinds of things but not necessarily people. Where does Facebook, what kind of power are you in this graph?

Mark: Well, I think people rely on us for two things. I mean one is just the service that they use on a day-to-day [00:28:00] basis um, to you know share and stay connected with the people around them and their friends but also I think people look at us as the leader in the space and I know there's a pretty widely held belief that as far as social networking has come. You know and having almost half a billion users, it's certainly a pretty cool milestone that we're definitely proud of, that we can serve that many people. I think that people generally also believe that we're much closer to the beginning of the space than we are to the end and I think that's a them in a lot of the changes that we make is that we, you know, it would be easy for us to just kind of keep things going the same as they are, right.

And you know, we grow because um, people, because people refer their friends to the site, we do know advertising. So, you know, everyone who signs up for the site, um, is doing it because one of their friends told them to get on the site and certainly, you know on a day to day basis, we didn't disrupt things that would be kind of the easiest ways to proceed but we don't believe that if we did that, um, we'd be doing the best thing for you know, either us long term or for the industry or for where we hope the world gets to. So, you know we continue to do what we think are the right changes even if some of them are controversial, especially with the time when we do them. Um, and we think that that's a lot of what kind of people are counting on us to do as the leader on the space.

Walt: And what's your, how does the social graph get monetized in-

Mark: Well, there are two kind of primary ways. I mean, one is, we can provide really good relevant advertising to people because they tell us exactly what they're

interested in and who they know and you know, those people tell us what they're interested in.

Walt: Right.

Mark: So, that's one piece of it where I think the, the advertising in these systems, I think will get much more relevant than that in a lot of other systems very quickly. I mean there's some stat coded today about how the number of advertisers in the system has grown by 4X over the last um, year and a half alone and we're just having all those different ads in the system. It makes it so there's more to draw from and that people get more relevant ads. The other part is run engagement, right because what people are doing on the site is they're [00:30:00] sharing stuff at, with their friends and the ads reflect that as well, right.

So, I mean they're interesting examples um, like what we're doing with Starbucks where, um, this was their first, uh, I think one of their first major online ad campaigns and you know, they now have more than 7 people are connected who are fans and like the Starbucks' presence online and the ad campaign that they did was around basically, giving away some free products in their stores. Um, and the ad was basically, it said okay, here, there is this day where you can, there's free stuff and um, and people invited their friends and their friend.

It was basically an event on the site um, and people basically engaged their friends and got their friends to go. So, in the same way, the people are organically sharing information on the site. Um, people are doing that around these brands as well and it's proven to be really efficient for this advertizing.

Kara: So, how, who do you see is your competitors? Who do you, we asked this [at F8 00:30:54] back and forth then who do you actually, when you think about competition or do you think about it at all, who do you think about as your major people that you think about [over again 00:31:03]?

Mark: You know, I mean there's all the usual suspects in the space but I think you know, we have such a different approach than others you know, in terms of trying to build the web in this way from the ground up around people. I mean some of the folks have different approaches like how Google focuses on you know, building it around links, right. And different other companies focus on building um, building out the ecosystem around different things. I mean Apple is around apps, right, and I mean certainly, I mean I think we confuse different companies in different ways but I mean, one thing that I try to do in running the company is not make some of the same mistakes that I've seen other companies make. We try to make different mistakes and um-

Walt: (laughs)

Kara: You're doing a good job.

(Laughing)

Mark: Thank you.

Walt: (laughs)

Mark: Um, and you know one mistake that I think a lot of companies make is they focus on whether the big companies in the space that could potentially be their big competitors and I think people kind of over rotate on that sometimes. I mean, the big example was [00:32:00] um, you know in all the early Apple clips, you know, there's all the stuff about how Apple and Steve Jobs are trying to rally people against IBM but really what they need to worry about was a smaller company, right, that few people have heard of at the time and you know, I think that's probably more after.

And the world is changing so quickly now, um, with mobile stuff and um, and these different platforms emerging that I think it's more likely that the biggest competitor for us is something we haven't heard of and I think what that means for us is that we should just really stay focused on what we're doing, right. I think we have a pretty ambitious goal for the world and what we think will make the web better, what we think will make all these businesses that integrate with us run more effectively, what we think will be disruptive and make it so that new business can grow and I think if we stay focused on doing that, um, that's really the main thing that we need to do. So, I really that's kind of, it's not you know, it's not um-

Kara: [crosstalk 00:32:54]

Walt: A perfectly legitimate answer, that's your answer.

Kara: Um, you're gonna be the CEO of this company when it goes public.

Mark: Um-

Kara: Mark, that's your intent?

Mark: Yeah, I mean, yeah.

Kara: Okay and what-

Mark: I, I don't, I mean I don't think about going public as much.

Kara: How do you feel as being as, well, do you have a date?

Mark: No.

Kara: Okay.

Mark: I mean we're really just focused on building the stuff that we're doing now. I mean it's actually kind of crazy how much stuff is changing right now and the last time, I was on stage at D, we had, that was two years ago, right? And we had less than 100 million people using the service. Um, we haven't launched connect yet, right. So, the only platform that there was, was people building these apps inside Facebook and I mean, that's two years, right and I think, you know, the next few years I think are going to be as transformative as the last two years, if not more.

Um, because I'm really excited about the stuff that we're doing with plug-ins and

instant personalization and some other things that will do going forward that we're just gonna make it so that people can remake their businesses in this way that it's focused around people and um, and you know, as the stats kind of come out around how partners are using the [00:34:00] stuff and the success that they're having, you know the massive increase in referrals that they're getting in traffic that they're getting from plug-ins or the massive increase in registrations that people are getting from different plug-ins and instant personalization.

Um, I think it's just gonna be a really compelling move to change a lot of the way that the web works toward being built not just around web um, links but around people. And I think that that's gonna be exciting and-

Kara: [crosstalk 00:34:23] sharing this time as people, people.

Mark: Well, I mean I say sharing a lot so too but um-

Walt: Famous is-

Kara: That's because, how do you think you are, what have you learned as a CEO in the past two years. How do you've evolved? We talked about this a little last time.

Mark: Yeah.

Kara: You're talking about some things get to you. I mean you're not happy about this movie coming out but I-

Mark: Well, I mean I just wish that no one made a movie about me when I was alive.

Kara: Okay, (laughing). Did you eat koala meat?

Mark: What'[s that?

Kara: Did you eat koala meat?

Mark: I don't even know if you can eat koala meat.

Kara: Okay, all right, excellent. Um, how do you see yourself as a CEO? What is your leadership style?

Mark: You know, I've always just focused on a couple of things around this and one is kind of having a clear direction for the company and what we build. Um, and the other is just trying to build the best team possible towards that and um, you know in terms of a clear direction. I think we have a pretty clear team behind all of the things that we're doing whether it's the product that we're building internally and over the next year, one of the things I'm really excited about is, we're building a lot of apps that we think are really cool too but and then obviously, all the platform stuff we're really excited about um, just because of the success that we think that that's gonna bring partners and how that's gonna enable um, people who are using the web type have pretty different experience.

Um, so, there's just a huge amount of effort going on around that and then on the people side, um, just continuing to bring in great people and put them in roles where they're empowered is a big focus for what we do. So, in the last couple of years, um, I mean today, we announced that, and I just promoted Bret

Taylor to be our CTO and he joined us during the front feed acquisition. Um, we've done a number of [00:36:00] [town 00:36:00] acquisitions and then we really are out in the valley trying to find the most talented people or entrepreneurial and we want to build an entrepreneurial company and we think the key part of doing that is meaning, means that at all levels of the company including the senior management you need to have entrepreneurs and you need to have technical people.

So, um, I mean we're recruiting and trying to get the very best people that we can to those roles and you know, so, it's a balance from that and people who have grown inside the company like Chris Cox our head of products. He started off as an engineer on the original newsfeed team and is one of the most phenomenal people who I know and you know, everyone who works with him says that, to also, we have folks who joined us like Sheryl um, on you know the business side to build up all of our operations around the world um, and she's doing a phenomenal job bring in great people and in building things up.

So, I think as a company if you get those two things right, um, having a clear direction on what you're trying to do, and bring in great people who can execute on this stuff, then you can do pretty well and that's what we've focused on.

Walt: Well, you did well here. So, thank you.

Kara: You did well. Very good. I'm sorry for taking off your hoodie but it was a good idea.

Mark: No, I clearly needed to do that.

(Applause)

Kara: Questions for Mark.

(Applause)

Mark: Sure.

Walt: Rob.

Rob: Yeah. Hey, Mark. Um, kind of a simple question um, do you realize that you have already built at the age of 26, one of the maybe five most important internet companies in the world? Which is an amazing accomplishment and then correlate to that, that the world kind of looks at you differently as a result and that there's kind of this interesting challenge? I saw this in my 10 years in Microsoft and didn't see it at my 15 years at [Rio 00:37:38] but I saw a little version of it I guess, that the world looks at you differently and that it's almost like the expectation changes like nobody puts out a banner and tells you that.

And how do you deal with that both, I mean, it really [inaudible 00:37:50] professionally. It's a personal question too but I mean the fact that already Facebook is maybe, I mean Google, Microsoft, Amazon, Apple, I don't know who else I'd put in the list, so as I said, five.

Kara: This is a [00:38:00] great common area, go ahead.

Rob: Yeah, how do you deal with that realization that the world is looking at you and Facebook differently than it did one or two years ago because of the amazing success of what you've done?

Mark: You know, maybe I'm in denial. Um, you know, I think our goals haven't really changed much at all, right and inside the company and we don't think of ourselves as a company that's successful, right. So, we, I mean we know that. We have these products that people use and that they love and that this site is growing because people share with their friends and we see platform and how that's growing and how it's successful for the businesses that work with us and we see the advertising stuff and we see how that's going and creating some of the best campaigns that our partners who ever had but um, you know, it's just, it goes back to this concept where I just think we're a lot closer at the beginning than the end.

And um, I don't know. I mean I guess as companies get bigger, people expect you to slow down and do less crazy stuff um, and I guess I hope we never do that and you know, [So in 00:39:05] personally, I don't know. I guess I have a core group of people who I really trust um, a lot of them I've worked with for a long time for five years um, since we really started (laughing) um-

Walt: Really? That's good.

Mark: Yeah, um, (laughing) the company's only six years old-

Kara: You know any less-

Mark: You know and, and, and for the first year, it wasn't really even a company, right because I mean it was this project at Harvard. Before we moved out, we didn't even start hiring people until you know, five years ago but um, you know, whether it's them or my friends, I think, you know, that's what I care about, right. I mean they're people who share my values and the values of the company and who think that making the world more open and connected is a good thing. Um and that's what we're trying to do and you know, I think it's kind of inevitable I guess that whenever we make a change or at this scale.

Um, there are gonna be some people who think what we're doing is cool and some people who don't [00:40:00]. And I um, I don't know, I guess we try to not let that get to us and we just try to do what we think are the right things to do and then list in for feedback and tweak from there.

Walt: Thanks Rob. Esther?

Esther: This is two questions, which you may actually have the same answer and the first is, who's your role model and why and the second is, accepting people who are at Facebook and yourself, who would be the best person to run Facebook?

Mark: Hah, I don't know if I can answer either of those questions. Who's my role model? I mean there's so many people I look to for different things. I mean there are so many amazing people who um, who built great things in this industry but yeah, I mean, I le- I feel like I learned the most from the people who are

around me now and who I've worked with overtime, right. And you if something happened to me, um, I think you could pick any of the core people on Facebook and they would, on the management team and they would all do a good job running the company and I mean that's I think how you want to build these companies, right?

Is that um, you know I think people really share the vision of what we're trying to do and you try to build people not, and, and sort of hire people not just to be able to do a role but because they can you know, run, run the whole company, right. I mean, and I think it's important because we're still a pretty small company. I think that's pretty important to remember it. So, for the footprint that we have having you know, only around a thousand people is, I think relatively pretty small but I think that one of the things that that means is that the companies ultimately grow a lot over the next few years and it's gonna be an exciting period.

Um, but we want to have people around us who we try to make good decisions as it's growing and who can run things that are a lot bigger than what they're doing now. Um, so, I really think that any of the core people would be good choices.

Esther: Yeah, it was not a practical question. (Laughs)

Walt: Thanks Esther.

Dave: Hi, Mark. Dave, Dave Geller. A lot of us are using the e-mail clients and services from Gmail and Yahoo and Hotmail and we're also using your platform of course [00:42:00], I've heard that you're planning to offer basically, an e-mail platform so that people can just use Facebook for everything. Is that true?

Mark: Um, you know, we're working on a number of things but we're not building a webmail competitor. Um, people do messaging on Facebook, right. So, it's one of the primary use cases of what people do-

Dave: It's outside of the Facebook world, in and out of your platform like an e-mail platform.

Mark: Yeah, I mean, I think that this is actually one of the most interesting things that's going on today is communication is getting to be shorter form, more informal and more frequent, right. So, um, I think that SMS is a much more interesting platform or IM than e-mail is today and it's also I mean status updates are increasingly common and they're probably in order of magnitude, more people posting status updates than write long form blog posts. Right. So, you know, there are definitely these great services that people use that are these full webmail clients.

That's not what Facebook is, right. I mean Facebook has a messaging um, application and has an IM application which interestingly enough, the IM thing is run by one person. I think it's maybe the second largest IM network in the world. Um, and so I mean, there's a lot of room for improvement in these things just because it's so basic in terms of what we're doing right now, compared to what

we can be doing but I think that a lot of the opportunities can be around fusing these shorter form communication, higher frequency, less formal things together, not in doing the e-mail stuff that people have been doing in the past.

Kara: [inaudible 00:43:34]

Male: We talked about the power of defaults and privacy settings and decisions that you've made. How are decisions made uh, at your company about important decisions like that? So, for example, Microsoft does a lot of uh, prototyping with customers, Google does AB testing, Steve Jobs, uh, purportedly makes the last call himself. Um, how does it happen for Facebook?

Mark: So, [00:44:00] we're a company where there's a lot of open dialogue inside the company and have only you know, five core values and being open inside of the company is one of them. For example, we feel like, if we want to lead this trend outside of the company then that's a really important thing for us to do inside the company as well. So, we have crazy dialogue and arguments um, people send out ideas. I mean, every Friday, I have an open Q&A where anyone in the company can come and ask me any question they want. People ask me um, hard questions, right.

So, it's actually, you know, should have been pretty good practice for this. Um, but um, it's not, I wear my hoodie there and it's fine. Um, (laughing) um, but you know, our style is really two things. Um, we like to innovate doing what we think is kind of the principal, the right thing to do um, and build the product that we think is the right thing. Um, but because we are a web product, those are changed pretty quickly. So, we also listen in real time to the feedback that we're getting from people and that takes two primary um, formats. I mean one is we listen to all the kind of anecdotal feedback on the e-mails that we get or the posts that people make on Facebook, the blog posts that they write.

Um, all the things that people tell us but we also look at the data of how people are actually using this site, right and how people are using the products that we launch because we know that, you know people, a lot of time when we'll change something, um, they won't like the change but we'll be able to tell very quickly how they're using the products and whether they're being able to use them to share more whether, they're promoting the site more to their friends or um, whatever they're doing. And um, you know in response to the most recent stuff that we did, um, we innovated, we changed a lot of the products around platform to be what we thought that they should be.

Um, and that had this privacy implications and we did what we thought were the right things around the defaults. Um, and then we listen. We got a lot of feedback and the biggest point of feedback that we got was that people wanted simpler controls. So, we actually, you know a team of us, we just, we hold [00:46:00] up in a conference room for two weeks to go crank out a new set of settings and you know, I was there for a lot of it and a lot of other folks who were there and they didn't sleep and then change clothes and then we're just there and they built this thing and then we shipped it. So, I mean that's how the

company works.

Kara: Do you make a lot of the last calls on big decisions?

Mark: Um, yeah, I mean if it's something that needs to you know, get a tie broken or something like that or it's a really important thing then definitely people would bring it to me and I'll make those decisions.

Kara: Right, very quick, last two questions.

Male: Okay, uh-

Kara: Very quick.

Male: Just want to make a quick question about the Flash versus HTML file. A lot of people onstage have been talking about how much they love the iPad but when you want to use Facebook, there are some aspects of it that don't work like Farmville and there's millions of people who play that. So, when it comes to Facebook, what's your sort of opinion on the two technology? Should you have to make a Facebook HD app for people to get the full experience or should it happen on the web?

Mark: You know, I mean we're agnostic I think on that. I tend to believe more in the web than apps personally but I think we'll see and I think that there will be both. I think there's a real reason why there are apps on mobile phones specifically, I just think that the internet connections and the power in CPU are not effective enough to have the best HTML experience yet. Um, but I think that will change, we'll see how it goes and there are these two good platforms. The thing that I actually care a lot [00:48:00] more about is it's not the vertical about, is it's not the vertical platform of kind of, you have the operating system and then you have an app or you have a browser and then you have a website.

It's how you integrate um, people into all of these stuff, right. And so, it's a different cut of the problem I think. Um, and we just want to build tools that people can um, can make all the stuff good. So, I mean on phones, actually, I think a lot of the stuff is a lot easier to do. I mean when you buy an Android phone, one of the first things that you do is you can sign in with your Facebook account and it just brings all of your um, all of your friends into the contact address book and I mean, this is something that I think a lot of people may not know about um, how iPhone and Android phones work but every application that runs automatically, gets access to all of your friends and all of the contacts that are there.

Um, so, in a way, I think it's going to be a lot easier to have these great personalized and instantly social experiences um, on those devices, um, than on the web because of some of the expectations that people have around how the stuff works today. Um, but I think it will get there for all of this stuff. I just think it will take a bit of time. Um, but that's the trend that I'm the most focused on.

Kara: Okay, last, very quickly.

Walt: [Stewart 00:49:03]

Male: Hey, Mark. Uh, you almost answered the question there but uh, Facebook crashes regularly on my iPhone and I don't have an iPad specific version of Facebook and I wonder uh, if you could go a little further in terms of uh, you know what it means to Facebook to have mobile apps and you just referred to how, you know, socializing, we all have our phones with us here but we don't have our computers. So, we're really using our phones as a way to gain access to Facebook and to socialize with our friends. What is the role of the phone?

Mark: Yeah, I mean, we, our mobile experiences growing really quickly. So, we're, I, I don't want to misquote any stats but I know that you know, it's well more than 100 million people are using Facebook on their mobile phones now and that's grown by three or four X in the last year alone. So, I mean, that's growing in a much faster rate than the web version is but people use [00:50:00] all different ways. I mean a lot of people use the web, on my iPad I use the website. Um, and I think that that's, it's kind of all you need. Um, on the iPhone, the app is great. Um, there is Zero which we launched recently which is a trimmed down version for markets where um, the bandwidth-

Kara: [inaudible 00:50:18]

Mark: Yeah, it's, I mean, we're, so people can get access to it. You can get free access to Facebook, um free data because there are actually no pictures. I mean that's stripped out of that version of it but um, these are on, in areas where the bandwidth is just a lot slower. So, you know, I think that one of the challenges and one of the things that's interesting about mobile is that there's no standard platform yet. It's not like the web where you know six years ago and I was getting started building Facebook. There is no question on what I was going to build on.

It was going to be a website and it was kind of clear how that was gonna work. Now, it was unclear if it's gonna be Android, is it gonna be iPhone, it's gonna be HTML5 or apps or any number of other platforms. Um, and I think that that's a challenge but it's also kind of cool to see what experiences you can make possible in these different things and triangulate off of those to get to figure out where we're hoping to be. So ...

Male: Are you gonna have iPad? Are you gonna have an iPad-

Mark: I assume eventually, we will. Yeah. I mean, the company is, it's an interesting to remember but as we're still a pretty small company, um, you know, I was running this e-mail announcing Bret's new role as CTO, and I was talking about some of the projects that he's gonna get involved in um, and, and you know, I was talking about newsfeed which I think is gonna be one of them. Which is the homepage for you know, more than 250 million people every day and the team of people that works on it is um, 11 people and you know search. We have this great type head and people do queries and the number of queries is on the order of magnitude of um, of what Google is doing and it's not what Google is doing but it's on the same order of magnitude and the team working on searches um, is 12

people I think.

And um, and, even if the whole team who are working on platform which we [00:52:00] hope will blossom to be the foundation of this whole industry is I think it's around 25 or 30 people and you know, I talked about IM before and that was one person. So, um, we have a lot more to do. Right and I mean that's like one, I think the most exciting things for the next few years is we're nowhere near the set of things that we think should get built, um and I think that's one of the exciting things about working with Facebook now. It's one of the exciting things about doing what we're doing and um, just a cool place to be.

Kara: Great, Mark. Thank you so much.

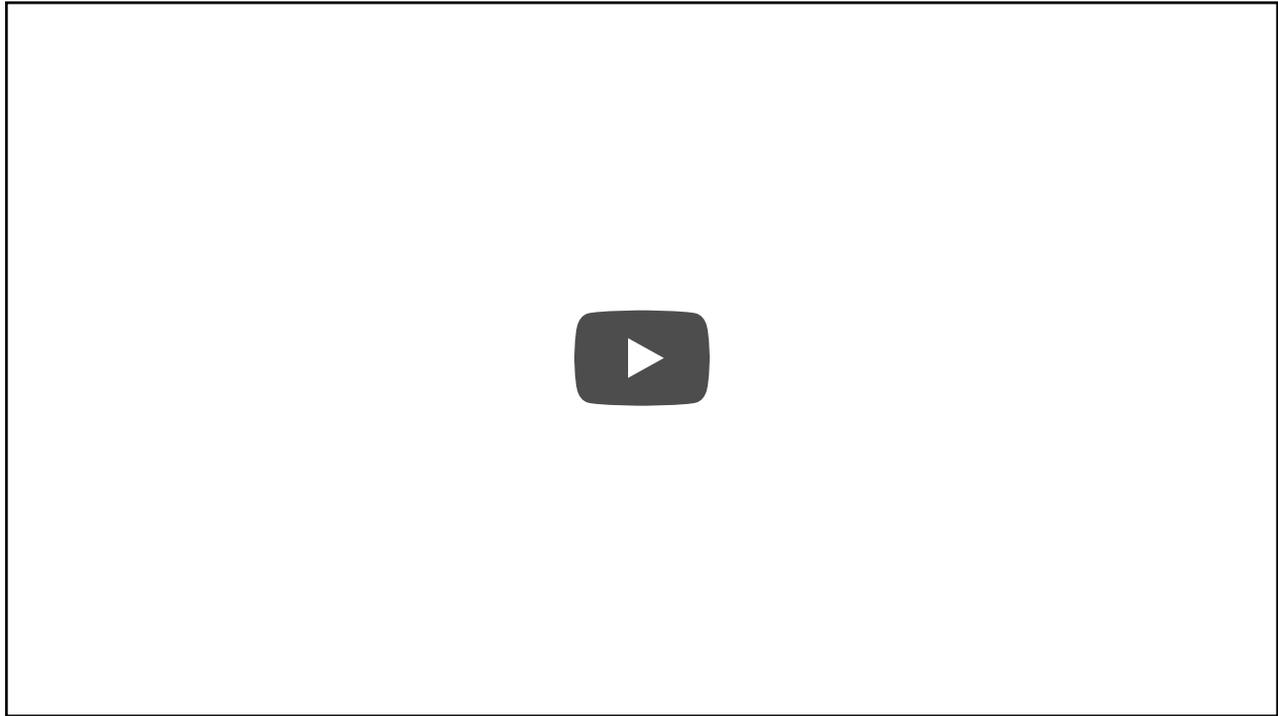
Walt: Thank you Mark.

(Applause)

[Background conversation 00:52:28]

[Music]

EXHIBIT 59



CHM Revolutionaries: Facebook Effect- Author David Kirkpatrick & FB's CEO Mark Zuckerberg

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John: Good evening everyone and welcome to the museum. My names John Holler, I'm the CEO. And on behalf of the trustees, our staff, our members, and everyone involved with the museum, it's a pleasure to welcome you here tonight to this event. It is the latest installment in our series of programs on the 40th anniversary of the events that led to today's fully wired world.

I want to begin by thanking Intel for serving as the lead sponsor of our Net at 40 series. Intel is a very generous supporter and a good friend to the museum. We very much appreciate they're underwriting of these programs. Along the way we've also had support from Semantic Corporation and, of course, our donors, and members who in the last 12 months have provided more than two million dollars in support for our work. Kepler's is the museum partner for books related to our programs, as they are tonight. They'll be selling the Facebook Effect after our program. I want to thank Clark Kepler for their ongoing partnership. Clark is here tonight. Clark, thank you. And finally, thank you to HP and its MagCloud service, which is the partner for the publication of the booklets that are on your chairs and around the museum tonight. All of our MagCloud publications are now available for purchase online in case you didn't get one tonight or you want to order one for a friend.

A member of the museum emailed me a few days ago with this note. He said, "I hope when you're introducing the Facebook event, you'll remind everyone that we're here tonight because two guys named Kline and Duvall were hunched over computers late one night in 1969, trying to send the letters l-o-g-i-n from SRI to UCLA over the ARPANET." So there, I've done my duty, alphabet soup and all.

The connection between the launch of the ARPANET and relative solitude 40 years ago and the explosion of Facebook is not linear as we have covered in previous events and in the history that's printed tonight, but, without (00:02:00) question, our global society is surly traveling at breakneck speed down a continuum that began with l-o-g-i-n, and today connects billions around the world. This journey is at its core, what this museum is all about. If you reduced all of recorded human history to a 24 hour day, the birth of the internet would amount to a fraction of a second. The birth of Facebook and the socially connected electronic world far less than that, and yet consider the immensity of the reality that we are all living, in as little as two generation, two generations, we are moving from a time of no electronic connections at all to a time when we can hardly

imagine not being connected. We, therefore, confront an interesting paradox.

The blockbuster innovations of the information age are coming thick and fast. And their impact is enormous as impactful as anything may have ever been. And yet we risk losing their history as quickly as quickly as we see their history created. This is the essence of the work of the museum. We're seeking to capture the stories, the firsthand accounts, the lessons learned, and the physical and digital products of both genius and failure in our time. Or, as Donna Dubinsky put it in her famous analogy from the film you saw a moment ago, to talk to Michael Angelo as he paints the Sistine Chapel. One big difference, of course, is that from time to time an historian of Michael Angelo's era might have found him flat on his back atop a scaffolding. We don't find many people sitting still, so, what we are attempting is contemporary history at speed. It's humbling and it's challenging.

But with the help of many 100's of people we're determined to make it work, and to make it worthwhile for generations to come. That's why we have assembled the world's largest collection of more than 100 thousand items related to computing, going all the way back to (keyfoo 00:03:55) sticks and the ancient abacus and all the way forward to the iPad. (00:04:00) it's why we have recorded nearly 500 oral histories of the men and women who have made history here in Silicon Valley and around the world. It's why we have our fellows program, the 52 portraits of which are collected on the wall, just outside this auditorium. They comprise some of the greatest figures in the history of technology. It's why we undertake 20 to 30 programs like this every year. All of which are fully viewable on our branded Youtube channel. It's why we're the only major museum in the world with an internet history program and a fourth coming area of our revolution exhibit dedicated to the web and networking. And finally, it's why we have a vast digital museum at computerhistory.org, where among other things, we release the original source code for Mac Paint and QuickDraw for the world to see for the first time yesterday morning. Something our friends at Apple have at least to this point permitted only us to do.

Those of us in this branch of contemporary history do better when we stick together. That's one reason why we're so delighted to be associated with David Kirkpatrick, author of the fascinating book that we're exploring tonight, and Facebook CEO Mark Zuckerberg,

who just a few hours ago, announced that the Facebook community has now exceeded this milestone, 500 million users.

We may not know how history will ultimately write the Facebook story, but two things are certain, David Kirkpatrick has made an excellent start, and his help and support was clearly instrumental, Mark's help and support, was clearly instrumental to David's exceptional story telling. All of David's experience is on full display in the Facebook Effect, 20 years as a senior writer at Fortune Magazine, author of the Fortune Column Fast Forward, founder, host, and program director of the Brainstorm Conference series, founder of the Techonomy Conference kicking off next month at Lake Tahoe.

Conducting this conversation between David and Mark tonight is NPR's Guy Roz, weekend host of All Things Considered, one of the most sought after interviewers (00:06:00) in the business. He has interviewed everyone from Ariel Sharon to Eminem. This marks a return trip to the museum for Guy who kicked off the Net at 40 series in the spring by interviewing ARPANET pioneer Bob Taylor. If tonight is as freewheeling and candid as his evening with Bob Taylor was, we are in for a real treat. You can contribute to that with the question cards that are on your chair. You can write your questions down. We will be collecting them for Guy once we get a little further into the program. Please join me now in welcoming Mark, David, and Guy to the stage for tonight's program. (Applause)

Guy: Okay, well thank you very much John. I'm going to dispense with any opening remarks and dive right into the questions cause I think many of us here have many questions for both Mark and David. The first question is for you David. I just want you to give us a sense of what you mean when you talk about the Facebook effect, what is that?

David: Well, it's, it's a generic kind of concept about all of the ways in which this massive social phenomenon, social and technological phenomenon is changing the world. And I, you know, I talk about politics governments, business, marketing, identity, privacy, social life, and other area really, when you get to 500 million people on any system, there are enormous ramifications and Facebook was designed from the beginning in order to have certain ramifications (inaudible 00:07:33) successfully having.

Guy: Mark Zuckerberg, obviously congratulations are in order because of the announcement today on your Facebook page, right? Was it your Facebook page that I saw it, or was it the blog post?

Mark: Yeah, we posted it a number of places.

Guy: Saw the video. 500 million users, that's double the number of users you had about a year ago. Give me a sense of a Facebook moment over the past year (00:08:00) that has wowed you. Something that has happened that you thought that, the thing that I created made that happen.

Mark: The thing that we did to commemorate now having 500 million people is we, I just assembled the collection of stories that the people who used our service have written in to us over the years. I can go get a few.

Guy: Yeah.

Mark: They're really kind of amazing and, and, very varied, right. I mean everything from the, the guy who is the last prime minister of Denmark found, basically had a bunch of connections on his Facebook page and they became his jogging buddies.

David: I was going to put that in my book and I think I forgot, yeah, that's a good story. (laughing)

Guy: This (Lars 00:08:51) Rasmussen, right?

Mark: Yes, who, I mean there was a mayor in a city in Connecticut who found that one of his constituents needed a, I think it was a kidney, and then went and donated his own kidney. Um, so it, it, like the stories that we hear from people range from these kind of incredibly profound, things like that, to just really kind of day to day things were people are just trying to stay connected with their friends and family and the people that they care about. Now have a way to do that that's a lot easier than anything that they had before.

Guy: Do you ever get freaked out about how, how powerful this tool that you invented has become, that those things can happen? Do you ever think ...

Mark: Well, I mean, its people doing them. Right, I think like, the, what we've really built is a platform, right. I mean, we're not building a

system where people are donating organs. I mean, we're doing a system where people can stay connected with the people that they want to. And, um, there's always been the ability for people to sit down face-to-face and have a conversation, right. I mean, for awhile there's been the ability for people to call someone up no matter where they are (00:10:00) and it's been, gotten a lot cheaper recently, but, to be able to have kind of a synchronous one way conversation with people who you're willing to call up, right. And who you have that level of comfort with. But, until recently there hasn't really been a good system for you to keep in touch with all of the other people who are in your life or you meet at some point who are important or were important and you want to keep up with, but you don't have a way to talk to on a day-to-day basis and you wouldn't go out of your way to call and you would never sit down with in person. And, the power that's unlocked from that is really what we're seeing here, right. And when you can build up all of the value of those latent connections and keep them open, this is the type of stuff that becomes possible. But it's because people want to do it on their own anyway, we're just kind of allowing people to have that, the ability to do those things.

David: And all that is what I would call the Facebook effect. I mean, it was, it was designed to be a viral platform for communications. And, you know, I think it is a good point that Mark has made that Facebook is literally just a platform. It has no content of its own whatsoever. Everything there is created by its members. And, and, and I think, this, this viral system that Mark effectively designed quite consciously where information flows, especially because of a news feed from person to person with amazing efficiency, if it's of interest, that is sort of the root of the effect that's kind of the name of my book.

Guy: David, in, in John's introduction, he mentioned Bob Taylor who was on this stage actually in your seat, about two or three months ago. He is not an international celebrity, um, most people in the world have not heard of Bob Taylor. Far more know who Mark Zuckerberg is, he is arguably the father of computer to computer communication, okay. And you mention him in your book. Which, by the way is a great, not just a primer on Facebook but a (00:12:00) fun book to read. So.

David: Thank you.

Guy: Wanted to let you know that. (laughter) Where, where does Mark Zuckerberg, in view, fit into the history of the internet or the history of communication?

David: Well, I think that anybody who's created a system that gets to 500 million people, particularly in six years, deserves a fairly great prominence in the history of innovators in communication. Um, you know, the world is changing so fast now, that it's harder to put someone in the hierarchy the way we might of once felt comfortable doing. So, you know, is Mark more important than Alexander Gram Bell, or equally important, I have, I don't have a clue. (Laughing) He doesn't think so, I mean, but, you know, we'll find out over time. But, you know, I mean, Facebook will not last as long as the telephone did, I can assure you of that. So, we'll have to make our judgments more rapidly about these men. (laughing)

Mark: You heard it here first. Um.

David: I'm not, I'm not saying it's not a great thing Mark, but, it's not going to, telephones have been around for like 100 years. You think Facebook will be here in 100 years, literally, you really do?

Mark: I don't know, but I don't know how long telephones are going to be around for. (laughing)

David: No, no, I mean, no, that, that I agree with. But, I mean, I mean, I'm talking about from its inception to today. Do you think Facebook has a prospect of 100 years?

Mark: I, I don't know. I don't know.

David: I mean, literally, but this is the question that I get all the time. What's Facebook going to be in 10 years? And I always say, "I cannot even begin to answer any question like that about any internet business." Do you think it's a reasonable assumption that Facebook will be a strong and powerful business in 10 years or even? I mean, what do you think? Is that the given.

Mark: Oh, 10 years I hope so.

David: Ten years, okay, what about 40 years?

Mark: I, I mean, like, I think that things change over time. So, I mean, I think that, you know, if you look at some of the great technology

companies, they made a huge change in the world and then transitioned into great long-term businesses. I mean, companies like IBM, are (00:14:00) maybe not kind of at the forefront right now of consumer technology, but are still great companies long after being the massive innovators in their space. I think that these companies can be around for a very long period of time. But, I certainly think that the trend that we're operating on now, of helping people, um, share information, which is really something that, you know, going back 20 years ago, most people in society did not have the power to do. I mean, the internet has really brought that about. Now everyone can share their opinions and information about themselves or what's going on around them. And that, that's a new thing, and I think that's the trend that we're hoping to help push forward. Um, and, I think that that's going to be one of the most transformative trends in society over the next 10, 15, I mean, who knows how long.

Guy: But, but, but, can I ask one ...?

David: Sure.

Guy: The fact that a system could have grown to 500 million in a little over six years, does suggest that the pace of change is truly accelerating.

Mark: Oh yeah, yeah.

Guy: So, something else, many other something else's are going to come along and burgeon with incredible speed. So, this is what I would say, tell me if I'm right about that, that, you'd, I would say that you take as a mantra only the paranoid survive. And one of the reasons why you make all these changes that affect privacy and product is because you are literally afraid of the 4th square and the twitters and the other innovators and you do not want to be rendered irrelevant and you want Facebook to remain a vital, cutting edge service, and you know that requires constant change.

Mark: Well, I like to think a little more pro-active than that.

Guy: What do you mean?

Mark: I mean, I don't think that the changes are motivated out of, out of fear as much as wanting to help move the world forward.

David: Okay, okay.

Guy: Let me ask you about moving the world forward because with, with this incredible product you offer, I'm sure there isn't a person in this room who doesn't use it, um, I obviously use it. Um, you also have a very powerful database. I believe the largest database of personal information that exists outside the realm of government, right. (00:16:00) Facebook, if it were a country, would be the third most populous in the world. You are the head of a country. I mean, one out of 14 (laughing)

David: Don't tell that to the (inaudible 00:16:12) by the way.

Mark: There's a lot of assertions going on up here that I don't agree with.

Guy: One out of 14 humans on planet earth is now has a Facebook profile.

Mark: It doesn't make us a country. (laughter)

Guy: It does, actually, it does. Five hundred million does. It's an extraordinary number of people. Do you remind yourself daily of the responsibility that that puts in your hands. You're 26 years old. You are a young guy. I know that you're reminded of that all the time, and I'm sorry to do that again, but you are. And it's an immense amount of responsibility, what do you, how do you handle that responsibility?

Mark: I mean, I think the main thing is we've just assembled the team as a company that has this tremendous sense of purpose for what we're doing, right. I mean, It goes back to some of the questions that you were asking about building companies. Where a lot of the people at Facebook, including myself, never thought we would be a part of a company. I mean, we, I started Facebook and a lot of people who joined early on, I think still join the company, are doing it just because they believe in what we're doing. And they believe that if you can give people tools to share information and stay connected with the people that they care about that, that just opens up all these possibilities. And then, if you can build a development platform on top of which all these other people can build social applications, then you can create a whole lot of new experiences that weren't possible before. I think it's that kind of clarity around what we're trying to do, um, that I think is what give us the ability to keep on doing, like, these rounds of innovation, instead of, um, you

know, the type of stuff that you're talking about, like becoming a company. Right.

David: People have a very hard time believing that about Facebook. That's a fact. I mean, they really, to be honest, I don't think you do as good a job (00:18:00) communicating as you could, the scope of the visions and the passion that you and you're colleagues as you describe, share. It's one aspect of my book that people challenge me on everywhere I go. They cannot believe that Facebook isn't doing it for the money, for the ad market place, etcetera, etcetera. Could I just follow up with a specific question about this?

Guy: Sure.

David: One of the things that I know about you is you love product, you love engineering, what you would rather be doing is sitting at a terminal talking to the product team and the engineers to make the product better.

Mark: I'm doing that later tonight. (Laughter)

David: I know you will, so, probably every night. But, Facebook is, as Guy is implying, at sort of a turning point where its scale is requiring a new sort of responsibility on its part. One of the questions that I have for you is, you know, do you really want to be the leader of a company that requires this constant interface with government and regulators around the world in order to, you know, keep explaining what it is you're doing, because, they are pushing back as you well know.

Mark: And quite understandably, because it's something you've described as a utility. So, I mean, the way that I think about this is, a lot of people have asked me this question of, okay, now that Facebook has 500 million people, or, is nearing 500 million people before today, um, you know, a lot of the job has become, in addition to building things, building out a team, communicating externally now and kind of dealing with a lot of these different constituents that we wouldn't have had to deal with when we had 10 million people using our products. You know, those are the things that are typically, you see in a mature company, right. And, um, and I think, the way that we think about this is that, if we thought that Facebook was a mature company and was anywhere near the end of its trajectory in terms of being able to innovate or that the product was near maturity in terms of its development, if people were sharing on the order of the amount of information (00:20:00)

that we think that they'll end up sharing, then maybe those things would overwhelm how fun it was to build this. But, we just don't think we're anywhere near the beginning. I mean, instead what we ... I mean, anywhere near the end. What we've seen is, you know, there's this massive trend on the internet toward there being all kinds of information available. Right, I mean, when I was growing up, I, Google came out when I was in middle school. Right, and, and, (laughter) so, I mean, search engines. It's like growing up. And, like every year there, there was like some new cool thing. Right, so, um, it's like one year, it's all right, there's a search engine, now you can look for anything you want, or, another year, it's like, all right, now there's Wikipedia, you can like get reference material on anything you want. Now there's Napster, you can get any song you want. Right and it's like all these different services. But, the thing I think is most interesting to people is other people. So, I think it makes sense in a way that Facebook is by far the most engaging app that's been built on line to date. I mean, people who use Facebook spend much more time with Facebook per person than any other app. So, we did, for the first few years of building the company from 2004 to 2007, was with really a small group of people, we just started building versions of products that were designed from the ground up to be built around people, right. We built things like photos and groups and event, and what we found was, you know, each of these projects was built with a group of two or three people, right, because at the time the company was 20 or 50 people, or 20 to 50 people, in that range, and so when we built this photos application that don't have a lot of the features of other photos applications, right. There were no high resolution photos, you couldn't print, I mean, early on you couldn't even reorder the photos in an album, but what it had was it was built from the ground up so that as soon as you shared a photo, all your friends had it. And it turned out that that feature was more important than every other feature combined.

David: Tagging of people was the key.

Mark: And the same thing for groups and the same thing for events. So, what we have now is Facebook photos are used, I think, three, (00:22:00) four, or five times more than all other photo services on the internet combined, right, and a similar story for groups and a similar story for events. So then we hit this turning point in 2007 where we said, "Okay, we think that we can take basically any application and by building it to be around people which are the thing that people care the most about. If we just, if we, if we, if we

did that, then we think we can build a more engaging version of any application out there. Because there's so many applications that need to get built, rather than trying to build these all ourselves with teams of two or three people where we're not building all the features that whole companies could, let's build a development platform, right. That's what we've been focused on since then. What we've seen since then, is, just in the most recent release, right, we built this thing called social pluggins where, um, where you can just, any site can take a line of HTML copy and paste it and drop it into their site. For example, CNN.com already has this, you can look at any news article, and you can see which of your friends like that article without CNN ever knowing who you are or who your friends are. It's a really cool experience. What sites that have used these social plugins have seen is that the engagement that they've gotten from people using Facebook has gone up by about 2x, the referrals from Facebook. And that's just a simple integration. Um, so you can imagine that people are doing a lot of deeper things are getting even stronger results, right. And the first one that I think we're really seeing of an industry getting completely transformed is games. I think games are often an early indicator in a new platform. We kind of saw that with the iPhone. There were games that took off.

David: It used to be porn, but okay, go ahead.

Mark: Fair. I think early pc there were a lot of games. Facebook, games are really one of the first things that took off, and there were all these companies, there's Zynga, there's Playfish, there's Playdum, Crowdstar, a whole kind of new set of companies and, I mean, these are real companies. Playfish was acquired for almost \$400 million last year. Zynga on the secondary private markets has a market cast that's (00:24:00) about half of that of EA with an eighth of the number of employees. And that's disruption, right. So I think what we're going to see is, so this is year one, in terms of this industry is, is kind of the first one that's getting transformed, but I just think over the next few years, we're going to see it in every industry.

Guy: Mm-hmm.

Mark: So, that's exciting, right. So now back to your question about is it okay to spend some time interfacing with the media and governments and all that, yeah, if you get to do that. So but ...

Guy: David, let me just talk, sorry, interject here for a moment.

Mark: Guy is the moderator.

Guy: I want to get back Mark, to this idea of the question that I asked and this idea of this immense data base. And I don't mean to present it as some kind of nefarious thing that you're sitting atop, but, we know that Facebook has this incredible ability to say to an advertiser you want to target 26 year old women who like Bikram yoga, and we can get you there, which is amazing. Now, I trust you and you trusted you're currency, and you're telling us to trust you and we do, let's say, but what happens in 10 years, or 20 years, or 30 years when you're not, let's say, in charge of the company or your power is altered in the company and somebody in the company decides to take that data about us, the information that we have volunteered and handed over about our likes and dislikes, the music we listen to, our birthdates, who we're married to, what our kids names are, and sell that information. What kind of guarantee is there that that won't happen?

Mark: Well, I just think it would be the stupidest thing we could possibly do.

Guy: But, so, but ...

David: (Cross talk 00:25:40) CEO or what. I mean.

Mark: For um, no, I mean, the internet, we're talking about how technology moves so quickly, right. And I think it's really easy to say that there's all this information that Facebook has or something like that. But really what (00:26:00) Facebook is today is this engine and this community of people sharing a lot of information on a day-to-day basis.

Guy: Except that it's, that information is in a centralized ...

Mark: Actually, I think that that's maybe a misconception because the rate of information that people are sharing is increasing so quickly that the nature of any sort of exponential growth, right, is that the amount of content that people have in the system last year, will be just a fraction of the content that's in the system at the end of this year. It's going to keep on growing. And, not only are more people signing up to use the service, because they want to stay connected with friends and family, but every day that goes by each person on the service on average is sharing more information into the system.

Here's an analogy that I think is actually pretty apt for this. Think about Wikipedia, right, Wikipedia has this policy where any person can go download all of Wikipedia and fork it and create a rival encyclopedia. And, you know, some people have taken some Wikipedia content and tried to do that, but no one ever creates anything that's anywhere comes near close to, um, to quality of Wikipedia. The reason for that is because the real thing that Wikipedia is, isn't an encyclopedia, it's a community of people that build encyclopedia somewhere else, but you're not copying the community. Now, Facebook is very similar because we have all these open APIs and we're building a platform like I was just talking about and people can go and they can take all their information anywhere else. What Facebook is isn't a set of information today, it's a community of people who are using Facebook to stay connected and share information. They're only going to do that as long as they trust us and as long as we're the best tool that exists to do that.

Guy: So, just to confirm, if they were to decide to leave it, that data would be wiped out? You would no longer have that information?

Mark: Yeah, I mean, people, people can use the API, they can take their information to all these other services. Not only are we okay with that, we're encouraging it. That's the whole platform strategy that we're embarking on. By allowing people to do that, we're allowing much more innovation in other apps that we would never get around to building. (00:28:00)

Guy: We know that that, for many people, is not a choice any longer because so many people have come to depend on Facebook, it is not just a cultural phenomenon, it is an indispensable part of many people's lives. You describe Facebook as a utility like the electric company, like the phone company. Two questions, should it be regulated, why shouldn't be regulated like utility, and if it is a utility, couldn't you make the argument that it's a monopoly?

David: He doesn't mean that, when he says utility. But he should not use the word utility because everybody thinks what you think a lot.

Mark: So, when we talk ...

Guy: I get you.

Mark: Here's, here's what we started off talking about. You know ...

David: He should stop using the word utility because utilities are regulated.

Mark: When, when, when we got started, everyone compared us to MySpace. And, the big difference we saw between ourselves and MySpace was that, people used MySpace because it was cool and because it was fun. And people ask us this question all the time. What's going to happen when Facebook is no longer cool? Right, it's been around for six years, where things don't stay cool forever? My answer to that question is that our goal was never to build something cool, it was to build something useful, right. Something that's cool is not going to be around for a long time. Something that's useful is around for a very long time, potentially, if it continues to be useful. Um, so to me when I say utility, that's what I mean is that we're trying to provide people with a utility, not to have something that's fun. Um, in terms of regulation, I mean, we get regulated by users, right. I mean.

Guy: Mm-hmm. And is that enough you think?

Mark: I think like, there's plenty of dialog around what we do and important issues that are going on on the internet, I think we've shown that we listen carefully to that and that influences our policies and the products that we make. And like I was just saying, we support this open platform and we want to design it so that people can go and they can take their information and go to any other service they want.

Guy: Mark, in David's book you're quoted as saying, "Having two identities for your self is an example of a lack (00:30:00) of integrity." which I think is an interesting quote. And it goes on to explain that people shouldn't have a different persona, present a different persona to their coworkers and present a different persona to their friends. So, say, um, you know, I behave in a certain way around my family and behave a slightly different way around my coworkers, you would argue that there's a lack of integrity there. I'm wondering why you think that is? Do you think we should all interact in the exact same way with everybody we know?

Mark: No, I think that was just a sentence that I said. Um, (laughter) I mean, that was like the wrong part of an argument.

Guy: That's a quote. I was worried you were going to say that. Oh geez. (laughter)

Mark: No, I mean, what is the definition of integrity? I think it, it literally is being the same thing in different spaces.

Guy: Are you the same person right now that you are when you're with your friends for two years?

Mark: I'm not, actually, probably, yeah, I mean.

Guy: They're around.

Mark: Same acquired person. Um, I think that that is the definition of integrity, right. Like the dictionary definition is having the same face, not saying one thing to someone and saying a different thing to someone else. So I think actually by definition, um, if you are presenting one face to another, to one set of people and another to another, that is a lack of integrity. I wasn't making a value estimate on whether or not ...

David: Perhaps it would help if you studied Greek. Yes, go on.

Guy: I mean, the, the, the, Janice (Headright, 00:31:22) but you do talk a lot about from this idea of, I want to expose any transparency with both of you because I think it's fascinating. I'm interested in this idea of transparency because there's different ways of looking at. David Brooks in the New York Times writes about this a lot. He talks about transparency in government and how paradoxically it has created a climate where more, more, fewer Americans actually trust government. The more transparent government is, the fewer people trust it. You really push this idea of openness and transparency, um, what do you think it will lead to. Why do you think people should be willing ...

Mark: What do I think of what?

Guy: What do you think it will lead to? Why do you think people should be willing (00:32:00) to reveal details about their lives, open themselves up to the world? I mean, why not keep some things private and personal?

Mark: Well, I think people will always keep some things private. I think there's a big difference between now and 20 or 30 years ago is now everyone at least has the tools if they want to, to share things. But, a core tenant of Facebook has always been control. From the

very first version of the site, we built privacy controls that every single piece of information that you put on the site. You could say exactly who saw it. Um, and, one of the challenges that we've had is the company has grown is trying to make it so that scales because now people are sharing way more things than they were at the beginning and we want to make sure that they continue to have controls for each thing, but we don't want to have a thousand different controls that they touch. So, so that's one of the big areas that we've been modifying and innovating on recently. It's just, now, you know, there's just one master control, you know, you go to your privacy page, you can say in a few clicks I want all the content I share on a day-to-day basis to be visible to only my friends. That's what I want.

Guy: And clearly that was a response to the criticism and, and, and that has dissipated by and large. Um.

Mark: But going back to the question, oh, I'm sorry. You were going to ask a different question. Go for it.

Guy: No, please, please.

Mark: Control, when people feel comfortable sharing information and they feel like they have control what they share and who they share it with people become comfortable sharing more things, right. So for example, if I only can choose my mobile phone number with everyone on Facebook I wouldn't do it. But because I can do it with only my friends, I do it, right. So now, there's more ability for me to actually share those things. What I think that that creates over time is there are these opportunities for people to share more thing and I think a lot of people are realizing that, "hey, it's really valuable for me to share more things in certain context." And that leads to this kind of broader social change where I think now there's more transparency, right. I mean, more people are blogging, more people are using (00:34:00) Facebook to share more stuff, more people are using Twitter, more people are posting stuff on Youtube. That means if we want there's more out there that we can go look at and research and understand what's going on with the people around us. I just think that leads to broader, kind of, empathy, understanding, um, just a lot of kind of good (inaudible 00:34:16) human things that make society function better.

Guy: David, a brief note, a very interesting chapter on privacy in the book which I found very useful and did you want to say something about that.

David: Well, I was going to say, first of all, I totally buy what Mark's said. I mean, the reason people put so much data on Facebook is because from day one it was the first place that ever existed on the internet that had privacy controls. It was the only place anybody had ever put their real name and their cell phone number and their email address because they could control who saw their data. I think one of the reasons this privacy issue is so fraught for Facebook and leads to so much discussion and controversy is because people have entrusted an enormous amount of data to it. And I think they're worried that maybe their trust was misplaced. This is where I think Guy's question before is a legitimate one about what would happen if you weren't in charge. You know, there is this huge mass of data in there. But rather than have you answer that again, I would like to ask you another question, which is closely related, and very related to what you just said. My own personal feeling, and I've spent a lot of time talking to people about Facebook, it's like all I've been doing for the last six or eight weeks, cause I've been promoting my book. I just came from Kansas City last night. So, why doesn't Facebook make it much, much, even easier than it is to set up group functionalities? You can control, like, the family, the best friends, the high school friends, the church friends, the friends you just friended on Facebook because you couldn't say no, (laughter) but each one, each one of, but each one of those is a different category for whom you want different visibility into you and you want to see different visibility into them. It seems to me you would get more sharing if that functionality was radically improved. (00:36:00) You've got it. It does exist.

Mark: Yeah, yeah, no, no, you're right.

David: But it's not easy enough to use if people don't even know it's there. So how do you deal with that? You're going to improve that?

Mark: We're going to do better. We can do better. Yeah, this is one of the core areas that we need to work on now and we are working on. Now people have all these different groups of friends and. It used to be that saying I want to share with my friends was a good ... that, that meant private. Like, I don't want to share with everyone. I want to share with my friends. But now I think more and more people have sub groups of friends that they want to be able to share

different things with sub groups. That I think is a really important case and we're cutting at it in a lot of different ways to get there. And hopefully soon we'll have more to talk about.

Guy: To what extent. To what extent does, to what extent does the success of Facebook depend on the majority of users choosing the least restrictive setting, privacy settings?

Mark: I don't really think that that matters much. I think the key is that people can share with whoever they want, right. And that people, it goes back to the point I was making before with Wikipedia, what we have is a community of people here who are this engine for sharing and connecting. The key is that they can do that in whatever way that they want. I think the question that you're talking about, of being able to segment it into, um, and just saying, here's my family, here's my work friends, here are my school friends, here are my high school friends, whatever it is, um, that would be really valuable to do. But I think that that kind of gets to one of the core things in building Facebook is that designing products that do these things simply is pretty hard. I think that's one of the big innovations that we've had is, I mean, earlier on, you guy, like, we were watching that video, I mean, we're not designing microprocessors, but what we are doing is designing very simple ways for people to have social interactions that are very nuanced. And, um, I think it's a lot easier in (00:38:00) a lot of these cases to point to what a problem is than to come up with what is a solution that people will actually use. Um, so let me give you an example of something that we did that actually didn't work that well. Um, our first cut at trying to help people segment stuff, segment their friend list into groups was this functionality that we call friend list, right. It's basically you can go and you can create a list of people, um, and you can put whatever friends you want to whatever list, you can say okay, here are my high school friends, here are my college friends, here are my work friends, whatever. It turns out that most people don't want to go and create lists of thing. Most people would not even even have a friend list to begin with except for the fact that the act of creating friends is a very nice social interaction, right. You get to reach out to someone and say, "Hey, I like you, will you be my friend." And the person can say like, "Yeah." Right. And, I mean, that's nice, right. There's this nice feeling that goes along with that. Um, and I think that that's why people do it. People aren't on Facebook because they want to list their friends, right. So that's what designing the product is about, right. It's kind of coming up with these way that kind of align people, what people are trying to

do, which is stay connected, with building out this platform which is going to help them stay connected even more when you can do more things with it. I think everyone agrees no doubt, we would be in a better place, and people would be able to share more if everyone magically had these sub groups created. Um, I think that there is a solution to it and we need to get there, but it's hard, and that's one of the big things that we're work on.

David: This is a passionate subject for Sean Parker as you know, I mean, he believes that you should, every time you see a name on Facebook you should have an easy drop down menu and you should be able to put people into a group based on, you know, your groups, (inaudible 00:39:44) every time you see the name, shove them into a different group, change the group or whatever. You know, you said something before that I think is really interesting and I'd like to just quickly, I know, it's kind of a dual interview here, but anyway. Um, you said (laughter) it doesn't matter whether people use the everyone privacy (00:40:00) setting that much, right? You made this change in December where you sort of forcibly caused people to use the everyone privacy setting and it led to a lot of controversy and you undid that later. Are you saying that when you undid it you didn't regret it and feel like, "oh, we sort of lost the ability to do things I wanted to do." I mean, I personally was not happy that I had always had my friends list friends only and you undid that. Now you've given me the ability to go back to the way I like it. But, how important was it to you to try to make it the way that you tried to make it?

Mark: So, honestly a lot of what we were trying to do, was just create a very simple experience, right. We don't want to have a million different setting that people have to touch, because if they do then they won't. Then they won't use the system because then they don't feel like they can control their stuff. We tried to create a simple, a simple set, um, a simple system for them, based on the settings that we actually saw that people were using. And we made some mistakes and we got it wrong. And it turns out that even if only .1% of users use a setting, they really care about that setting. (laughter) and so it's fine, right. That's our job is to try and balance that. We make a lot of these tradeoffs. I hope more often than not we get them right. Sometimes we make mistakes. We always listen. We try to, um, to make sure that when people have feedback that we take that into account. And when it's real user feedback, right, not, not just something's that are getting kind of a lot of attention. But I think the reason why we made a lot of the

changes is because we look at how people use the site. The site has evolved a lot over time. It started off as this college thing, right. I built the first version when I was in my dorm room at Harvard. The way that the site worked early on was you shared with the people around you and your college community and your friends. So, it's always had this element of it was your friends but it was also the people around you, like, cause, I mean, you wanted to share with maybe (00:42:00) the people who were in your classes at school, or maybe the people who you were in a club with who weren't your friends yet, right, and that was really valuable. Now, as we got out of college and more people started signing up we found that there weren't as good proxies in society as a college for like the social circle that surrounded your whole community. So we tried other things like the city around you, right. And that worked pretty well, but then we were growing so quickly that what happened was we couldn't actually keep up and we couldn't actually provision a city for each geographic area. So, what we ended up with, especially early on when we didn't have a lot of international growth was, we had these kind of crazy situations where a whole country would be a network, right. So Germany was a network. India was one network. China was a network.

Guy: Everyone of those countries could have effectively see everybody's info.

Mark: Yeah, exactly. Now, the interesting thing is that those users were more engaged on the site than people who could only see and communicate with the people around them in college. So, in the US, we almost had this completely different experience, right. Where a lot of us have these college networks, we have work networks or we have networks for our companies and that's been our experience. It's been a lot tighter and we enjoy that even though, ironically, it's led us to use the site less on average, whereas, internationally where at now 70% of our users are outside of the US, they are actually getting a huge amount of value out of sharing in that way and having those be the setting. So we decided okay, well going forward for new users, let's do something that's more like that. When we got feedback that people wanted to make sure that they could tweak it more easily, um, if they weren't happy with those setting, then we kind of holed up in a room for a few weeks and we built that. Or we built this one control where now you go to your privacy page where there's just one control and, um, you know, you can click twice and have all your content set to friends and you're good. But, we really listened at what people used, how

people used the site, because people are (00:44:00) the site. So we listen to what people when they write into us, but we also listen to what their actually doing and we look at the data of how people are using the site and we try to make informed decisions on that.

Guy: Um, Mark, let me move away from the privacy issue for a moment. We still have a lot of questions for you and I'm sure there's a lot of questions out there as well. I want to ask you about Apple. And I want to ask you about how much of an impact Apple had on how you are thinking about calibrating your product. As you're aware, many people are using Facebook on mobile devices increasingly, myself included. You cannot right now, for example, upload a video you take with your iPhone directly to Facebook. Um, as more and more people start to use Facebook on mobile devices, particularly Apple devices, will you start to alter your product to accommodate those users?

Mark: Well, I think in a way we already do. I mean, we have an iPhone app which is specific to the iPhone which more than 50% of people who have iPhones have.

Guy: But the thing I'm talking about, for example, uploading video, I mean, obviously Apple has this, issue I think is an understatement, with Adobe. (laughter) how do you, sort of, what do you do about that?

Mark: We do the best we can. (laughter)

Guy: You stay diplomatic.

Mark: I mean, there's, it's a great platform, right. And a lot of people like using it. Actually it is an interesting challenge developing things today because in 2004 when I got started with Facebook, it was very clear what we were going to build, we were going to build a website. We weren't building desktop software. We weren't building something for a phone. Desktop software was the past phones were too far off into the future and not a mature enough platform yet. Build something for the web. Today I think it's, it's, it's, there are all these opportunities and challenges because (00:46:00) you have a web version, you have a iPhone version, you have an Android version, you have an iPad version, you have a mobile web version for phones that have touch interfaces, you have a mobile web version for cheaper feature phones which don't have, um, which don't have, like rich and browsing interfaces, and it actually ends

up being really challenging to develop for all these environment, but it reaches a lot of people. You know, it's how people want to use the service so we, we spend a lot of time doing it.

Guy: In a recent article in the New York Time, (Megill Health 00:46:33) wrote an article that said, "Google regards Facebook as its biggest threat today." Do you think that you threaten Google?

Mark: It's interesting that people talk about that so much, because if you think about it on its face, we don't do any of the same product, right. I mean, like, they do search, we don't to search, they have email, we don't do email, we have mass ...they do more direct response advertising and we do more brand advertising so even that is quite different. So I don't know. I think there's one perspective on Google which is that Google's market cap is greater than that of all other internet companies put together, so from that perspective they could see any growing company as a threat. But from our perspective, they don't have to lose for us to win. More people are using Facebook everyday and that doesn't mean that people are using Google less, right. So, what we're trying to do is just make it so people can stay connected with their friends and the people around them better. That's just not a service that anyone else currently provides, we think it's important, so we're going to try and do it as best as we can.

David: I just wanted to make a point on the Apple issue. You know, the Facebook app is so central to the success of the iPhone that if Facebook were to determine that the way that Apple was handling video was truly problematic for Facebook, in my opinion, they would have more leverage than anybody (00:48:00) probably on the planet, to argue for a change in the way that it's handled. I firmly believe the iPhone would not have become nearly the phenomenon that it is, and I have one. If the Facebook app wasn't on it. It's a huge percentage of total application use on the iPhone. I'm sure if any us heard the number which is a highly closely held secret, it would be astonishing how high of percentage of usage it is. So, Mark is not enthralled with Steve's job is what I'm saying. I think Facebook has extensive leverage if it needs to exercise it. I doubt if Mark would confirm his opinion on that, but that's my opinion. And I do know, isn't it true, you're spending a lot of ... you've gotten to know Jobs pretty well recently haven't you? Haven't you spent some time talking to him lately?

Mark: And he's great.

David: I think he's spent a fair amount of time talking to him. (laughter)

Mark: No, I wouldn't say a fair amount. I spend all my time building product. But, um, you know ...

Guy: What do you make of, um ...

David: There's that Ambassadorial responsibility coming up again. (laughter)

Guy: Speaking of competitor or potential competitors, what do you make of these groups of people who are working on open source, um, social networks like Facebook where data would not be central, would not be stored in a central location, Diaspora, for example, you've got to be aware of this.

Mark: I've donated money to them.

Guy: There you go. Reading David's book it reminded me, and reading about how you guys created Facebook, it seems like there's a lot of that kind of energy in Diaspora. A) Does it worry you? But) Does it remind you of yourself three or four, five years ago?

Mark: You know, I think it's cool. Early on in Facebook we had this project wire hog that I think you actually cover a bit in your book.

David: Just a bit, yes.

Mark: I don't know, I actually haven't read the book.

David: He doesn't like, he's not ... (laughter)

Mark: I don't read stuff often.

David: Are you going to watch the movie though.

Mark: Probably not.

David: That's what I thought.

Guy: We'll get there, we'll get there. (00:50:00)

Mark: So, early on, you know, so, we talked about a little before about how photos ended up being such an important part of the Facebook eco system. From early on, our users were requesting that we add more photos to the site and ready or not, we had no money, right. And hosting photos is expensive. Um, so we figured, okay, let's build a decentralized, um, application that can plug into Facebook that's a web server, it looks a lot like what these guys are doing, where people can host their own photos, wouldn't that be great, right. Um, and I think it just turned out, at least in our implementation. We couldn't get it to work as well as we wanted. And it turned out that us hosting the photos application and running that our selves was a much better solution once we had the resources to be able to do that. But, I just think it's cool that all these people are trying all these different things, right. I mean, I think some things, some technical systems become decentralized, some become centralized, right. I think we can all probably agree that it would be pretty bad if the search index were split on to 10 different sites and you had to search in a lot of different places. I mean, that's a service that I think makes a lot of sense to have centralized. Um, but, are you okay?

David: Yeah, yeah, I'm fine.

Mark: All right. Um, and so, I don't know, I just think it's cool to see what all these people are doing, right. People are building great apps the use the social graph through Facebook like games and all these other applications, people are building other kind of alternative structures to mapping out the graph that I think are cool innovations, um, it's all cool.

Guy: Um, Mark, in the spirit of openness and transparency that obviously you, um, I do have to ask you some questions that you probably don't want to talk about. But, there is a Facebook fan page. 5000 users have signed up to this fan page for a film called the Social Network. It has a Facebook page. You know that it is a ...

David: I have more than that for my book. (laughter)

Mark: There you go.

Guy: We all know that this is a, um, telling, um, we'll just say, a kind (00:52:00) of telling, or an imagined telling, of um, well, imagined history of Facebook, first thing, do you plan to see the film?

Mark: I mean, probably not. Generally I don't read stuff or watch stuff.

Guy: I just asked you. Do you, I mean, do you have any anxiety about it coming out? Do you have any worries or concerns? Is it annoying?

Mark: You know, honestly, I wish that when people tried to do journalism or write stuff about Facebook that they at least tried to get it right. Um, so, I mean, that's why having not read all of your book, I've read a part of it when you sent it to me, um, I at least appreciate the effort that you put in, in terms of spending all those hours and days talking to dozens of people, um, in the eco system around us, at least trying to understand what's going on, right. If I had read your book I probably wouldn't have agreed with everything, right. But at least there's a sense of serious journalism, right. And at the same time, I mean, there's another book that was written about us that was written by a fiction writer and these guys were, um, decided to have this idea, right, let's make a movie about Facebook. Um, and they seen they had a few choices of books to base it on. We'll just base it on the fiction book.

Guy: Just in his ...

Mark: You know what I mean?

Guy: Just in his defense, he did try to interview you for his book.

Mark: Um, the reason why we didn't participate is because it was very clear that it was fiction from the beginning. When we talked to him about that. And he basically told us, I'm most interest in telling the most interesting story. We want to make sure that we're never, that we never participate in something like that so then someone can take something that's really fictional and say, "and we talked to Mark Zuckerberg for this." Right. So, um, I think it's clear that it's fiction. All the book reviews of that (00:54:00) book, um, from people who know it say that it's fiction. The movie is based on the book. I don't really know how much else there is to say about it.

Guy: Do you wish that Justin Timberlake was playing your character?
(laughter)

Mark: That really would not make a difference one way or another. You know, the guy who was playing me, his cousin works at Facebook.

Guy: Oh really.

David: And he still has a job right?

Mark: He is currently the lead designer on newsfeed and I meet with him every week to go through the next version of what we're building. I mean, he's a cool guy and he's really talented. Um, you know, I'm sure all the people involved in the movie are talented, right. So, that's cool, but I mean, the movies fiction and I think that's really the most important thing that we have.

Guy: And you'll just sort of let it go and hopefully it will pass?

Mark: Yeah, I mean, I really believe that all that we can do is focus on building the best thing and that over time people will remember us for what we build, right, and not what anyone said about us along the way. And, um, maybe that's idealistic and maybe I have to think that, but that's what I chose to focus on, right. And what I want to keep the company focused on. But I think that that means, you know, you can't just say that I want to ignore things that sound bad or that that are kind of made up about us. I think it's really important if you're going to have that perspective that you also don't pay too much attention when people are saying really good things about you either. We have a really strong sense of the company of what we're trying to do, and that's what guides us.

Guy: Do you sometimes wish you could drop out and escape for a moment and get away from the inevitable celebrity that comes with being who you are and what you created? Do you sometimes just think, "God, I just wish is could, like, shut it off." for a day or two days or a week.

Mark: Well, I mean, I can, it's called hanging out with my friends at home or at their homes.

Guy: You can't, you'd be recognized anywhere here.

Mark: Not in my house. (laughter) I mean, you can't come to my house. (00:56:00) (laughter), I mean, a lot of my friends now, my closest friends are people who I've known throughout the whole experience or people who I've gotten to know by working with them really closely over the past few years, right. I mean, as an example of one piece of fiction in the movie, I think they somehow try to portray it as if I'm building Facebook to get girls. (Laughter)

Guy: Somehow, that's like the whole theme of the movie and the book.

Mark: I haven't read the book and whatever. The truth is, I've been dating the same girl since before I built Facebook, right. So, um, like a lot of the people who have been through the story have been consistent throughout. It's that core group of people who work on it, who care about it, who are your friends, who are really the important people, and that's what matters.

David: Also, wait, it's not, it's a much bigger issue for Facebook, it's the issue of how media books, movies, change the image of Mark Zuckerberg and the company is a far smaller issue for them, in my opinion, than what governments and regulators are going to be saying and doing. And this is why I think this issue of, you know, do you really want to be out there meeting with David Cameron every week, like you did the other day. That's what you're gonna have to be doing, because whether you like it or not, I don't think the movie really matters in the grand scheme of things from a stand point of Facebook's success or failure. I do think when you are maintaining all this identity information for people and you're getting into areas where governments feel very threatened and this issue of privacy is of such great concern in so many jurisdictions, this is a real issue. I think the movie is something of a distraction and I honestly would like to hear more about how you think you're going to handle this issue. We've seen it with the privacy regu, the commissioner of Canada, you guys negotiated with them for a full year, and then she got mad again after you did the recent stuff. And the EU is coming (00:58:00) at you and the Australian government's coming at you and, and. This is a real, I must think about that, don't you?

Mark: Yeah, I think that there important dialogs to have. And you know, there are all these folks that we work with. We obviously mostly listen to what our users' want, both in terms of what they do and what they tell us. We work with a whole set of nonprofit organizations who are the voice of users on privacy issue and security issue and things like that and we interface with governments. What I find more often than not is that all of these people are reasonable. They all are doing what they're doing because they think it's good for the world. No one is coming at us with bad intentions. I think the key is just to engage with all these people who are trying to have this real discourse around serious issues and try to come to the right issues. The internet isn't stopping.

Guy: Are you personally willing to engage in that to the degree, I think it's going to be necessary for the CEO of Facebook, whether it's you or somebody else, to spend a very substantial percentage of their time doing that. I wonder whether you want to do that. I mean, Larry and Sergey hired Eric Schmitt. This is like the question people ask me all the time. Are you going to hire that kind of a person because you really are a product guy, you know, I don't know whether you, I've heard you did a great job with Cameron by the way, and the whole cabinet, that's very cool. Maybe that is what you're going to want to do more of, and I'm not saying that you can't succeed at convincing them of a lot of things you're talking about up here, but there are enormous misconceptions abroad about Facebook's reality and intentions, and when you are operating in literally in every country on the planet, except for North Korea, China, Cuba and a few others, you're going to have these issues day in and day out.

Mark: I think the strategy is as (01:00:00) follows. I mean, we have a great team of people who are just top notch in this field. We hire the best engineers and product folks, we also hire great policy thinker because a big part of what we're doing is shaping internet policy, right, and how that plays out over time through our product, right. And, like I said, we're not the last chapter in this. The internet will not stop, right. The internet is going to keep on going. These issues are going to be important issues. We want to make sure that we engage with the people who are having this debate to make sure that everyone gets to the right place. I think that the great people that we have on our team are actually going to be able to do a lot of it. Now, in terms of these companies, I don't know if the model of hiring a CEO to be externally facing, while the people who are making a lot of the decisions aren't that person is really a viable model. I mean, this technology company is really our product companies and a lot of the most important decision, I think all of the most important decisions come down to what you're offering to the people that you serve, who are your users, in the end, right. And I think that's the most important thing, right. So we need to make sure that we handle all these things as part of a team. And that's why we spend a lot of time just trying to get the most talented folks on all of these different realms to join us. But, I think for the long term, I think it gets back to what I was saying before about how I don't we're anywhere near the end of developing the platform. The platform decisions we make, the product decisions, the technology decisions we make are going to be the most important

decisions we make over the next five or 10 years. I think that's what the roles are.

Guy: Um, in, um, in the book, David describes a leather bound notebook that you started carrying around in 2005, you used to scrawl notes in it. Um, as (01:02:00) far back as 2005, you laid out your vision for the newsfeed, for opening registration to everyone, opening Facebook up to apps by outside developers. All of those things happened. Um, what's in your book today? Or if you're not keeping a book anymore ...

David: He might be. He probably is.

Guy: What are you thinking about, what's swirling around in your head?

Mark: I think I've talked about a lot of it. But I mean, the platform stuff I think is, it's just there's so much more to do.

Guy: What should users of Facebook expect to see in the coming years? There's actually a good question here that ties into this, I mean, will we be able to make phone calls or do two way video chats or get CNN video for example, 24/7, is that a possibility?

Mark: I don't know if the goal is to get that inside Facebook.com, right. I think what people should expect over the next five years is that virtually every important service that you use online, but eventually off line too, are going to get remade and designed from the bottom up with people at their center. That might happen from (inaudible 01:03:11) leading incumbents into the spaces, or it might happen through disruption, from new entrepreneurs who are structurally have more of an incentive to take risks and just will overturn things like we're seeing with games now. But, I think that that's what's going to be exciting. We have a lot of work that we need to do, um, to make sure that we build out that kind of plumbing properly, right. And that we build all the products on Facebook well enough to handle all of the different types of information that people are going to want to share and that are going to be flowing through the system. But, if we can do that, then you can imagine the world is going to look a lot different. Everything from how we get news, which won't necessarily be on Facebook, but maybe the CNN of the future, or the New York Times of the future just looks a lot more social. Instead of just getting the pick that are from editors, (01:04:00) you get picks from the people who you trust the most and who have similar interests and the whole news

paper's personalize to the things that you've said that you're interested in. You know, we've already seen experiences where you can go to internet radio on Pandora and it just automatically starts playing the songs that you like, without you having to do anything, cause it's personalized. You can turn it off if you don't want that experience but it's a great experience.

Guy: Um, we, of course, in our business know that there are major consequences for that as well,

Mark: And they're going to be good. (laughter)

Guy: We hope so. I'm going to turn to some question form, some more questions ...

David: I was going to say, you know, there is no question that what he's saying should be listened to by anybody who's concerned about the future of Facebook. Facebook's goal and strategy is not to be a website long term. They are very consistent about it. Mark and his engineering and product people all say the same thing. The platform is Facebook's future. And that's basically what he's saying. It won't happen inside the confines of Facebook.com. Facebook is aiming to be a set of services that are applicable to people no matter what they do. It really will extend beyond the internet itself. It's going to be on your web, on your phone or your mobile device, you're going to carry with you and you're going to apply it to, increasingly, everything you do, if he gets what he's trying to build, you know, implemented. That's ...

Mark: You know, I think that if we don't succeed at building it someone else will. I think, I just think that this is likely the way that things are going to go. If for no other reason, that we've seen that every single app that has been built and designed with this methodology of build and design around people is significantly more engaging and grows faster than all the other types of apps that haven't. Right now it doesn't mean you can do it poorly and have it work, but whenever there are good entrepreneurs, whether it's folks who work at Facebook on photos or groups or events or folks (01:06:00) who are tackling games now or people who are working on ecommerce stuff in the future, when people hit that it's going to work. And, um, we can be the platform that provides that, I think we're certainly in the lead now, but we're not near the end, right. So there's a lot of room for innovation left and we need to keep on moving in that direction if we want to help support this.

Guy: Mark, I got to get to some of these questions cause there's some very good ones here. Here's one I like, it's, um, the question is, "as CEO, when was the last time you actually wrote code?"

Mark: For Facebook or not? (laughter)

Guy: Well why don't you answer that (cross talk 01:06:43)

David: Your not developing another product again are you?

Mark: No, no, I mean, all the time for fun. I think it's really important that you use your own product, right. So, for example, I use Facebook.com all the time. I use the mobile versions, all right, I have an iPhone and I have an Android phone because I think it's important to use all these different things. If you want to build a platform you also have to be a user of that. That means writing code. So on the weekends sometimes I do. Um, the most recent time that I checked in code for Facebook.com, um, was actually for the platform as well. Leading up to F8 which was in the late April this year, that's our annual developer event, the platform team which was kind of sitting there and they had this big monitor on the wall with the number of bugs that they had left to fix, um, and it was like 150 three nights before and everyone was pulling all-nighters constantly, it was like, "alright, I've already written my keynote, um, I'll help out." I figure that's pretty good for moral, right, I mean, you get like, that people and then Schroepfer joined in, our head of engineering, and, um, we just kind of sat there and we fixed some bugs and we wrote tests to make sure it was going to be stable when it launched and it was fun, right. (01:08:00) And it felt so good because so much of the infrastructure of what we do requires having good code and good abstractions that actually being in there and being able to see the work that people are doing on a day to day basis, um, just gives us a much clearer sense of, kind of, the investments that we need to be making to run the company better, to build better products in the long term.

Guy: What are the issues or things that keep you up at night?

Mark: The main thing is just that, it just kind of gets back to the theme of, there's so much more to do, and, I mean, we're just this little company, right. We have 1500 people now.

Guy: Little company worth \$27 billion.

Mark: Well, you know, I mean, who cares. I measure it in terms of ...

Guy: Your investors do.

Mark: I measure it in terms of the number of, the number of people who are working on it, right. And there are 400 engineers at the company and right now about 150 really excited interns who are writing code. Um, but, that's it. There's no other organization on the face of the earth that has 500 million people that it's serving with 400 people writing code for that. Um, so, I think the biggest question when you look at the eco system and you come to the conclusion that I have that we are not near the end, right. We are not in maintenance mode. Um, there's a lot more innovation, there are a lot more people, I mean, 500 million people may be using the service today, but I think that this is something that over time everyone is going to want to use. I mean, everyone has friends and family and wants to stay connected with those people. So, we have a lot more work that we need to do to get it there, um, the question is how do we get there, right. And are we moving fast enough, how can we move faster. We do all these things and we try to be bold and we try to move quickly, but I actually think the biggest challenge might be, maybe, how can we move even faster.

Guy: Because you see other people creeping up?

Mark: I mean, not, it's just that the opportunity (01:10:00) is so big, right. I mean, I think, if we, if we fail then inevitably that will happen, but I think that there are companies that their primary dynamic, that they're primarily limited by competition, right. And they're in more of a zero sum market where their win directly means someone else's loss. I don't see that much with us. I mean, I think that there are competitors and that's important. And we want to look out and see what good things other people are doing so that we can learn from them, but it's not zero sum. I mean, there are, a couple years ago, there were many fewer people using Facebook, now there are a lot more. In a few years there will be a lot more people using social networks. It's our job to make sure that we build the best one so it's Facebook that they're using. And um, but the segment is growing, the behavior in the world is growing. I just want to make sure that we do our best and kind of getting the world there.

Guy: In David's book, he describes, um, sort of the evolution of how you dealt with being the CEO, being 22 and now 26 and working with people older than you. Your COO obviously at least 14 years older than you. Um, what in your opinion, this is a question from the audience, makes a successful entrepreneur? Why are some people, why did you become a successful entrepreneur rather than others who had great ideas, who had some success but then failed? What do you think you did different and are you still learning how to be a CEO?

Mark: Well, I think they're actually two different things, being an entrepreneur and being a CEO. I've spent a lot of time thinking about this because obviously it's a very important thing for me to reflect on and talking to the folks around me, what I really think it comes down to are two key things for building something well. (01:12:00) One is just having a really strong sense of what you want to do, right. Because along the way, there are so many distractions that if you're not completely clear on what you want to do, you're going to get sidetracked. I was watching this interview with Steve Jobs once where he was basically, an entrepreneur asking for advice, it's like, what would you say to me, um, as an entrepreneur, and the advice was make sure that you really love and care about what you're doing because if you don't, it's so irrational the amount of time and energy that you have to put in to building what you're going to build, that it's just not worth doing and you're going to fall off at some point along the way. So I think that's number one. It's kind of being clear of what you want to do and really caring about it. Number two is building a good team, right. And like, that's what I spend a huge amount of time on and when I'm not building products and, I don't even really build products anymore, I work with teams who build products, it goes all the way down the organization from a really good head of engineering who can scale out and really get the perspective, the best packers and engineers and people who want to build stuff to a head of product who can really communicate exactly what you're going to do to make sure that every person in your company knows exactly what the plan is, um, to really good business folks like Cheryl who, keep in mind, any of these people could run the company. Um, I mean, it's to the question before about like, should I be running the company or not. If I were to disappear, any of them could run the company. I just think that that's a really important thing when you're trying to build something. You need to, you to get great people around you, right. So, but I think that if you've got a clear idea of what you're doing and you have great people then you're, that's a lot of the battle.

David: The scope of the vision that he had from the beginning was quite extraordinary, I think that, in case, was a secret sauce element, but it's really interesting (01:14:00) that he has been able to hire people from the time, from getting Sean Parker, you know, all the way through to Cheryl and all the amazing senior leaders that he has now who really share the vision. I mean, the scope of the vision to begin with was very, very, very big and he's done an amazingly good job at finding people who are good at all sorts of sub segments of the task who also share the scope of the vision. That's kind of, if I were a, if you could mimic that, you're going to have a successful company.

Guy: And do you still, do you still sort of study how to be a CEO. I mean, do you think about what you need to do and what you need to learn to do that job?

Mark: Yeah. I mean, I started this when I was 19 and I knew nothing. So, I mean, when I moved out here I was so lucky in terms of just happening to meet the right people who could help us with the simplest things about building a company. Um, meeting venture capitalists who have seed investments so you don't have to keep on spending all of your college tuition, doing a contract to set up a data center, I mean, I took computer science classes, none of them were on how to set up a data center. So, um, so, yeah, we've made probably every mistake that you can make, like, as a company and yeah, I think that if the plan plays out, right, and if the next five years are as exciting as the last five or six have been, then there are going to be a lot of hard decisions to make and we'd better spend a lot time thinking about how to get those right. We're going to get a lot of those wrong, and we'd better learn from that. Um, so yeah, yeah.

Guy: I like this question, (01:16:00) um, it say, "you are always asked the same questions in every interview about privacy and data, are there any questions that you wished people would ask you?" What would you wish that I asked you, or that David asked you?

Mark: Yeah, I mean, there's this odd dynamic in these interviews where the stuff that I'm most excited about in any point in time is what we're building now and I can't talk about it. (laughter)

Guy: What about openness and transparency? Right?

Mark: We can talk about the future, um, I think, yeah. I think we've touched on a lot of those topics. Um, I don't know. Maybe I don't spend enough time thinking about that because I'm too busy answering the questions that I don't want. (laughter)

Guy: But it is part of the price you pay for pursuing openness and transparency, which I think is a good thing, but at the same time, there's responsibility that come with the pursuit of those ideas, right? Fair enough, isn't it?

Mark: Are you talking about just doing interviews and things like that?

Guy: Yeah.

Mark: Yeah. I mean, it's definitely important, I think, as the company is scaled, to make sure that all the people who use our service everyday, which I mean is actually perhaps one of the most amazing statistics about Facebook, I mean, we talk about we just reached 500 million are using Facebook. We've always had this crazy stat that more than 50% of our users use the site every day.

David: It's still true.

Mark: Still true, yeah. Um, we figured it would, as we got into people using computers less, that would stop being true, but it hasn't. Actually, in the last year, the percent has gone up, which I guess means were doing a good job.

David: What is the percentage?

Mark: Um, it varies. I don't want to give a specific number, but you can say it's a little more than 50% use it every day. (01:18:00) Um.

David: Where do you see the largest growth potential by the way?

Mark: Well, I mean, there are different countries. So, for awhile our strategy was, just kind of see where it grew. We had no targeted marketing or anything like that. And really, that's an interesting thing about Facebook too, we don't do broadcasts, right, we're not trying to market ourselves. The way that the site grows is because people tell their friends that they should be on it and then they get their friends on it. So the whole marketing for the service is, um, us basically giving people the tools that they need to get the people that they want onto the site. Um, so we never, until very recently, targeted a

specific country as a place that we wanted to grow in. And we started off in colleges and from very early on, we just basically took request. I mean, people emailed in and said, "Okay, launch it at this college." And then when we had servers, early on, I mean, I was renting servers for \$85 a month. Um, we'd put ads up, when we had enough money, we rented more servers, when we had more, enough servers to have more capacity, we basically stack rank the colleges that wanted to get on Facebook and, um, by the number of requests that people had sent us, and we opened it up to those colleges first. When we made it so that anyone could sign up, we built a tool so that users themselves could translate the service. So basically, we had this thing where, we opened it up and within two weeks all of our users had submitted and voted on all these translation, to translate every single string of text, of which there are 10s of thousands into Spanish, and then we opened up to French and they translated in one day. I guess they're really passionate about their language. (laughter) and that's kind of how it grew. You know, people who wanted in their country, (01:20:00) um, did the effort to get it in their country. Now it's only recently that we're doing more targeted things, and the reason for that is that we ran out of countries. Um, we, um, there are really, there are a couple of countries where we aren't yet the leader, but I think the trajectory is pretty clear that we will be, like Brazil, India we just passed the previous leader there. There are really are only four countries that we're not the leading social network service in, it's Japan, Russia, Korea, South Korea, and China. So, we're focused on that now. This year we're focused on Japan and Russia, we have three engineers who are like, "All right, we've never done anything like this, we want to just get parachuted in to Japan and we want to just rent an apartment and code and go rogue." And we're like, "all right, go for it." And they're working on that. And in Japan, I think we're already more than a million people and they've been there for six or nine months. So that's going pretty well, so that's one area for growth. There's the countries that we haven't yet, yet really gotten into. But the other one is just making it so that everyone uses the service. We've seen countries get up to as much as 80% of the internet population on Facebook. The theory is that, it really is a universal service. Basically, everyone has friends and family and they want to stay connected with those people. Whereas the people ask us these questions all the time of, how do people use it differently in different countries, how do people use it differently at different ages? And the thing that's crazy isn't how people use it differently. It's how similarly they all use it. Um, so I mean, there are differences, differences here and there. I mean, there are different

applications that people use in different countries, but by and large, it's really similar and I think that that's why something like this will end up being extremely universal. There are countries where we're at 80% of the internet population are on (01:22:00) Facebook and their countries like the US where I think we're around 130 million people are using it and there's a lot more to grow. I think it's just going to be really interesting over the next few years, and this is one of the challenges at the company that's really fun, is we get to build product both for countries where there are no users yet and for countries where a huge amount of people are on the service and the real challenge is getting people who barely use their computer to be able to ramp up and wire up in a social network.

Guy: Mark, last summer, the state department reportedly asked Twitter to delay a routine maintenance outage, and the was during the Iranian street protest, the demonstrations against the re-election of President of Mahmoud Ahmadinejad, if the government asked Facebook to do the same, to allow people to have access to a site where they can post information and videos and other material, would you honor that request?

Mark: I think it depends on what it is exactly. We've never had that exact situation that they were in, I've had other ones, but, um, it is really interesting, because some of the most interesting use cases that we've seen, um, have been of people using Facebook for political purposes, right. So there's this example, I think you cover in the forward of your book, Oscar Morales?

David: Oh, yeah, that's the (cross talk 01:23:31)

Mark: Um, and, um, basically, in Columbia there is the FARC, right, and a lot of people in the country are really opposed to that group. But I guess the group has a massive amount of control over media and there was never before Facebook an outlet for people to organize or to express their concern about it. This one guy was pretty (01:24:00) brave and he went out there and he made a group and it was pretty easy to do and he started spreading it and before long, um, what was ...

David: Ten million people in the streets one month later.

Mark: Yeah, 10 million people all cities across the world protesting FARC and FARC had recently taken hostages and there were a lot of other things going on around the time, so, I don't think that he really

claimed credit for this, but I think that this was one of the things that put pressure on that organization to release the hostages, which they ended up doing. And, I think things like that, large scale political movements are pretty interesting to see play out in this new medium. It's all this stuff, its Youtube, it's Twitter, it's Facebook, and all this other stuff that's going to get built on top of these social platforms going forward. But, I don't know it's one of the really gratifying things about building this, and we get to be just a part of kind of empowering people to do those things that they couldn't do before.

David: I think one of the most interesting things about Facebook is attention that it's in so many countries, literally every country, pretty much, and so many of those countries are not truly free and democratic and yet, the governments let the internet operate and let Facebook operate and the tension is developing in a number of countries, which I consider extremely healthy, which Facebook is playing a very prominent role in, you know, it's countries like Egypt where it's been playing out very dramatically just in recent week, but you see it in different ways in Indonesia, in Bangladesh even, certainly Venezuela, Columbia, you know, it's really really interesting that a, I must say, Facebook is a platform for the empowerment of its members. One of the things that I think people don't appreciate about the difference between Facebook and Twitter, is that people get on Twitter to be broadcaster, right, but people get on Facebook to say, let's meet at the mall, right. But once (01:26:00) they get on Facebook to meet at the mall, they happen to have acquired a broadcast platform that when they get upset about something political, they have at their disposal. So, ordinary people find themselves in control of this political tool at the very moment when they need it and it is not something a lot of governments are going to be that comfortable about going forward. And I think that's great.

Guy: Where do you draw the line, Mark, as you know in Pakistan for some time the government blocked Facebook. There was a page set up by somebody, it was called submit your cartoons of Mohamed, um, I mean, are you ever worried that you might be sort of targeted by some group that feels well, you know, you're in charge of this company and you haven't shut it down.

Mark: Well, actually I think someone is trying to get me sentenced to death in Pakistan now. (laughter) that's not a joke. (laughter) I mean, it might be funny, but it's not a joke. I mean, this is where, I

think, you were asking before what you have to do to build something like this, and you have to really believe in what you're doing, right. We think that what we're doing is a really valuable thing in the world, and, I hope I don't get killed.

Guy: Obviously there are restrictions on pornography, how do you sort of decide, I mean, I know there's a policy, how do you sort of decide what skirts the line and what doesn't?

Mark: You know, one of the approaches that we take, I think that there are a lot of countries, company, sorry, that, um, that now we're serving a very international user base, but really espouse American values, (01:28:00) right. And to a point where I think it's almost, um, almost closed minded, right. How much they only have American values and write off the values of the other countries. And, you know, I think with our user base and the community of people that are using Facebook, we really have as a goal, to be an international company. We have 70% of people who are using Facebook outside of the US. And, like you were saying, different countries have different standers for what hate speech is, right. So, for example, in the US we have one standard, in Germany, it's illegal to post anything with Nazi content, it's a law, it's in law, you can't post anything with Nazi content. That's a decision that they made because they felt that it was very sensitive after World War II. Our stance is that we respect that if it's a law. Different countries have different stances on what hate speech is, right. Now, if Germany came to us and said, "Don't allow Nazi content anywhere around the world." That would be ridiculous. Some people have, there have been blog posts written about this, why does Facebook allow holocaust denial and things like that, especially when the person running the company is Jewish, and, it's like, because we believe in free speech. Um, so, that's why we do that. But we also don't want to take an American centric approach to it, right. So, um, where we get, where we really, um, where we think that we draw the line is, when a country has a clear standard that's written into law, it isn't just being arbitrarily enacted by the country, but I feel that these are some of the really interesting questions that have to get resolved over time. (01:30:00) Um, but I think that's for this next wave of companies, I mean, there's so many more people outside of the US than inside the US, I think you wanna have that global perspective, right. Look, we believe in certain things, like, we believe in certain things. We believe that openness and transparency and free speech are good and that giving people the tools to share things are generally going

to be valuable all over the world, but we also believe that you should respect other cultures. I don't know. That's our take.

Guy: Last question Mark, before we have to wrap up, um, on paper of course, we all know that you are a billionaire, you're a wealth guy, or you have the potential to be if you sold the company and you had opportunities. Where do you see yourself in 20 years and beyond, with your name on buildings or public philanthropy, following in the footsteps of Bill Gates, um, running a different company, even living here in Silicon Valley?

Mark: It's funny to think about. I don't know how many of you guy are, know Kevin Rose, he's the founder and CEO of Dig and he once had this awesome quote, you know, there's this story on the front page of Business Week, how this kid made \$80 million or \$60 million in two years, and, I was like, okay, this is ridiculous, this is a private company, um, I don't have any money. Um, he does this podcast, or this, sorry, this weekly video where he sits on a couch with another guy and they talk about whatever the biggest issues are that are facing Dig. Someone asked him what he thought of that piece, and it's funny, "I'm not a millionaire. I'm not even a thousandire. (laughter) I had to borrow money to buy the couch that we're sitting on." (laughter) so, you know, I don't know, in terms of that, really, I don't think it affects me.

David: I did once hear Mark ask Jim Pryor for a raise because he was moving into a bigger place.

Mark: So, the most important thing to me, and this is maybe (01:32:00) kind of a funny story, is, I just want to live within walking distance of our office, right. It's California, it's beautiful, I want to be able to walk to work. Um, and we moved offices from downtown Palo to University Ave to California Ave to get a bigger building so we could have everyone in one place, and, we had to, so we moved to this new place. And I just wanted a new apartment that was within walking distance of the office. So, you know, so my assistant was looking for an apartment for weeks and weeks and weeks, and finally I was out traveling somewhere and I get this phone call and she calls me and goes, "all right, I found an apartment, I'm renting it." I'm sorry, "I found a small house, I'm renting it." So, I literally, I hadn't even seen the house before I moved in, um, because, like, I don't care, like, I don't spend any time there, I'm at the office the whole time, right. I was like, well, what I want to be able to do is be able to walk home

at the end of the day, sleep, and then go back to the office.
(laughter) so, I don't know, that's me, that's me. And I was like.

Guy: And in 20 years from now, Bill Gates, philanthropy.

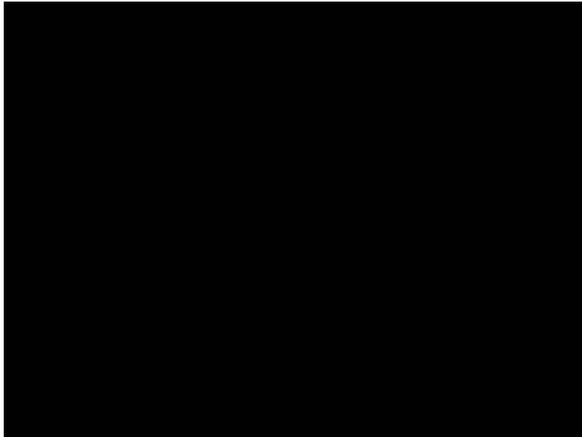
Mark: I think we'll see. I think we'll see. Like I, I really care about what we're doing, I think there's a lot more to do. I think this trend towards people sharing more, towards the world becoming more open and transparent is I think one of the most transformative things in society over the next 10 or 15 years, maybe longer, who knows, but, that's what we're focused on, um, there's a lot more to do, it's really exciting.

Guy: Mark Zuckerberg, David Kirkpatrick, thank you. (applause)

Guy: That was good. (applause)

Mark: Thank you. (applause) (01:33:53)

EXHIBIT 60



Zuckerberg One-on-One

8:00 PM ET Thu, 22 Sept 2011

Facebook CEO, Mark Zuckerberg talks business and tech, with CNBC's Jon Fortt.

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Jon: All right, well, uh, Mark Zuckerberg, Facebook CEO. Thanks for sitting down with CNBC and chatting. You just announced a lot of stuff, um, Timeline being one of the things that's gonna catch a lot of people's attention. It seems like a lot of the moves that you're making are about putting things in context, not just chronological order. Talk about why that's important.

Mark: Well, right now, when you share on Facebook, it's really easy to share things that you've done recently, but, it's hard to tell the whole story of your life. For I mean, you have a few things that are, are on your page and if you try to scroll down, it's hard to see much more than what's happened in the last few weeks. And, we think that people wanna have a way to tell the whole story of their life and that's what we tried to announce here. And, it's an early product and we're still doing a lot of work on it and we're gonna try to roll it out over the next few weeks or so. Um, so, but we're really excited about it.

Jon: So, on to the presentation itself. Um, very smooth, reminded me of Steve Jobs a bit and I've watched about a decade's worth of [crosstalk 00:00:58] presentations.

Mark: You know people, people think that any presentation that's good is like Steve Jobs, because he's just so good. But, for, for us here today, I think the reason why we were just so excited about it is because we've been working on these, these two things, um, Timelines that you can tell the story of your life and um, this new type of apps, so that you can discover things through your friends. We've been working on it for a year, right, so, I think that the products are really cool and we're excited about them and I think they just speak for themselves.

Jon: Uhh, uh, I think you just told the story well, too. But, to talk about the new class of apps, you can do more than just like something. Now, there are actions built into that. It seems like they're enormous implications for commerce here. I mean, you can really get a sense of what people are doing, what they're buying, what they're wearing.

Mark: Well, maybe eventually. I mean, what we're starting off with are mostly what were m, m, m media apps, right. So, you're gonna be able to, uh, if your friends are using a social music app. You can see what they're listening to and you can just click something and listen right along with them. And then, you're listening to the same thing that they're listening to. And, if they change their song, then, um, you're listening to that. [00:02:00] It's a really cool experience. On this next wave of music companies, is just making it so you can click on a link on Facebook and start playing the song immediately, even before you've bought it. It's really cool. Um, things like this haven't existed before, very recently.

EXHIBIT 61

The Best Sound Bites From Mark Zuckerberg's First Interview Post-IPO [VIDEO]



Colleen Taylor @loyalelectron / Sep 11, 2012 Comment

This afternoon at the [TechCrunch Disrupt](#) conference in San Francisco, Facebook chairman and CEO [Mark Zuckerberg](#) sat down with TechCrunch founder [Michael Arrington](#) for his first interview since the company's closely watched (and much criticized) initial public offering [back in May](#).

Needless to say, it was a huge deal: The convention hall was standing-room only, Facebook's stock got a [palpable boost](#) in after-hours trading, and it seems like every other sentence that came out of Zuck's mouth was made [into a press headline](#).

But because of the hard work of the people at TechCrunch TV and [SnappyTV](#), we can both show *and* tell you about the best sound bites from Zuck's big appearance. In the video embedded above, you'll find a roundup of all the best exchanges from this afternoon's on-stage interview, one after another — from how Facebook's falling stock price [could actually be a boon](#) to its [he doesn't commit](#)

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9-11-2012

Tech Crunch Disrupt 2012 - Michael Arrington Interviews Mark Zuckerberg

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Abstract:

Michael Arrington interview with Mark Zuckerberg from the 2012 TechCrunch: Disrupt conference

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Michael: They're, they're already yelling. What's that? Did I mess up already?

Mark: Are you always standing room when you do this?

Michael: Oh. Well, yeah. It's been like this ... Uh, hasn't really been like this all day. So, there's a few more people in here. Uh, I think they want to hear what you have to say. So, uh, first of all, welcome to TechCrunch Disrupt and thanks for coming.

Mark: Thanks for having me. It's, um, it's good to get a chance to be here.

Michael: This venue, uh, probably looks familiar. This, uh, because, uh, this is where you do F8. And, uh, it's how we originally found out about it. And, it's such a great venue so, you'd probably feel fairly comfortable in this venue.

Mark: Yeah. Although you get a lot more people in here than we do.

Michael: Uh ... Okay. Okay. So, you're ready? I have a, I have a few questions for you about the IP, uh, to start. Uh, you were public on, uh, it's May 18th? And, the stock is lost roughly half its value since then. Um ...

Mark: Just get right into it.

Michael: I, uh ... Is it all, is it all, uh, no. Okay. If could have done anything differently with hindsight, would you have?

Mark: Well, you know, I mean, the performance of the stock is obviously been disappointing, right? And, we care about our shareholders. And, the commitment that we made is that we're going to execute this mission on making the world more open and connected. And, we're going to do the things that we think are going to build value, um, over the long term. And, um, you know, over the next three to five years, I think the biggest question that is on everyone's minds that, that we'll determine, at least our performance over that period is really going to be how well we do, um, with mobile. And, um, you know, we've been in this quiet period for the last six months or so. Um, you know, since ... right up to the, the time when we get, when we're getting started with the IPO. And, a lot of stuff's been changed since then.

Six months ago I'm on mobile, you know. We haven't launched our, our new set of apps. And, so we were still in a, in a pretty bad place there. Um, [00:02:00]

EXHIBIT 62

Agenda

Monday, September 9th

9:00am – 9:10am

Opening Remarks by TechCrunch

9:10am – 9:35am

Fireside chat with [Ron Conway](#), [David Lee](#) and [Brian Pokorny](#) (SV Angel)

|

9:35am – 9:55am

Founders Stories with [Logan Green](#) and [John Zimmer](#) (Lyft)

|

9:55am – 10:25am

The Future of Higher Education: Lt. Governor [Gavin Newsom](#) (State of California) and [Sebastian Thrun](#) (Udacity)

||

10:25am – 10:45am

Keynote: [Sir Michael Moritz](#) (Sequoia Capital)

|

10:45am – 11:05am

BREAK

11:05am – 11:15am

Special Product Announcement: Google/Automattic (WordPress)

11:15am – 11:35am

In Conversation with [Evan Spiegel](#) (Snapchat)

11:35am – 12:00pm

These Aren't The Droids You're Looking For: [Rob](#)

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9-11-2013

Fireside Chat with Mark Zuckerberg

TechCrunch

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Abstract:

"Fireside Chat" with Mark Zuckerberg from the 2013 TechCrunch Disrupt conference

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Michael: So Marissa was in Vogue. What have you done lately?

Zuckerberg: [Laughter] Not Vogue.

Michael: [Laughs] So, uh, okay, but that's not my real first question. Um, we had a great interview here, uh, last year and it was, uh, your first, or one of your first interviews after the IPO. But we haven't a chance to talk since then. So how's it going in the last year in general?

Zuckerberg: It's been an interesting year. Um, you know, a lot of things always change around you when you're, when you're running a company. So I tend to think that it's my job, um, to keep us centered on what matters, right? And, you know, different companies focus on different things, right? I mean, there, there are companies that are really obsessed with their way of doing stuff.

You know, you hear stories from HP back in the day, the HP way of doing things. Um, for us, we're really singularly focused on, uh, this mission, right? We want to connect everyone in the world and give people tools to share whatever they want. And that's been this unifying theme for us for as long as we've been around.

Um, you know, I remember when we were first getting started, ah, back in, in my Harvard dorm. I used to get pizza with my friend, this guy KX, um, at the time. He's actually is at Harv -- uh, he's at Facebook now. He's, um, he's a VP uh of Engineering. And, um, we used to talk about how, you know, we were building this little site that was just to help people share and connect within this small community, but one day someone would, um, would, would surely build something like this for the whole world.

And, you know, at the time, we thought, okay, there's no way that this is going to be us, right because you know we're just a couple of kids in a college dorm room. Like, who are we to do this? Like, this is going to be, um, this is the purview of, you know, of the Microsofts and the Googles, and the companies that build stuff at larger scale.

But you know the story of Facebook has really been about, you know, we started at, at one college and then we spread, and we kept on growing to the next thing. And I think the reason why we're here today is because we've just cared more about this mission [00:02:00] than, um, than, than anyone else has. So, now we're at this interesting point where, um, you know, for a while inside the company, getting to a billion people was this big rallying cry, right?

And you know, when, when we actually started getting closer to it, um, it became pretty apparent that, you know, it's not -- no one wakes up in the

morning saying, Okay, I want to get one-seventh of the people in the world to do something." Um, it's kind of a, and it's a nice, round number. It happens to be, you know, bigger than anything else that anyone's built, but it's, um, you know, a billion isn't like a magical number.

So, you know, now, as we've kind of approached that and passed it, you know, now, the focus for us is actually kind of re-tooling, and you're going to see us re-tooling the company in a lot of ways to go take on a lot of harder problems that fulfill this mission, so um, for example, connecting the next five billion people. It's going to be really hard because a lot of them don't have Internet access. Um, you know, we, we have, you know, people share and put billions of connections into this big graph every day, but now we want to, eh, we don't just want to add incremented of -- incrementally to that.

We want to, you know, over the next five or 10 years really take on a roadmap to try to understand, you know, everything in the world semantically, and kind of map everything out. Um, and we want to play a role in helping you know people build companies and create jobs and build the knowledge economy. So those are the big themes for us, and um, that's what we're going to try to do over the next five or ten years. But that's, that's kind of what I've tried to focus us on.

Michael: So, to sum that up, you want all the people ... no, I'm kidding.

Zuckerberg: We, we want to help connect everyone. Um, I think, you know, not everyone uses Facebook, but most people I think at this point do use social tools ...

Michael: Yeah.

Zuckerberg: For different things, and, um, I think a lot of the design patterns in the work that we do can help lead in, in that part of the industry, and we're really proud of the work that we're doing there.

Michael: Okay. You said a lot, and I'm going to try to un, unpack some of that.

Zuckerberg: That's what you said after my first answer last year too.

Michael: You do ... I know. You do that

Zuckerberg: [laughs]

Michael: And, uh, it's, it's ... your brain works a little fast than mine. So I'm just going to try to slow down a little bit. Um, a lot of this goes to Internet.org and I'd [00:04:00] like to talk about that a little bit later as you expand to all the people, uh, from, from 1.3 billion today?

Zuckerberg: No, no. We're at 1.15 five, monthly actives, right? So ...

Michael: Okay. How many a day? It's like half a billion a day?

Zuckerberg: No, no. Our last quarterly report was, um, 699 million daily active users.

Michael: So that's pretty cool.

Zuckerberg: Yeah, not bad.

Michael: So, uh, what do you, um, what do you think about the Yahoo! logo?

Zuckerberg: [laughs] That's like, of all the follow-up questions that you could have asked to that, that was ...

Michael: It seems to follow naturally, yeah. But I know Marissa's back stage watching. And so you can just look right into the camera and tell her what you think of that awful, awful thing that she ... you don't want to answer that question, do you?

Zuckerberg: [laughs]. It seems fine to me. But I mean you're talking to someone who, we've had the same logo for almost 10 years. So I mean ... [laughs]

Michael: Okay. Okay. How about this? You've got to answer this one. So Twitter's going to go public. Now you've gone through the whole thing, and uh, you had your, you know, some pretty rough times, but everything's great now. What's your advice to them as they consider this process?

Zuckerberg: See that, that's funny on its surface because I'm kind of like the least, the person you would want to ask last how to make a smooth IPO. Um [laughs], um, but, you know, seriously, um, it, it's actually a, a valuable process. So, you know, eh, having gone through what I think most people would characterize as an extremely, extremely turbulent first year as a public company, um, I-I can tell you, I, I actually don't think it's that bad.

Um, you know, I was really heartened by the fact that, you know, I was really worried that, um, you know, people would leave the company, and um, people would get really demoralized when the stock price was down. But [00:06:00] people are really focused on the mission, and really believe in the products that they're working on, um, and we haven't seen a lot of that.

I actually think that it's made our company a lot stronger, uh, because the process of going, leading up to going public, you have to know everything about your company, and, and kind of inside out, have everything instrumented. And I always thought we were a very data-driven company. But I mean, the work that

Ebersman and crew did to, to make, to get us ready to be public really took this the next level. And we run our company a lot better now. So I mean in, in retrospect, I think I was too afraid of going public, and I, I think, um, you know, I've been very outspoken about staying private for as long as possible. I don't think it's that necessary to do that.

And, um, you know, you've just got to stay focused on doing, doing the right stuff, and um, you know, sometimes it might take the market a little while to catch up, and see the results of what you're doing. I mean, I remember last year when we were here, I was kind of laying out what we were planning on doing on mobile, and everyone thought that mobile was this disastrous thing for Facebook. I mean, last year, um, second quarter, we, we had basically no money on, on, no revenue on mobile.

Michael: Yeah.

Zuckerberg: And now, I mean, it, it's, in our last, in our last quarter, a year later, more than 40% of our revenue was mobile. And, um, you know, and people think that, you know, there's, there's more competition on mobile, there's more great apps. You know, people spend on, on desktop one in seven minutes with Facebook of, of kind of all their time on the web. And on mobile, it's more.

It's, um, it's, it's one in five, you know. According to, to comScore, um it's around 20% and the next biggest step is Instagram. So um, you know, we're, we've focused on, on kind of doing what we think are the right things and um, and we're, we're growing. We're connecting more folks. People are engaging more, sharing more content, um, all the stuff that we just come in and get excited about every day.

So I think you know as long as Twitter and I mean this goes for all of these private companies that are thinking about when they want to go private, as long as they kind of focus on what they're doing, then I think it's wonderful, it's great.

Michael: To be fair, your [00:08:00] mobile products a year ago sucked.

Zuckerberg: Oh, they did.

Michael: Yeah. Um, and, and then they got really, really good, really, really fast. So um I think you deserved to have no revenue from them a year ago. It's a part of it that says, but I mean, I mean, whether you admit it or not, or you agree or not, I mean, there's been a lot of work in that area and a lot of focus that maybe wasn't there before.

Zuckerberg: No, absolutely. And we also, we, we took a bad bet, right? I mean we, um, you know our legacy as a company was building this big website and, and focusing on, on being able to develop for the web. So naturally we tried to look at things and, and see if we can build an HTML5 system for across these different platforms. And we just realized pretty quickly that we weren't going to get the quality level that we needed.

Um, so we took a year and it was painful and we retooled that and um, we took a lot of shit because we weren't focused on making money on mobile and I was focused on making sure that the experience was better first. And I think we did it in the right order.

Michael: Well, it's, it's better I think to do, go from awful to really good than really good to awful. So I would agree on the order part.

Zuckerberg: Generally, yeah.

Michael: Um, you, see you've started talking about platform there for a minute and I wanted to talk about that. Actually I'm going to go ahead and jump into this. So you, you talk about the old Facebook platform. And do you, does it have any meaning for you at all this point or is it just you're so focused on mobile that you know the old Facebook platform is just dead?

Zuckerberg: So, for me, when I think about our mission in connecting people, it's not, you know, and you made this joke that we want to get everyone to use Facebook and I mean of course we do, right? But, um, that, I don't think is realistic. I think what's more likely is that people are all going to be using tools that they can use to connect in different ways.

And when I was getting started with Facebook, I, I felt this void in the way that we developed uh technology which is that, you know, as people, all brains are wired towards communicating with other people, right? I mean it's, I mean [00:10:00] we have whole parts of our brain that are just focused towards you know seeing micro expressions, you know, pro, processing emotions from other people.

And the way that we build software and services in, as an industry didn't reflect that at all, right? And, and that just seemed kind of deeply wrong to me. I mean there were all these uh, tools that you could use if you wanted to get access to different kinds of information, but the thing that we care most about which is what's going on with the people we care about, there was nothing for that.

And uh, you know, early social networks kind of tried to do everything themselves. And I think one of the things that we realized was that no one

company can do everything. So instead we should focus on doing a few of the kind of, of the core things and instead we should try to build a platform that would enable other companies to build great social apps, right? And the, the first version of that took the form of canvass which was basically building games and other things inside of Facebook.

And you know I mean that's evolved into almost \$1 billion a year business for us. So it's not, it's good, right? But uh that was never the vision, right? I mean the, the full vision over time was not that everyone would be building stuff inside Facebook, although a lot of people get value from that, but that we could help apps um by enabling login, enabling importing of friends, enabling distribution out, um, different services and that's kind of what we're focused on now.

We have three pillars of the platform strategy which are you know build, grow and monetize, right? And on the build side we want to do stuff like login that makes it easier to develop apps with identity. Um, we, we have services like parse now that make it so that it's easier to build an app. You don't have to worry about the backend.

It's just like, it's, you worry about building your client and you don't have to worry about the servers or the, or the server side code or push notifications or connecting to other services. It just works. It's awesome. They have more than 100,000 apps. Um, that, it's going really well um. And grow, you know, I mean people think about Facebook platform as um as distribution and, and that's true, right?

That's always been a big part of the story and we've been kind of an important part of helping people grow their apps, uh both organically. One [00:12:00] of the biggest new things that we're doing as mobile app installs, right, it's, it's a part of our business that's growing really quickly. A lot of developers are, are really starting to rely on us as the primary way that they, that they spread their spread their apps and that's great.

And then monetize as well, right. Um, you know a lot of developers use us for payments for making money for, for their services. So if we can help make it so that the industry overall um can build better social apps that are more human by helping them build, grow and monetize, then I feel really good.

Michael: Okay. I'm going to go with a personal question uh if you don't mind. Uh, you, uh, I don't know how many people realize that you have, every year I think you have a personal challenge where you challenge yourself to do something crazy interesting hard. Uh, in the past you've had, you, you've learned China, learned Chinese which you did.

Zuckerberg: Tried to.

Michael: Tried to. Was one code every day?

Zuckerberg: What's that? No, no.

Michael: Is that ... okay, I made that one up. Uh, you certainly have to kill everything you eat here, right? We're suddenly on Facebook it's like I killed ...

Zuckerberg: It was by accident.

Michael: Yeah, but you did. You killed and uh, there was the wear a tie every day. And I don't know if I've missed some, but do you have one this year? And I don't, I don't know what it is if you do have one.

Zuckerberg: Yeah. No, I do. I do. Um, the, the point of this is really, you know I think you get perspective for building things by living in different worlds and by kind of going deep on things. So doing something for a year I think you, you have all these interesting unintended consequences of, of making some decisions. So um and then the other theme for me is about willpower and I think a lot of building something is just about kind of seeing things through and you know so trying to pick things that are going to be hard for me to do.

You know like learning Mandarin for example. I was always really terrible at languages. Um, and when I tried to learn uh French in, in high school and I, I just like couldn't do it. When people would say things to me I couldn't, uh like it was really hard for me to understand what people were saying. So, so I went to Latin instead which is better because you don't have to know anyone who speaks Latin.

So, so that worked. Um [00:14:00] and then that was actually a lot of fun. So I was like all right, I'm going to try to pick up what is one of the hardest languages for people who only speak English to learn. And um, and it was interesting. I mean one of the unintended side effects of it was part of learning was I set up um these sessions where um Mandarin speaking Facebook employees would come and talk to me about parts of the company that they were working on that I wouldn't normally have meetings in.

It was great. I learned Mandarin and I learned more stuff about our company and I met a bunch of people and it was awesome. Um, you know at the end I kind of, I was complaining to my wife one day that you know I was never that good at listening in Mandarin and she goes, "Mark, you're not good at listening in English either." [Laughter].

So at that point I realized that the, the, the level that it was going to take me to get to, to really be fluent in Mandarin was very hard. So I tabled that for a while. But, um so this year my challenge is to meet a new person outside of Facebook every day. And um, and I think it's really valuable to have perspective on ...

Michael: In person?

Zuckerberg: Yeah and have, have like a conversation, right. So not just like shake hands.

Michael: In person?

Zuckerberg: Oh yeah, yeah. And um, it's actually turned out to be really easy. I um, I, I sandbagged this one um because it turned out that I actually on average meet more than one person already. So I, I kind of underestimated that and, and thought that because I'm so introvert that I wasn't talking to a lot of people externally.

But when I was planning this out, um, I kind of set up things to get more involved in the community. I started teaching a class at a local middle school. I, um, got involved in different organizations to meet people who do different things. And um, it's been, it's been really interesting.

Michael: Now that class, the middle school class is what, is what led to um four dot U.S. is that right?

Zuckerberg: Yeah. I mean so I, and one of the reasons why I started doing that was, you know Priscilla and I have done a lot of education work. I mean this is, she is, her, her career is kids. I mean she when she graduated from, from Harvard she went to become a teacher and now she's a pediatrician. She's a resident [00:16:00]. And um, and our dinner conversations are all you know Facebook and, and kids.

And so she decided one day that if we were going to do a bunch of education projects, that I couldn't just like be that guy that gives money to education projects without uh ever having taught myself, right, which I think is a pretty reasonable perspective. Um, so she helped me set up this class. And um one day after, after class I asked the students how they were thinking about going to college.

And um, one of the, the top students in the class raised his hand and said you know, I don't know if I'm going to be able to go to college because I'm undocumented. And, and I was just, my mind was blown, right. I hadn't really thought about that. I mean this kid was so talented and, and I couldn't tell the difference. There was no perceptible difference between him and any of the other students.

So I asked the other kids, like how many of you were born outside of the U.S? and a bunch of them put their hands up and one of them said, you know I really hope um our government does something about this. And um, and I kind of went home that night and I, I talked to Priscilla and I talked to you know my friend Joe who um is one of the smartest people I know at both technology and politics and the intersection between them.

I was like we, we have to do something. How can we do this? And the great news is that um you know we decided that were going to try to build an industry coalition, right. So it wasn't just going to be something that a few people were going to take on. So I called a bunch of my friends who run companies, right. I mean I called Drew Houston and, um and I called you know Chamath and Kolar who had been at Facebook and Ron who's sitting right there.

Michael: Ron Conway, yeah.

Zuckerberg: Um, and you know I mean the great thing is, you know the tech community really cares about changing the world, right. So a lot of people I would expect to have been, okay no, I care about getting high skilled folks for my company, um but we made very upfront, this is not just about the high skilled piece. We're not going to compromise. If we're going to push on this and we're going to push, we're getting full comprehensive immigration reform done.

And you know, people in the tech community are really idealistic and, and really believed in getting that done. It wasn't very hard to get people on board. And I've, I've never really been prouder of my, my [00:18:00] peers in the community for coming together to work on an important issue like that.

Michael: Do, do you think anything will happen with that this year or next year or ever?

Zuckerberg: Um, I, I think ...

Michael: It's really tough I bet to mess around with Washington D.C, right?

Zuckerberg: I'm an optimist. I think you have to be to be an entrepreneur, right? Um, these things are not without risk, but there are a lot of people who want to do the right thing, you know. And people talk a lot about how in Washington it's so polarized and no one can get along. But um, you know, conversations that I've had, a lot of people really want to do the right thing and agree with this and are kind of looking for a path forward.

Michael: So zero chance of anything happening this year or next year?

Zuckerberg: I don't know. Uh, it's hard for me to say. It's not my job to get it done. It's my job to kind of help provide support for the people who are going to do it.

Michael: The culture at Micro, uh, sorry, wow, Microsoft. Oh, speaking of Microsoft, uh, who do you think should be the next CEO of Microsoft? And thanks for bringing that up by the way. It's got to be Gates, right?

Zuckerberg: You know I'm not, and I can't tell you I mean that's, I mean I can tell you what I hope, right?

Michael: The founder.

Zuckerberg: I mean, there are probably a lot of people who can, who can run Microsoft and do a reasonable job. When I was growing up Bill Gates was my, my hero.

Michael: Oh, come on.

Zuckerberg: Yes.

Michael: He's like Darth Vader. He's not, he's not Luke Skywalker. He's the bad guy.

Zuckerberg: No, no he is not. Um, Bill Gates ran one of the most mission driven companies that I can think of, right? And you know right now I think Microsoft, their mission is less focused than it used to be, but when I was thinking about you know what, what I wanted to be when, when I grew up, you know Microsoft I thought had, had, had a great mission.

Put a computer on, on every desktop and in every office. Or maybe it was every desktop in every home. Uh, but, and, you know I mean there are companies that define themselves by a way of doing things, right? I mean there's um, like the HP way that I was talking about and there are companies [00:20:00] that define themselves by making a concrete change in the world.

And um, you know Microsoft did that and uh, like I have a huge amount of respect for, for him for doing that. He pushed them and it was an incredibly inspiring company um during the time that, that he was doing that. I think that they're, they still are doing a lot of things. But I think that they've lost some of the focus.

And um, uh, I don't know. I think he's like one of the, one of the greatest visionaries that our, that our industry has ever had.

Michael: So do you think he'll come back?

Zuckerberg: I, I don't know. You'd have to ask him.

Michael: Do you know? You don't have to answer, but do you know?

Zuckerberg: No. I don't know. I don't know. I don't know.

Michael: Okay. I don't think you'd lie to me unless ...

Zuckerberg: What's that?

Michael: I don't think you'd lie to me so, but ...

Zuckerberg: I'm not a very good liar.

Michael: No. Actually, no, I don't think, yeah. We'll, that's why I'm going to ask you a couple of other things later. Uh, the culture, the culture of moving fast at Facebook, is this a good thing or does it just get you into trouble? And we could talk about things like home and if you want, um.

Zuckerberg: Yeah. I mean whatever, whatever you want to cover. Um, yeah, I mean it gets us into tons of trouble, right? So I'm of the belief that values are only useful when they're controversial, right? So you know there are companies that write out these value statements that I think are kind of meaningless because they're table stake stuff.

I mean people, it's like be honest. It's like of course you're going to be honest. I mean that's not a choice. At the end, that's not a value. You have to be honest, right? Like go home if you're not honest. But if um, move fast is good because it's something that people can actually disagree with, right?

Michael: yeah.

Zuckerberg: And there are companies that don't move fast and that succeed, right? I think um, you know, in our, what I really mean by move fast is that I want to empower people at the company to try things out and I don't demand that every iteration of what we release is perfect. What I want to optimize for is um, learning the most and having the best products three, five, seven years from now, right, which you can do by iterating quickly, um, getting feedback, learning and going from there.

And I mean there are companies that have very different approaches [00:22:00] than that. I mean I think Apple would, would never launch something that didn't meet their perfection bar and it's served them incredibly well, right? So I think move fast is, is a very nice kind of, it, you can meaningfully disagree with it and I

think it leads to interesting outcomes. Now, in terms of what we're doing, um, I think it's incredibly powerful inside our company. I mean what it, what it leads us to do is build a ton of infrastructure that empowers engineers to try a lot of stuff.

So I mean at any given time we have this testing framework where there are thousands of different versions of Facebook running and any engineer is empowered to try something out and they get this report of how it performs on all of the metrics that we care about, all the sharing and time spent and engagement and amount of friends that people have and amount of money that we make.

And it even for every test that we run, it will kick off a qualitative survey to that set of people and ask them like how happy they are and how much they like that version of Facebook. So that's really empowering, right, because now if you're an engineer and you're trying something, you don't have to like get approval of a bunch of different layers of management. You just go try something and then when it works you here, it worked. Let's turn it on for everyone.

Michael: So, okay, so and this is a surprise to you. You don't know what I'm looking at right now, but explain this sign that's up at Facebook. Actually I don't know for sure it is, but I believe it is and if it isn't you'll tell me, because this doesn't say move fast.

Zuckerberg: Slow down and fix your shit?

Michael: Yeah.

Zuckerberg: Yeah, well sometimes you have to do that.

Michael: And this, is this a sign you put up?

Zuckerberg: No.

Michael: I don't know if this is the camera.

Zuckerberg: I don't actually, I don't put up any of the signs.

Michael: You can see this. Is the camera, can I get, but have you seen this sign? Is it up there?

Zuckerberg: Um, yeah. People put stuff all over the campus.

Michael: Yeah.

Zuckerberg: Um, and ...

Michael: So this doesn't mean anything official?

Zuckerberg: Um, I mean, I definitely want us to fix our stuff [laughter]

Michael: Your stuff?

Zuckerberg: So that's good. Um, you know it's, these things are valuable when they're controversial, right, and um it doesn't mean that we always need to do it and it's not like any company wakes up in the morning and they're like we want to move super slowly, right? So, what, what I want this to mean for us is that we want to build our culture and our infrastructures [00:24:00] that we just try to move you know one or two clicks faster than, than other companies.

And you know, sometimes we go too fast and we mess up a bunch of stuff and then we have to fix it and that's cool.

Michael: Would you consider Home so far a failure?

Zuckerberg: Um, you know, one of the toughest things is determining when something isn't going to work versus it just hasn't worked yet.

Michael: Yeah.

Zuckerberg: I, I definitely think Home is slower in rolling out um than, than I would have hoped. Now, so what, what we, what we've gotten is a bunch of positive feedback on you know people like the lock screen on their like cover feed. They love chat heads. We rolled that out 100%. Uh and um and then we've gotten a bunch of pretty valuable feedback, like people want more content than just Facebook content on the lock screen.

So we're taking the time to build that in. And in one of the new, one of the upcoming monthly releases, um, you'll be able to get you know Instagram content and other social content in there. And I think that will just make it more valuable. So um, yeah, I'd say it's, it's early in its development. Um, it's a bit slower than I probably would have thought, but you know we're patient.

And um, and I still fully believe that this is going to be something that a lot of people want over time, um, getting content delivered to, to your home screen and um ha, being ambiently aware of what's going on is I think a very valuable thing. So maybe you know the, the current formula we'll still need to keep on working on, but we're going to do that.

Michael: Okay. Uh, there was somebody at TechCrunch who referred to it as a shit show. So you're saying you disagree with that? All the good parts of it you've moved into the mobile apps already, right? I mean all the good stuff like chat heads you've moved into the general, the yeah, so I mean in that sense it's almost a testing ground, right?

Zuckerberg: I'm pretty ... yeah, and I mean the parts that work well will roll out quick and the parts that don't will, will kind of slow down. Um, you know I mean the, the long term goal for this is, you know we released the first version of Home as a separate app and we kind of intentionally did that just that people who wanted could go and go out of their way to the Playstore and go get it.

Uh, but you know where this [00:26:00] is going over time once we get it to a point where we're really happy with the product, will just kind of prompt people in the Facebook app, turn this on and you won't have to go download a separate app. It will just, and you'll be able to have your lock screen um as part of the, the main app.

And you could do that today if you want. You just have to go into settings and, and turn it on. Um, but when we feel like it's at the quality bar that we want, which we're getting there through iterating by having it out there and getting feedback, um then we'll do that. So it's not super far off and we're just going to keep on working on it till we get it right.

Michael: All right. So uh, NSA, user data. You have 1.1 billion users, billion. You have more data than any entity in the world. Uh, and it's all of our data and we care a lot about it and we don't want people necessarily getting it then using it to do bad things. Um, we know what Facebook has done in, over the last several months to try to help increase transparency. We know, we see, we've seen the lawsuit. We've seen those efforts and I don't need you to repeat them, although I'm happy to talk about that if you want. What I want to know is what Mark Zuckerberg thinks about these issues and, and, and our right to privacy versus the government.

Zuckerberg: Yeah. So I mean we take our role really seriously. I think it's my job and, and our job to protect everyone who uses Facebook and all the information that they share with us. It's, it's our government's job to protect all of us and also to protect our freedoms and protect the economy, right and companies. And um, and I think that they did a bad job of balancing those things here, right.

Um, you know, so frankly I, I think that the, the government blew it, right. I think that they blew it on communicating um what they were, basically the balance of what they were going for uh here with this. So um, you know, we, we're, the morning after this started breaking, there, like a bunch of people asked them

what they thought, what, like, and the government's comment was [00:28:00] oh, don't worry. Basically we're not spying on any Americans, right.

It was like oh, wonderful. Yeah, it's like that's really helpful to companies who are trying to serve people around the world and really going to inspire confidence in American internet companies. It's like thanks for, for going out there and being really clear about what you're doing.

Um, so I, I think that that was really bad, right, and we've been pushing just to get more transparency on this. And um, and I actually think we've made a big difference, right. I mean we haven't, the, the big question you, that'd you get from all the coverage is you know what's the volume of the total number of requests that are going on?

Is it, is it closer to a thousand requests that the, that the government is making of us or is it closer to 100 million, right? And I mean from the coverage and from what the government has said, you would not know the difference, right. But um, we worked really hard uh with the government um behind the scenes to get to the point where we could release the aggregate number of requests.

And it's, it was around 9,000 in the last, um the last half a year. And you know is, does that number tell us everything that we want? No and you know that's why when, when the conversations kind of got to the point where we weren't going to uh make further progress, we, we decided to sue them so we could reveal you know is it 1,000 or 2,000 or 3,000 or 4,000 or 8,000 of the 9,000 requests.

But the reality is because of the, the transparency that, that we pushed for, you know now people can know and I think they deserve to know that the number of requests that the government is making is closer to 1,000 or it's 9,000 or less than the last six months and definitely not you know 10 million or 100 million or whatever.

Michael: It's not a dragnet with regard to grabbing data from you directly.

Zuckerberg: Yeah. So you know I mean we're, we're not at the end of this. I um, I wish that the government would be kind of more proactive about communicating. Um, we, we're in sight that we had to sue um in order to get this, but we, we feel like people deserve to know this and we just take this really seriously.

Michael: All right, thanks. Uh, last question. What are you excited about product wise that would surprise, would surprise us? [00:30:00]

Zuckerberg: Um, what would surprise you? I mean we haven't spent much time talking about the internet.org stuff which I think is probably not surprising because it's

announced. Um, but you know that's one of the things that I'm really excited about because it's, I think a very underestimated problem. Um you know we live in a world where everyone around us has high speed internet access.

Uh, so it's kind of unfathomable for us to think that um, only about a third of the people in the world have access to the internet. And you know for something that's so early in its development, it's um, it's actually growing really slowly. It's growing, the internet is growing less than 10% a year, right, which is kind of startling for how, how few people in the world have access to this um and how early it is in its development.

And then you think okay, well the internet is really the backbone of the, the modern knowledge economy and you know all the opportunities that we have and the ability to have you know a free society and tap into jobs and education and all the stuff. And um, and it's, so and it's not happening by itself. It's not growing at a fast rate.

And it's also easy to think you know, there are five billion phones in the world, right. The vast majority are feature phones. There are about 1.5 billion smartphones. And um, you know, the common lore is you know smartphones are getting cheaper and cheaper. So uh, as they get cheaper, one day all five billion of those feature phones are going to be smartphones.

And I actually think that's probably true in the next you know five to 10 years. But the thing that is easy uh to kind of misinterpret in that is that the expensive part of ownership of a phone is actually not the phone. It's the data, right? If you have an iPhone for two years, um, it costs about \$2,000 to own an iPhone for two years.

Five or \$600 of that is the phone, right. 1500 is the data, right. So unless the data price comes down, um, we're never going to be at a point where the vast majority of the world will be able to be on the internet. And that's what where, what we're trying to focus on and trying to work with other companies to enable by making the infrastructure to provide the internet cheaper, um, making it so that the biggest and most frequently used apps [00:32:00] just consume less data so they're cheaper to use and they require less data and also trying to um provide new business models to make it so that more people can get on the internet.

So that's a big focus for us. Um, that's probably not much of a surprise.

Michael: You intend to make this happen, don't you?

Zuckerberg: What's that?

Michael: You intend to put the rest of the, the rest of the world on phone, don't you?

Zuckerberg: Oh yeah. I mean, this is like, this is why we're here, right.

Michael: Yeah.

Zuckerberg: I mean your first question was what has changed and my answer was you know, all the tactics change all the time, but mission doesn't change. That's who we are. We are on this earth to connect everyone and help people share more uh of what they want. And we will do this.

Michael: Whether they want to or not?

Zuckerberg: What's that?

Michael: No, I'm just kidding. I'm just kidding.

Zuckerberg: Um, everyone wants to ...

Michael: It's a noble, it's a noble effort.

Zuckerberg: Everyone wants to be connected. It's a very, it's a very fundamental thing. Um, not every person in the world might want to use any specific service, but I mean that's why there is a platform and the internet is a broad place. But um, no, this is, I mean this is like what we're going to focus on.

Michael: All right Mark, thank you so much.

Zuckerberg: yeah. Thank you.

Michael: Thank you.

[Applause].

EXHIBIT 63

Seeking Alpha^α

Facebook Inc. (FB) CEO Discusses Q2 2013 Results - Earnings Call Transcript

Jul.24.13 | About: Facebook (FB)

Facebook (NASDAQ:FB) Q2 2013 Earnings Conference Call July 24, 2013 5:00 AM ET

Executives

Mark Zuckerberg - Chairman and CEO

Sheryl Sandberg - COO

David Ebersman - CFO

Deborah Crawford - Director, Investor Relations

Analysts

Douglas Anmuth - JPMorgan

Heather Bellini - Goldman Sachs

Mark Mahaney - RBC Capital Markets

Jordan Rohan - Stifel, Nicolaus & Company

Youssef Squali - Cantor Fitzgerald

Anthony Diclemente - Barclays

Justin Post - Bank of America Merrill Lynch

Ross Sandler - Deutsche Bank Securities Inc.

Brian Pitz - Jefferies & Company

Ben Schachter - Macquarie Research Equities

Scott Devitt - Morgan Stanley

Mark May - Citi Investment Research

Kenneth Sena - Evercore Partners

Rory Maher - Hillside Partners

Laura Martin - Needham & Company

Eric Sheridan - UBS

Operator

Good afternoon. My name is Jay, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Facebook Second Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you very much.

Ms. Deborah Crawford, Facebook's Director of Investor Relations, you may begin.

Deborah Crawford

Thank you. Good afternoon and welcome to Facebook's second quarter earnings conference call. Joining me today to talk about our results are Mark Zuckerberg, CEO; Sheryl Sandberg, COO; and David Ebersman, CFO.

Before we get started, I'd like to take this opportunity to remind you that during the course of this call, we'll make forward-looking statements regarding future events and the future financial performance of the Company. We caution you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements in the press release and this conference call. These risk factors are described in our press release and are more fully detailed under the caption Risk Factors in our quarterly report on Form 10-Q filed with the SEC on May 2, 2013.

In addition, please note that the date of this conference call is July 24, 2013 and any forward-looking statements that we make today are based on assumptions as of this day. We undertake no obligation to update these statements as a result of new information or future events. During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release.

This call is being broadcast on the Internet and is available on the Investor Relations section of the Facebook website at investor.fb.com. A rebroadcast of the call will be available after 6 p.m. Pacific Time today. The earnings press release and an

accompanying investor presentation are also available on our website. I'd also like to mention that we recently launched our Facebook IR page at [facebook.com/Facebook investor relations](https://facebook.com/FacebookInvestorRelations).

While we don't currently intend to use the page as an exclusive vehicle for corporate disclosure, the IR page is designed as a curated resource for anyone interested in getting better acquainted with the Company.

And now, I'd like to turn the call over to Mark.

Mark Zuckerberg

Thanks, Deborah and thanks everyone for joining us today. We made some really good progress this quarter with the growth of – in the growth and engagement of our community, the release of new products like Instagram video and advertising growth, especially on mobile.

When it comes to mobile, I'm very pleased with the results. We now have more daily actives on mobile than on desktop. Nearly half a billion people use Facebook on their phones everyday and soon we'll have more revenue on mobile than on desktop as well. This progress is the result of investments we started making more than a year-ago and in some cases years ago.

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Facebook Q2 2013 Earnings Call

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Q2 2013 Earnings Conference Call

July 24, 2013 05:00 AM ET

Executives

Mark Zuckerberg - Chairman and CEO

Sheryl Sandberg - COO

David Ebersman - CFO

Deborah Crawford - Director, Investor Relations

Analysts

Douglas Anmuth - JPMorgan

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When it comes to mobile, I'm very pleased with the results. We now have more daily actives on mobile than on desktop. Nearly half a billion people use Facebook on their phones everyday and soon we'll have more revenue on mobile than on desktop as well. This progress is the result of investments we started making more than a year-ago and in some cases years ago.

I appreciate the patience and trust of our team, our community, and our investors have given us and we're looking forward to seeing other long-term investments and achieved great results as well.

One of the questions I frequently get asked are what are the big changes we want to make in the world over the next 5 or 12 years? Now that we've connected a 1 billion people, what is the next big ambition? There are three main goals I would like us to achieve. Connect everyone, understand the world and help build the knowledge economy.

Connecting everyone is about growing our community to reach the next 5 billion people. Our mission is to give all people the power to share and make your world more open and connected. And that means everyone. Not just product in developed countries. Most people in the world, they only had the smartphones or data access, but we know that we want to be connected.

We are focused on making this possible, while also strengthening engagement within our existing community. Understanding the world is that helping people share not just day-to-day updates like text messages and photos, but also building up long-term knowledge about the world. But what people are interested in, which restaurants are good, which hotels your friend's have stayed out and so on.

We should be able to build intelligent services that help you use your network that could answer lots of questions for you to note if service can. I want to read our community to create a graph of all that understanding to power this intelligence.

Building the knowledge economy is about helping people create companies and jobs, using information. The way I see our advertising product, we're just building a strong monetization engine for our Company. We are creating tools to enable new growth jobs and businesses, [indiscernible] (2 2:24) Platform to support a larger economic shift in the world based on knowledge and information.

I'm proud of the work we're doing here to help developers create apps to help local businesses, find customers, to help great brand tell their stories and this is the core part of our mission. Now let's talk about the progress we've made in each of these areas. Starting with connecting everyone. The Facebook community has grown steadily this quarter, adding 45 million new monthly actives and the number of monthly active is steady or increasing across demographics and countries.

One thing that surprised me as we've grown is I've always expected our ratio of daily actives to monthly actives were decreased as later technology adapters used our service. The opposite is actually been true, but now 61% of monthly actives or daily actives and that ratio has just continued to increase.

In our most penetrated markets like the U.S., more than 70% of our monthly actives use our services daily. And now more than 700 million people worldwide use Facebook daily as of today. As more social services get created, one question is how that affects the sharing and time that people spend on Facebook? You can naively assume that more new services means people spend less time on Facebook, but that isn't happening. In fact, people on average are spending more time on Facebook than ever before.

It's possible that because the market is expanding due to mobile, even as time spent per person increases on Facebook, maybe our market share can decrease. But that doesn't seem to be happening either. So according to third-party metrics like comScore and Nielsen, Facebook share of time spent in the U.S. is either steady or increasing. Now we believe that's either steady or increasing everywhere else as well.

This makes sense to me because Facebook helps to maintain your real identity in relationship, which are universal need. We believe that if we

execute well, we have a good shot at growing the amount of time that people spend using Facebook, while also maintaining or increasing our overall share of time spend.

One specific demographic I want to address is U.S. teens. There has been a lot of speculation reporting that fewer teens are using Facebook. But based on our data, that just isn't true. It's difficult to measure this perfectly, since some young people lied of their age. But based on the best data we have, we believe that we're close to fully penetrated in the U.S. teen demographic for a while and the number of teens using Facebook on both a daily and monthly basis has been steady over the past year and half.

Teens also remain really highly engaged using Facebook. Now it's also worth mentioning that these stats are for Facebook only. Instagram is growing quickly as well. If you combine the two services together, we believe our engagement and share of time spend are likely growing quickly throughout the world.

Next, let's talk about building more useful services on the path to understanding the world. The newest product I'm most excited about from our last quarter is Instagram video. Adding video fits really naturally with the Instagram mission of capturing and sharing the world's moments. It's off to a great start. People are already uploading hours of video to Instagram every minute. I'm really proud of the team and I think they did a great job with this product.

When I first talked to Kevin about this, he had a really smart insight. Instagram has always been about helping people capture moments in a way they're proud of. Filters were necessary for photos because when Instagram started, most phone cameras weren't good enough to take high quality photos. But lack of filters isn't what's holding back videos from being great. It's that they're shaky and feel unprofessional.

Kevin realized that if we can deliver a product that helps people produce stable videos that would really change the landscape and I think it already is. Now some products that video fit into the flow of what people are doing and they take off quickly. Others like Graph Search and Home are completely new kinds of products and they're just going to take longer to develop.

I've used the right strategy to have a balance of long-term foundational new products in ones that fit in immediate demand. We're committed to building all of these into market-leading products.

Finally, let's talk about building the knowledge economy and what that means for our core business. This quarter has been a strong period for us. A lot of new businesses have signed up to advertise with us and we now have more than 1 million active advertisers. Our News Feed Ad products are working well for them.

One of the things I watch most closely is the quality of our ads and peoples' sentiment around them. Right now ads on average make up about 5% or 1 in 20 stories in News Feed. We haven't measured a meaningful drop in satisfaction when we ask people about their experience with Facebook. We're comparing that to the result we get when we ask the same question to people using a version of Facebook with no feed ads at all.

With that said, in recent studies people have told us that they noticed the ads more, so we're going to invest more in improving the quality. Our top priority is to expand the number of marketers and overall demand in our system rather than just increasing the number of ads that we show. We believe that this will help us improve the quality of the ads that we show by creating a more competitive auction and this will create the best experience for people who use our products, the best returns for more marketers and the best results for us.

So that's my update for this quarter. We had a lot of progress in the last three months on growing our community engagement, releasing a successful major product and generating strong financial results. This quarter also marks the end of our first year as a public company and I think we created a good foundation for the future.

I want to take a moment to thank everyone who works at Facebook and everyone who's a part of this great community. You are all helping to connect the world and push it forward. I'm grateful to have the chance to work with all of you on this. So thank you and thanks to everyone on this call for joining us today. I look forward to having more to share next quarter.

And now, Sheryl.

Sheryl Sandberg

Thank Mark. Our advertising business gained significant momentum this quarter growing 61% year-over-year to 1.6 billion. Our mobile ad revenue grew significantly as well and is now approximately 41% of total ad revenue, up from about 30% in Q1. This growth was robust across all regions and each of our four marketing segments increased spending about this quarter. We believe this is because our ad products are delivering impressive ROI for each of these types of marketers.

Direct response marketers, including ecommerce companies, increased their spent significantly. Year-over-year ad revenue from ecommerce companies doubled in the second quarter. Direct response marketers are taking advantage of our high click-through rates and competitive CTCs to grow their businesses. These marketers are typically very measurement focused and they quickly increased their budgets as we deliver compelling ROI.

Revenue from mobile app install ads also continues to accelerate. The app market is relatively new but it is already large and growing very rapidly. We believe that Facebook is one of the most effective ways for developers to acquire new customers at competitive rates. We're increasing our share and helping to grow this market.

Local businesses also grew spend significantly. We surpassed 1 million active advertisers this quarter, more than double the number we had only a year ago. We believe that this rapid growth is being driven by our unique ability to target ads and the simpler ad products we rolled out in the past year.

We're all really excited that we can help local businesses grow around the world. One of my favorite local examples is right in our backyard, Artisan State, a San Francisco business that prints photo books. The owner told us that running News Feed ads gave him so many customers so quickly that they had to pause their campaigns to let their manufacturing catch up.

Nearly 18 million local businesses now have Facebook pages, but we are excited to hit 1 million active advertisers, we know that this is just a small fraction of the local businesses on Facebook. So this remains a large growth opportunity for us.

And finally, brand marketers also continue to grow spend. We have a massive and engaged audience around the world that brands can use to build awareness and drive sales. Every night 88 million to 100 million

people are actively using Facebook during primetime TV hours in United States alone.

One recent example is from Reckitt Benckiser, a global CGP company. Their campaign for Lysol targeted moms and drove a two times return on ad spent for their brand. Their campaign for Air Wick was even better driving a 5x return on ad spent. As they have seen these results, they have more than doubled their ad spent with us over the last year.

News Feed ads are performing very well. In an analysis by Datalogix of 55 ad campaigns on Facebook over the past six months, marketers saw a median return on ad sales of three times of campaigns that did not include adding new feeds, which is very solid performance. Campaigns that included News Feed ads, the median return on ad sales was nearly double at 5.9x.

During the second quarter we increased the number and type of ads in News Feed. At the same time, our click-through rates and cost-per-click metrics for News Feed ads remains strong during the quarter providing a good indicator of healthy and growing advertiser demand and continued user interest in these ads.

Custom Audiences is another key product that continues to gain momentum. This product enables our clients to enhance their ad targeting by marrying their data with ours in a privacy protective way. In Q2 the number of marketers using custom audiences more than doubled relative to Q1.

We also continue to innovate around our mobile app products. In April we launched ad targeting for future trends. This helps marketers, everyone from multinationals to local businesses, reach people in emerging markets who they could not easily reach before. While these ad markets are not especially large today, they'll become increasingly important in the years to come.

In summary, we believe we're making strong progress executing our strategy. As I have mentioned in previous quarters, we are investing in mobile measurements and product innovations. The results we are reporting today demonstrate the early returns on these investments. Looking ahead, we're enthusiastic about the launch and prospects for our business.

The time people are spending on mobile devices is increasing dramatically that mobile represents just 2% of ad spent globally and 3% in the U.S.

We have a massive and growing mobile user base. We have an impressive share of mobile time spent and we have one if not the most effective mobile app products. Together this positions us well to lead the mobile app market.

We believe that over time, marketers will increasingly rely on Facebook not just to reach people wherever they are but to fundamentally transform the way they build their businesses. As Facebook delivers personalized experiences to over 1.1 billion people, we also have a unique opportunity to deliver a more personalized advertising experience.

As I meet with marketers all around the world, I find more and more that they are understanding the benefits of this opportunity. As a result, Facebook is placed to play an essential role in the evolution of marketing. We know we still have a lot of hard work to do, but we're excited about this quarter and the opportunity in front of us.

Now David.

David Ebersman

Thanks Sheryl and good afternoon, everyone. Today, I'd like to update you on our progress in Q2 against our key financial objectives. Increasing revenue, investing to drive our future growth and positioning the company to maximize long-term returns for our shareholders. It was a great quarter across the board as we continue to benefit from and effectively navigate the transition to mobile.

Let's start with our network. Usage and engagement on Facebook remain extremely strong as evidenced by the following. On an average day in June, 699 million people used Facebook, up 27% from last year. This represents 61% of the 1.15 billion people who accessed Facebook at any point during the month of June.

Additionally, time spent per person on Facebook continues to increase. An aggregate across everyone in our network, time spent on Facebook exceeded 20 billion minutes each day in June.

Separately, Instagram continues to grow rapidly with impressive engagement and we announced last month we had over 130 million actives using the service. Overall we're really pleased by the unprecedented growth in engagement of our community at this scale. Now let's turn to the financials.

In Q2, total revenue was \$1.81 billion up 53% or 54% when adjusted for constant exchange rates. Ad revenue was \$1.6 billion up 61% in the quarter or 63% when adjusted for constant exchange rates. This was our strongest quarter in terms of advertising revenue growth since the third quarter of 2011. The performance was strong throughout the world with ad revenue in each of our geographic regions growing by greater than 15%.

Growth in advertising revenue was driven by an increase in the number of marketers, overall advertising demand and the strong performance of newsfeed ads. Newsfeed ads were, they have been remarkably effective at delivering high levels of engagement a significant increase in click through rates and overall number of clicks and marketers have increased budgets meaningfully in response. Overall ad impressions were up 43% and the average price per ad was up 13% compared to last year.

Ad impressions are up due to more people using our service worldwide combined with the impact of reducing the price floor late in 2012 which resulted in more ads being shown particularly in developing markets. In the U.S. and Canada where the price floor changes had a smaller impact, ad volume increased 6% and average price per ad increased over 40% year-over-year driven by the growth higher performing newsfeed ads.

Total payments and other fees revenue was \$214 million in Q2, an increase of 11% versus last year. Payments revenue from games specifically was up 7% so we believe 11% represents the best apples-to-apples comparison if we adjust for items such as the change in revenue recognition timing we made late last year. We were pleased to see Kings continued rapid growth on our games platform in Q2.

Kings strategy of launching games like Candy Crush Saga on Facebook and subsequently launching on mobile has proved to be an effective approach that enables people to seamlessly play games across desktop and mobile and we expect other game developers to pursue a similar strategy. We believe Facebook continues to offer a compelling platform for developers to build great games and businesses.

Overall ARPU increased 25% compared to last year to \$1.60 per user for the quarter including a 35% increase in the United States and Canada as well as 30 plus percent gains in all our other regions.

Turning now to expenses, in Q2 our GAAP total expenses were \$1.25 billion, excluding stock compensation non-GAAP total expenses increased 52% to \$1.02 billion primarily driven by headcount and infrastructure. We

ended the quarter just shy of 5,300 employees up 33% from last year and we continue to be pleased with our success in attracting talent.

Our Q2, GAAP operating income was \$562 million representing 31% operating margin. Excluding stock comp our non-GAAP operating income was \$794 million up 44% non-GAAP operating margin. Our GAAP tax rate for Q2 was 39% and our non-GAAP tax rate was 37%. GAAP net income was \$333 million or \$0.13 per share and non-GAAP net income was \$488 million or \$0.19 per share.

We spent \$268 million on CapEx in Q2, as we continue to invest in our datacenters and facilities. While the relatively lower spend on CapEx in Q2 is partially the result of timing of purchases. It also reflects the returns from a significant effort by employees throughout the company to make our software and hardware more efficient. CapEx will remain one of our primary areas of spend since we need a powerful infrastructure to provide content rich and personalized information to all the people who use our service around the world.

The projects like Open Compute and many others are providing great returns for us and helping ensure we're able to invest our resources in a disciplined and efficient manner. Of note, free cash flow in Q2 was over \$1 billion. This is much higher than we expect in coming quarters as Q2 free cash flow benefited from \$419 million tax refund and light quarterly spend on CapEx. But still \$1 billion in free cash flow is a nice milestone for us against an important financial metric.

In Q2 similar to prior quarters, upon the vesting of employee RSUs, we withheld shares and paid the associated income taxes for our employees, which provides an outcome similar to Facebook having repurchased approximately \$153 million worth of shares in the quarter. We ended Q2 with \$10.3 billion in cash and investments.

Now I want to conclude by sharing some thoughts about the second half of 2013. We expect newsfeed ads to remain the main driver of revenue growth in the second half of the year and we believe we have a great opportunity to continue to drive long-term growth by improving the quality and relevance of these ads. However remember that newsfeed ads really began to contribute to our revenue in the third and fourth quarters last year which will make for more difficult year-over-year comparisons in Q3 and Q4 relative to Q2.

Looking at expenses, consistent with what we said previously we plan to invest in our business and continue to expect that our total non-GAAP

expenses including cost of revenue but excluding stock comp will likely grow in the neighborhood of 50% for the full-year 2013 compared to 2012. We also continue to expect that this full-year over full-year expense growth rate will be faster than our year-over-year revenue growth rate for the full-year 2013 compared to 2012.

In terms of our tax rate, we expect that our Q3 and full-year non-GAAP tax rate will be a few percentage points higher than our Q2 rate and finally we expect 2013 CapEx to be in the neighborhood of \$1.6 billion. This is down from our prior estimate of \$1.8 billion due to a combination of efficiency gains and changes in timing of purchases while Q2 was a very strong quarter for us.

We believe we're executing well in particular with regard to the mobile transition, the investments we have been making over the past year are paying off, the business is growing rapidly and we're excited about the opportunities ahead of us. Now let's open the call for questions.

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Douglas Anmuth with JPMorgan. Your line is open.

Douglas Anmuth - JPMorgan

Great, thanks for taking the question. I just wanted to drill down a little bit more on the ad revenue growth during the quarter, and it was very helpful to get the four segments broken down but, can you just help us understand a little more on the Sheryl you're cutting on the increased number and then the types of ads in the newsfeed in 2Q and trying to understand if this is more sort of specific product driven or if this is just the combination of all the efforts that have been going into newsfeed ads essentially over the last year? Thanks.

Sheryl Sandberg

So over the past during these calls we've been talking about our three priorities in growing our ads business, mobile, measurement and product innovation. I think what you're seeing here is all three of these are paying off. Obviously the transition to mobile was a really big one. We had almost no mobile ads a year-ago, were up to 41% this quarter. We have done a lot of measurement and product innovation newsfeed ads has been the most important thing we've done now, and we've done other

things as well. In terms of the marketer segments, all four marketer segments are growing and contributing to our growth. So we're seeing both the increased supply that we talked about with newsfeed ads, but also the increase in demand that all four of these marketer segments represent.

Douglas Anmuth - JPMorgan

And just as a follow-up, can you help us understand how impactful or how big mobile app install ads are within the mix?

Sheryl Sandberg

Yeah, we don't break out by segment, the four market segments but again all four are growing. Mobile app install ads, we think are -- they're small but they're important and they're growing rapidly. It's basically a totally new market. People who are selling either mobile apps as their revenue or things that are bought through mobile app are looking for a way to find new customers and we represent one of the only ways in a very effective way to do that. So, we're growing quickly and I think we're helping to grow this market.

Douglas Anmuth - JPMorgan

Thank you.

Operator

The next question comes from Heather Bellini with Goldman Sachs. Your line is open.

Heather Bellini - Goldman Sachs

Great. Thank you very much and congratulations. I was wondering you talked about before improved targeting and relevance of newsfeed ads that lies ahead. I was just wondering if you could share with us the progress you think you've made on this initiative and kind of what is to come?

Sheryl Sandberg

Targeting is really important, because what takes an ad and makes it a good ad is whether it's relevant to you. When I see something on Facebook or anywhere that I'm interested in that's a great experience. When I see something that I'm not interested in, that's not -- and so we have done a lot of work around targeting. The most important work we've

done over the past year and I think you're seeing its results and it is around Custom Audiences, which enables people to use their data in a privacy protective way with us. It enables them to show different ads to people who are current customers versus new customers who are interested in different things. And I think we're really pleased with the adoption. The number of marketers using Custom Audiences more than doubled in Q2 and we're now up to 50 of the AdAge 100 who have already started using the products. We also think there is room to improve. We can do more and we will continue to do more to improve the targeting, the relevance of our ads.

Operator

The next question comes from Mark Mahaney with RBC Capital Markets. Your line is open.

Mark Mahaney - RBC Capital Markets

Great, thanks. Two questions please. Could you talk about thoughts on monetization of Instagram and maybe just potentially how you think about the ability to monetize that versus your core Facebook asset? And then secondly, Sheryl, could you talk about on the vertical basis where you think the biggest wide space opportunities are for advertising revenue for Facebook and the particular industries that you look at that they are materially underrepresented on Facebook where you could have the greatest growth going forward? Thanks a lot.

Mark Zuckerberg

Sure. I'll answer the Instagram question. Kevin has always been clear that we're building Instagram to be at business and that we expect that over time we're going to generate a lot of profit from it and probably through advertising. Now that all said, right now it's just growing still quickly. I mean the number that we just said was 130 million monthly actives. Video product is growing really quickly. There are so many directions to expand this in that we think that the right focus for now is to continue just focusing on increasing the footprint of Instagram. And when the right time comes then we'll think about doing advertising as well, but I think that's going to be a really big opportunity.

Sheryl Sandberg

In terms of growth opportunities, I think in terms of vertical categories, we have big growth opportunities across the board. There are certainly

verticals that were stronger than others which were very strong, for example in CPG. But even though we've grown spend significantly, we're still a tiny portion of the spent that CPG advertises. And even in the verticals where I think we've done very well, starting to penetrate, there's a lot of room for growth. I think as you think about different industries using the power of online marketing, we see different levels of adoption but I'm a believer that over time this is where people are spending their time and any marketer who's trying to reach people is going to spend their resources there as well.

Operator

The next question comes from the line of Jordan Rohan with Stifel, Nicolaus. Your line is open.

Jordan Rohan - Stifel, Nicolaus & Company

Thanks so much. I think it's fairly easy too when talking to advertisers to access that there has been this latent demand for advertising on Facebook. But when you look across the globe, it's a little bit harder to address the advertising community. Can you talk about the growth of the ad sales force and the ad ops and all the people required to really bring that outside of the major U.S. and Western European markets? And specifically is there a chance that you believe that Asia-Pacific and rest of world markets can see a meaningful continued and sustainable shift higher in ARPU than where we are today? Thank you.

Sheryl Sandberg

Yes, I'm a big believer that revenue opportunities exist all over the world and our gross was very strong across regions, including outside of the U.S. for this time. We're up to over 40 offices and we have sales teams on the ground in over 40 offices and we're seeing really good adoption and really good growth across. You mentioned Asia, I was actually in Japan and Korea meeting with advertisers just a few weeks ago and we are seeing companies that really weren't doing much with us a year ago increasingly adopt us as part of a core part of their spend. So I remain very optimistic about our growth across Asia and the rest of the world.

Operator

The next question comes from Youssef Squali with Cantor Fitzgerald. Your line is open.

Youssef Squali - Cantor Fitzgerald

Thank you very much. Two questions please. Can you talk about the mix of growth in direct selling versus programmatic selling for you guys and where do you see that going forward? And in terms of just on the cost side, I guess looking at the investment and by the way David, thanks for the color about operating expenses and guidance for the second half, but as you look at longer term, how far can you see that 50% increase in operating expenses still being sustained as you, I guess just looking at 2014? I know you're not guiding to 2014 right now, but just as we look at the model going forward how far do you think you can sustain growth in operating expenses faster than growth in revenues? Thank you.

David Ebersman

Yeah, thanks for your question. Your first question about direct selling versus programmatic, the mechanism that most people buy from Facebook is through the option that we offer, but that doesn't mean that we're not – we don't have a sales force that's out calling on clients. Sheryl can expand on that if you want.

Sheryl Sandberg

Yeah, we sell both directly to our sales team so it's in-person and online. And what I think you mean by programmatic which is through third party such as DSPs and other – one thing worth noting is that FBX which is part of that programmatic selling is actually a very small part of our business and I think sometimes people don't understand that. So that piece is quite small. We are expanding both our direct selling efforts both to sales teams and online as well as the third parties we work with, and we think having a healthy and growing ecosystem on both sides is really good for the development of our business.

David Ebersman

You asked about investments looking forward to next year, I think philosophically is the easiest way to answer that which is we still think we're early in the journey of building the service that we want Facebook to be and there's lots of work ahead of us to do and lots of things to do. And our plan will continue to be to invest aggressively in the areas that we think are important to improve our strategic positioning and to drive our ability to grow revenues and profits over the long run. We also know that to be the great company that we want to be, we have to be disciplined in everything that we do and focus our spend on the areas that

are really most important. So, the challenge for us just by any company is finding that right balance. I really can't comment on 2014 yet honestly just because we haven't – I don't know what 2014 is going to look like. We tend to plan in six-month blocks and I think have our act together pretty well for what we're going to try to do in the second half of this year, but haven't been on the conversation about next year yet.

Operator

The next question comes from the line of Anthony Diclemente with Barclays. Your line is open.

Anthony Diclemente - Barclays

Thanks a lot. I have one for Sheryl and one for David. Sheryl, I'd be interested in hearing a little bit about the relative progress of impression-based selling versus performance-based and you mentioned the ecommerce – the doubling from ecommerce from direct response and I guess I just wanted to know if you've increased the amount of inventory that you're selling on an impression basis versus performance? And then David, I had a follow-up on the CapEx. It just seems like an interesting time for CapEx to be coming in when video usage and video uploads could be growing...

Sheryl Sandberg

We may have lost the question, but I'll take the first half while we wait for the second piece to come back. On the first piece, our system works that you can buy by CPM or CPC and we let advertisers choose. I think both parts of our business are healthy and growing. I think when people talk about impression-based purchasing or buying, what they're really trying to get at is brands. And brand is a very important, one of our four segments and one that's growing. When you think about what brand spenders are doing, they're trying to get discovery. And I think we've made a lot of progress there. We now work with every one of the global AdAge 100 over the past year. Now that said, people are in different parts of that spectrum. We have brand advertisers who are looking for discovery who have advertised with us for a long time, proven the value and are really expanding and these others that are newer, that are experimenting that aren't as convinced yet and it's our job to get there and convince them. I think what people are increasingly seeing is we have a big brand opportunity. We have a massive engaged audience, 88 million to 100 million people in the U.S. during primetime hours who are on Facebook. We offer discovery and we have a unique opportunity to take

people all the way through the funnel. In one example, a recent one that I really like is T-Mobile did an ad campaign with us to attract people to sell new phones. They used our offer ads to do it. 9% of the people who claimed the offer converted to T-Mobile within 10 days and they had over 20 times return on their ad spend which is just incredibly strong in the industry and I think that shows the power of what we can do with impressions, taking people all the way through the funnel.

David Ebersman

Anthony, I'll try and answer your question about CapEx as best I could. You got cut off as you probably know, so I only got about – well, I don't know how much of it I got but I got enough to give it a shot. And really the best way I can think to answer it is to describe for you the variables that influence what CapEx requirements are for the company. So clearly the number of users is near the top of the list, and also the time at which the users use the service. So adding users who are off peak -- the Facebook peak provides less of a burden for our infrastructure than people who are using at the same time as our peak hours, because we can leverage what we built to peak. A second thing is definitely the level of engagement with those users and that seem to be where you were going with your question about video. That is and will continue to be, we hope something that drives up requirements for our infrastructure because it means people are really engaging and finding new ways to use the service. What has helped us I think is the two variables that come next. One is just the cost of the equipment itself and the datacenters and over time Moore's Law and other things and competition in the market have helped us to really be able to bring down the cost for each unit of equipment we use. And then the next variable which I mentioned in my remarks which I think is a really important one is just the efficiency of what we build. So over time I think Facebook has impressively succeeded at making the hardware we use more efficient and the software that we run on it more efficient in terms of how much compute power that is needs. The last variable of course probably the hardest to predict is product development, is just what we build and how that influences what the computer requirements are. So clearly the variable you emphasized which was engaging with higher content things is one of the things that will influence the CapEx over time, but it's a pretty complicated equation, but I think right now we're managing well. I think we're pleased with how 2013 is coming together in that regard.

Operator

The next question comes from Justin Post with Merrill Lynch. Your line is open.

Justin Post - Bank of America Merrill Lynch

Thank you. As we look back since mobile ramp back in 3Q last year, it's been pretty lumpy and it bounced around quarter-over-quarter, but it looks like a pretty big inflection this quarter. Can you help us understand why it has been so lumpy, at least we can think about going forward and maybe what caused the inflection this quarter? And then, I really appreciated the Time Spent metric, I think you said 20 billion minutes per day, but can you tell us how that compares to say a quarter ago or a year ago? Thank you.

David Ebersman

So in terms of the progression of mobile, and we're really pleased overall that on newsfeed ads in general and on mobile in particular are working so well in terms of the performance they're providing to marketers and how users are engaging with them. For a new product like this, I don't think we should be that surprised at the sort of quarter-to-quarter progression it's going to be harder to predict than it would be for a more mature product. I think one of the things that happened in the second quarter is that as the investments we've made started to really come together. We had a lot more demand in our system that met the quality bar that we set for feed, so we're able to place that demand intelligently in a manner where it performed well and didn't have a meaningful impact on the user experience. So I think that more feed eligible demand was a big part of the story. And I think one of the really good pieces of news for us is how well the price held up as we did that, as we increased the number of ads we showed in feed. So for many of our ads as you know marketers are bidding for clicks in an auction and the auction determines the price for supply both demand, the cost per click price. And in the second quarter and this specific, I'm going to give you is relative to the first quarter of this year because it's hard to do a year-over-year for mobile and for newsfeed because it just didn't really didn't exit a year-ago. Q2 relative to Q1, the number of clicks in our system went up a lot and we might have assumed that price would decline as click number increased because we're basically pushing out the supply curve and changing the point where supply would meet demand. And that's not what happened. Cost per clicks for feed ads increased and really demonstrating to us that demand was growing rapidly as well as we're increasing the supply of ads we were showing. So it's not a perfect

comparison because Q2 is seasonally stronger than Q1, but it's -- I don't think the seasonality explains the agenda I just provided. And I think that's a really encouraging metric for us. And your second question was ...

Justin Post - Bank of America Merrill Lynch

Time spent.

David Ebersman

Time Spent. We just -- unfortunately we don't have a lot of longitudinal data for Time Spent. It's not something that we had instrumented well going back more deeply in time because it's hard -- well it's hard on every interface and it's particular hard on mobile. We feel pretty good about where we are now in terms of the quality of the instrumentation. It is up on a per user basis. As you would imagine it's not -- it's gone quarter-over-quarter sequentially on a per user basis, it will be growing slowly. On an aggregate basis of course it's benefited from the fact that we have such a nice and consistent increase in the number of daily users of this service.

Operator

The next question comes from Ross Sandler with Deutsche Bank. Your line is open.

Ross Sandler - Deutsche Bank Securities Inc.

Great, thanks guys. David, just the continuation of what you were just talking about, so on the mobile newsfeed ads is the 5% number -- your 5% of stories being at the right number and is that consistent across geo's. And then is the growth a function of, you just said price is going up sequentially obviously your mobile DAUs are going up or MAUs are going to up sequentially, then you're probably also seeing improving click through rates. So, of those three variables, users, click through rate and price, which is driving the sequential increase the most in mobile? Thanks.

David Ebersman

So in terms of the 5% number again, what we know is where we are now, and we're pleased that things are going as well as they are at the current level. So, the number was zero a year ago, it increased steadily over the past year and the 5% number is a average number globally, it does differ by geography and it also differs by person. It will be higher for people for whom we have a lot of more ads that are targeted towards them and are

relevant for them, and what we're trying to do is find the right balance ideally for each user where we're balancing their experience with Facebook and the performance of the ads and continually tweaking the product, learning from our experience to try and do that as well as we can. Going forward, I think as we have -- I think I'm consistent in saying the biggest opportunity for us is to improve the quality of the ads so that we can show ads that are engaging in relevant for the users involved. Your question about what drove the increase? I think everything contributed. I think that's one of the things that's encouraging about where we're, is we do have more users. We have more demand that enabled us to share more newsfeed ads. We're really pleased with how click through had held up, and I mentioned what was happening in terms of cost per click increasing sequentially. So it's a nice balance contribution from the variables that determine what our revenue performance is.

Operator

The next question comes from Brian Pitz with Jefferies. Your line is open.

Brian Pitz - Jefferies & Company

Thank you, I wonder if you could give us a sense for what the major hurdles are to overcome before deploying a major video ad product on the core site. As you're out talking to potential clients, can you help us understand what demand looks like for that product. And then maybe separately just a sense for what you're seeing in Europe from a macro perspective just given some of the mixed news we heard on the economy over there? Thanks so much.

Sheryl Sandberg

On Video ads, we have a current video ad product, because marketers can embed a video in a page post and we see a lot of marketers using that product and seeing good results as a demand to do more in video on Facebook is there. And we're exploring how we can expand that, but we don't have anything new to announce today. In terms of Europe, we heard the same things and obviously on the macro environment, but our growth has been very strong. We had a new Head of our European Operations as well. Nicola Mendelsohn who just started, we're excited to have her and we're experiencing a strong growth.

Operator

The next question comes from Ben Schachter with Macquarie. Your line is open.

Ben Schachter - Macquarie Research Equities

Congratulations on a really outstanding quarter. Mark I want to ask about the platform strategy and its broadly, how was the strategic vision to allow third-parties to provide services to the network evolved over the past year, and what needs to happen that more of a contribution from non-advertising based businesses?. And David just quickly from modeling, the mobile ad revenue, can you talk about how that progressed through the quarter, did it exit June much stronger than it was earlier in the quarter? Thanks.

Mark Zuckerberg

Yeah, I mean, I can get the platform question. The strategy for that has – we shifted a bit to focus on building more business tools for developers than a lot of work we’re seeing is folks have shifted towards using products like mobile app installs and originally we were – we had a little bit of skepticism about how happy developers would be with a system where they would pay to get more distribution. But what we’ve actually found is that the NBS is really high for this, because it’s just more stable than anything else that they’ve had. In the past it’s the most stable way that they have to grow their app. So we’re basically focused on doing now is – we think about advertisers in terms of these used cases that folks had on this local businesses. They are great brands. They are developers, who are building app, there is an eCommerce and we’re really focused on building up the platform to be one of those big verticals to be a big part of the business. There is also a games part of the platform, which is kind of the first piece of platform that we launched and that is just continuing to grow at a slower, but steady rate.

David Ebersman

Your second question was about progress through the quarter, nothing notable to report there. It was really a strong quarter from the beginning to the end.

Operator

Next, we have a question from Scott Devitt with Morgan Stanley. Your line is open.

Scott Devitt - Morgan Stanley

Thanks. I had a bigger picture question for Mark. I was hoping you could give sort of a scorecard when you're in relative to your founder letter. I know it's been only 14 months and that's a short period of time, but it will be interesting to hear your views on the company's performance against the longer term aspirations and core values that you've put in the letter? Thanks.

Mark Zuckerberg

Yeah, I think we're early. And one of the interesting things over the past six months or so is reaching 1 billion people was this big rallying cry for the company for a long period of time. And I think as we've passed that, we've seen the ambition that the company has grow. And reaching 1 billion users was a great first thing to focus on because no one had ever built a service that had 1 billion active people who were signed in and had real identity before. But in a way it's actually kind of just an abstract, there's nothing magical about 1 billion. The real goal is to connect everyone in the world and help people map out everything that there is. Well, I think what we're seeing is as some of the products succeed is just the ambition increased to be able to do more of these and taking on more longer term things. At the same time, I think what you have is we weren't happy with the quality of our mobile experiences, rewinding 18 months. So we had just a lot of foundational work to do and I think coming into this year, we kind of could tell internally that we were turning a corner on that. We were in good shape and could start to play a bit more offense. But as I think the numbers from this quarter suggest, I think we're really starting to see the upside of some of the investments that we've been making over the last period.

Operator

The next question comes from Mark May with Citigroup. Your line is open.

Mark May - Citi Investment Research

Thanks for taking my question. I have two. One of the things that stood out in your prepared remarks is I think you mentioned 40% year-on-year increase in average price per ad in North America in Q2. I was hoping you could remind us how that compared to say Q1 and given that I think you contributed that to higher performing ads, if maybe you could call out specifically what one or two either ad units or ad targeting enhancements were the kind of key contributors to that growth? And then secondly,

David, I think you called out the more challenging comps as you enter into the second half of the year. Are you suggesting that it's kind of unreasonable for us to look at the sequential growth that you saw in the second half of 2012 and assume that that sort of rate of growth is repeatable this year?

David Ebersman

Okay. In terms of pricing I think – we were pleased with the pricing growth in the first quarter too. The net across the world was a 3% average in the first quarter but that was much higher in the U.S. and Canada, because again for the same reason it wasn't impacted by the price floor change. So it was about 25% in the U.S. and Canada and was even stronger in the second quarter. And similarly in other territories, I think pricing is just going really well and would be stronger than the result show if not for the impact of the price floor. We probably have numbers that are similar to the U.S. and Canada, if not stronger in our other regions as well. In terms of the comps, I don't think there is anything particularly complicated so what I was saying, it's just if you're looking at the percentage growth rates for Q2, you're comparing to a quarter last year that really didn't have much mobile revenue or News Feed revenue in it at all and that really started to ramp up in the third quarter and the fourth quarter. So it's there in one side of the comparison going forward.

Sheryl Sandberg

In terms of where the growth is coming from in terms of ad units, in terms of our market segments direct response marketers are a very big contributor to the growth. That's why I started with them in the remarks and in the Q&A. Ecommerce doubled year-over-year and they're doing that by using a bunch of our different ad products; everything from post to offers to other things, but it's really about looking for those contributions. We've also seen a lot of growth, as I said, in mobile app install ads; small market but growing rapidly and it's a market where we offer a product that there is almost nowhere else to get the kind of returns and opportunity we offer.

David Ebersman

I'm just going to add one more thing just in case I, in anyway, created any confusion and I have no evidence that I did yet. But the price per ad that I was talking about in this question reflects not the same thing as the cost-per-clicks that I answered in a question earlier because price per ad

will also incorporate the click-through rate as well as the cost-per-click for click-based ad and also includes ads that are purchased on an impression basis. So most of the pricing metrics we provide are per ad inclusive of click-through rates and impression-based ads. The CPC metric I gave earlier was just, I think, a specific and useful metric in understanding how much strong demand contributed in the second quarter.

Operator

The next question comes from Ken Sena with Evercore Partners. Your line is open.

Kenneth Sena - Evercore Partners

Hi. So just maybe if we could drill into the comment around ecommerce spending doubling and it seems as though FBX and third party effort, its growing fast but its small and the same with the app install effort. But can you talk a little bit about what drove that doubling in Europe year-on-year? Thanks.

Sheryl Sandberg

I think direct response marketers have had more opportunities to use our system, use our product and we've also made a very major investment in helping them measure returns and helping them connect what's happening both online and as well as throughout the system. So direct response marketers tend to be buyers when they have an ROI metric. They're looking for that ROI metric and their budgets are flexible around those ROIs. So as they've invested with us and hit their ROI metrics, their budgets go up and they make those adjustments very quickly. That's why when they start using the products and see the value they create, they are able to grow very quickly even within a quarter or within a week or within a month because they adjusted their budgets.

Operator

Your next question comes from Rory Maher with Hillside Partners. Your line is open.

Rory Maher - Hillside Partners

Thanks. A couple of quick questions. First on hiring, there's been a lot of discussion in the press about tech companies' need for more highly skilled workers and I'm curious if you're feeling pressure to find that kind of highly skilled talent and what areas you find hardest to fill and maybe

some successfully that you're finding good engineering talent? And then secondly on the advertiser mix, have you guys discussed your mix of brand advertisers by category like auto, retail, telecom, that kind of category mix? And are there any that have grown particularly well the past year?

Mark Zuckerberg

Yeah, I can take this. Hiring great people especially engineers is one of the biggest challenges that any technology company has. We're doing really well against the hiring goals that we have. But I mean there was a systemic issue where our country doesn't produce the volume of engineers that the companies would want to hire. And I think that that's a lot of what you hear these companies talking about. We're doing really well competitively right now. We have a really strong program on colleges where we can continue to attract a lot of best people who are graduating. We do really well at hiring senior engineers from across the valley as well. But it's just something that we invest a huge amount of time and it's really important.

Sheryl Sandberg

In terms of where we're growing by category; I've mentioned CPG, gaming, retail, these are vertical categories where we're strong. But again we're growing. We're growing; we're watching people really experiment. One of the things that's been really fun to see even though it's not a pay product is GE is Instagram work. GE is doing super interesting photos on Instagram which show us that other industries are also going to adapt to the social environment and to some of the new ways to reach customers globally.

Operator

The next question comes from Laura Martin with Needham & Company. Your line is open.

Laura Martin - Needham & Company

Hi, there. Great numbers, you guys. Congratulations. Two questions. One on, could you guys clarify the custom advertising bucket? I know you said it was up 100% year-over-year or quarter-over-quarter and a lot of the brands are talking about this as a key growth area. So I'm really interested in how big it's starting for you guys? And then my second question is we're also talking to a lot of companies that target your

metrics using UTI integrations and would that create an arbitrage I'm wondering if over time you foresee that being a stable ecosystem or are you guys going to try to ease those guys out over time and grab some of that upside that these arbitragers that are using our platform are garnering today? Thanks.

Sheryl Sandberg

On the first, Custom Audiences is small but growing and important. We doubled what I said as we doubled the number of marketers using the product Q2 over Q1, and that also has included getting us to 50 of the AdAge 100. As I've talked about as a large brand advertisers the AdAge from 100 have a long sales cycle and it takes a lot of work that happened to adapt products and so seeing adoption this quickly of something, we think shows how powerful that targeting is. In terms of some of the more programmatic ways people buy, we think it's really healthy for us to have multiple sales channels. We like having a direct sales channel, which we have in our 40 – over 40 offices. We like having online and robust sales, because that means that even in countries where we've done half offices, we have the ability to sell into those markets. We also like having an eager system of what we call PMDs, third-party sellers who can work with our clients to provide some of the kind of features that we don't have or some of the kind of capability that they may not have in house. And so for us, we'd like to see all of our sales channels continue to grow and thrive.

Deborah Crawford

Operator, I think we've time for one last question.

Operator

The next question comes from Eric Sheridan with UBS. Your line is open.

Eric Sheridan - UBS

Thanks, guys. Congratulations on the numbers. Mark, longer term question focused on your initial comments, how have some of the recent products that are consumer facing that you guys have launched like Graph Search and Facebook Home sort of taught you what the consumer acceptance is for certain things, learnings about how the platform can be developed and evolved over time, would love to get your takeaways on that?

Mark Zuckerberg

Yeah. Well, I mean I think that there are bunch of different kinds of products that you can ship. I mean everyday we ship a lot of tweaks to the products, or small changes to existing products. Then there are going to be products like Instagram video, which is really doing well and it fits very naturally into the current flow of how people use Instagram to capture moments that they're proud of. So that makes sense. I think the team did a really good job there. The thing is like Home and Graph Search are really new used cases. I mean in the case of Home, it's a new category of product that's different from anything that exist out there and I think of its more a seed that we're planting that its going to create completely new pillar of the ecosystem rather than drafting off behavior that people already have in the system today. So, I definitely think that we just have to look at this over the long-term. And it's very – when we're building models for the Company and we basically think that it's going to be something that we will invest in for years. And we expect these to become marketing – market leading products and they're doing things that no-one else really has, the strategic position or content to be able to build these products. So we're excited about them. There is going to be longer term back. So I think if you want to look at the different things that we're doing in terms of how naturally they fit into the flow of a person's day to day life today to get a sense of how quickly it's going to ramp up over time.

Deborah Crawford

Great. Thank you for joining us today. We appreciate your time and we look forward to speaking with you again next quarter.

Operator

This concludes today's conference call. You may now disconnect.

EXHIBIT 64

Seeking Alpha^α

Facebook's CEO Discusses Q1 2014 Results - Earnings Call Transcript

Apr.23.14 | About: Facebook (FB)

Q1: 04-23-14 Earnings Summary



10-Q



Analysis



News

EPS of \$0.34 beats by \$0.10 | Revenue of \$2.5B (+ 71.2% Y/Y) beats by \$160M

Facebook (NASDAQ:FB) Q1 2014 Results Earnings Conference Call April 23, 2014 5:00 PM ET

Executives

Deborah Crawford - Director of IR

Mark Zuckerberg - Chairman and CEO

Sheryl Sandberg - COO

David Ebersman - CFO

Analysts

Heather Bellini - Goldman Sachs

Douglas Anmuth - JPMorgan

Carlos Kirjner - Sanford Bernstein

Eric Sheridan - UBS

Peter Stabler - Wells Fargo

Ben Schachter - Macquarie

Evan Wilson - Pacific Crest

Anthony DiClemente - Nomura

Mark Mahaney - RBC Capital Markets

Justin Post - BofA Merrill Lynch

Youssef Squali - Cantor Fitzgerald

Colin Sebastian - Robert Baird

Brian Wieser - Pivotal Research

Ross Sandler - Deutsche Bank

John Blackledge - Cowen & Company

Operator

Operator: Good afternoon. My name is Jake and I will be your conference operator today. At this time, I would like to welcome everyone to the Facebook First Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you very much.

Ms. Deborah Crawford, Facebook's Director of Investor Relations, you may begin.

Deborah Crawford

Thank you. Good afternoon and welcome to Facebook's first quarter earnings conference call. Joining me today to talk about our results are Mark Zuckerberg, CEO, Sheryl Sandberg, COO and David Ebersman, CFO.

Before we get started, I would like to take this opportunity to remind you that our remarks today will include forward-looking statements, and actual results may differ materially from those contemplated by these forward-looking statements. Factors that could cause these results to differ materially are set forth in today's press release and our annual report on form 10-K filed with the SEC.

Any forward-looking statements that we make on this call are based on assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events.

During this call we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to Non-GAAP measures is included in today's earnings press release. The press release and an accompanying investor presentation are available on

our website at investor.fb.com.

And now, I'd like to turn the call over to Mark.

Mark Zuckerberg

Thanks Deborah, and thanks everyone for joining today. This was a very busy quarter and a strong start to 2014. We continued to grow our community in size and engagement, with nearly 1.28 billion people now using Facebook each month and almost 63% visiting daily.

We also reached new milestones as a mobile company, with more than one billion monthly actives on mobile and almost 55% of our daily actives only connecting on mobile.

When you look at our business performance, we've also made some good progress. Our total revenue grew 72% year-over-year. Our advertising grew 82%, our strongest annual growth rate in nearly three years. And mobile accounted for 59% of our advertising revenue.

These results show Facebook's business is strong and growing, and we're in a great position to continue making progress towards our mission.

This quarter we made a number of big investments in our future. We reached agreements to acquire WhatsApp and Oculus, and we announced our new Connectivity Lab that's focused on developing technologies to expand Internet access around the world. These are important efforts that we believe will help us continue making progress towards our mission over the long term.

But as this quarter shows, we're also staying focused on execution, and carefully improving our core products and business. Execution gives us the strength to bet on the future, and our success over the long term depends on us serving our community today and delivering against our current strategy.

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4-23-2014

Facebook Q1 2014 Earnings Call

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Q1 2014 Results Earnings Conference Call

April 23, 2014, 05:00 PM ET

Executives

Deborah Crawford - Director of IR

Mark Zuckerberg - Chairman and CEO

Sheryl Sandberg - COO

David Ebersman - CFO

Analysts

Heather Bellini - Goldman Sachs

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But as this quarter shows, we're also staying focused on execution, and carefully improving our core products and business. Execution gives us the strength to bet on the future, and our success over the long term depends on us serving our community today and delivering against our current strategy.

So, with that in mind, I'd like to run through our progress this quarter towards our three big company goals; connecting everyone, understanding the world and building the knowledge economy.

Connecting everyone is about making Internet services available to everyone in the world, and allowing everyone to connect with the people and things that they care about.

Our strategy for connecting everyone is based on two approaches. The first is about giving people new apps for sharing different kinds of content with different people. Today our apps are at different stages of maturity.

Our core Facebook app has an audience of over one billion people, and has become an essential sharing infrastructure for the world. We're currently focused on building a great business around this, and our continuing revenue growth on mobile this quarter shows our strong momentum here.

For the next set of apps like Messenger, Instagram and hopefully soon WhatsApp, the current priority is growth. Messenger and Instagram both reached 200 million monthly actives this quarter. We believe these apps have a lot of room to grow and will start to be important businesses in the future, but monetization isn't our near-term priority here.

And for the new apps that we're building as part of our Creative Labs effort, we're still in the very early stages of development. We're working hard to develop the technical foundations for these services so that we can rapidly launch new products and then refine them based on the initial feedback from our community.

For Creative Labs projects that demonstrate a lot of value, our next priority will be to grow them to reach 100 million people, before we start developing them into significant businesses. Now we're pleased by the early reaction to Paper, our first app from Creative Labs, and we expect this to be a good test case for our strategy.

The longer term part of our strategy for connecting everyone is focused on Internet.org, our effort to make affordable basic Internet services available to the entire world. We recently reached 100 million monthly actives in India, and through Internet.org we're looking to build on this kind of success.

We've already started to deliver results. By partnering with mobile operators in the Philippines and Paraguay, we've doubled the number of people using mobile data with our partners and brought almost three million more people onto the Internet.

Our early tests and research into new technologies such as drones and other infrastructure to connect people are promising. And over the long term we also expect WhatsApp to play an important part in connecting everyone by offering a simple, fast and reliable messaging system that could be as ubiquitous as Facebook one day. We'll have more to share after the deal closes.

Next, let's talk about understanding the world. Understanding the world is about using Facebook to build up long term knowledge about the world and helping to answer questions for people that no other service can.

Next week Facebook holds our fifth f8 conference, the main event for our developer community. We do this because even with all the experiences we're building, we understand that there will always be more social experiences that we can't build. So we want to keep serving developers better, and to help them build, grow and monetize their apps.

We've made good progress here. On mobile, App Installs has been one of our best performing ad products, driving over 350 million installs to date. Over 60% of the top grossing apps on the Apple App Store and Google

Play use Mobile App Ads, which is pretty impressive performance for a product that launched in January last year.

On desktop, games continue to be popular on our platform and over the last twelve months desktop game developers generated more than \$3 billion in payments volume on Facebook.

It's worth noting that even though our mobile and desktop products seem completely different, they're both delivering the same value to developers; the ability to reach a large targeted audience. That's what we provide, and regardless of the format we will continue to improve this value.

We see a big opportunity to continue improving the relevancy of the ads people see on and off Facebook, to help mobile developers better monetize their apps, and to help provide greater reach for marketers. I look forward to sharing more details next week at f8.

Finally, let's talk about our efforts to build the knowledge economy. Building the knowledge economy is about building out the technology platforms the world needs for the future, so everyone can use information to do their jobs better.

Advertising and the ability to reach people more broadly is one of the most important technology platforms for achieving this, and we're investing a lot to serve four major kinds of partners: small businesses, brands, developers and e-commerce partners.

After introducing News Feed ads, which increased the supply of ads in our system, our recent efforts have primarily focused on improving the relevance and quality of these ads.

To do this, we've been working to improve the tools we provide for marketers, so they have access to better targeting capabilities, simpler ad products and more useful measurement tools.

Our approach is less about developing new products for marketers and more about improving our existing ones and helping businesses to use them efficiently. Our goal is to make our ads as interesting as organic content on Facebook, so that more people find ads useful and businesses can engage effectively with our community and grow.

Our most recent data shows that this approach is working well, and we continue to be really encouraged by the feedback we're seeing from people about our ads. There is still more work to be done here, but we've

shown that we can continue to serve our community well while also growing a healthy business.

So that's my update on how we've been executing against our strategy over the last quarter. It's been a busy quarter and a strong one. We're proud of our progress as a company and everything that we're accomplishing today.

In large part this is due to the incredible quality of our team, and I'm very grateful for the support of everyone here at Facebook, as well as our stockholders and partners, as we continue working to achieve our mission.

In addition to thanking our employees, I'd also like to thank one person in particular: David Ebersman, who is stepping down as CFO after almost five years. David has been a great partner in building Facebook.

He has set the right tone about operating efficiently. He has set us up to make the long term investments we need. And most importantly, he has built an incredibly strong team, including Dave Wehner, who will be our next CFO.

I've learned a lot from David, both personally and professionally, and I'm grateful for everything he has done to help make the world more open and connected.

Thanks, and now here's Sheryl.

Sheryl Sandberg

Thanks Mark and hi everyone. Before I start, I want to join Mark in thanking David for being an extraordinary partner and friend over these past five years. As Mark said, he has contributed so much to our company and I've learned so much, personally, working with him.

Great people build great teams and that's what David has done. And so I'm also really excited to continue working with Dave Wehner as he steps into his new role as our CFO.

We are off to an outstanding start in 2014. Our total revenues were up 72% year-over-year and our advertising revenue growth accelerated to 82%. That's our strongest year-over-year advertising growth rate in nearly three years.

We're really pleased with these results and the level of execution in our business. The team is staying focused on each element of our monetization strategy: capitalizing on the shift to mobile, growing the number of marketers who advertise with us, and investing in our ad products.

Mobile continues to be a big driver for us – and a big opportunity. Mobile comprised 59% of our ad revenue in the quarter, up six percentage points from Q4. We continue to believe that this is because Facebook has the best mobile ad product in the market.

We also continue to grow the number of marketers using Facebook and saw growth from existing advertisers as well. Our growth is very broad-based and coming from all types of marketers, with particular strength from SMB and direct response.

We saw strong performance this quarter from verticals such as mobile gaming, e-commerce, and consumer-packaged goods.

I am especially pleased with what we are seeing and hearing from clients around the world as they shift budgets to online, to mobile, and to Facebook. One recent powerful example is Sport Chek, Canada's largest sports retailer.

They recently decided to pull their paper circulars, which their company have relied on as its primary ad vehicle for 92 years for two weeks and replace them completely with digital spend, a majority of which was on Facebook.

During those two weeks, national in-store sales grew 12% year-over-year and in-store sales of the items they promoted on Facebook grew 23%. As a result, they are going to continue with their tests and their goal is to transition more than 25% of their print spend to digital and Facebook in the next year.

And last week I was in Europe meetings with clients, agencies, SMBs and developers and what I heard from them was how FB was becoming increasingly important in driving their businesses.

Investing to improve and expand our ad products remains a very important priority for us. Our goal is to continue to develop new ways to help marketers reach their customers.

We've done this over the last couple of years by enhancing our targeting capabilities, simplifying our ad products, and improving our measurement tools. I'll touch on each of these three areas.

First, targeting. Along with Facebook's reach and scale, marketers value our proprietary targeting to help them reach the right customers and create more personalized and, therefore, more efficient and effective ad campaigns. Ten times more marketers are now using our Custom Audiences targeting feature compared to last year.

To share just one recent example, Ben & Jerry's wanted to drive more sales from its classic flavors. They used a wide range of our targeting capabilities, including Custom Audiences and Partner Categories, to reach premium ice cream buyers.

Their campaign reached 14 million people, roughly 90% on mobile and drove an 8.1% sales lift from those consumers. As more marketers use our targeting tools, our ads become more relevant for our users and drive even better results for marketers.

Second, we are simplifying and enhancing our ad tools for the over one million advertisers on Facebook. The tools that were previously available to only the biggest and most sophisticated advertisers like Custom Audiences and Partner Categories are now available in our self-service ad creation process.

By making these tools more accessible, we believe we can grow the number of advertisers on our platform and improve their results. Additionally, for direct response marketers, we've added more specific calls to action in our ads, including "buy now" or "install now" buttons that greatly improve the efficacy of these ads.

Finally, we're also really pleased with the results we're seeing from our investments in measurement tools. Our online conversion measurement tools enable our direct response advertisers to measure the impact their Facebook ad campaigns have on online sales. And, we recently launched new offline conversion tools to measure in-store sales, which have yielded positive initial results.

Our ongoing focus will continue to be on improving the quality, relevance and performance of our ads and demonstrating value to marketers. We believe we still have a lot of opportunity to generate future returns by continuing to focus in these areas.

We also have significant opportunities to develop newer products like premium video, ads on Instagram and our recently launched ad network test. Our initial efforts show a lot of promise and we've gotten good feedback from marketers in all of these areas. But, it's still very early and we don't expect meaningful contributions from these projects this year.

To summarize, our ads business is performing very well. I want to take a minute to congratulate and thank our teams all around the world and our ads engineering, product and design teams on the progress we have made.

I also want to thank our clients, agencies, PMDs, and other partners, who work with us every day to use our platform to build their relationships with their customers to create personalized marketing at scale.

It's an exciting time for us as more marketers around the world gain conviction in the results they can achieve on Facebook. We have a great opportunity to build the world's first platform for personalized marketing at scale.

It's early in that journey and we are going to stay focused on making the right investments in our ads business and executing against our plan.

Thanks everyone, and now here's David.

David Ebersman

Thanks Sheryl and good afternoon everyone. Before I dive into the numbers, I wanted to say a few words about my decision to step down as CFO.

This was a hard decision for me because of how much I love Facebook and all the people I work with here. In particular, I can't thank Mark and Sheryl enough for their friendship and support and for letting me be a part of their team. I'm confident that Facebook's best days lie ahead and I'm excited about the path Mark and Sheryl are leading the company on.

My decision's a personal one based on my desire to get back into health care where I spent my entire career before Facebook. And, after ten years as a CFO, half of them here, I'm ready for a different role and challenge.

Right now feels like a good time for this change. The business is doing well, the foundation is solid, and in Dave Wehner we have a terrific successor who's up to speed and ready to go.

I have complete confidence in Dave and the rest of the Finance team. Dave will formally take over me in June and he'll take my place on the next earnings call, though I plan to stay with the company through September to ensure a smooth transition.

I also want to thank our shareholders for your partnership and support. Now to the quarter.

Q1 was a strong quarter for us across the business. We increased our revenue growth rate, expanded operating margins, delivered free cash flow of over \$900 million, and continued to make investments to position the company for near-term and long-term growth. Let's start with some people metrics.

The number of people using Facebook on an average day in March grew to 802 million, up 137 million from a year ago. As Mark mentioned, this daily number represents almost 63% of the 1.28 billion people who used Facebook during the month. And overall engagement remains strong.

Additionally, these stats don't include Instagram, which now has more than 200 million monthly active users, showing the remarkable progress by the team. Two years ago this month, when the acquisition was announced, Instagram had fewer than 22 million monthly actives.

Turning now to the financials. Q1 total revenue was \$2.50 billion, up 72% versus Q1 last year, and total ad revenue was \$2.27 billion, up 82%. Ad revenue growth was strong around the world, with each of our four geographic regions growing by over 70%.

Mobile ad revenue was approximately \$1.3 billion, compared to around \$377 million in Q1 last year, and notably mobile ad revenue was up 7% sequentially, despite the seasonal benefits in Q4. Desktop ad revenue in Q1 was up 8% compared to Q1 last year.

In Q1, the average effective price per ad displayed increased 118% year-over-year while total ad impressions declined 17%. The decrease in ad impressions was due to factors including the continued shift towards mobile use, where people are shown fewer ads compared to desktop.

The increase in average price per ad was primarily driven by a mix shift with more ads being shown in News Feed. News Feed ads have significantly higher engagement, click through rates, and price per ad compared to right hand column ads, so a higher proportion of ads appearing in News Feed drives up the overall average price per ad.

The price volume trends were pretty consistent across our four geographic regions.

Total Payments and Other Fees revenue was \$237 million, up 11% versus Q1 last year. However, the more meaningful comparison, that better reflects the organic growth we saw in the Payments business, comes from looking at Payments volume from Games specifically, which was up 1% in Q1 compared to Q1 last year, down from the 8% year-over-year growth rate we saw in Q4.

As we've discussed before, the shift to mobile is a significant headwind since our Games Payments revenue comes from desktop only, where usage is flat or declining, so growing this business going forward will be challenging.

Turning to expenses, our Q1 GAAP expenses were \$1.4 billion, up 32%, and our non-GAAP expenses were \$1.1 billion, up 26%. Our headcount increased 39% from a year ago.

Our Q1 GAAP operating income was \$1.1 billion, representing a 43% operating margin, and our non-GAAP operating income was \$1.4 billion, representing a 55% margin, up from 39% last year.

While the margin improvement was helped by some non-recurring items that drove up costs in Q1 last year, we're pleased that the increase in margins came mostly from cost of revenue and G&A.

As planned, we've created efficiencies in infrastructure and administration while continuing to aggressively grow our investment in R&D along with marketing and sales to drive future performance.

Our GAAP and non-GAAP tax rates were 40% and 36%, respectively. GAAP net income was \$642 million or \$0.25 per share, and non-GAAP net income was \$885 million or \$0.34 per share.

In Q1, we spent \$363 million on CapEx and generated \$922 million in free cash flow. We ended Q1 with \$12.6 billion in cash and investments.

Now, looking forward. First, I want to note that the forward-looking comments I'll share today do not reflect any impact from the recently announced acquisitions of WhatsApp and Oculus, neither of which has closed. After the deals close, we'll update our guidance as appropriate.

In terms of expenses, consistent with what we've said previously, we're planning that our total 2014 GAAP expenses, including cost of revenue

and stock comp, will likely grow in the neighborhood of 35% to 40%, and that non-GAAP expenses, including cost of revenue but excluding stock comp, will likely grow in the neighborhood of 40% to 45%.

For taxes, we expect GAAP and non-GAAP rates for the rest of 2014 to be similar to or a bit higher than our Q1 rates, although this could vary widely depending upon our international revenue and expense mix, and other factors including the impact from acquisitions.

We continue to anticipate our 2014 CapEx will be approximately \$2 billion to \$2.5 billion. We also continue to expect shares outstanding for calculating EPS to grow from around 2.6 billion at year-end 2013 by 2% to 2.5% in 2014 excluding the two large deals we've announced.

Those deals once closed will add another 207 million shares, as well as additional unvested RSUs that will affect our share count over the subsequent four to five years.

Turning last to ad revenue. As you know, our year-over-year comparables will get more challenging going forward from here because of the timing of the ramp up of News Feed ads in 2013.

As the comps become more difficult, we continue to expect that over the rest of 2014, our year-over-year ad revenue growth rates will decline from the Q1 rate and be meaningfully lower by the end of the year.

That being said, we believe, we are still in the early stages of building our ads business, and we remain as optimistic as ever about the long-term opportunity to grow revenue impressively by improving the quality and relevance of our ads and increasing the value we bring to marketers.

In summary, Q1 was a great start to the year. We're very pleased with how well our ads performed. The strong marketer interest in our ads platform particularly on mobile and the investments we're making to build long-term shareholder value.

Now let's open for questions.

Question-and-Answer Session

Operator

We will now open the line for a question-and-answer session. [Operator Instructions] Your first question comes from the line of Heather Bellini with Goldman Sachs. Your line is open.

Heather Bellini - Goldman Sachs

Great. Thank you very much. I was just wondering, Mark or Sheryl, if you can share with us your vision of payments for Facebook, and how the Company might be able to play a role in reducing the friction that exists today when users are trying to engage in mobile e-commerce.

And then the follow-up question was just going to be if you could share with us what inning do you think we are in, in terms of improving the relevancy of the ads that you are showing? Thank you.

Sheryl Sandberg

On payments, our payments business has been important in supporting some of the developer activity on Facebook, primarily games. So we continue to be interested in that.

I guess really important to know that, our advertising business is very relevant for e-commerce and that doesn't depend on taking payments and it doesn't depend on a payment strategy because we provide a really great opportunity for marketers to find customers who are then going to go ahead and buy their products both online and offline.

In terms of relevance, I think we are in really early innings. I think people can see it from their own experience. Those people I talk to and certainly the data we have across the base of people use Facebook suggest that the ads are getting more relevant, but there is a long way to go.

Our goal is that every time you open newsfeed, every time you look at Facebook, you see something whether it's from consumers, or whether it's from marketers, that really delights you, that you're genuinely happy to see.

I think we hit that more than we used to with our ads, but I think the truth is we still have a long way to go to hit that bar and that's the bar we are striving for.

Operator

Your next question comes from Douglas Anmuth with JPMorgan. Your line is open.

Douglas Anmuth - JPMorgan

Great. Thanks for taking the question. David, just wanted to ask you a little bit more about margins, in particular. If we look at this quarter, it looks like the incremental margins here are 78% or so.

So, I was hoping you could drill down a little more just on the drivers within cost of revenues and how you are thinking about the sustainability of that going forward.

And is the 40% to 45% growth that you mentioned in non-GAAP OpEx, is that taking into account the acquisitions at all? Just thinking about how you can get to that level of spend given what you are starting the year. Thanks

David Ebersman

Yeah. Thanks for the question Doug. I think Q1 is traditionally a light spending quarter for us because we budget with an annual cycle and often it takes some time to sort of ramp up the new program. So I don't think it's surprising that Q1 year-over-year increase would come in a little lighter than we expect for the full year.

Additionally there were some one-time things that benefited the quarter, that kept expenses down particularly in cost of revenue as we continue to exit lease data centers and sort of amend our supply chain.

I think that going forward our expectation was and remains the 40% to 45% growth excluding the impact from the acquisitions. So, we will update that guidance once the integration plans are clearer and have a better sense for what those spend patterns will look like.

In general in terms of margins, the comments I would make are that, we don't have a quarter-to-quarter target margin that we're managing closely to. To do so, would require varying our spend patterns as revenue changes up and down over time.

And I think that's the wrong way to focus on how you spend your money in the company. Our priority is really to try and make investments that are high quality that drive the creation of value and makes the business better.

And since many of those investments take a longer period to mature, we want to be able to think about our spend increases over a longer term horizon.

And as you can see looking back at the last couple of years and then our plans for this year, there has been a pretty steady rate at which we've been growing spend particularly in R&D and marketing and sales where we really want to focus on making sure we're growing smartly and thoughtfully at a rate we can manage wisely and doesn't get ahead of our ability to manage it.

On cost of revenue and G&A what you can see in the Q1 numbers is the fruits of a lot of labor trying to manage those parts of the business really efficiently and free up resources to invest elsewhere.

So, I think we've always believed that Facebook has the opportunity to be a sustainably high margin business and we continue to believe that, noting that there were some individual items that helped us in Q1.

Operator

The next question comes from Carlos Kirjner with Sanford Bernstein. Your line is open.

Carlos Kirjner - Sanford Bernstein

I think for Mark, how do you think about the evolution of browser technology, HTML5, and development tools versus native apps? If you look two to three years out, do you think native apps could finally become less important for many use cases? Or, in other words, maybe you guys were not wrong when you tried HTML5, you were just too early. Thank you.

Mark Zuckerberg

Yeah, well timing matters a lot and so, I do think that there's nothing wrong with the standard of HTML5 technically. I think a lot of what we see is what the main platform providers want to push as the standard for developing on their own platforms.

And what we've seen is that both Apple and Google have really favored and made it easier to build high quality experiences in their own proprietary formats rather than the open web format.

So, while our bias for a number of reasons would have been to have really pushed on HTML5 and I don't want to sound like we've walked away from this because a large number of people access Facebook from the mobile

web and I don't know if we break that out specifically but it's quite a large number of people.

So, we're continuing to develop that, but for the foreseeable future, we see the best path to continuing to deliver great experiences by working on the native app experiences that we have now.

Operator

The next question comes from Eric Sheridan with UBS. Your line is open.

Eric Sheridan - UBS

Thanks for taking the questions. Congratulations, David, on your future endeavors, as well. Mark, maybe a quick question for you about the way in which you think Facebook, and the various applications Facebook is developing also, move towards a communication ecosystem longer term.

A big picture question on where the various applications go, the ones that are in the process of being acquired and the ones you are developing organically.

And then second question, to use the baseball analogy again, as you continue to take ad impressions out of the Facebook platform, wonder if we should think about where you get to longer term on a level of ad impressions that you think are the perfect mix for balancing engagement and monetization, and what inning we are in that process.

Mark Zuckerberg

Sure. I think I can probably take both of those. So in terms of building out a whole communication ecosystem, the way that we think about the new apps and products that we're building is that people want to share all kinds of different content with all kinds of different audiences.

Right so, sometimes you want to have one-on-one conversation or text or chat or voice call up to having a small group conversation to communicating, updating all your friends and something at once. And sometimes there is really good public content, whether it's news or premium video or things like that.

At the intersection of each type of content and each audience, we think that there is a really compelling experience to be built. And Facebook historically is focused on friends and public content, now with Messenger

and WhatsApp we're taking a couple of different approaches towards more private content as well.

You're going to see us do more things in more private content I think, I don't know that's an ecosystem that's growing incredibly quickly and also that speaks to why WhatsApp and Messenger are both growing independently quickly is because they actually serve pretty different use cases within private sharing and private content.

In terms of our investments, I think you want to look at it, I kind of outline this in my remarks, but I think it's important enough to say again.

There are different stages of maturity for the different things that we're doing. So, the Facebook app by itself is the furthest along and more than a billion people use it and it's not only one of the most used apps, but it's the most used app it's also at the core of our business.

Then the second set of apps that we have are Messenger, Instagram and soon WhatsApp and you know Messenger and Instagram are each now greater than 200 million active users. I think the WhatsApp folks independently announced, I think it was yesterday that they just passed 500 million active.

So these are apps that are now at a pretty big scale and the immediate priority is going to be getting them to a billion people where they're continuing to focus on that before focusing on monetization and the way that we have with the core Facebook app, so that's kind of a second stage.

The third set are the new Facebook Creative Labs apps that we're just getting started. The things like Paper and a number of other things that we might announce that at some point. Those are even further along than even Messenger, Instagram and WhatsApp, where it will probably take few years for those to even to get to the stage that Instagram, Messenger and WhatsApp are at, which by themselves are probably a few years away from being important businesses for us.

So that's kind of the pipeline of things that we see and there is kind of a full ecosystem of different ways the people want to share with different people.

In terms of ads going to your second question, I don't actually think we have a strategy that decrease ad impression. I think what you're seeing and what David mentioned is, we have newsfeed ads, which are higher

quality and perform better and then we have this legacy of right hand column ads on desktop, which generally are just showing higher volume and they performed less well per ad unit.

So as we shift more towards newsfeed, what you're seeing is the total raw number of impressions as decreasing, but actually the amount of value that we're delivering is increasing.

So that might continue to shift as we continue to shift towards mobile, but I think overall what we're trying to do is make it that the individual load on a per person basis is isn't increasing at a dramatic rate, but instead we're driving most of the wins in user experience, advertiser performance and our own revenue to increasing the quality primarily around newsfeed ads.

And we think that there is quite a lot to go there as Sheryl said. We want to get to a state where the ad content is as good as the organic content and we see we're getting pretty close in a few countries but we want to get to that everywhere.

Operator

Your next question comes from Peter Stabler with Wells Fargo. Your line is open.

Peter Stabler - Wells Fargo

Good afternoon. Thanks for taking my question. I wanted to ask a question about engagement. By one measure, DAU over MAU, it's at an all-time high. But no doubt you always have a body of last users. I'm wondering if you could share any color on what types of algorithm or product tweaks that you've made have yielded the most return or the greatest return in terms of re-engaging last users.

And then, secondly, just quickly, any color you could provide on your estimate of the overlap of Instagram and Facebook users, perhaps based on the linking of those accounts. Thank you very much.

Mark Zuckerberg

Unfortunately, I don't think I'm going to have much color on either of those. We are constantly doing things to make it so that people can share the content that they want, that they have the tools, that the new network showing them most relevant content to people.

That is always going to be the way that people will use the service not through some kind of trick or something that we're using to reengage people.

One stat that I think is pretty interesting is that, you would expect naturally that as our -- the community continues to grow and we're getting into later and later adapters, that the percent of people who are using Facebook or use it every day would decrease. And I have actually predicted for a long time, that eventually that would flatten out and I thought it would decrease but actually it continues to increase much to our surprise and joys.

And you know now this quarter I think, we're add almost 63% of people who use Facebook in a month will use it in a given day. And I think another stat, I think is actually quite interesting, is we tracked how many people use Facebook not just every day.

So I mean one day out of -- so what percent of our monthly folks use it today. But what percent of people used it six out of seven days of the week. And that number for the first time in the last quarter passed 50%.

So I mean that's pretty crazy if you think about is that, you have this really big engaged community and not only are almost 63% of people touching it in a given day and using the service because it's really engaging content, but we've gone to a period where more than 50% of people have used it six out of seven a week, almost every single day of a week.

That just speaks to I think - just the underlying kind of fundamental strength in the content and the work that we're doing just surface the best content of best people.

Operator

Your next question comes from Ben Schachter with Macquarie. Your line is open.

Ben Schachter - Macquarie

First, David, let me add my congratulations on your success. And good luck with the future role. Mark, beyond games, do you see other categories of apps that are ramping?

And do you need to see that or can games continue to be the primary driver of app install and app engagement ads? And then, separately, on

Graph Search, do you see the potential for more partnerships for Graph Search in terms of additional data sets and distributions partners? Or is this more go-it-along? And then, finally, maybe for Sheryl or David, can you just give us a sense on pricing trends on app install ads? Thanks.

Mark Zuckerberg

Yes, I mean on app-installs, I actually think we see more diversity in the customers and developers on mobile now than we saw on desktop with Canvas. So Canvas the business was almost entirely games that is now -- we see that a lot of these games, but a lot of it is other kind of folks because I mean everyone who is building apps on mobile needs installs and we have the number one products out there for delivering that.

So, we see that happening and we feel pretty good about that.

Sheryl Sandberg

On pricing, we don't break our pricing by type of ad, but overall in the ecosystem, our prices are up as Mark said, the effective price per ad shown is driven up by more ads and newsfeed, and that's because newsfeed ads have significantly higher engagement and click-through rates.

Operator

The next question comes from Evan Wilson with Pacific Crest. Your line is open.

Evan Wilson - Pacific Crest

Hi, thanks for the question. Just a small item. It looks like the Asia engagement metric, the MAU, was down sequentially, slightly. Was there something there that impacted that in Q1 or was there something competitive there you think might be impacting that part of the business, like the big mobile messaging services? Thanks.

David Ebersman

I don't know that I would read anything into that yet. We haven't identified that as a trend that we're focused on at this point. The number is \$2 bucks around a little bit from quarter-to-quarter in various regions.

Operator

The next question comes from Anthony DiClemente with Nomura. Your line is open.

Anthony DiClemente - Nomura

Congratulations, David. And best of luck in your new endeavors, as well. One question for David and one for Sheryl. David, I just wondered if you could talk about your mix of impressions in terms of brand versus direct response. How has that changed this quarter versus prior quarters? And what else can be said about that split?

And then, secondly, for Sheryl, just wondered if you could give us a little more of an update on premium video ads. Specifically, I'm curious as to how those are sold. Are they sold on an impression basis or on a performance basis, or some hybrid of the two?

And then I know you don't give pricing by property, but is there a way to think about the premium or premium multiple of price that premium video ads would go for as compared to core News Feed ads? Thanks for any color on that.

David Ebersman

Thanks Anthony, I'm happy to take the first part of the question. I think in the first quarter we delivered strong performance across all the advertiser segments that we focus on. And so I think they are all growing nicely.

We don't have a perfect measure for what kind of demand is, brand versus DR per say, because someone doesn't have to input that into the system when they come in. We've lots of things we do to try and find surrogates for that and are happy to see using some of that data, we're seeing nice growth across the various segments.

Sheryl Sandberg

On video ads, video represents a really big opportunity, really driven by consumer behavior. Smartphones are going better and faster and more people have phones that can provide a great video experience. So we're seeing consumers do a lot more in video.

There's also a lot more video going through newsfeed that consumers are putting in and that creates an opportunity for us, both on the consumer side and the ad side.

We have our current product in the market, it's a click to play video ad, it's part of the page post, you can post the video.

Those are so both CPM and CPC and those are going really well and I think explains some of the growth we are seeing in our ads business.

We also have been in early conversations with some clients about what would be a CPM autoplay video ad and in terms of the expectations for that, we really want to see autoplay video ads be something that's pretty common in the newsfeed experience based on consumer usage before we push very hard in the ads business.

So we remain, long term very excited, we do expect that product, demand to premium product but as I said in my remarks, we won't see a material contribution from it this year.

Operator

Your next question comes from Mark Mahaney with RBC. Your line is open

Mark Mahaney - RBC Capital Markets

On those autoplay videos, as an average Facebook user, I've noticed them more and more in my News Feed, and I think they're really neat. I think all my friends love watching videos of my kids play basketball.

The question I'd have for you is what have you seen internally in terms of engagement. I assume that since I'm seeing more, other people are too, and that users like having them in. But is there any way you could quantify or maybe talk broadly about the impact that's having on usage? Thank you.

Sheryl Sandberg

Our goal is to make newsfeed as engaging as possible and I think if you look at the engagement we have on mobile, we're getting 20% of mobile time on Facebook in the U.S. and growing globally as well. I think you see with that engagements grade, I'm sure your friends love seeing your kids play basketball. I think they probably like to see more of those.

And when and if we deliver a really great ad experience and ads that you love, something you're interested in, I think you're going to like that just as much, we look forward to the growth.

Operator

Your next question comes from Justin Post with Merrill Lynch. Your line is open.

Justin Post - BofA Merrill Lynch

Great. I have a couple questions. On the app installs, can you help us at all understand what -- I know you gave us the number of total apps, but maybe how that revenue as a percentage of total, how important it is to you?

And then there's a lot of competitors targeting that market with new products. Maybe you could outline some of Facebook's competitive advantages in that market. And then one for Dave. We will miss you. Maybe you could talk a little bit about maybe some things Facebook could do to offset some of the dilution from the acquisitions, if anything. Thank you.

Sheryl Sandberg

On mobile app ads, we've seen really strong adoption and this is a very nascent but growing market. I think people sometimes think that a lot of our mobile ad revenue is coming from this one type of ad and our mobile ad revenue is very broad based.

We know you're seeing in newsfeed and what we see are ads from brand marketer's direct response, SMB's end developers and so we're pretty distributed there and pretty happy about that.

I think it's not surprising that other people are entering states, it's obviously growing, it's one that performs well. I think we continue to be excited by the results we're seeing for our marketers and developers.

The results we are seeing from consumers and we think the fact that we've already been investing and learning and growing, puts us in a great position to continue to have a very strong product offering even in a more competitive space.

David Ebersman

So, Justin on the -- the acquisition is the most important thing we'll do to truly I would say justify, the delusion will be to make those acquisitions successful and over time ensure that the unique assists that we're buying contribute to Facebook success and to our cash flows over time.

This business is obviously in really healthy shape right now in terms of the cash it's generating and we look forward at the moment to really continuing to prioritize where it's appropriate, investing that in the business to drive future growth.

Operator

Your next question comes from Youssef Squali with Cantor Fitzgerald. Your line is open.

Youssef Squali - Cantor Fitzgerald

Thank you very much. So firstly David, can you talk a little bit about the ad load during the quarter? We saw noticeable increases here in the holidays and through Q1 versus that 5% or 6% you mentioned back on the Q3 call. Is the new ad load we are seeing sustainable, do you think, going forward?

And, second, maybe Mark or Sheryl, can you just talk a little bit about timing for monetization of Instagram? Are there any thresholds, either in terms of users, user engagement, whatnot, before you can ramp that advertising, or advertise on that platform? I think, David, you were talking earlier about maybe reaching a billion, but I think that was a general comment. Thanks.

David Ebersman

Yeah, thanks Youssef. So as Mark sort of alluded to earlier as it relates to ad load, what we're trying to do is optimize across multiple variables that really produce the best experience for people who use the network and help us to grow the business.

And ad load is one of the variables that we look at. And of course we also look at things like the size of the ad, the prominence of the ads and of course the quality of the ads. And what we're trying to do is to continually really tweak all of those variables and then measure what impacts we're having on engagements, on feedback from people, on revenue and trying to optimize using that data and the changes that we've made.

And I think the story there is a really good one. Things continue to go very well obviously in terms of revenue what you see, but also in terms of engagement, in terms of feedback we get from people when we survey them. So we think we remain in a really very strong position in that way.

Actually we'd not validate the assertion that you gave that the ad load increased dramatically in the timeframe you described since that's not consistent in aggregate with our data.

What I can say is that, every person who uses Facebook has their own experience and the experience including the ad experience is personalized based on the other content we have available based on how much they've engaged with ads we've shown in the past etcetera.

So, ideally we'd like to personalize not just the organic content that you see, but also your ad experience in a way that's really optimized for you and your interests.

Sheryl Sandberg

On Instagram, Instagram is a great product. I think that's why we see so much engagement from people who are using it and the gross passing 200 million.

It's also a great advertising product and there's just tons of demand because you know, the picture themselves are so visually appealing and also there's so much consumer engagement.

We're in really early days, we've seen some great results, just to mention one, Levi's is running an ad, which is basically pictures of people wearing denim in really beautiful outdoor spaces.

They targeted people 18 to 34 in United States. Reached over seven million people and importantly they drove a 24%-- 24 point left in ad recall which was three times the control group.

So, I think that shows that just as people engage with consumer pictures on Instagram, they're going to engaged with the right pictures from marketers. That said, we're very focused on consumer growth and we move slowly and deliberately in monetization.

So, we don't see the need or the urge to ramp this as quickly as we possibly could but really want to grow it slowly, grow it deliberately and continue the growth on the consumer side and a great returns for marketers.

Operator

Your next question comes from Colin Sebastian with Robert Baird. Your line is open.

Colin Sebastian - Robert Baird

Thanks, I appreciate the chance to ask two questions. The first one is, I wonder if there's any way we can generalize or correlate around the growth in mobile monetization with the shift to 4G LTE, and whether this could be a driver, as well, of improving monetization internationally, as those higher-speed networks are deployed in new markets.

And then, secondly, regarding Nearby Friends, just wondering how you plan to tie that feature and data set into more of a commercialized local offering for businesses, whether that's geo targeting or other related services. Thank you.

Mark Zuckerberg

Well, a lot of what we're trying to do with internet.org is making so that everyone has the cellular networks that they need to be able to get on the Internet and access basic services, which we think are text-based communication services, whether it's things like social networks or messaging or email or search, whether stock prices,-- like basic stuff like that, that people will use on a day-to-day basis, but don't require huge amount of data.

We're pretty happy with the early progress that we've made. We have a multi-year initiative to work with operators around the world to roll-out a program where folks can have free basic services. And as I mentioned before, a lot of the initial work is the initial partnerships were in the Philippines and Paraguay.

And what we're really pleased with, even just a few months of work, we were able to help almost three million people get access to data for the first time.

So, there is no doubt that going from having no access to data to having some access is a huge jump in terms of the activity on the business that we see -- that's available from people.

Moving towards things like LTE later on in the funnel, will be helpful as we move towards richer types of contents like higher resolution photos and videos.

so that will be important especially as the mix of content that people share moves towards the richer media. But we're really focused on both

and we have a huge investment as well and the internet.org starting just making sure that everyone in the world gets connected.

Sheryl Sandberg

And Nearby Friends, it's a great new features, is an optional feature we just rolled out last week, I don't know if, people have had a chance to try it yet. But, rolling out slowly, but it's a great product experience one we're excited to be able to offer.

We use the information like this to enhance all the services we provide, and make things more relevant including relevant ads.

Operator

Your next question comes from Brian Wieser with Pivotal Research. Your line is open.

Brian Wieser - Pivotal Research

Hi. Thanks for taking the questions. First of all, I was wondering, with regard to the WhatsApp acquisition, I was wondering if you could update us on the status, if the current situation with Russia poses any issues given the development team space there. And then, separately, I was wondering if you could talk Nielsen and the use of OCR with respect to advertisers' interest in using OCR tools. Do you find that that's making a difference at the present time in terms of brands spending money with you, in general?

Sheryl Sandberg

On the first, yeah, the development team is located in Mountain View not in Russia. So...

Brian Wieser - Pivotal Research

And they are doing extremely well.

Sheryl Sandberg

Yes, they're doing really well.

Mark Zuckerberg

The deal has been closed. We don't have anything to share. But I just would just point you to a blog post that Jan wrote. I think it was yesterday announcing that they just help to connect 0.5 billion monthly

asset. We're growing very quickly. So I think that's up to about 460 million monthly is just a couple of months ago when we announced the deal was done in the first place.

David Ebersman

And I think that Jan specifically called out a few countries including Russia and Brazil and I think India is some of the fastest growing markets for WhatsApp. So I'd just direct you that statement and you should read that for more information on how they're doing and we'll update you more when the deal closes.

Sheryl Sandberg

And Nielsen OCR anything that helps advertisers measure their spend is really important. I've talked on the call a bunch about how measuring online and in-store sales really matters. It also matters to marketers to be able to measure their spend compared to other investments they can make.

And what OCR has done, it's given advertisers and marketers comparability between TV and digital and our spend. I think in those comparisons we do very well. And I think that is part of the shift that's happening and its part of why we see growing interest from clients.

Operator

Your next question comes from Ross Sandler with Deutsche Bank. Your line is open. Ross Sandler, your line is open.

Ross Sandler - Deutsche Bank

Good afternoon. Can you guys hear me now? Okay, Just two quick questions. Facebook's on pace to represent around 20% of global display advertising or non search advertising in 2014. Do you view that as your addressable market?

And, if so, what do you see as the potential market share you guys can capture relative to the -- I think, Sheryl, you said it is 23% mobile consumption, ex-China, globally today. And then the second question is, there's been some press recently that Facebook is looking at building peer-to-peer money transfer services. Is that a market that you view as an opportunity? Would that fit into Messenger or potentially a standalone app?

Sheryl Sandberg

We had our payments business for a while and we continue to have one and nothing new to apps there.

On the first question, I think our adjustable market is much bigger than digital and you see that in the trends. The big trend that's happening is the shift from consumer time. So last year was the very first time those lines crossed and consumers spent more time in digital, which is mobile and desktop than they did on TV.

That continues to grow, so where we are right now is, the average U.S. consumer as an example spent 4.5 hours per day on TV but five and three quarter on digital and that's largely been driven by mobile.

That means that as consumer time and attention shifts, we think ad budget shift as well particularly if you have good mobile ad products and you can measure results.

So we definitely believe there will be and continuous to be a shift happening. I talked about a print shift happening with that example of Sport Chek in Canada. But we see this across the board that marketers are looking for the highest ROI they can find and they should be comparing us and everyone else across and they do that not just across digital but across print, across radio, across TV, across any other vehicle they can.

I think our investments and measurement really pay-off here. We say to our clients all around the world, we want to earn your business because we want to be the best dollar and the best minute you send because both their dollars and their time are so valuable.

And we want them to compare us to the other investments that could make to see who can drive the most value to the bottom line and that's what we are focused on and that goes way beyond digital.

Deborah Crawford

I think we have time for one last question.

Operator

Your next question comes from John Blackledge with Cowen & Company. Your line is open.

John Blackledge - Cowen & Company

Great. Thanks for the questions. Just wondered if you could discuss how Facebook's potential mobile ad network would provide additional value to advertisers than other existing mobile ad networks.

And then just a second question for David. I don't know if you could help quantify what meaningfully lower year-over-year ad revenue growth is, or just give us a sense of how to think about it for modeling purposes. Thank you.

Sheryl Sandberg

On the ad network, we are in very testing for mobile ad network. We do see a big opportunity here. We think because we're people based, we have an opportunity first to provide greater reach for marketers and developers who are working with Facebook across other platforms, but also improve the relevance of the ads people see both on and off Facebook.

And I think that has been our core advantage and will continue to be. That said, it's really early days and we're on the early testing phase.

David Ebersman

Yes John, obviously the Q1 ad revenues growth here was 82% which is fantastic and a real tribute to the team and the platform. One of the things that contributed to that growth rate is the ramp up of newsfeed ads that in Q1 of last year was still really early in that part of the journey and so the comparison between the state of newsfeed ads in the Q1 we're reporting now in a year ago is meaningfully different.

As you'll remember from last year, newsfeed ad really ramped up in the second quarter and revenue growth ramped up as well. So that's just going to impact the comparisons in the subsequent quarters of the year.

Having said that, there is lots of things that we're focused on, that will continue to drive our ad revenue growth including more users and critically more marketer demand. So bringing more marketers into the system, improving our products and tools to increase their returns and their ability to measure those returns and generally improving the quality and relevance and value of the ad.

So those are the things that we'll stay focused on.

Deborah Crawford

Great. Thank you for joining us today. We appreciate your time and we look forward to speaking with you again.

Operator

This concludes today's conference call. You may now disconnect.

EXHIBIT 65

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Transcript by:


Facebook, Inc. (FB)
Q1 2013 Earnings Call
May 1, 2013 5:00 p.m. ET

Executives

- Mark Zuckerberg - Chairman of the Board, Chief Executive Officer
- Sheryl Sandberg - Chief Operating Officer, Director
- David Ebersman - Chief Financial Officer
- Deborah Crawford - Director of Investor Relations

Analysts

- Heather Bellini - Goldman Sachs
- Anthony Diclemente - Barclays
- Jordan Rohan - Stifel, Nicolaus & Company
- Ben Schachter - Macquarie
- Mark Mahaney - RBC Capital Markets
- Brian Wieser - Pivotal Research
- Aaron Kessler - Raymond James
- Daniel Ernst - Hudson Square Research
- Ross Sandler - Deutsche Bank Securities Inc.
- Jordan Monahan - Morgan Stanley
- Youssef Squali - Cantor Fitzgerald
- Justin Post - Bank of America Merrill Lynch
- Gene Munster - Piper Jaffray
- Kenneth Sena - Evercore Partners
- Douglas Anmuth - JPMorgan

Presentation

Operator

Good afternoon. My name is Jay, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Facebook First Quarter 2013 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you very much.

Ms. Deborah Crawford, Facebook's Director of Investor Relations, you may begin.

Deborah Crawford

Thank you. Good afternoon, and welcome to Facebook's first quarter and earnings conference call. Joining me today to talk about our results are Mark Zuckerberg, CEO; Sheryl Sandberg, COO; and David Ebersman, CFO.

Before we get started, I'd like to take this opportunity to remind you that during the course of this call, we'll make forward-looking statements regarding future events and the future financial performance of the Company. We caution you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements in the press release and this conference call. These risk factors are described in our press release and are more fully detailed under the caption Risk Factors in our annual report on Form 10-K filed with the SEC on February 1, 2013.

In addition, please note that the date of this conference call is May 2, 2013 and any forward-looking statements that we make today are based on assumptions as of this day. We undertake no obligation to update these statements as a result of new information or future events. During this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release.

This call is being broadcast on the Internet and is available on the Investor Relations section of the Facebook website at investor.fb.com. A broadcast of the call will be available after 6 p.m. Pacific Time today. The earnings press release and an accompanying investor presentation are also available on our website. After management's remarks, we will host a Q&A session.

And now, I'd like to turn the call over to Mark.

Mark Zuckerberg

Thanks Deborah and thanks everyone for joining us today. We got off to a good start this year with strong engagements and growth across the community, several major new product announcements and some good financial results. Sometimes it surprises me that our community can still grow so quickly beyond a billion active members. More than 100 million new monthly active

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members have joined in the last half of the year, and now there are more than 650 million people who use Facebook every day. It's more than 60% of our community every day. We continue to see high levels of engagement globally across our whole community. We take our stewardship of this very seriously. We want to make sure we give every person in the world the power to share and we are proud of these results.

Overall, there are three main parts of our strategy. Build the best mobile product, build a platform with new services that leverage the social graph, and build a strong monetization engine. I am going to use my time here with you today to give my assessment of how I think we are doing in each of these areas. Let's start with mobile. One of the products I am most excited about is Facebook Home. It's a family of apps that you can install in your Android phone to make the whole experience of your phone much more personal and about people and not apps.

We know that people spend an average of 20% or more of their time in apps on Facebook. Staying up to date with the people they care about, are doing. We use to open the Facebook app maybe 10 to 15 times per day. But we probably check our phones over a hundred times a day. So with Home, you can see fresh news and content from people and topics you care about every time you turn on your screen. It really brings your phone to life and provides with a completely new experience.

This product is still very early and this is just a first release in a long journey. We are planning on iterating quickly and tuning things based on feedback. We haven't really started encouraging people to install it from within app yet, and it's only available on a few phones. But over the next few months we hope to push this out much more broadly and get this in the hands of a lot more people. We are excited about Home because we think it's a great product.

But Home is also an important milestone for our company. This is completely new kind of mobile experience based on people, not apps. And we think this is how phones and computers should work. I am looking forward to sharing more with you on the experiences that are brought on mobile that we are building over the rest of this year. Now beyond Home, I am really proud of how Instagram is doing. Kevin and his team have made amazing progress since last April.

When we agreed to acquire them, the Instagram community had 22 million people actively using their service every month. And today over 100 million people are using Instagram each month. The Instagram community is growing even faster than the Facebook community did when it was this size. And the two communities complement each other to create some great experiences where you can capture any moment in your life and easily share across all the communities you care about.

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5-1-2013

Facebook Q1 2013 Earnings Call

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Q1 2013 Earnings Call

May 1, 2013 5:00 p.m. ET

Executives

Mark Zuckerberg - Chairman of the Board, Chief Executive Officer

Sheryl Sandberg - Chief Operating Officer, Director

David Ebersman - Chief Financial Officer

Deborah Crawford - Director of Investor Relations

Analysts

Heather Bellini - Goldman Sachs

Anthony Diclemente - Barclays

Jordan Rohan - Stifel, Nicolaus & Company

Ben Schachter - Macquarie

Mark Mahaney - RBC Capital Markets

Brian Wieser - Pivotal Research

Aaron Kessler - Raymond James

Daniel Ernst - Hudson Square Research

Ross Sandler - Deutsche Bank Securities Inc.

Jordan Monahan - Morgan Stanley

Youssef Squali - Cantor Fitzgerald

Justin Post - Bank of America Merrill Lynch

Gene Munster - Piper Jaffray

Kenneth Sena - Evercore Partners

Douglas Anmuth - JPMorgan

Operator

Good afternoon. My name is Jay, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Facebook First Quarter 2013 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions) Thank you very much.

Ms. Deborah Crawford, Facebook's Director of Investor Relations, you may begin.

Deborah Crawford

Thank you. Good afternoon, and welcome to Facebook's first quarter and earnings conference call. Joining me today to talk about our results are Mark Zuckerberg, CEO; Sheryl Sandberg, COO; and David Ebersman, CFO.

Before we get started, I'd like to take this opportunity to remind you that during the course of this call, we'll make forward-looking statements regarding future events and the future financial performance of the Company. We caution you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements in the press release and this conference call. These risk factors are described in our press release and are more fully detailed under the caption Risk Factors in our annual report on Form 10-K filed with the SEC on February 1, 2013.

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Now I would like to talk about platform and building new services using a social graph. A couple of months ago we announced a new, richer and simpler design for our News Feed that's more visual and engaging for all the content that you might want to (inaudible). From new stories from the New York Times to pins from Pinterest, or activities from a game that you played. This new design opens up a nicer canvas for content for every developer and publisher out there. And we think it's going to create a lot more opportunities for engagement.

Early feedback has been positive on the versions we have rolled out on iPhone, iPad and desktop web, and we are looking forward to rolling this out more widely since. For our development platform, we have had a long roadmap to build the tools for iOS and Android to make building social app and advertising with Facebook as easy on mobile as it is on desktop web. We conceded this transition by bringing open bringing Open Graph to mobile this month. And our efforts are paying off with now 81 of the top 100 growth in iOS apps and 70 of the top 100 Android apps integrating with Facebook and continuing to grow.

One of the developments that's been interesting is seeing how big of an opportunity mobile apps can be for Facebook. Because of the rules Apple and Google have in this space with their app stores, it wasn't this clear earlier on what kind of a role Facebook can play. But I think it's clear now that we can create a lot of value for developers by providing a platform for identity and distribution. We are starting to see real revenue through selling mobile apps themselves. We just announced the acquisition of Parse, a platform of service provider for mobile apps as part of our strategy to provide greater support for developers. Both of these products make it easier for developers to create and grow their apps and this could be the start of something much bigger.

Now I want to talk a bit about monetization. I just mentioned mobile apps install ads, which are growing quite well and it becomes one of our most important new ad product. This supports our hypothesis that Facebook should help you discover new apps and content that you may want to use. And even it is not every recommendation we make is one that you take. I think this is still starting to provide some really good content for our community and I guess into the business opportunity here.

This type of ads makes sense to me on mobile. On desktop web, most ads encourage you to visit a new website. On mobile, it makes sense that most ads encourage you to visit apps instead. And in order to visit apps you first need to install. So these ads are the obvious first step. On mobile, the set of companies that produce apps is much broader than what you might think of as traditional developer. Every major brand, company or service wants to build apps as a storefront or interface for their customers and each of these companies wants to reach their customers to encourage them to install their apps. This market is already big and I expect it to continue to grow quickly.

One more thing that's important to reinforce here is that we continue to measure people's satisfaction with all the content they see on Facebook, including ads. We haven't seen any meaningful impact on the satisfaction and we're continuing to watch this very closely. This is important to us as stewards of this community. We aspire to have ads -- to show ads that improve the content experience over time. If we continue making progress on this then one day we can get there.

So that's my update on our strategy for this quarter. We've already accomplished a lot so far this year. We've seen strong growth in engagement across our whole community, several major product announcements and good financial results. We think the products like Home and Graph Search are big opportunities to deliver some unique and important services to the world that we're positioned to do better than anyone else. But these services are also big, long term investments. So I want to be clear upfront that we're making these big investments because I think these are important areas for us to focus on.

Now finally, I want to take a moment to thank everyone who works at Facebook and everyone who makes this community great. All of you are contributing in building these new experiences and helping more than a billion people stay connected. So thank you all and thanks to everyone on

this call for being with us today. I look forward to having more to share and report on next quarter.

And now I'd like to turn the call over to Sheryl.

Sheryl Sandberg

Thanks Mark. As Mark said, we had a very solid start to this year and we're excited about the opportunities ahead of us. Our first quarter total revenue was \$1.458 billion and total advertising revenue grew to \$1.245 billion. This means that ad revenue was up 43% year over year, faster growth than we've had in any quarter in 2012. We believe that this shows that our ad products innovations are helping marketers to reach customers effectively. Our growth is particularly strong from new small and medium sized marketers, direct response marketers and app developers.

I will use my time with you today to update you on the progress we've made in our three strategic ads priorities, mobile, measurements and product innovation. First mobile. As Mark just said, having billions of people carry social devices in their pockets, checking them multiple times a day, often checking Facebook is a huge opportunity for us. A recent comScore report showed that in the U.S, people spend more time on Facebook than on any other app on their smartphones. The opportunity for us to connect people to each other and to marketers has never been greater. We are uniquely positioned to offer marketers massive reach on a daily basis.

In Q1, mobile was approximately 30% of our ad revenue, up from about 23% in Q4. Importantly, we're seeing strong growth in our mobile ads business all around the world, particularly in Asia. As an example, our mobile app install ads performed very well this quarter. We offer developers unique opportunities to drive downloads of their mobile apps as Mark talked about.

During the quarter, 3,800 developers used these ads to drive nearly 25 million downloads. Of the top 100 grossing apps from both iOS and Android in the last week of Q1, about 40% of them used our mobile app install ads. In gaming, travel, e-commerce and financial service industry, the early indicators are that our cost per install are highly competitive. In one example, British Telecom provider O2 used Facebook as its only digital marketing channel to promote its new music app, O2 Tracks. In

just three days, they reached 9 million people and got to sixth place in iOS apps in music.

Second, I want to discuss our progress in measurements. One of the challenges we face is helping marketers understand the value of our ads. This has been a major focus for us over the past several quarters. We're partnering closely with our clients to help them understand how their campaigns are performing and this measurement work also helps them gain a better understanding of their customers which then makes their future campaigns even better. In the last nine months, we've conducted campaign effectiveness studies on over 100 campaigns across CPG, auto, retail and telco. One of these studies was Bud Light. Bud Light ran Page Post ads to its 5.8 million fans on Facebook and these ads appeared in all of our placements, including mobile newsfeeds. We worked with DataLogix and found that these ads reached 20% of U.S. households and had 3.3% sales lift, yielding a six times return on ad spend. A result, we are very proud of and Bud Light is really excited about. We plan to continue to invest heavily in (inaudible) with our clients throughout the upcoming year. We are also really excited about our acquisition of Atlas, which closed just last week and I was able to welcome the team to Facebook earlier today.

Atlas is a really important part of continuing to develop our measurement capabilities. For the past decade, digital marketers have primarily measured success by focusing only on clicks. But this over simplifies how people make purchase decisions, both offline and online because it ignores everything people do and see before they do that last press. Smart marketers are looking for a better way to value all of the impressions that they buy and engage thus leading up to purchase.

Multiple industry-wide spendings have validated this multi-click attribution approach. For offline sales, both Nielsen and comScore have repeatedly shown that clicks are not a good predictor of sales lift. For online sales, Aggregate Knowledge found in an analysis of more than 500 online campaigns that when clients moved from allocating their advertising spend using last touch attribution to using multi-touch attribution, they saw a 33% increase in actions, conversions in sales. In a study of campaigns from Q4 2012, they found that when measured holistically, costs per acquisition on Facebook is 68% less than other online channels. The DataLogix study validates this finding as well, demonstrating that on average 99% of people who saw Facebook ads and then bought a product in a store never clicked on an ad at all.

We believe the Atlas platform will help us demonstrate even more clearly the connection between ad impressions and purchases. We could help marketers measure the effectiveness of their ad impressions better not just on Facebook, but across the entire internet. This means we can take the advancements we have made in measurements on Facebook, including our integrations with Nielsen and Datalogix, and expand them to a much larger audience and to many more purchases.

Third, I would like to highlight product innovation in ads. Over the last year we have invested heavily in product innovation and I am excited about what we have accomplished at a relatively short period of time. As always, our top focus is on the results we generate for the marketers, and we are pleased to see the ROI we can provide as well as providing a good experience for our users. We continue to innovate new targeting capability that make it easier for businesses of all sizes to reach the right people, both on desktop and on mobile.

In Q1, we gained traction with our Custom Audiences product. This product allows marketers to reach their target audiences based on their own customer databases or databases maintained by third party. For example, a marketer can target ads to customer who have not returned to their store in the past month but do have made purchases before. This product improves their targeting and generates higher ROI for the marketers and a better ad experience for our users. We are really pleased with the adoption of this product.

In Q1, more than twice as many marketers used Custom Audiences than in Q4, including, 23 of the Ad Age 100 top global marketers and many other important clients. Companies from Hotels.com to Intuit, to Virgin America are seeing success with this product. In April, we launched another powerful targeted product, Partner Categories. This enables marketers to use third party data from Acxiom, Epsilon and other data providers to target their ads. For example, we can deliver ads to the 12 million people in the U.S. who are likely to purchase a car in the next six months, or to the 19 million people who are active purchasers of hair care products, households that purchase hair care products at multiples with other households, or to the 23 million people in the U.S. who are heavy soda drinkers, we apologize, Mayor Bloomberg.

We have also seen more customers begin to use FBX. And we recently launched FBX in News Feed on desktop. We think this will continue to drive the advertiser's options, given that we generally see higher engagement for ads in News Feed. In the last six months of 2012, as one

example, re-targeting platform AdRoll saw a 70% lower cost per click on Facebook and on traditional web targeting. FBX was so successful for them that by the beginning of Q1, AdRoll reallocated 63% of their total impressions to Facebook.

Overall, we feel really good about our first quarter results. We've made tremendous strides in mobile. We continue to improve our measurement capabilities, most notably with our acquisition of Atlas and we continue to innovate on our key advertising products and tools. We're still in the early days of developing our adds business and huge opportunities ahead of us. And we thank all of you for your continued interest in our business.

Thank you. Now I'll turn it over to David.

David Ebersman

Thanks, Sheryl, and good afternoon, everyone. I'd like to share with you the progress we made in Q1 against our key financial objectives to increase revenue, to invest aggressively to drive our future growth and to position the company to maximize long term returns for our investors. In March on average 665 million people access Facebook each day, up 26% from last year and representing 60% of the 1.11 billion people who used Facebook during the month.

Consistent with last quarter, mobile continues to drive growth and visitation and engagement. 751 million people accessed Facebook from mobile devices in March, up 54% from last year. These numbers do not include Instagram, which continues to grow rapidly as Mark mentioned.

Turning to revenue, in Q1 total revenue was up 38% and ad revenue was up 43% compared to last year, driven by the strong performance of newsfeed ads. Exchange rates had no meaningful impact on our revenue growth rates. Ad impressions were up 39% and average price per ad was up 3% compared to last year. The product changes we made and discussed last quarter, primarily lowering the price floor in our option had a significant impact on the price and volume year over year comparisons. In the United States and Canada, where the price floor changes had a smaller effect, average price per ad increased over 25% relative to Q1 of last year, driven by a higher engagement and performance of News feed ads.

Mobile ad revenue came in at approximately 30% of ad revenue this quarter versus zero last year and desktop ad revenue in Q1 was essentially flat with last year. As we've discussed in the past, most of our

advertising clients do not specify that their Facebook ads be shown on desktop only or on mobile only, or rather they put their ads into our system and allow us to show the ads on whatever device where the ads will perform best. Because of this, the flat desktop revenue does not reflect a particular trend relative to desktop demand so much as it reflects the fact that more of our valuable ad inventory is being shown on mobile because that's where people are spending increasing amounts of time and because the mobile ads perform well.

We believe our aggregate ad revenue number remains the most important reflection of our performance in terms of increasing overall advertising demand. And the most important ways for us to continue to increase ad revenue are to grow users and engagements and to build advertising products and measurement tools that increase demand from advertisers of all types around the world.

Total payments and other fees revenues was \$213 million in Q1, an increase of 15% versus last year. payments revenues from games was up 12%, though we believe 6% represents the best apples to apples comparison in terms of the increase for payments from games if we adjust for items such as the Q4 change in revenue recognition timing. We're pleased that Q1 represented our largest three months quarter of games revenue to date despite a 37% drop in year over year payments volume from our largest developers as our other developers increased their payments volumes by almost 60% and we saw a record number of people playing games on Facebook.

Games revenue in Q1 benefited from the growth of games launched over the past year and also from our efforts to increase games distribution, usage and payments conversion. We believe Facebook continues to offer a compelling platform for developers to build great games and businesses and we will continue to invest in this area. Overall, ARPU increased 12% to \$1.35 for the quarter, including a 21% increase in the United States and Canada and double digit gains in the other major regions as well.

Shifting now to expenses, in Q1 our total GAAP expenses were \$1.08 billion. Excluding stock compensation, total expenses increased 56% to \$895 million, driven primarily by headcount and infrastructure spend to support our growth. We continue to expect that our total non-GAAP expenses, including cost of revenue but excluding stock comp, will likely grow in the neighborhood of 50% in 2013 consistent with what we said

last quarter as we continue to invest in products to grow engagements and monetization.

Our Q1 GAAP operating income was \$373 million, representing a 26% operating margin. Excluding stock comp, our non-GAAP operating income was \$563 million, representing a 39% non-GAAP operating margin. Our GAAP tax rate for Q1 was 38% and benefitted significantly from the realization of the onetime \$94 million R&D tax credit in the quarter. Our Q1 non-GAAP tax rate was 43% and we expect that our full year non-GAAP tax rate will be similar to Q1.

GAAP net income and EPS for the quarter were \$219 million or \$0.09 per share and non-GAAP net income and EPS were \$312 million or \$0.12 per share. We spent \$327 million on CapEx in Q1 and we continue to expect 2013 CapEx to be in the neighborhood of \$1.8 billion as we invest in servers and data centers to rapidly and reliably provide our products to people around the world.

In Q1, similar to Q4, upon the vesting of employee RSUs, we withheld shares and paid the associated income taxes for our employees, which resulted in an outcome that's functionally very similar to Facebook having repurchased approximately \$400 million worth of shares in Q1. We ended Q1 with \$9.5 billion in cash and investments. Overall, we believe that 2013 is off to a good start. We are pleased with our financial performance as well as our progress and product development. We are continuing to invest aggressively in new products that we think will drive long-term engagement as well as product and tools to grow our revenues and increase returns for the advertisers and developers working with us.

And we are excited about the opportunity ahead of us to build out the network of people using Facebook and to bring our unique asset in terms of reach, engagement, and identity to our large and important market opportunities. Now let's open the call for questions.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Heather Bellini with Goldman Sachs. Your line is open.

Heather Bellini - Goldman Sachs

Mark, I was wondering, you shared with us the continued success of mobile install ads, I was wondering if you could share with us the other

monetization initiative that you have that you are most excited about for 2013. And then my follow up for David would be, if you can share with us qualitatively how CPM trended in the various regions on a year-over-year basis.

Sheryl Sandberg

I will take the first question. In terms of our ads priorities, they are what I mentioned, mobile, measurements and product innovation. We are particularly focused on improving the quality of our ads because we think that is the best way to have a great experience for users on Facebook as well as for marketers. I think if you look at the success of Custom Audiences, Partner Categories, FBX, what you see in that are products all move us towards better targeting, more relevance, better experience for users and for our marketers. And we are going to continue to invest very heavily in making the ad experiences as high return as they can for everyone involved.

Mark Zuckerberg

Yes. I will just emphasize the same point. I mean the things I am most excited about are things that are driving quality. I mean the two big levers for the business are, a, obviously a lot of people spend a lot of time using Facebook to stay connected with all the people around them. And second, that is an opportunity to advertise. But I actually think over the long term, the thing that's going to drive the business to most is getting the ads to be very high quality. Personalize, good content in there. And a lot of the things that we are doing are aligned with that. So App install, a lot of that stuff is just good content that people are interested and there is no great way to find app stores today to discover a lot of apps on mobile devices.

Similarly, I talked about the News Feed redesign that we are rolling out. And the content in there is much more visual. And we have always had the policy that the advertising content will display in exactly the same way that the consumer content display is. And making it so that people can share a much more visual content. Making that naturally advertisements can now have the same kind of compelling creative as well, which I think will increase the quality of that and overtime increase the effectiveness as well.

David Ebersman

So Heather, in terms of your question about CPMs. Ads revenue grew well across all the geographic regions that we report on. I mentioned the U.S. and Canada growth in CPMs. We saw a similar number, a little bit lower but similar in Asia. For Europe and rest of the world the numbers were much lower. A little a bit above zero in the case of Europe, a little bit below in the case of the rest of the world. The interesting question around this is, what those numbers might have looked like if we hadn't made changes in the option dynamics and, such as the price floor and obviously we can't answer that question quantitatively because we don't have the data. But we feel pretty strongly and pretty confident that prices would have increased substantially more in all of the regions if we hadn't made those changes.

Operator

Your next question comes from Ross Sandler with Deutsche Bank. Your line is open.

Ross Sandler - Deutsche Bank Securities Inc.

Just two questions. Engagement first was up across most of the geographies. We assume that's primarily driven by mobile, but can you talk about anything else that's driving up engagement. And then just a follow up on the geographies. So it looked like the U.S. had a normal seasonal downtick sequentially whereas international most of those regions held up sequentially. So can you talk about the difference between sell-through rate in the U.S. in newsfeed versus some of those international markets?

David Ebersman

In terms of growth and engagement geographically, I think you can see from the numbers that growth was strong across all the areas of the world. We continue to add a lot of users in places like India and Brazil. And in engagement trends I think were similarly strong throughout and mobile is clearly a big part of that equation and been very helpful to us in terms of getting more users, more daily users and more engagement from those users. In terms of revenue by geography, I don't know that there's a lot to add to what the numbers I've already said. Europe looks good in the first quarter after being a little bit softer towards the end of last year and we continue to grow well in Asia and the rest of the world. So I think just pretty consistent performance there.

Operator

The next question comes from Scott Devitt with Morgan Stanley. Your line is open.

Jordan Monahan - Morgan Stanley

It's Jordan Monahan on for Scott. Just two quick questions. The first is, one of your competitors recently said something to the effect of if you're building for mobile you're building for today but not tomorrow, suggesting that tomorrow is a multi-screen world with all sorts of personalized devices. And I'm just curious, what opportunities do you see when you think about tomorrow? Would you agree that screen fragmentation will continue to increase and does moving ads towards newsfeed and away from right hand side help you in that environment? And then the second question is just about engagement. Engagement continue to improve despite more ads which validates your strategy. So every time you launch a new product people get concerned that engagement may actually tick down, but it seems to do the opposite. So are there other ad formats that you're thinking about that are likely to be complimentary to engagement?

Mark Zuckerberg

All right, I'll start. I think that the trend of more different form factors I think is somewhat orthogonal from the main trend that we see which is just people sharing more in different ways. And people want to stay connected with their friends and family and all these different folks in their lives and they're going to use whatever technology they have to enable that, whether that's desktop computers or laptops or phones or tablets or glasses, like whatever the products are. And I think that there's going to be good ways for people to be able to consume a social content on all of those. So I think the big question for us is just which platforms do we see growing the quickest? We're not tooled up as a company right now to make 10 huge investments like that at a time. But we can do a couple. Certainly in tablets are growing very quickly and I think that's going to be increasingly important. But I think that consuming social content and staying connected with people is such a fundamental human need that that's going to be important on all of these.

And getting ads in newsfeed was a valuable step in making it so that everywhere where someone is consuming content from Facebook, the business model goes along with that naturally. And those were the early challenges that we had with mobile with ad for the first six or seven years of Facebook we're just this right hand column and nothing trends like in

mobile. But it was fairly easy with some amount of work just to make that transition. We're there now and now I think whatever the form factor is going forward we'll be able to deliver advertising content in a proportion that we think is good along with consumer content. For the sentiment stuff, I think what we're seeing is really positive. It's better than expectations and we assumed that sentiment and satisfaction might drop some amount. We continue to watch this really carefully because there's no guarantee that it won't in the future. But right now what we have seen has made us more confident that we can do more with advertising over time and can ramp that up. Our strategy isn't to have like a ton of different ad units. We really want to make it so that we are delivering these end-to-end solutions for our customers and only have a small number of simple things, make it easier for advertisers to work with us. We want to deliver that and we are kind of underway on this long road map to execute that.

Operator

The next question comes from Anthony Diclemente with Barclays. Your line is open.

Anthony Diclemente - Barclays

I have one for Sheryl and one for David. Sheryl, you talked about Atlas and the measurement capabilities there. And you phrased it in terms of click-based ads and I am wondering is there also an opportunity for Atlas to improve or standardize measurement for impression based ads. And I guess the spirit of the question more generally, can you just talk about or update us on the potential for impression based ads in terms of increasing as a percentage of the mix versus performance based ads on Facebook. And then, David, question would be, a little bit of a decel in the rate of growth of ARPU in the U.S. I am wondering if there are other things you can call out in the first quarter, be it dollars from large events, TV events like the Super Bowl or other things, other than seasonality. Or maybe you can quantify or comment on the seasonality factor in the U.S. and Canada for the 1Q?

Sheryl Sandberg

So on Atlas you are exactly right. Our focus with Atlas is on impression based ads. And the idea is that, you know historically a lot of ads online which were more based on search, the attribution was always that last click. And as people have looked more holistically at all the ad spending they are doing, what they find is that it's not just the last click that

matters but it's all the impressions leading up to that click. Importantly, we also drive sales offline. And offline people aren't clicking through the purchase at all but they are actually walking into a store. So in some sense there is no last click.

And so our focus with Atlas is to take that technology and enable us to improve our ability to connect ad impressions to purchase behavior both offline and online, and not just on clicks but across different ad purchases people do. So that's exactly why we made that purchase.

David Ebersman

In terms of ARPU in the U.S. and Canada was up 21% versus last year, so continuing to make good progress there. I really don't have anything unique to say about seasonality in 2013. We see it from Q4 to Q1 across the years that we have been in an advertising business. And I am sure there are unique things that impact each year but there is nothing that we are aware of that was particularly important in 2013 in that regard.

Operator

The next question comes from Jordan Rohan with Stifel. Your line is open.

Jordan Rohan - Stifel, Nicolaus & Company

I am curious about how you address markets where it's a little bit harder to sell advertising. Specifically, if I'm calculating correctly, 41% of monthly active users are in the U.S., Canada and Europe, as you defined those geographies in your slides, and that's 74% of the ad revenues. How can the other geographies of the world step up to be an even more meaningful percentage of total revenue? Do you have to add a lot of heads, a lot of sales infrastructure and technology infrastructure that you don't currently have? And from that perspective, did you meet your objectives in terms of hiring and expenses, because I know how hard it is to support a business as global as Facebook. Thank you.

Sheryl Sandberg

So, I'm very encouraged about our opportunity to sell ads all over the world. One thing I've learnt in my time selling ads on the internet, which is going over a decade now, is that markets that you don't expect to have ad markets develop faster than you would think. So if you were to ask me seven years ago what Turkey's ad market would look like, I would not have predicted it as today. So I'm increasingly encouraged by small businesses around the world and large businesses, and their adoption of

the technology. I think with small businesses we have an actually really deep competitive advantage, which is that people all around the world use Facebook. So when small businesses who are historically way too busy to spend a lot of time using technologies, start to use the Facebook platform, they are using something they already use as users.

So once you have a timeline or a profile, setting up a page is not a very big ask because you understand it and you are doing it anyway. And that's why we think with almost no direct effort we have 16 million small businesses actively using Facebook pages. I think one of the things we have done well over the past number of quarters is build out simplified ad products like Promoted Posts, where it's easy for those people who are using pages and it happens all over the world typically on the advertisers and we are increasingly optimistic that we can do more and more of that.

David Ebersman

In terms of hiring, I think everything has gone quite well and as we have discussed 2013 is the year where we're investing for future growth, and I think in the first quarter both in terms of hiring and building out our infrastructure we are on track with where we want to be,

Operator

Our next question comes from Youssef Squali with Cantor Fitzgerald. Your line is open.

Youssef Squali - Cantor Fitzgerald

Two questions, maybe one for Sheryl and one for Mark. On ad pricing can you maybe just talk about CPMs for ads in the newsfeed versus ads on the right hand rail? Can you give us maybe just an idea so the magnitude of the difference between the two was that a big driver for that 21% increase? Then on video advertising I was just wondering, what's the strategy to bring video advertising to Facebook and both in newsfeed and to desktop initially and then eventually on mobile assuming that there's enough bandwidth for that? Thanks.

David Ebersman

This is David; I'll take the first one which is about CPM. So the ads that we show in newsfeed are displayed more prominently and they are more in the flow of the user's attention. So as you would imagine, we get more

engagement with those ads and they end up commanding a much higher average price per ad as you would expect.

Sheryl Sandberg

I'll take the second part. So video is a really exciting area because we have leveraged our scale and engagement and our ability to provide relevant ads. We have a video product out today. Advertisers can embed a video in their page post, and we're seeing really strong results. I think both because of that and because of marketers' inherent liking video as a format, we continue to explore new things as well, but we don't have anything to announce today.

Operator

Our next question comes from Justin Post with Bank of America Merrill Lynch. Your line is open.

Justin Post - Bank of America Merrill Lynch

I guess two questions, first on ad formats. Sheryl, do you think you've really optimized the ad formats, especially on PC or is there a lot of room you can do to get better performance from that? And then secondly, maybe you could just give us a business update on Instagram, maybe you could compare where they are to where Facebook was when you turned on ads or any thoughts on how you could monetize that platform maybe far down the road?

Sheryl Sandberg

On the first -- I think there's a lot of room to improve our ads. I don't know whether that'll take the format of different formats. I think more of it will be in terms of quality because I think we feel pretty good about our formats. But one of the main pushes we had is to make each ad a better experience for users, content in those ads, which is as good as the content they'll see from a friend or anything else on the site, as well as make those higher return for marketers and those two go hand in hand. I think the place you will see the most from us is more around targeting, around ability to take the formats we have and make the ads better within those formats. That's certainly our focus now. But as our site evolves and our product evolves, we never rule out changing the format as well.

Mark Zuckerberg

Yes, on Instagram they're really doing well and growing really quickly. and I think that is the right for them and they have this opportunity to capture and basically build off this huge community. And I think that that should be a 100% of the focus right now. I am really optimistic about the business opportunity there too. You already have a lot of brands and folks who advertise with Facebook putting content in Instagram, getting huge engagement rates. So people are coming to us and asking for ways to make that even richer and it's something that we're thinking about. But right now I think that -- I'm just really product of the team and excited about how quickly they're growing. I mentioned this in my comments early on, but they're growing a lot faster now and we're faster to get to 100 million than Facebook even was.

Operator

Your next question comes from Gene Munster with Piper Jaffray. Your line is open.

Gene Munster - Piper Jaffray

You've seen some acceleration of revenue over the last three quarters and can you just give us some guidelines in terms of should we continue to see that accelerate? And if not, at some point in the back half of this year or early next year based on some of the investments in new products, could we see another inflection point in growth? Thank you.

David Ebersman

I think we're still in the really early days of what we're doing and that's particularly true in mobile. A year ago, we didn't have any mobile ad revenue and now it's 30% of our ad revenue. So this is great. We're really pleased with the progress and we still believe that mobile has the opportunity to be huge for us if we can execute well. We've got a really large mobile user base. They are very engaged and spend a lot of time with us. We have an ad format that works on mobile and we have identity so that we can put the right ads in front of the right people. So, I think the future for us is I think much more interesting than trying to project it from any particular quarter at this point, just because we've got a lot less to do. And, obviously, we will continue to try and develop tools to enable us to monetize our advertising better and potentially in different ways as well. But the big opportunity that's right in front of us is trying to make the mobile advertising products higher quality and more relevant over time.

Operator

Your next question comes from Ben Schachter with Macquarie. Your line is open.

Ben Schachter - Macquarie

A couple of issues for Mark. I was wondering, first, if you could talk about the platform strategy and maybe give some specific examples of third parties that have really been successful. And in general, what are the lessons that you've learned around the platform strategy, how it's evolved? And then secondly, just around the evolution of Graph Search, any lessons from the launch, positive or negative?

Mark Zuckerberg

Sure. I mean one thing that I think has actually gone well with the platform recently is the gaming ecosystem. I mean David was talking about this earlier, but with the exception of our largest partner, Zynga, whose growth hasn't been as awesome as everyone would hope, the rest of the community is actually growing quite well and is quite healthy. So, we're pretty happy with that and it's a pretty diverse group. I mentioned in my comments at the beginning, I mean we have as many as 81 of the top 100 top grossing iOS apps and 70 of the top grossing Android apps that are connected in with Facebook. So we're getting good coverage, right. And that's all has been the vision, it's making it so that any apps and experience that you have can be social. So that's working well.

Also we really want to be a source that developers can come to for distribution and make it such that they can come to Facebook and spread their apps. People have always had good tools to do it organically, but recently the App Install ad product has been another tool in developers' arsenal in order to do that and that's showing some real traction. So, I'm pretty excited about that as well. Graph Search was your other question. And the strategy around it and kind of where we are in rolling out is, we developed it over a period of time at the company and we knew that in order to get it to be really good we had to get some real world data. So we rolled it out to just a small percent of people in order to be able to tune the ranking and all that. We're getting into a state where we are really happy with it before we roll it out to everyone. But we're really optimistic that that will happen over the coming months.

So, I'm pretty excited about that. The people who use it, we've gotten very positive feedback from it and I think it's going to be a very big

opportunity. But the launch wasn't this point where we expected a ton of people to start using it. We've gated who can use it quite aggressively in order to just make sure that we get the data that we need and the real rollout will hopefully start pretty soon.

Operator

The next question comes from Mark Mahaney with RBC. Your line is open.

Mark Mahaney - RBC Capital Markets

I was wondering if you could talk about engagement per cohort. There is an urban myth that those under 25 are disengaging from Facebook. It's hard for us to see that in obviously the day that you report, but you would know that. Is the mobile engagement, is that offsetting that? Could you talk about that engagement amongst younger cohorts? And then secondly, you talked about advertising on mobile devices performing well. Could you actually make the statement as to whether it performs as well as desktop ads do for advertisers on Facebook, similar to, sometimes great or sometimes less? Could you compare those two? Thank you.

David Ebersman

Sure. I guess I'd start by saying we remain really pleased with the high level of engagement on Facebook by people of all ages around the world. You asked about people under 25, we continue to have really high penetration rates among that age group, both in the U.S. and globally. And the younger users remain among the most active and engaged users that we have on Facebook. And then in addition, younger users are extremely active users of Instagram as well. So that's great and makes our position even stronger.

I think, from our standpoint, the urban legend you referenced, sort of flows more often than not from surveys people have done of younger users that indicate that they're using other social services. And we take this feedback seriously but our sense is that much of the concern stems from the assumption that this is a zero sum game and that's not how we see it. We think the overall amount of time spent on services that enable you to connect and share is growing and will continue to grow, because these kinds of services are really engaging and good. And it's great for us to be the leader in a market that's expanding rapidly with the foundation we have with both Facebook and Instagram and I guess the challenge for us is to just continue building great products that appeal to users of all ages. Your second question about the engagement levels are the

performance of mobile ads, I think it's fair to say that newsfeed ads on both mobile and desktop both perform extremely well and we're pleased with both formats.

Operator

The next question comes from Ken Sena with Evercore Partners. Your line is open.

Kenneth Sena - Evercore Partners

I was just hoping that you could go back to Atlas for a second and maybe give us a sense of maybe the run rate quarter-on-quarter. And is it correct to see Atlas is kind of an avenue into monetizing potential inventory off of Facebook and how do Home and maybe your mobile Open Graph tie into that strategy. Thank you.

Sheryl Sandberg

Our main focus with Atlas is our own measurement, that being able to measure Facebook ads all the way through to purchase and then compare those on an apples to apples play with other ad purchases you make not on Facebook is really important to drive marketer engagement with us and that's our focus. We have no plans for launching that network. We also don't break out -- we're not breaking out the revenues from Atlas.

David Ebersman

And it's small. So Atlas is -- we didn't buy Atlas for the run rate of its revenues, but because we feel like it's a tool that can help us to grow our own business.

Operator

The next question comes from Douglas Anmuth with JPMorgan. Your line is open.

Douglas Anmuth - JPMorgan

Sheryl, you talked about having strong traction with SMBs and also in direct response and app developers and then also about Atlas and attribution. But can you help us understand the biggest hurdles that you have right now with big marketers? And then secondly, David, if you could help us understand the percentage of mobile ads revenue that's coming from mobile app Install ads?

Sheryl Sandberg

There are lots of types of big marketers. There are big marketers out there who are direct marketers. There are also big marketers who are brand marketers. I think the question probably is about the brand so that's how I'll answer it, even though it's worth noting that there are big advertisers across the spectrum of different type of ad buys. As I've said before, the thing about brand advertisers is that they got very used to TV and they got very used to search and we are a third thing. And we will win that business client by client, CMO by CMO. It's something I personally spend a lot of time on and I think we have a great team in the field again. With some of the big brand advertisers, we have been working with them for years and years. A lot of the data and measurement you hear us talking about are studies we've done with them based on campaigns that we've run with. And I think we have a lot of belief at the top and in many of them we are in the process of going through their companies and getting that same commitment to buy.

So we'll have a CMO who has seen the value, we've proven the value and really wants the company to come along. And now we are in the process of working brand by brand, region by region to get that same buy-in lower in the organization, which actually takes more time not surprisingly. With other brand marketers, they are just in a testing phase and they really haven't done enough with us so that we can even do the studies to prove the value. And so the good news with us is we're engaged with all 100, Ad Age 100. So everyone is buying with us on an annual basis and we're working client by client to bring them along that spectrum. The good news is I think we're increasingly proving that we can return on ad spend in different parts of the purchase funnel.

So to share one recent example, MGM Resorts have used a different suite of Facebook products to address different customers at different parts of the purchase funnel. They used offers to acquire new customers and they saw a three times return on ad spend. Then they used FBX to retarget people who were in their booking process and dropped out and that gave them a 15 times return on ad spend. And then for past guests who had completed a purchase but hadn't come back, they used custom audiences to target them to return and they got a five times return. And I think it's experiences like that where we show the breadth of what we can do that really move us forward with the brand spenders.

David Ebersman

You asked about mobile app install ads. So we launched that product I think at the beginning of the fourth quarter more broadly. So it's early in its development, but really doing quite well. And we're pleased with both the quality of experiences we're providing and with the revenue growth that we've seen. It really fits in nicely with the idea of putting content into newsfeeds that we think will be of interest to users and provide value for developers. I guess the only other thing I've noticed that it's an incremental audience for us for the most part from an advertising standpoint which is also nice. Some of those developers were advertising with us before a lot of the mobile app Install Ad purchasers or new advertisers to Facebook.

Operator

The next question comes from Brian Wieser with Pivotal Research. Your line is open.

Brian Wieser - Pivotal Research

First of all, I just want to go back into the segments of the advertisers between the brands, developers, small businesses and performance. Is there any way you can characterize what maybe the growth trends have been, even recognizing some of them below the lines or ultimately growth trends between the different ad products. I find it useful to get a sense of where the relative growth is, that will be useful. And then a second question, I just want to get updated thoughts on datacenters and the role of datacenters for Facebook. The degree to which you think that it is strategic in investing and building these out or if it's really just about operational efficiency?

David Ebersman

So in terms of the segments, it's really hard to breakup the revenue because the same advertiser crosses multiple segments with multiple objectives, sometimes with the same ads. So one of the ways we use the segment is to help focus our product development on understanding the different objectives that marketers might have, but then translating that into individual groups of revenue is difficult. So I think that, as Sheryl mentioned, we're particularly pleased with small businesses. That's something that we can measure on Facebook and see the number of advertisers increasing.

In terms of datacenters, I think it is both strategic and operational. There's no question that owning our own datacenters removes sort of

another party from the mix relative to when we used to lease datacenter space. It also enables us to build the datacenters to look exactly as we want them to look so that the performance is optimized for precisely what Facebook needs to do with the servers that we put in there, and there's definitely some efficiency that comes from that. But I would also say that it is, given what we are trying to do in the world we are trying to reach, I do think it's strategic for Facebook to not be dependent on third parties to provide that critical part of our supply chain.

Operator

The next question comes from Aaron Kessler with Raymond James. Your line is open.

Aaron Kessler - Raymond James

Yes, couple of questions. On the unpublished Page posts, can you give us an update. I think that got released towards the end of the first quarter, maybe what type of traction you're seeing there. And also going back to kind of U.S. versus Europe, can you just maybe detail -- Europe definitely outperformed U.S. on a sequential basis, was that due to some of the later adoption of some of the sponsor stories in the News Feed or is that something else?

Sheryl Sandberg

On Page post, Page post ads first appeared May of last year and then we just put them into News Feed in March of 2013. In terms of unpublished, what that just means is the ability to target Page post only to the right people. So, for example, without posting it to everyone on your page. For example, if you are a retailer and there was a snow storm in one state, you could target snow shovels or other relevant stuff you want to sell for snow storms only to people in that state. So, it's just a really useful way of segmenting your audience, again part of our overall push to relevant targeting and quality. We're really excited about Page post ads. Over 7.5 million posts have been promoted by pages. Over 30% of the people using the product are new advertisers basically. And I think that speaks to one of the earlier questions on small-to-medium business and their adoption. If you say to an SMB, do you want to become an advertiser, that's a heavy lift. If you say to them, you have a page, you've posted something, do you want to pay a few dollars to promote this post to reach more people, that is a much easier on ramp to advertising spend with us and we think it's working really well.

David Ebersman

In terms of U.S. and Europe, I really don't have a lot more to add. The Europe number as I said was strong in Q1. I'm certain it's true that for some of the products that we roll out the U.S. represents the first adapters and then they spread their way to other clients around the world. But I don't have any specific evidence to support that that was key to the trends in Q1.

Deborah Crawford

Operator, I think we have time for one more question.

Operator

The next question comes from Daniel Ernst with Hudson Square Research. Your line is open.

Daniel Ernst - Hudson Square Research

Two questions if I may. If we look at the broad base of all ad impressions across Facebook whether it's desktop or mobile, can you give us a sense of what percentage of those are generated or conditioned by social statistics or socially relevant data that comes out of the Facebook experience versus ads conditioned by external data like from Acxiom or it's from retargeting traffic from other websites. And then second, within the category of apps and others, can you give us a sense of is there any materiality around the other categories that's not apps payments or what part of that might have been Facebook type services like gifts? Thank you.

David Ebersman

So to your first question on mobile and I think the question was on mobile ad load, is that right?

Daniel Ernst - Hudson Square Research

No. It was whether it's mobile or desktop, what part of the --?

David Ebersman

All right. I got lost in the second question which I should have written down to the first one. So right now you asked about Acxiom and things like that. That's a very small percentage of the ad impressions we show. So hopefully overtime we can bring tools to bear that can really increase

our ability to do more targeting and more effective targeting than we do today. In terms of the second part, I think you're asking about the whole payments and another fees revenue lines. So I said the whole line grew by 15%. Games represented 12% growth. So the increment in between the 12% and the 15% came primarily from user promoted posts, which is a product we launched last year to a lesser degree also from our gifts product.

Sheryl Sandberg

Great. Thank you for joining us today. We appreciate your time and we look forward to speaking with you again next quarter.

Operator

This concludes today's conference call. You may now disconnect.

EXHIBIT 66

[DIGITAL \(/DIGITAL\)](#)

Exclusive: Discussing the Future of Facebook and the Facebook Ecosystem with CEO Mark Zuckerberg

By [Adweek Staff \(http://www.adweek.com/contributor/Adweek-Staff/\)](#)

| June 22, 2010

There's no shortage of big initiatives going on at Facebook these days. We sat down with Facebook CEO Mark Zuckerberg this week to talk about the state and future of Facebook and its surrounding ecosystem.



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6-22-2010

Exclusive: Discussing the Future of Facebook and the Facebook Ecosystem with CEO Mark Zuckerberg

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There's no shortage of big initiatives going on at Facebook these days. We sat down with Facebook CEO Mark Zuckerberg this week to talk about the state and future of Facebook and its surrounding ecosystem.

Zuckerberg shared his thoughts on recent changes to the Facebook Platform, competitive dynamics he desires amongst developers, the surprising growth of the social games business on Facebook overall, his vision for Facebook Credits, market perceptions of Facebook's revenue streams and overall revenue numbers, what the company learned from its period of serious interest in Twitter, and Facebook's company culture around money.

Today, Facebook's 1,400 employees are working on products to better serve and monetize its nearly 500 million monthly active users around the world – up from 150 million at the start of 2009. We estimate the company did [between \\$600 to \\$700 million](#) in revenues last year, and will see [between \\$1 and \\$1.1 billion](#) in overall revenues this year.

As Facebook's business has grown, so has the Facebook Platform economy. Developers of social games on the Facebook Platform will earn hundreds of million of dollars in revenues in 2010, according to our [Inside Virtual Goods: The Future of Social Gaming 2010](#) report, and tens of thousands of businesses are shifting more of their marketing efforts and dollars to build their Facebook presence.

(Interviewer) What's the state of the platform right now, in terms of the alignment of incentives between developers and Facebook and users, compared to where it was just after the Platform launched a couple of years ago, and where you want it to be?

(Zuckerberg) There's two parts of the Platform – there's canvas and then everything outside of Facebook. The focus now is actually the latter – Connect and everything we're doing with social plugins. We have an all hands meeting later today and I was just told that Connect is now on 1 million sites. That's definitely an increasing focus, and the last two f8's have been around that. But I think what you're asking is about the canvas part.

There are two ways that apps get usage that really define the character of the application. One way is viral distribution – spreading to new people. The other is reengagement. Early on, the viral strength was so much, but there were really no channels for reengagement. So people were using viral channels to reengage people, and you basically had apps that were growing very quickly, and their best way to get a good user count was to get new users and churn through them. That really optimizes for apps that are very viral instead of apps that are high quality and that people want to reengage. So we intentionally weakened the viral channels recently, and intentionally strengthened reengagement with emails, so that there will be better apps. It's going to be a long process, but I think it's going reasonably well.

One of the things we did recently was rebalance around games. A lot of users like playing games, but a lot of users just hate games, and that made it a big challenge, because people who like playing games wanted to post updates about their farm or frontier or whatever to their stream. They want all their friends to see their updates, and they want to get all their friends'

updates, but people who don't care about games want no updates. So we did some rebalancing so that if you aren't a game player you're getting less updates.

One of our goals that we have is to make it so that you have just as good of a chance to build a good game if you're a standalone game shop as if you're a part of a bigger conglomerate, like Zynga or EA. That is a long term thing, to make sure the market stays competitive around this. CrowdStar has grown pretty quickly in the last 6 months, from very small to now pretty big. That to me shows that it's definitely not a one company market, and that's what we're looking for. A lot of what we're working on is can a small company succeed in the space.

(Interviewer) What do you think about how big the games business has become on the platform? You told me a couple of years ago soon after the Platform launched that you weren't really thinking about games when you built the Platform.

(Zuckerberg) I was surprised, I was surprised about games. I had a conversation with some folks at Apple at one point, and they were surprised that games was the big thing on the iPhone too. I also heard anecdotally that the people making the first PC operating systems were surprised that games were that big too. So I think people build platforms for utilitarian purposes and then get surprised that games are a killer app, so I don't think it's uncommon. But clearly a lot of people like them.

Someone once wrote that I don't like games, and I think that's pretty silly. I don't spend a lot of time playing games myself, but it's really cool as a first proof example of an industry that's getting completely disrupted by the whole social movement. All the dynamics of how you play the game, getting neighbors, trade with people, do tasks with people to more efficiently use your resources. It's the first place where someone completely wove in social dynamics into the dynamics of the industry, and it works really well. The early games like Jetman and Boggle and things like that weren't that social, but now when you hear gaming companies talk about the next generation of games that they're creating, everything is about integrating the social stuff more and more deeply into the game.

Now, there are companies like Zynga, EA/Playfish, CrowdStar, but then there's a Facebook version of Civilization as well, so it's going in both directions. The Civ game is your traditional high quality game, but the big question there is whether they leverage social dynamics enough. The risk for them is that it might just end up being a good traditional game with very little social integration.

(Interviewer) One of the questions that people I talk to have these days is what role Credits will have in the future of the company. How important is Credits in terms of your overall product priorities, do you think it will succeed, and how important will it be in terms of revenue?

(Zuckerberg) It makes sense that there should be one currency. If I go play a CrowdStar game right now and get Credits there, I can't go use those Credits in a Zynga game, so that kind of sucks. One of the biggest inefficiencies in buying virtual goods is all the friction of having to take

your credit card out, so having one store of [virtual currency] that you can use everywhere is both good for users and good for all the apps.

The other thing about Credits from our business perspective is that payments and Credits is a significantly lower margin business than ads. Ads are 20%, 30%, 40%. A lot of people are skeptical of when we say we are doing this primarily for the developer ecosystem, but that's really how we think about it. A lot of the apps so far are games, a lot of games monetize a lot better through virtual goods than through ads, and a big goal for us is to build this level ecosystem. So if Zynga or any one player can allow cross payments within their games, but that doesn't extend to other games, then that ends up being a big barrier to entry for other startups. Making it so that there is one currency that people can take everywhere levels the playing field a bit, which is good.

We want to make it as easy as possible for users to build up a liquidity of Credits themselves, so we're planning on pouring all the money that we make on Credits back into things like different offers or cards that people can buy in stores, to lubricate the economy so people will buy more stuff in apps. Overall we think it's better for everyone for us to be in that place. Now if we fail, we fail, and someone else will succeed. But I think that over the long term this will end up being a pretty valuable thing.

(Interviewer) When we spoke in the spring of 2009, you said you felt like there were misperceptions in the market around Facebook's revenues, and soon thereafter you guys released some financial data points to adjust people's expectations. Do you think that expectations today are more accurate? We estimate your 2010 revenues at \$1 to \$1.1 billion.

(Zuckerberg) I think it's really hard to predict this stuff. The biggest driver for revenues and costs for us is the number of users. Last year, we went from 150 to 350 million users – how could you predict that? Over a longer time horizon, it doesn't matter that much. For how early social media is, you want to be looking at longer trends. You can have blips over a six month or one year period, but it doesn't necessarily say that much.

The reason we corrected it last year is because it was hurting us. People thought it was too low. Now what I would say is that the estimates are not so far off in either direction that it's causing us any pain, so we feel no need to correct it. Also, if it was too high, we would want to correct it too, because we don't want expectations to be too high and we don't want people to be disappointed if they joined. I think people are getting a better feel for it, but in general I think people underestimate the value of the whole thing.

(Interviewer) There was a time over the last year and a half when you and the company became more engaged with Twitter, and then there was a time when you weren't. What did you learn from that?

(Zuckerberg) At first I think we learned that they do a lot of things really well. It's a very nice, simple service. They do one thing really well – that's powerful.

I think the main thing was we looked at their growth rate and – well, we saw our exponential growth rate continue for a very long period of time, and it still does at a super-linear rate, though not quite 3% a week any more. I looked at their rate and thought if this continues for 12 months or 18 months, then in a year they're going to be bigger than us. I guess I extrapolated too much from our own experience of what was possible, but it just turned out that that their growth rate was kind of unnatural. They got a lot of media attention, and it grew very quickly for a little period of time.

Most of the lessons I take away from the whole thing now are that, as good as I think they are, I think I personally just paid too much attention to it. I don't think we over-rotated as a company on it, but it was interesting because we're a pretty young company, and we haven't had that many other companies in our space. Learning how you work with other companies is an interesting thing that I'll hopefully figure out over the next decade, and it was just interesting learning from watching them.

(Interviewer) What particular product insights did you gain from that experience?

(Zuckerberg) The way that people use the products are pretty different. It's just interesting that they do some things that we explicitly don't want to do, but do them well. For example, they don't do real names, and they have themes. It's a lot more around self expression than real identity, but I think it works for them. But that doesn't mean we want to be that. Watching them is going to be really interesting over the next few years, and the same with FourSquare, and a lot of other social companies.

(Interviewer) Can you talk any more about your plans for your location products?

Well, we're developing something, but nothing besides that. We want to make sure that we do it well, and we're taking the time to do that.

(Interviewer) From what I've observed, it appears as though you've established a culture here that does not respect people who cash out early. Could you talk about the role that money plays in building the organization?

(Zuckerberg) I guess we have a pretty utilitarian view towards money. Sometimes what I say gets misinterpreted as I don't care about money, but that's really not true. I think building a company is the best way to change the world, because it's the best way to align the interests of a lot of smart people and a lot of partners to build something that's great and that serves people. You can't do that if you're an individual, because it's just you and there's no one to align, and you can't do it if you're a non-profit, because you have no resources and you're constantly out trying to raise money instead of generating it and being self-sufficient. That's I guess the view.

At this point in the company's evolution, I don't see a huge need for the company to be throwing off a huge amount of profit. What's the point? If we believe that we can build a lot more value for users, developers, and advertisers by taking any excess money we can make and investing it back in, then we're just going to grow those communities and markets faster, and we're going to end up with greater potential in the long run. If you prematurely optimize, you might get a bigger piece of a smaller thing. I feel like we're really early on in the start of this movement toward everything being social.

But even people who are very smart, a lot of times throughout the history of the company, have underestimated how far it would go. That's been difficult, because when you have key people who have that attitude, it's hard to get stuff done. Especially around selling the company early on and choosing not to do that – that was a big learning moment for the company in terms of what kind of people we wanted to have here. I just want the people we have here to be focused on building stuff, and that's how we run it.

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Maurice Lévy (Chairman & CEO Publicis Groupe) interviews Mark Zuckerberg during the E-G8 conference in 2011

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[Applause]

Speaker 1: Mark has accepted to speak to me. They gave me ... it's like Canon, because I have the microphone on the jacket. So you see, I cannot be a truly showman, no way. Anyway, it's too late for me. Bonjour, Mark. How are you?

Mark: I'm doing well.

Speaker 1: Good, good. Thank you. Thank you for coming.

Mark: Oh, it's an honor to be here. I appreciate that we're going to have the opportunity to do this Q & A.

Speaker 1: Good. So, I will introduce Mark to you, because I'm sure that very few people in the room have heard about you. Mark is 27. He is not a footballer, no TV viewers, not in soccer. He's not a policeman. He's not here because of [French language 00:01:29] but there has been already a lot of stories written about him and even a movie about his life.

Mark: That wasn't really about my life.

Speaker 1: No. And he's only at 27, a legend, is a rock star and he needs no introduction. Everyone in the room knows ...

[00:02:00]

Speaker 1: ... more about Mark that probably does himself based on all the story which have been written about him and that's the magic of creating Facebook. There is one thing that you don't know about him. He is a sport champion. No?

Mark: Which sport?

Speaker 1: I don't know. Look at this. Can we have the picture? I have been told that you are a sport champion in fencing.

Mark: Oh, way back in the day.

Speaker 1: Ah, you know.

Mark: If you count high school.

Speaker 1: [French language 00:02:40] it doesn't work. Sorry, I missed ... hello, hello, [inaudible, French language 00:02:46]

Speaker 2: I was expecting more proficiency from Publicis life. I'm really disappointed with our people here. Come on guys, shape up.

Speaker 1: Here it is. [French language 00:03:04]

Mark: This is, that's Sheryl's son. I'm teaching him to fence

Speaker 1: It seems that he is teaching you.

Mark: In that one, yes.

Speaker 1: Yes. Okay. Mark, I have a fun memory. It's, maybe you don't remember but we have been together in a workshop in Davos. And this was something which was very ironic, because in that workshop the subject was all about how to reinvent your business. And the only person who didn't have to reinvent something and he has been in the reinventing business was you. And the results of that workshop that all the CEOs were thinking about ...

[00:04:00]

Speaker 1: ... how to take their company private. And now what we are speaking about is how you take your company public.

Mark: Not yet.

Speaker 1: Not yet. Okay. So, there is one journalist-like question that I have to put to you, because otherwise I will look bad in front of everyone. You had a meeting with President Sarkozy, how it was like?

Mark: It was fun. It was actually, it was my first time meeting with him, so it was an honor to be invited over. I found it interesting to watch the coverage of EGA over the past day or so, and here about kind of his agenda and his goals, and you know I feel like I understand where he's coming from. It was really a good opportunity here from him on what his goals are. And I appreciate the chance to be able to be here and be part of the dialogue.

I think that, you know, for a long time, the public and private sectors work together on and a lot of different industries, it's just, it's an important one, so I'm happy to be here. I'm happy to answer whatever questions you have and whatever questions you guys have. And let's just go to it.

Speaker 1: We have plenty of questions. The first one is ... so, I have selected a few questions coming from various sources including Tweeter and Facebook

and then we will have a conversation with the audience. The first question is ... we don't know exactly the number of people using Facebook but it's more than 500 million users. If you had to say one single aspect of what has brought ...

[00:06:00]

Speaker 1: ... so many people to use Facebook, what would you say?

Mark: Well, I think it's actually two things, so ... and I don't know if I can boil it down to one, but I could do two.

Speaker 1: You can do two. We would not negotiate one or two.

Mark: So, I think one of the best things about the internet is it gives everyone a voice, right. It makes it so that people who 20 or 30 years ago would not have had a way of sharing their opinion can now do it very easily. Right, I mean you can just, you can say whatever you think and put it online, and that's really powerful, right. It really, it this very democratizing force to make it to that, you know, everyone who's out there who has access to a computer or a phone with the internet which is an increasing portion of the world's population now can share stuff, so I think on the one hand that's very powerful.

The second piece is that if you think about who most people actually want to be sharing with on a day-to-day basis, for the majority of people's, their friends and family, right? So you balance this on the one hand the power of the internet, the ability to share whatever you want with whomever you want with the audience and this network that is what actually most people want to communicate with on a day-to-day basis, their friends and family, and I think that that's really why, why everyone who is on Facebook is using it today.

Right, I mean for background, I'm not ... I started the company when I was in college. And what I wanted to do when I was getting started was simply just make a way for people to learn some things about the people around them, at university, and be able to communicate with people around them, and so basically staying in touch with their friends. And it just turned out that over the past seven years or so is the company has scaled that that wasn't just a need that was fixed to my college or colleges in general. The desire to stay connected with your friends and family is I think a relatively universal thing across the world.

Speaker 1: But Mark you are second ...

[00:08:00]

Speaker 1: ... when you started, because MySpace rose slightly before your time. And when you started, MySpace was already with a few million and we were speaking about MySpace today, so what has been the magic formula which has created that incredible success?

Mark: Well, the thing that we focused on from the beginning is, you know, making it so that people had their real identity there and we're sharing with people who were their real friends and real family. So that bases of being grounded in reality has always been a very foundational element of what makes Facebook, Facebook.

And a lot of other social media sites on the web, you know, whether it was MySpace or just blogs today or a lot of different things, they don't focus on creating a network where everyone is who they are and I think there's actually a lot of advantages to that too. I mean, there are advantages to both sides. The advantage on the real identity side is that you know who your friends are.

You can look them up very easily, because they have their real names in the system. You can wire up a network of someone's friends very easily. And then people can share with their friends very easily which is what I think a lot of people want to do on a day-to-day basis. On the other side, I mean the reason why Facebook isn't the whole social media landscape and why I think that's good is because there's a lot of value in having anonymity in people being able to express things not tied to real identity as well.

So I think you'll just kind of see both develop and evolve. But I think as far as Facebook and other social networks that real identity in real relationships component has been very important to our revelation.

Speaker 1: When you ... so I understand that and I think this is what everyone is understanding that these ... the fact that it is real that it's about some true fact is something which is essential. Now, that you are seeing all these new generation using Facebook ...

[00:10:00]

Speaker 1: ... what do you think ... how do you think these people will evolve under the Facebook in films? How are they going to change or to live in this world of transparency of sharing of being open compared to the things

that you have yourself experienced because you were born before Facebook?

Mark: Yeah. I mean I think that probably the biggest thing is that transparency makes it so that ideally that the best things can win, you know, whether it's the best products or, you know, the best restaurant, or if I'm like looking for a restaurant, then you know, back before the internet or before there were tools to rank with the restaurants or get recommendations, you can maybe get opinions from a few people who you knew, or you experienced a few restaurants in your neighborhood and you can rank them.

You know, now with the internet, there's the ability to get a lot more people's opinions and hopefully, and what I expect will happen is that the best things rise to the top or it creates a much kind of fair ecosystem. And we have a story where, you know, one time we were talking to ... our business is advertising right, that's how we make money. And one of the people who ...

Speaker 1: Mine too.

Mark: Yeah, you know.

Speaker 1: I don't want people to know, but mine too.

Mark: Different sides of the ...

Speaker 1: Oh yes, I know, we'd be becoming very, very small now compared to you.

Mark: That's not what I was saying. But you know, one of the verticals that that does really well for advertising on Facebook is movies. Right, media stuff in general tends to do very well because media's inherently social, right. When you go to a movie, it's a social experience with friends. When you read a book, you discuss it with friends, movies with friends, games with friends. So, I was having this conversation one time with someone who's talking about ...

[00:12:00]

Mark: ... advertising movies. He said, "You know, the issue that I'm having is now with these days, when a ... I used to just be able to have really good advertising and at least guarantee that I'd have a couple of weeks of good box office returns, but now you know, it comes out in the first day, and then on the internet, people write about how good the film is or often

times before the film even comes out, people know how good it is, and then, you know, maybe no one will see it.

You know, and it was funny because the person was presenting this to me is as if there this big problem with the world that now a good, a bad movie would not be able to be sold. And I was listening to that and I was like, "No, that's awesome." Right, I mean good movies should be able to make more money, bad movies should not be sold right and should not make money. And I think that, you know, by making instead everyone has the ability to share their opinions and get their opinions out there, I think that that's the world that we're building towards. One where the best products and the best opinions do win out in the public debate and everyone can participate in that.

So I hope that would this all leads to is better products, right, better experiences in the world.

Speaker 1: I always ask myself why the Social Network movie had so much success, so it cites to Facebook.

Mark: You know. It was well-written.

Speaker 1: It was a story. When it comes to sharing data, what do you think about how much is too much? Do you think that people are worried that Facebook may has access to too much of that personal data, personal information, and can use them in a way which is irrelevant to their private life?

Mark: Well, I think that there's two questions in this. I mean, one is how much information is it good for people to share in general and then there's a separate question of ...

[00:14:00]

Mark: ... you have on the internet a few companies, right, that through which a lot of the sharing happens. I think they're both interesting questions. For the first one, I just think that people choose their own boundary, right. I mean you have people who choose to be extremely transparent with their lives and share a huge amount and then you have people, a lot of people who participate in Facebook actually still don't share that much.

They mostly are getting a lot of value from other people around them who want to share, who are their friends and family, and maybe they share it privately. Now, I mean the majority of people are sharing some

stuff, but the point is that there's basically this balance, and I think that balance is going to evolve over time.

If you ask people 10 or 20 years ago, I think that most people before the internet would have thought, "You know, I would never want to share stuff on the internet," or I don't even know what you'd call it beforehand. But now as ...

Speaker 1: We were call it mini-tell in France.

Mark: There you go.

Speaker 1: This is the antique world.

Mark: But now I think as there are more tools that are developed, people are finding more value in doing different things, you know, so whether it's being able to put a photo album online, and being able to share that with the people who you want from a vacation, and so just starting to have digital prints or, you know, now, I mean the new thing in the last couple of years, location is getting bigger and bigger, right.

And it's one of the budding services where now a lot of people are starting to share where there are and the big piece of value they usually get from that is being able to see who else is around you who you wouldn't have known was around you and some people find that valuable. Those services I think will continue to evolve and get even better, and then maybe even more people will find value in them and yeah. So I think people are kind of finding their own balance on that.

In terms of companies, I think that users and the people who are choosing these companies do a good job of picking which companies they want to trust with different things. I mean the technology industry is so competitive, right.

[00:16:00]

Mark: And I mean you mentioned before MySpace, right, the question of why did Facebook win. The common law that I think people hear a lot is like there are these network effects and once someone gets locked in and has, you know, a lot of people on their service, it's hard to displace them so you can do all those bad stuff. And I just think that that is not true.

I mean we had this point where MySpace had a 100 million users and Facebook had 10 million users. And at the time Yahoo! was trying to buy

Facebook for a billion dollars and we had 10 million users and everyone thought that I was crazy to sell because in New York it was ... you know everyone was locked in. MySpace can mess everything up and they'd still win. And I just don't believe that. I think that it may take a year or two or three or five, but I think that the best services and that what people really wanted was a service where they could share with the real people who they knew and we executed on that.

And then over the next period of years, we passed them. So, I don't know. I tend to think that the internet is extremely competitive and that consumers and competition really do a good job of selecting the best services.

Speaker 1: You have resisted the check of one billion dollar at age 25?

Mark: I think I was 22.

Speaker 1: The reason, that's the reason. At age 25 you would not have it, but age 22 I understand. We have been kept very busy yesterday and today about the future of the web. And all the discussion during these two days is to bring some ideas and maybe some directions to the G8 meeting tomorrow and you would be part of it. What you think will be the biggest trends or the most interesting trends ...

[00:18:00]

Speaker 1: ... in the web, in the next few years? What do you think will be very new?

Mark: Well, I think that this trend of people being empowered to share things that they want is going to be the trend of the next, I don't know, whatever, whatever period of time, five, 10 years. I just think that we're so ... we're much closer to the beginning of that trend than we are to the end still. And I mean if you think about ... the internet and theory should give everyone the ability to share whatever they want.

And in theory it's true, right. I mean and it's in practice a lot more true today than it was 10 or 20 years ago, but I mean, a lot of people today in order to share the things that they want are still, you know, hand coating their own websites and building their own ways to share stuff. You know, I think that these tools like Facebook and other social networks and social media sites are just going to get a lot better and more expansive in terms of developing more ways that people can share things.

And you know, I can speak to the strategy that Facebook is taking to enabling this. In our approaches that we think that there's only one or two things that any one company really do well and you know, we think that we understand the kind of core social dynamics about putting, building this real world, real friendship network, but at the same time there are all these other features, and products, and industries that should get built and that should become more social that we just don't think we're going to do.

And then the best example of that is gaming, right. So like four years ago, I think it's actually four years today, today's the 24th?

Speaker 1: 25th.

Mark: All right, so yesterday. I get confused with the time, but ...

Speaker 1: You get confused sometimes?

Mark: I'm, you know, I'm communicating with people back [crosstalk 00:19:47]. What's up?

Speaker 1: That you can get confused.

Mark: So, four years ago yesterday ...

[00:20:00]

Mark: ... today in Polo Loco, we opened up this development platform. And we made it so that people could build all these different social features on top of Facebook. And the industry that's taking off the most has been gaming. And it's just been interesting to watch. I mean there's this company Zinga that probably a lot of people have heard of has now passed in market cap Electronic Arts which was kind of the incumbent before social gaming.

I think the thing that happened is that people found out that they would much rather prefer to play games with their friends, right. You know what I mean? EA enabled people to play some games with friends. I mean you had consoles and you could sit there with your friends and play games, but Zinga fundamentally has baked social dynamics into the games themselves and so have a lot of other gaming companies, right.

So there were few other companies, Playfish which was I think bought for ... it was a company based out of the UK that was bought for almost half a

billion dollars and Playdium was another company that was bought for almost a billion dollars last year. So these are pretty real companies that are getting built on top of Facebook platform, building social applications, so why did gaming go first in terms of the industry? I think because gaming is an extremely naturally socially thing.

One of the things that I think are going to happen next, I think there are going to be other media experiences, right. So music is something that people do with their friends, movies, TV, news, books, those types of things that are I think things that people just naturally do with their friends and are good prime examples of applications in industries that I think will become more social in the next few years.

Now, is Facebook going to do those? No way. I mean we don't have the DNA to be a music company or a movie company. That's just not our thing, but I hope that we can play a part in enabling those new companies to get built and the companies that are out there producing this great content to become more social and make it so people can share what they want online. And I think that we're going to see similar kind of transformation ...

[00:22:00]

Mark: ... in a lot of these industries over the next, you know, whatever period of time, three, five years that we found with gaming so far.

Speaker 1: What do you consider is the most important aspect in your DNA? Is it social or technology?

Mark: You know, it's an interesting question. You know, when I was in college, I was dual major in computer science and psychology. So, I guess I said before that you get maybe one or two things that you can understand and I ... I don't know if anyone really understands psychology fully, but I think those are kind of the two things that I think make up Facebook's DNA.

On the one hand, we're very deeply a technology company and on the other hand, we are very deep in terms of trying to understand social dynamics. We have this principle that we call Social Design of the company which is that, you know, a lot of the ways that you design social products are fundamentally different from normal interactions that you would design in other products.

There's a really good example is friend requests, right. I mean, any of you guys who views Facebook know that accepting and kind of building up your friend list is an important part of the experience, right. I mean, because you find people who you know in real life, and they find you, and they ask you to be your friend, and you need to mediate who are the people that are your friends, and who are the people who want to be your friends who you don't actually consider to be your friend.

Now, traditional interaction design and design of products would dictate that you would want to have an interface where it was more like, okay you can say yes or no to the requests. And what we found ... and that's actually originally what we had, but we found that that was actually really stressful to people, right, because they didn't want to say no to people, because it's a person at the other end of the interaction. It's not like a task that you're checking off, right?

And when you say no to someone's friend request that has the potential to cause stress in real world relationships, I mean maybe you do know the person, but you don't want them to be your friend, you don't want them to be on the list of people that you're sharing with on Facebook.

[00:24:00]

Mark: So we changed the dynamics, so now it's accept or not now. And you know, statistically if you say, "Not now," you're basically not going to accept them, but the point is, is that it's much actually easier and makes people feel less bad about rejecting the friend requests and it makes them feel less bad about having a long list of friend requests that they haven't dealt with yet.

Now, I know there are a lot of things like that just all throughout all these products that kind of tap into the social nature of humans that make these products different from traditional products. Another example is just, you know, if you look at Facebook, there's people's faces all over the product. One of the things that I learned from studying psychology is that people have a whole part of their brain whose only job it is, is to process faces, right.

I mean if you came into the room and I moved this cup half an inch, you wouldn't notice, right. But if I squint my eyebrow two mm, you would notice, because it means a completely different thing, right. And I'm just like emoting something completely different and I think faces are very

rich to people, right. And you can learn a lot from looking at people's faces.

I don't know. These are just a couple of basic examples, but I think that this principle of social design is going to be baked into all of these different social applications going forward. Now, it's going to be different ones in different industries too, so if you look at gaming for example, the social gaming companies I think have discovered different things that that Facebook didn't even understand before and that's one of the reasons why I think it's good for the industry that social gaming companies are not the same company as Facebook.

Facebook doesn't make games, we build the platform on top of which these things can get built and I think in each of these industries, you know, over the next three or five years, I think the media ones are going to be big ones. I think it's, you know, in music, it's going to be someone who really understands music and people, right. In movies, it's going to be someone who really understands movies and people, right. And that's a little bit different of a makeup than what we have in the industry today, but I think it's going to happen. I think it's going to be really valuable when it does.

Speaker 1: It's fascinating.

[00:26:00]

Speaker 1: When you created the Facebook, I understand that you're understanding the impact on social. Have you ever think that this could have an impact on revolution and how are you reacting to the Jasmine Revolution, the use of Facebook, Twitter, and have you ever imagined that your tool, what you have built could change to that point the life of the people.

Mark: Yeah, so I actually think that there's a bigger trend which is just that people are now having the opportunity to share their opinion and communicate, right. And it's not a Facebook thing. It's an internet thing. And it ... when people have the ability to voice their opinions, I think pretty interesting things can happen and hopefully over the long term generally positive things can happen because just the will of the people is heard more.

Now, you know, a lot has been made about the revolutions in Egypt and Tunisia and Facebook's role in them. You know, my opinion is that it would be extremely arrogant for any specific technology company to claim any meaningful role in those, right. I think that Facebook was

neither necessary nor sufficient for any of those things to happen. And the thing that was both necessary and sufficient was a population of people who felt very strongly that change needed to happen.

I do think that over time, the internet is playing a role in making it that people can communicate more effectively and that probably does help to organize some of these things. If it weren't Facebook, it would be something else, but I do think that the overall trend that set play here which is people being able to share what they want with the people who they want is an extremely powerful thing, right. And we're kind of fundamentally rewiring the world from the ground up and it starts with people being able to communicate on a day-to-day basis with the people who they want which ...

[00:28:00]

Mark: ... on most days is just their friends and family. And then I think it is kind of that escalates up to the next level which is businesses, right, and what products, and how the economy works, and how those flow through the systems. So, you know, what games want to play, what movie people they want to watch, what restaurants people think are good that information is all being spread more efficiently now.

And then kind of the final level I think is people having more of a say in governance. Right, and I actually think a better example than the revolutions that you just talked about for getting people involved in governance is the fact that now a lot of heads of state and leaders of different countries have pages on Facebook in different social media presences and are actively engaging the people who they're governing all around the world and that people now have a chance for the first time to write back and that, you know, whenever I talk to any of these heads of state, I'm like, "Okay, well what do you think about this." And they're like, "Well, I like the fact that I can communicate, you know, people has disagree with me actively on my page," and I'm like, "Well, don't you think that's good?" And for the most part, they're like, "Yeah."

You know, I mean that's what democracy is all about. So I think it's really powerful. But the underlying thing is the internet.

Speaker 1: Yes. I think nevertheless that without mobile phone, or without Facebook, without Twitter, for this population who have tried already to protest in the past years, it would not have been possible to do it this time and they're thinking that Facebook, Twitter, or SMS have been a

fantastic enabler for them to get together, to meet, and to protest publicly and to make it known because in most of these countries where there is dictatorship, everything is locked.

So, I think that it's nice to be modest and to consider that the role of Facebook has been relatively limited. But in fact it has been hugely powerful.

[00:30:00]

Mark: Well, the thing that I would say though on this is that the thing that I think gets distorted a bit in the media covering this stuff a lot is that the ability for people to share mundane things about their lives or just day-to-day things that they want to share on a day-to-day basis with, you know, their friends, and their family, and the people who are around them are exactly the same tools a lot of the time that enable these broader changes.

And you know, whenever there's some broader change, people applaud and think this is awesome, but then at the same time, people get really worried about the use on the day-to-day basis, you know, or people wasting their time, or they doing things that are bad, and I just think that, you know, when you're thinking about ... I mean this is actually really important I think for this conversation around how the public and private sectors work together is you want to make sure that you have a full understanding of the issues and how they connect. I just think that that's what this dialogue here is all about.

Speaker 1: While we were starting the meeting yesterday, a news broke regarding some decision that seems to have been made on the access of Facebook to kids under age 13. Maybe you can elaborate on this, because there has been a quite controversy about this idea.

Mark: Yeah, I'd love to, because I think what I said was ... I should probably clear what I actually said and what is going on. So I guess earlier last week I was speaking at an education entrepreneur conference and I was invited to speak as a guest speaker as I'm involved in this education effort that's going on Newark, New Jersey.

And you know, one of the things that someone asked me was, "Okay, so it's interesting that you're doing this whole philanthropic thing. Why isn't Facebook getting more involved in education especially of young people?" and my answer was that ...

[00:32:00]

Mark: ... the current regulations make it difficult and add a lot of friction for people who are under the age of 13 to use social networks like Facebook. Right, in the US a parent has to either fax in a signature or have a credit card and kind of verify through a credit card that they want their child under the age of 13 to sign up and that just sends of adding a lot of friction to the sum of process, so we just haven't gone there yet. I mean we haven't tried to figure out how to make a service that can support people who are under the age of 13.

Now, over time I think that that's an important dialogue to be a part of and that's all that I said. You know, Facebook is not ... I mean we're doing a lot of things right now, but I mean I can promise you that, you know, in the next three months or the next set of roll-outs that we have, one of the things that we're rolling out, we're not trying to work on the ability for people under the age of 13 to sign up.

Now, over some time in the future, I think it makes sense to explore that, but we're not doing anything like that yet.

Speaker 1: Okay. Now as it has been a controversy towards interest in to clear up the things.

Mark: Yeah, I think what was said was that I thought that people under the age of 13 should be on Facebook and ...

Speaker 1: This is what hasn't been written.

Mark: Yeah, and no, and that's not what I said. I think what I said was that currently under the current like ... under the current situation, people under the age of 13 can't really sign up. I mean, we do not allow people under the age of 13 to sign up and I think if we ever were, we would need to try to figure out a lot of ways to make sure that they were safe, right, because that's just extremely important and that's just not the top of the list in terms of things for us to figure out right now.

Speaker 1: I will move to another subject. You mentioned businesses and how businesses are using Facebook. Do you have already some very solid experiences with industries and can you share with us what are the industries which are most interested in Facebook, using it seriously ...

[00:34:00]

Speaker 1: ... and in which area this is happening beyond advertising obviously.

Mark: Well, I think the best example is going to be these platform companies, right. So companies that are trying to make existing industries or new industries more social and are doing so by integrating with Facebook in some way. And you know, I mentioned this before, but I think the best existing example from the last three years has been games.

Right, I think that the gaming industry has been completely transformed, right, and social gaming I think is ... I mean it's just ... it's taken off from scratch to be the biggest companies in the gaming industry are now social gaming companies. But over the next period of time, I think that it's going to be a lot of other companies and industries that also are just naturally social, right. So I mean, things like, you know, when you're listening to music, I just think music is a good example, right, because people listen to music with friends.

I mean you read news and you discuss it with friends. And I just think that there's going to be an opportunity for a lot of these industries to be rethought of from the ground up to be social and if the ... what we've seen with social gaming is any indication, then what you're going to find I think is that the opportunities when you make these products social are a lot bigger than the existing ones. Or in most things that people want to do, they do even more if they could do it with their friends.

So those I think are really exciting opportunities. And the platform thing is not just a few big companies. And we have more than ... there are more than a million developers building stuff around the world, right. So, I think that in any country that you look, I mean there are bunch of developers, and I looked before I took this trip to Paris, how many developers are there in France alone building games, and it turns out that there's a public company in France that's building games. And then there's a couple of the other biggest game developers are French game developers. So, I mean this is one of the things that's making ...

[00:36:00]

Speaker 1: You're having the first row Jean D'enalli Vi who is the head of Vivendi and with Vivendi, you have Blizzard, as well as ...

Mark: And I don't know, this is the thing that for the next five years I'm the most excited about.

Speaker 1: Right, speaking about the more classic corporations, let's speak about financial corporation or petroleum oil BP, how are they using Facebook to change the image or to communicate internally and externally in order to understand how people feel the pulse of the company and how they can themselves change the course of action.

Mark: Well, externally, at least and we have these pages product where, and a lot of businesses, you know, whether they're larger brands or just small businesses, right local businesses, can all universally ... you just go, you sign up for a page, and the way it works is pretty simple.

People can go and they can like your page if they like what you're doing. If I go and like ... say, I were to go and like the Publicis page, right and now ...

Speaker 1: You will.

Mark: Are you saying I will?

Speaker 1: I'm sure you will.

Mark: Yeah, no, I mean why ... then my friends when they log in that day are going to see that I liked that brand. Right now, if you think about advertising, you know, what's going to be more effective? Any advertisement that you show a person for your own business or me saying to my friends I like this thing?

I think what we found statistically is that the ladder is always better, right. So you can have the best creative in the world, but a good recommendation from someone whose opinion you trust will always outperform that. Now, in the best case you can couple them together and have both a good, creative and be like, and this is endorsed in one of your friends ...

[00:38:00]

Mark: ... or 10 of your friends like this thing, but I just think that that's extremely powerful advertising, right. And, you know, businesses can come and they do it organically, right, so signing up for a page is completely free, or you can set that up. I can like it that spreads it to my friends then you can communicate with all the people who are fans or who like your page, right. So you can publish stuff and if they're interested then they can get those updates and they can communicate with you.

And if they communicate with you then that can get spread to their friends as well. And then of course if you want to advertise, then you can spread that message even further through being a part of the ad network that we have. But I don't know, I mean those two things, it's a system that's working really well. And it's good for both local businesses and bigger companies.

And on the local business side, we tend to have more people who are just using organic, right so a lot of businesses come into the system at first and just try experimenting with the products. And then once they see that it works, then often they kind of up and start buying ads to promote what they're doing even more.

On the brand side, typically people start off with ads, because that's where they're familiar with, and then they find that the pages actually very valuable for organically spreading content. So, over time I think people are going to do a lot of both.

Speaker 1: I agree as an advertising person that recommendation, endorsement from a friend is sometime more powerful than the greatest ad, so we are on the same page on that front. I have selected a few questions from Facebook users. So we will go through ... some people were asking questions and I will start with Kimberly.

Kimberly is in the USA and she said, "There are many people in my organization who thinks social media sites are a trend, a flash in the pan, how would you respond to that comment?"

Mark: Well, I think that the trends that are at play of people having ...

[00:40:00]

Mark: ... the ability to just share more on the internet in general and giving everyone a voice. And that coupled with people wanting to communicate with their real friends and family are probably very much not ... they're ... and those I think are just core trends in society. Right, I mean over a very long period of time, people have gotten more and more rights.

And on the one hand, right, and I think the internet is helping to push that and give people the ability to share what they want now. And then on the other hand, forever I think people have wanted to share and hang out with their friends and family, so I don't think that's going away any time soon.

I think the mediums that people use will probably change a bit. Right, I mean Facebook on its own has evolved quite a bit in the seven or seven and a half years that we've been around. Right if you were to look at the service even three or four years ago, you probably wouldn't even recognize most of it or you'd realize that more things have been added than you thought.

And then, you know, some specific services will come and go, but I don't know, I think that this trend is here to stay. I think people will continue getting the ability to share their opinions more and more broadly and I think that that's a really good thing.

Speaker 1: I have a question from Ruiz Zeny from Brazil. In what area or at what time have you seen the most misunderstanding among users regarding a Facebook product or future, feature?

Mark: Well, and that's an interesting question, I mean we, we've often had this interesting process of rolling out products where, you know, we'll often, we'll think about something and we'll plan it out and build it for half a year or a year. And we'll kind of understand from all of, you know, everything we know about how people want to share on the service, what we think is going to be good and what's going to enable people share more stuff and share the things that they want.

[00:42:00]

Mark: And then we'll roll it out and pretty often, there will be this backlash, right. And people we'll say, "Okay, well we don't like this new thing," and it's interesting because I think in a lot of ways it gets to this balance in society about ... it's I think a real anxiety and I think it makes sense in a lot of ways how people are thinking about the internet enabling people to share more and on the one hand the value of that.

And on the other hand, people being afraid of having more information out there and the value of that. And, you know, as we kind of help build products that we think are enabling people to do more and more of what they want, I think it in some ways highlights this tension a lot. I mean you can go through the whole list of major Facebook products over the last five years, you know, starting with, you know, starting to open it up more, right, when people are really afraid of more people being able to be involved in the social network and what that would mean for the dynamics of sharing things too.

New feed in 2006, I mean 10% of our customers or users in 2006, we had 10 million users. One million of them protested the news feed changes, I mean making it so that now you could get this updated list of news about what your friends were doing on the site and people thought that it was just too much, right. They wanted to share stuff on the site, but they didn't want it to be so much in people's face.

And, you know, now it's just a part of the site that I think most people if it went away would be like, "What's going on? How can there be Facebook without this?" You know, platform when we first made that that was fairly controversial. Right, a lot of people were like, "Okay, well how are you going to make it so that you can have all these third party developers and people building applications that have access to my friends right and some of my information and without having it be kind of rampant issue of services abusing users."

And I think the reality there is that a lot of really valuable services have been built and a lot of stuffs have been taken to make sure that that everything is kind of under good control and that ...

[00:44:00]

Mark: ... there aren't, there isn't a lot of abuse. But, and there's, the almost every single thing that we do, there is some tension around that and it's one of the core things that we pay attention to. You know, one of the reasons why I'm much happier to be on the private sector of business side of this debate than being a part of the government's, you have to figure out how they want to deal with their part of it is that, you know, if it were a matter of winning debates around this stuff, I think it would be extremely hard to ever get the point across, right, about the value of the internet.

But I mean, one of the good things about the internet is you can just kind of build something and people will choose to use it or not and that's how we win debates, right. That I think is, you know, that's a little ... I feel like I can participate on that level. I don't think I can ... the ability to actually like win in a public debate around this stuff is quite difficult though.

Speaker 1: I think you are winning on both.

Mark: Yeah, I don't know.

Speaker 1: I have a question from Iran, Amy Rose Enbreffati. Amy Rose asked two questions. One you have already answered which was, "What do you

think was the major factor that made Facebook the most successful social network website from the web.” But the second question is something which is quite interesting at your age, any advice for entrepreneurs looking to build successful sites and product.

So what advice would you give?

Mark: Yeah, I mean I think that the key is that you just have to really believe in what you’re doing, right. You know, in Silk and Valley, there’s this phenomenon where a lot of people decide that they want to build a company before they decide what company they want to build. And honestly like that’s crazy to me, like I could not ... I can’t relate to that at all.

I mean when I got started with Facebook at Harvard, I specifically didn’t want to build a company. I just wanted to build something that could have an impact, right, and that that I wanted to use and that I believed in. You know, I think there’s so many challenges in building something ...

[00:46:00]

Mark: ... that in a way if you don’t believe very strongly in what you’re doing, it’s not rational to actually follow through and build it, right. And you know, when you look at a lot of the decisions that we’ve made, you know, whether it’s like launching products and some of the backlash that we’ve had or, you know, early on we were talking about whether, you know I should’ve sold the company or not when I was 22, I think the only way that you make a decision is that we ended up making there is if you value what you’re doing higher than kind of money in the short term or not making people upset in the short term or things like that.

So, but I don’t know. I mean what we’ve seen though on the internet and on a lot of other industries, it’s a very repeatable process. I mean, a lot of people these days can start a company if they believe in something now have the ability to start it, and build out a team, so I think that’s the most important thing.

Speaker 1: With my gray hair, I fully agree with you. I think we should never think about building a company. We should think about what we have in the heart, what we feel in the guts, and do it. There is many more question from Facebook. I think you can answer that from your laptop. What I would like now if you don’t mind that we move to the audience and that we see there are some few questions.

I'm not sure that they are interested in putting any questions, but we'll see. You raise your hands high in order that I see you, okay, several. You say you are ... you put the short question ... in order that we have maximum people participating.

Philippe: Here's my question. My name is Philippe in business. I would like to know if, what do you think about the question where in France that the transparency on the social networks is compromising the sincerity of its changes.

Mark: Sorry, can you repeat that?

Philippe: I repeat it.

Mark: Just the last part. I didn't get like the last phrase.

Philippe: I said do you think that transparency on the social networks is in default...

[00:48:00]

Philippe: ... to get the sincerity in discussions on social network.

Mark: Sorry, I still did not understand.

Speaker 1: Okay. [French language 00:48:08]

Speaker 2: I think I understood your question. Do you think that transparency in social networks is damaging to the sincerity of the discussions.

Speaker 1: This transparent, can we be sure that it is sincere what we see on the social network? In other word, are people really sincere when they are putting, questions, when they are on social networks, are they sincere? It's about sincerity.

Mark: I don't feel like I fully understand, but ...

Speaker 1: Okay, so we move to the next question.

Mark: I'll try to answer the question, but I thought from the round of applause from the audience I feel like you're getting that something that maybe people want to hear that I want to make sure that I can actually answer. You know, one of the things that I think about and just correct if I'm going in the wrong direction or if I'm not answering the question.

Speaker 1: But it's good to have you answer to the wrong question.

Mark: Not as good as the answer to the right question. Well, you know what I mean, one of the attributes of Facebook that we've talked about a bit today is this real identity culture, right, real identity and real relationships. And one of the attributes of that is that when someone says something, their name is attached to what they said, right.

So on the internet and in other anonymous places, you know, anyone can sign up and create a blog somewhere and say whatever they want and not attach their name to it, but with real identity comes real accountability, too, right. When you can sit there and you can say whatever you want and whatever opinion you want, but you have to put your name and your reputation next to it, and I think that that's a very healthy balance. Now, I mean I think there are people who will say ...

[00:50:00]

Mark: ... okay well, but it's really sometimes you can't actually express what you think when there is real identity and anonymity as valuable for that and I agree with that too. I think that there's a place for both anonymity and real identity, it's just that the service that Facebook is building is the real identity one. And one of the values of that is accountability. And I think that that's a very valuable part of the system.

Speaker 1: Now in fact that ... the question is based on the fact that this French man and he doesn't rely on the French people to say the truth. We have the next question.

Speaker 3: Hi. My firstly, congratulations on having built a wonderful company and being an inspiration to a lot of entrepreneurs. My question to you is Facebook's perhaps one of those first companies which is made such global impact, but a lot of your audience has actually come from outside of the United States. I believe about 600 million consumers now and a lot of them.

And from whatever we've heard in the last day and today is that the next two billionth consumers are going to come out of markets like Africa, Asia, etc. How are you as the company preparing such that you are able to take those cultural nuances and build the company which will really look for the next two billion internet users?

Speaker 1: Okay.

Mark: Well, so the cultural nuances are interesting. You know, whenever I travel, one of the questions that I always get is "How do people use

Facebook differently in this country than in other countries?” and I also get that question often about age groups too like, “How do people of one age group use it differently than people in another age group.”

And by far the most interesting thing that I’ve found in watching the company grow is how similar people are and not how different they are, right. And, you know, so there are obviously all these differences. I mean people use the service in a different language and there are local platform developers who, you know, and maybe people here prefer playing games that are in French or a local game ...

[00:52:00]

Mark: ... that’s built by French developers. But by and large, I mean the way that people are using the service, the core tenants of it are the same. Right, I mean people still wanted to share stuff, right and they want to have the ability to exercise, you know, their expression and they want to share with friends and family. And I mean I feel like I’ve said that a lot of times. I hope I’m not being too repetitive.

But I mean almost everyone around the world has friends and family and that’s a very universal piece of it. So, in terms of these new places, I think the more relevant thing is actually, I mean I was talking before about how Facebook has these two parts of our DNA: on the one hand technology and on the other part kind of social or understanding people.

I think the understanding people part won’t be that different in those places. The thing that I think is going to be different is the technology right, because over the next five years, there are going to be more way people who are accessing products like Facebook over phones, right in mobile devices, than there will be over people using it on traditional computers and that’s a big shift in the way that you build software for those environments is different, and we’re really gearing up for that, and we have some cool things coming out for that soon.

Speaker 1: I will move here. Yes, we are looking, yes.

Speaker 4: So, you’ve talked about the mobile phone as the sensor of our behavior and of course Facebook gathers some of that through Four Square and things like that. Our credit cards are another sensor of our behavior, so my question is if we were friends and I said to you, “I’ve been offered ... I’m asked if I want to opt in on merging my credit card data and everything else that’s on my Facebook page,” what would you tell me are

the pros and cons of that like I would know 10 of my friends already bought this would might be a pro?

And the second part of the question is do you plan any joint ventures with American Express or other company?

Mark: Well, no, nothing planned. You know, before I was talking a bit about ...

[00:54:00]

Mark: ... how every industry has somewhat different social dynamics, and I think that sharing the things that you're buying is an interesting behavior that I think specific entrepreneurs with specific insight about that will end up building those products.

And let me kind of ... I can give you some examples of some of the issues that that play into that, right. So, you know, one of the companies that we've been talking to recently who that is trying to become more social and is very public about this is Netflix, right. So, I don't know how many you guys are familiar with that here, I think right now it's still primarily a US and Canada service.

But they try to make it so that people share their service and that it spreads that way. And they've played around with all these different kinds of incentives, right, making it so that you can share it and then maybe if you get a friend to sign up and you get some number of free months or if you share it with someone else then they get some extra number of free months.

And it turns out that some of those incentives and dynamics are just fundamentally better than others, right. In some environments, the benefit occurring to the person who is doing the sharing works better. What Netflix had found in this example was that it was actually the altruistic dynamic was much more better right for sharing, right where if you ... when you chose to share Netflix with someone else that if you gave them free months of using the service that that ended up performing a lot better.

So, I just think in all these different industries, there's going to be different dynamics and it's going to be people who both understand a lot of the nuance about payments and how that plays out plus a lot of the specific psychology around how people think about payments and think about interacting with payments with their friends. And this is precisely why I don't think that Facebook is going to do all of these things and why

rather than trying to do each of them, what are focus on is building the core platform is that whoever does build that products wants to work with Facebook ...

[00:56:00]

Mark: ... and build on top of our system so that way, you know, when you do think about sharing with your friends, whoever the active offer is will figure out what the dynamics are around that, but the friends are the ones that you have on Facebook, right and you're sharing with those people on Facebook, and that's how I think we can create a lot of value.

Speaker 1: This very wise mademoiselle, the blonde lady.

Speaker 5: So Mark, you've really been successful in creating an operating system for the web and maybe for the new business startups on the web, how are you going to translate that into devices?

Speaker 1: Into the devices, are you going to create mobile phones, laptops, iPads, Facebook pads?

Mark: I think that there are good ones already. That's not our business. I mean talking about kind of what the core competence of the company is I think we get software development and we get social dynamics. I don't think that we ... we are not ... insects on me ... I don't think that we get ...

Speaker 1: There's a garden that the recent ...

Mark: Well, it's not that big of a deal. The ... where was I?

Speaker 1: There is very good.

Mark: What's up?

Speaker 1: Devices.

Mark: Yeah, there are good devices, so I mean so far what we've focused on is just building really good experiences for these things, right. So I mean we have an iPhone app that a large number of people use. We're really proud of it. I use it. I really like it. We have Android apps that are really good. We have actually more used to them either the iPhone or the Android apps or the Mobile web apps which speaks to the diversity of operating systems and phones that are out there where way more people today are using the mobile web version of Facebook on phones

that are not either ... that are not Android or iOS spaced than are actually just using specific apps on those devices.

[00:58:00]

Mark: And I just think that these trends will continue. So I mean, overall, I think we have, you know there are more than 300 million people who are using Facebook on mobile devices today. It's going extremely quickly. It's growing at a much faster rate than web is and I just expected that that will continue.

Speaker 1: Yes. The man standing.

Speaker 6: I think we were ...

Speaker 1: Very short, please.

Speaker 6: Yes. We were all very sensitive to your message about your humility message about the role of tech companies in the Arab Spring movements that we have seen. Have you ... you must have been correlating the conversations on Facebook with what actually happened in the street in those countries with companies such as Bitly. Can you share with us what those correlations might have led to?

Mark: I'm not too sure I understand.

Speaker 6: Well, basically there must have been correlations between what the conversations going on, on Facebook on a given day in Tunisia or Egypt and what actually happened placed to here, onto here square.

Speaker 1: Okay, in fact the question is are you working with the CIA in order to look what's happening so you had work government on what's going on in the next day on Facebook.

Mark: You know, I mean some of the time what we do is ... we do this analysis anonymized of course unlike ... so of all the things that people are posting what are the things that they're talking about and some of it is actually pretty interesting. So, we do the sentiment analysis about people's happiness and things that they mention in like going out and partying on Friday night is highly correlated with being hung over the next morning it turns out.

So, I mean there's like ... you know, there are interesting things like that and you know, New Year's people are really psyched, Christmas people

are really psyched. If you were tracking specific key words, then you might have been able to pick up specific things, but one of the things ...

[01:00:00]

Mark: ... that I think is actually the most interesting is that if you were looking at all of the sharing overall across the system that stuff would have been tiny, right. And I think it just speaks to this dynamic that's going on that you can't really separate out the stuff that's really world changing that that people want to do from the stuff that's just day-to-day.

I took some photos of something that I thought was cool and I want to share it with my friends. Right, I mean it's like the same things that enable people to connect with and share with just their friends or just their family or everyone in the world that they want are the things that enable people to be able to organize in these kind of times too.

And I just think that that's an important dynamic for people to keep in mind, because on the one hand I do want to be very realistic about Facebook's own involvement in this stuff, because I think it was much more minimal than the media portrays it to be, but at the same time, I mean we see this kind of dual coverage in the media and in the public debate where on the one hand people are like, "Okay yeah, you enabled this big change that was sweet." But on the other hand like, "You're enabling all the sharing and that might be kind of scary and we're not sure if we like that."

And it's like I think it's really hard to have one without the other and that's like those underlying roles of how the internet develops are just really important to understand before trying to figure out what kind of rule should govern that.

Speaker 1: Thank you. We have to stop the question. We are slightly ahead of schedule. I have two ...

Mark: We're also out of Gatorade which is ... I'm trying to balance my Gatorade intake with sweat level.

Speaker 1: We have two questions that I would like to put. One is coming from India. It's from one of the Facebook users which I find quite interesting because it's very strange that this question is put to you is the following, "What do you hope your legacy will be ...

[01:02:00]

Speaker 1: ... and what should Facebook teach young people?" it's interesting to see that people are already speaking about your legacy.

Mark: Yeah, it's a little early I think.

Speaker 1: Yes, this is what I believe, but I thought that ...

Mark: I'm 27. Give me a break.

Speaker 1: This is what I felt. She's putting the question and I believe based on what we have read that she's very much interested in the answer.

Mark: I think different people who build companies, I think, care about different things. So, you know, some people I think really care about a way of doing things. For me the thing that I really care about is the mission of the company, right, giving people the power to share, making the world more open and connected. And that's just something that I just really believe at a very deep level is important and is valuable and that we should fight to make sure it happens in a good way.

And that's why I've just spent the last, you know, seven and a half years of my life working like every single day to make that happen. That's the thing that I care about. So, I just still think that we're way closer to the beginning than we are to the end of that. If you look at the ways the people are sharing today, I still think it's quite primitive compared to what is going to be possible and the power that will be in people's hands when we get to that end state and I think that that's going to be awesome. And that's something that I think is really worth fighting for.

So if we can play a part in making that happen then that's awesome.

Speaker 1: Thank you. I have one last question. Tomorrow, you will be meeting with the head of sales of the eight most important countries of the world but China. Most of the discussion during these last two days has been around regulation, non-regulation, what could be the involvement of government in the internet.

[01:04:00]

Speaker 1: Should it be laissez-faire or some people have said, "Do no harm." My question is what would you like to tell the head of states tomorrow? What is the message that you would like to share with us and that you will carry to them?

Mark: Well, I think it's a lot of the stuff that we've been talking out here that, you know, I think that often you can look at the underlying trend of, you know, more people are using the internet and all this stuff is happening and isolate out the data points and say, "Okay, well we want this set of things, but we don't want this set of things." And therefore we should just kind of make it so that those sets of things don't happen but we still love these sets of things.

And I think that the most valuable part of all this debate, and really any debate or I mean the debates that happened inside our company or that happened in the different industries, is just kind of helping people understand how these things are connected, right because you can't, I mean and that's what working together I think is, is helping people understand the dependencies and interconnections between things so that by creating some role here, you don't unintentionally affect something over here.

And, you know, I really, I do think it's an honor to be here, and to be invited to be here, and to be able to participate in this dialogue. In almost every industry that I can think of, the public sector and private sector do work together to try to figure out how things should evolve. And I just think that as long as people understand how all these different pieces come together, then I think we're going to be able to go to a good place.

Speaker 1: Mark, I would like to thank you very much.

Mark: Thank you.

Speaker 1: I think that everyone ...

[Applause]

Speaker 1: Everyone in the room has felt the passion that you have for what you are doing and I think that this is the true recipe ...

[01:06:00]

Speaker 1: ... for the success of Facebook. Thank you very much.

Mark: Thank you. Thank you.

Speaker 1: Thank you. Are you staying?

Mark: [Inaudible 01:06:08]

Speaker 1: Stay for the ... for a few minutes more for the closing...

EXHIBIT 68

facebook
Annual Report 2012

This has been an exciting and challenging year for Facebook. We connected one billion people, we transformed our products and business to be primarily focused on mobile, and we transitioned to being a public company.

Our guiding compass is our mission: to give people the power to share and make the world more open and connected. This is why we are here. We try to help you stay connected with everyone you care about, give you a voice to share what's important to you, and hopefully make the world a little smaller as a result.

Each step in our journey brings new opportunities to serve the world in new ways. Over the next few years, our focus on our mission will lead us to work on a few of the world's greatest opportunities.

We can help redefine the relationship we all have with our phones and technology so it's more about people and less about apps and features. We process the world through interacting with other people. Our technology should be personal and work in the same way. It's natural and it's how we're wired. The work we're doing on Home is the start of this effort.

We can help connect the next five billion people. Over the next five to ten years, most people with feature phones will get smart phones. Some of them will get smart phones just so they can use Facebook to stay connected with family and friends. We feel it is a great opportunity—as well as our responsibility—to help everyone in the world get connected and join the modern knowledge economy.

We can establish Facebook as one of the great economic engines of our time. Small businesses will be able to acquire new customers and build deeper relationships than ever before. Great brands will be better able to tell their stories and build meaningful connections with consumers. E-commerce services will be able to sell products inline as millions of people discuss them. Developers will have the tools to remake every product category and deliver new experiences to people everywhere.

When I think about the world today, the thing that amazes me most is how many people's lives are getting better every day by just getting online and joining the knowledge economy. As we all connect with the people we care about, with our communities, with businesses and with governments, we are all empowered. Together, we are about to see the most empowered generation in history. If Facebook can help enable this future, in the process we will build a global platform that creates lasting value for people everywhere and a strong lasting company as well.

These are technology problems and they are also social problems. This is the kind of work that Facebook, our culture and our community are uniquely built to do.

I want to thank everyone at Facebook and in our community for helping us get so far.

Our journey is 1% done. I'm excited to build something great together.

A handwritten signature in black ink, appearing to read 'MZ' followed by a stylized flourish.

Mark Zuckerberg
Chairman and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-35551

FACEBOOK, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1665019
(I.R.S. Employer
Identification Number)

1601 Willow Road, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)

(650) 308-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.000006 par value
(Title of each class)

The NASDAQ Stock Market LLC
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 29, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was \$47,206,114,899 based upon the closing price reported for such date on the NASDAQ Global Select Market.

On January 29, 2013 the registrant had 1,684,185,170 shares of Class A common stock and 697,948,924 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2012.

FACEBOOK, INC.
FORM 10-K
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms “Facebook,” “company,” “we,” “us,” and “our” in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term “Facebook” may also refer to our products, regardless of the manner in which they are accessed.

LIMITATIONS OF KEY METRICS

The numbers of our monthly active users (MAUs), daily active users (DAUs), mobile MAUs, and average revenue per user (ARPU) are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that “duplicate” accounts (an account that a user maintains in addition to his or her principal account) may have represented approximately 5.0% of our worldwide MAUs as of December 31, 2012. We also seek to identify “false” accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. As of December 31, 2012, for example, we estimate user-misclassified accounts may have represented approximately 1.3% of our worldwide MAUs and undesirable accounts may have represented approximately 0.9% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or Australia and higher in developing markets such as Indonesia and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Some of our historical metrics through the second quarter of 2012 have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. For example, we estimate that less than 5% of our estimated worldwide DAUs as of December 31, 2011 and 2010 resulted from this type of automatic mobile activity, and that this type of activity had a substantially smaller effect on our estimate of worldwide MAUs and mobile MAUs. The impact of this automatic activity on our metrics varies by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user’s IP address and self-disclosed location. These factors may not always accurately reflect the user’s actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user’s actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. For example, in early June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the period ended March 31, 2012. While this issue did not affect our overall worldwide MAU number, it did affect our attribution of users to different geographic regions. We estimate that the number of MAUs as of March 31, 2012 for the United States & Canada region was overstated as a result of the error by approximately 3% and these overstatements were offset by understatements in other regions. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review and may adjust our processes for calculating these metrics to improve their accuracy. In addition, our MAU and DAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

The numbers of MAUs, DAUs, and mobile MAUs discussed in this Annual Report on Form 10-K, as well as ARPU, do not include users of Instagram unless such users would otherwise qualify as MAUs, DAUs, and mobile MAUs, respectively, based on activity that is shared back to Facebook. In addition, our other user engagement metrics, such as friend connections, do not include Instagram unless otherwise specifically stated.

PART I

Item 1. Business

Overview

Our mission is to make the world more open and connected.

Millions of people come to Facebook every day to stay connected with their friends and family, to discover what is going on in the world around them, and to share and express what matters to them to the people they care about.

Developers can use the Facebook Platform to build applications (apps) and websites that integrate with Facebook to reach our global network of users and to build products that are more personalized and social.

Marketers can engage with more than one billion monthly active users on Facebook or subsets of our users based on information people have chosen to share with us such as their age, location, gender, or interests. We offer marketers a unique combination of reach, relevance, social context, and engagement to enhance the value of their ads.

We believe that we are at the forefront of enabling faster, easier, and richer communication between people and that Facebook has become an integral part of many of our users' daily lives.

2012 Highlights

- We had 1.06 billion monthly active users (MAUs) as of December 31, 2012, an increase of 25% as compared to 845 million MAUs as of December 31, 2011.
- We had 618 million daily active users (DAUs) on average in December 2012, an increase of 28% as compared to 483 million DAUs in December 2011.
- We had 680 million MAUs who used Facebook mobile products in December 2012, an increase of 57% as compared to 432 million MAUs who used Facebook mobile products in December 2011.
- There were more than 150 billion friend connections on Facebook as of December 31, 2012.
- On average more than 350 million photos per day were uploaded to Facebook in the fourth quarter of 2012. Over 240 billion photos have been shared on Facebook.
- As of December 31, 2012, there were more than 50 million Pages with ten or more Likes.
- In August 2012, we acquired Instagram, a photo-sharing service with over 100 million registered users.
- In 2012, we released a number of new Facebook apps for iPhone, iPad, and Android devices. These releases were built to improve the speed and quality of our mobile product offerings.
- In 2012, we introduced features that give marketers new ways to reach people who use Facebook. These include ads in News Feed on both desktop and mobile devices and Custom Audiences, a feature that allows marketers to find their offline customers among Facebook users, and Facebook Exchange (FBX), a real-time bidded ad exchange.

How We Create Value for Users

Our top priority is to build useful and engaging products that enable you to:

- **Connect and Share with Your Friends.** With more than one billion MAUs worldwide, Facebook users are increasingly able to find and stay connected with their friends, family, and colleagues on Facebook.
- **Discover and Learn.** We believe that people come to Facebook to discover and learn more about what is going on in the world around them, particularly in the lives of their friends and family and with

public figures and organizations that interest them. Each person's experience on Facebook is unique based on the content shared by his or her friends and connections. This content is personalized for each user in our products such as News Feed and Timeline.

- **Express Yourself.** We enable people to share and publish their opinions, ideas, photos, and activities to audiences ranging from their closest friends to our one billion users, giving everyone a voice within the Facebook community. Through Facebook's privacy and sharing settings, people can control what they share and with whom they share it.
- **Stay Connected Everywhere.** People can access Facebook through our website, mobile sites, smartphone apps, and feature phone products. Through apps and websites built by developers using the Facebook Platform, people can interact with their Facebook friends while playing games, listening to music, watching movies, reading news, and engaging in other activities across the web and on mobile devices.

Our product development approach is centered on building the most useful tools that enable people to connect, share, discover, and communicate with each other on mobile devices and computers.

- **Timeline.** Timeline allows people to organize and display the events and activities that matter most to them, enabling them to curate their memories in a searchable personal narrative that is organized chronologically. People choose what information to share on their Timeline, such as their interests, photos, education, work history, relationship status, and contact information, and people can control with whom each piece of content is shared on their Timeline.
- **News Feed.** The Facebook News Feed is the core feature of a person's homepage and is a regularly updating list of stories from friends, Pages, and other entities to which the person is connected on Facebook. It includes posts, photos, event updates, group memberships, app updates, and other activities. Each person's News Feed is personalized based on his or her interests and the sharing activity of his or her friends. Stories in a user's News Feed are prioritized based on several factors, including how many friends have Liked or Commented on a certain piece of content, who posted the content, and what type of content it is.
- **Photos and Videos.** Facebook is the most popular photo uploading service on the web. People can upload an unlimited number of high resolution photos, create photo albums, and share them with their friends or any audience they choose. Users can also upload and share videos. People can set specific privacy settings for each of their photo albums and videos, making them visible to everyone, or only to certain friends. In addition, in 2012, we acquired Instagram, a mobile phone-based photo-sharing service, to enhance our photos product offerings and to enable users to increase their levels of mobile engagement and photo sharing.
- **Messages.** Our messaging products include email, chat, and text messaging. The delivery of messages is optimized for the device through which the person is accessing Facebook. We aim to be the fastest and most reliable way for users to communicate through:
 - **Email.** Users can set up a free @facebook.com address.
 - **Chat.** Users can send messages to their friends in an instant message format.
 - **Text Messaging.** Users can activate text messaging on Facebook, allowing the texts they exchange with friends to be incorporated into their respective conversations along with their message and chat history.

How We Create Value for Developers Through the Facebook Platform

The Facebook Platform is a set of development tools and application programming interfaces (APIs) that enables developers to easily integrate with Facebook to create social apps and websites and to reach our more

than one billion users. More than 10 million apps and websites were integrated with Facebook as of December 31, 2012. We are focused on providing Platform developers with unique opportunities to increase their growth, engagement, and monetization, while offering users new ways to connect with their friends through things like games, music, fitness and video apps.

Facebook offers tools and APIs that enable developers to increase growth, engagement and monetization.

- **Growth.** We enable Platform developers to reach our global user base and use our distribution channels like News Feed and App Center to increase traffic to their apps and websites.
- **Engagement.** We enable Platform developers to create better products that are personalized and social and that offer new ways for our users to engage with friends and share experiences across mobile devices and on the web.
- **Monetization.** We provide an online payments infrastructure that enables Platform developers to receive payments from our users in an easy-to-use, secure, and trusted environment. In 2012, our Platform developers received more than \$1.96 billion from transactions enabled by our Payments infrastructure.

Key elements of the Facebook Platform include:

- **Open Graph.** Our underlying Platform is a set of APIs that developers can use to build apps and websites that enable users to share their activities with friends on Facebook. As Open Graph connected apps and websites become an important part of how users express themselves, activities such as the books people are reading, the movies people want to watch and the songs they are listening to are more prominently displayed throughout Facebook's Timeline and News Feed. This enables developer apps and websites to become a key part of the Facebook experience for users and can increase growth and engagement for developers.
- **Social Plugins.** Social plugins, such as the Like button, are social features that developers can easily integrate with their websites by incorporating a few lines of HTML code. Social Plugins enable developers to provide engaging and personalized social experiences to their users.
- **Payments.** Facebook provides an online payments infrastructure that enables developers to receive payments from users through an efficient and secure system. Our Payments infrastructure enables users on personal computers to purchase virtual or digital goods from developers and third-party websites by using debit and credit cards, PayPal, mobile phone payments, gift cards or other methods. Currently, substantially all of our Payments revenue is from users' purchases of virtual goods used in social games. We receive a fee of up to 30% when users make such purchases from our Platform developers using our Payments infrastructure. Mobile applications integrated with our Platform do not utilize our Payments infrastructure.

How We Create Value for Marketers

We focus on providing value for all kinds of marketers, including brand marketers, direct marketers, small and medium-sized businesses, and developers by offering a unique combination of reach, relevance, social context, and engagement:

- **Reach.** With over one billion MAUs, Facebook offers marketers the ability to reach a vast consumer audience.
- **Relevance.** Marketers can target users on Facebook based on demographic factors such as age, location, gender, education, work history, and specific interests that users have chosen to share with us on Facebook. In addition, marketers may choose to match their own data or third-party data with ours, so they can find their customers – or those who look like them – directly on Facebook. We believe that users have a better experience when ads are effectively tailored and, therefore, more relevant to them.

- **Social Context.** We believe that the recommendations of friends have a powerful influence on consumer interest and purchase decisions. We offer marketers the ability to include “social context” with their marketing messages. Social context is information that highlights a friend’s connections with a particular brand or business.
- **Engagement.** We believe that the shift to a more social web creates new opportunities for businesses to engage with interested customers. Many of our ad products offer new and innovative ways for our marketers to interact with our users, such as ads that encourage comments, include polls, invite people to an event or help users discover and install mobile applications.

Any brand or business can have a presence on Facebook by creating a Facebook Page. Through Pages, we give brands the opportunity to form direct and ongoing relationships with their existing and prospective customers, with the potential to turn them into valuable advocates. When a Facebook user “Likes” a Page, the Page owner has the opportunity to publish stories to the person’s News Feed on an ongoing basis. We believe that this ongoing connection provides businesses with a significant advantage as compared to advertising on traditional websites. In addition, businesses can use Pages to drive awareness, traffic to their e-commerce websites or physical stores, sales, and ultimately customer loyalty. We do not charge businesses for their Pages, nor do we charge for the resulting organic distribution of their content. However, Page owners can use Facebook ads to reach a larger audience or utilize our Promoted Posts feature, which enables businesses to pay a fixed fee to boost the distribution of posts that they care about to people who have “Liked” the Page, to gain more prominent distribution.

Facebook offers products and tools that enable marketers to leverage our unique combination of reach, relevance, social context, and engagement.

- **Facebook Ads.** Our ads, including sponsored stories, offer businesses the opportunity to direct a user to specific content, a destination web page or a Facebook Page if the user clicks on the ad. Our ads provide our users with a consistent ad experience and enable marketers to deploy and adjust campaigns rapidly.

Currently, ads can appear in multiple locations including in the right-hand side of most page types on personal computers, and in the News Feed on personal computers and mobile devices. Ads with social context allow marketers to highlight the interactions of a user’s friends with a brand or product, such as Liking or Commenting on the marketer’s Facebook Page. Ads with social context respect users’ privacy settings and may be shown only to the people users have already shared their activity with on Facebook.

- **Facebook Ad System.** When marketers create an ad campaign on Facebook, they specify the types of users they want to reach based on information that users chose to share. In addition, marketers can use other products such as FBX and Custom Audiences to more precisely target their desired audience. Marketers indicate the maximum price they are willing to pay for their ad, per click (CPC) or per thousand impressions (CPM), and their maximum budget. Our system also supports guaranteed delivery of a fixed number of ad impressions for a fixed price. Facebook’s ad serving technology dynamically determines the best available ad to show each person based on the combination of the person’s unique attributes and the real-time comparison of bids from eligible ads.
- **Ad Analytics and Facebook Insights.** Marketers can use our analytics platform to track and optimize the performance of their campaigns. Facebook Ad Analytics enable marketers to gain insights into which ads were displayed and clicked on. These analytics help marketers make modifications to their ad campaigns to maximize results.

For marketers with Facebook Pages, Facebook Insights provides timely information about the performance of their Page and related posts. The data include the number of users who Liked and Commented on the Page and a metric, “People Talking About This,” which shows how many stories about the marketer’s brand are being created and shared, among other aggregated and anonymized engagement data.

Our Strategy

We are in the early stages of pursuing our mission to make the world more open and connected. We believe we have a significant opportunity to further enhance the value we deliver to users, developers, and marketers. Key elements of our strategy are:

- **Expand Our Global User Community.** There are more than 1.5 billion internet users on personal computers, and more than three billion mobile users worldwide according to GSMA Wireless Intelligence, and we aspire to someday connect all of these people. As of December 31, 2012, we had 1.06 billion MAUs globally with approximately 84% accessing Facebook from outside the United States. We continue to focus on increasing the number of people using Facebook across all geographies, including relatively less-penetrated, large markets such as Brazil, India, Mexico and Japan. We intend to increase the size of our network by continuing our marketing and user acquisition efforts and enhancing our products, including mobile apps, in order to make Facebook more accessible, useful and engaging.
- **Build Great Social Products to Increase Engagement and Provide the Most Compelling User Experience.** We prioritize product development investments that we believe will create engaging interactions between our users, developers, and marketers. We continue to invest significantly in improving our core products such as News Feed, Timeline, and Photos, developing new products, and enabling new Platform apps and website integrations. To provide the most compelling user experience, we continue to develop products and technologies focused on optimizing our social distribution channels to deliver the most useful content to each user by analyzing and organizing vast amounts of information in real time.
- **Make our Mobile Products Engaging and Easily Available.** We are devoting substantial resources to developing mobile products and experiences for a wide range of platforms, including smartphones and feature phones. In addition, we are working across the mobile industry with operators, hardware manufacturers, operating system providers, and developers to improve the Facebook experience on mobile devices and make Facebook available to more people around the world. We had 680 million MAUs who used Facebook mobile products in December 2012. In August 2012, we acquired Instagram, Inc., which has built a mobile phone-based photo-sharing service that enables people to increase their levels of mobile engagement and sharing. We believe that mobile usage of Facebook is critical to user growth and engagement over the long term, and accordingly are prioritizing mobile product development.
- **Enable Developers to Build Great Social Products Using the Facebook Platform.** The success of Platform developers and the vibrancy of our Platform ecosystem are part of our strategy to increase user engagement. Social games have achieved significant levels of adoption by people using Facebook, and we are also focused on working with leading app developers in categories such as news, movies, books, fitness and music. Engagement with our Platform developers' apps and websites can create value for Facebook in multiple ways: our Platform supports our advertising business because apps on Facebook create engagement that enables us to show ads; our Platform developers may purchase advertising on Facebook to drive traffic to their apps and websites; Platform developers use our Payment infrastructure to facilitate transactions with users on personal computers; Platform apps share content with Facebook that makes our products more engaging; and engagement with Platform apps and websites contributes to our understanding of people's interests and preferences, improving our ability to personalize content. We continue to invest in tools and APIs that enhance the ability of Platform developers to deliver products that are more social and personalized and better engage people on Facebook, on mobile devices and across the web.
- **Improve Ad Products for Marketers and Users.** We are investing to improve our ad products in order to attract more marketers to work with Facebook, to create more value for our marketers, and to enhance their ability to make their advertising more relevant for users. Our advertising strategy centers on the belief that ad products that are social, relevant, and well-integrated with other content on

Facebook can enhance the user experience while providing an attractive return for marketers. We intend to invest in additional products for our marketers, such as ads in News Feeds on personal computers and mobile devices, while continuing to balance our monetization objectives with our commitment to optimizing the user experience. We will continue to work to develop new tools such as Custom Audiences that help marketers to target their ads most effectively and thereby increases their return on ad spend. We also continue to focus on analytics and measurement tools to evaluate, demonstrate, and improve the effectiveness of ad campaigns on Facebook.

- Build a Scalable Infrastructure to Provide the Most Compelling, Robust, and Reliable Product Experience. We are investing in software and hardware infrastructure that enables us to provide a unique, personalized experience to each of our users around the world. We believe the speed and reliability of our products are important competitive advantages.

Building and Maintaining User Trust

Trust is a cornerstone of our business. We dedicate significant resources to the goal of building user trust through developing and implementing programs designed to protect user privacy, promote a safe environment, and assure the security of user data. The resources we dedicate to this goal include engineers, analysts, lawyers, policy experts, and operations specialists, as well as hardware and software from leading vendors and solutions we have designed and built.

- Privacy and Sharing. People come to Facebook to connect and share. Protecting user privacy is an important part of our product development process. Our objective is to give users choice over what they share and with whom they share it. This effort is fundamental to our business and focuses on control, transparency, and accountability.
 - Control. We believe that by providing our users with clear and easy-to-use controls, we will continue to promote trust in our products. For example, when a user posts a status update or uploads a photo to Facebook, our in-line controls allow the user to select his or her audience at the same time that he or she is publishing the post. In addition, we provide other data management tools. “Activity Log” is a unified tool that people can use to review and manage the content they have posted and the actions they have taken on Facebook. When using the Activity Log, a user can view his or her activity with a particular app, delete a specific post, change who can see a photo, or remove an app completely. Additionally, our “Download Your Information” tool enables users to remove or store their personal information off of Facebook.
 - Transparency. Our Data Use Policy describes in plain language our data use practices and how privacy works on Facebook. We also offer a number of tools and features that provide users with transparency about their information on Facebook. Our application settings feature enables users to view each of the apps they have chosen to use, the information needed by each app, and the audience with whom the user has chosen to share his or her interactions with each app. We believe that this transparency enables people to make more informed decisions about their activities on Facebook.
 - Accountability. We continue to build new procedural safeguards as part of our comprehensive privacy program. These include a dedicated team of privacy professionals who are involved in new product and feature development from design through launch; ongoing review and monitoring of the way data is handled by existing features and apps; and rigorous data security practices. We regularly work with online privacy and safety experts and regulators around the world. In August 2012, the Federal Trade Commission formally approved a 20-year agreement to enhance our privacy program. We made a clear and formal long-term commitment to giving users tools to control how they share on Facebook. We also have undergone two audits by the Office of the Irish Data Protection Commissioner. The audits comprehensively reviewed our compliance with Irish data protection law, which is grounded in European data protection principles. As part of the audit process, we agreed to enhance various data protection and privacy practices to ensure compliance with the law and adherence to industry best practices.

- **Safety.** We design our products to include safety tools. These tools are coupled with educational resources and partnerships with online safety experts to offer protections for all users, particularly teenagers. We take into account the unique needs of teenagers who use our service and employ age-appropriate settings that restrict their visibility, limit the audience with whom they can share, and help prevent unwanted contact from strangers.

Our abuse reporting infrastructure allows anyone on Facebook to report inappropriate, offensive, or dangerous content through “report” links found throughout our site. We have enhanced this reporting system to include “Social Reporting,” which gives users the option to report content to us, to report content to a trusted friend, or to block the person who posted the content with one easy-to-use tool. Our Safety Advisory Board, comprised of five leading online safety organizations from around the world, advises us on product design and helps us to create comprehensive safety resources for everyone who uses our service. These resources are located in our multimedia Family Safety Center on our website, which also offers special information for parents, educators, teenagers, and members of the law enforcement community. Additionally, we work with law enforcement to help promote the safety of our users as required by law.

- **Security.** We invest in technology, processes, and people as part of our commitment to safeguarding our users’ information. We use a variety of techniques to protect the data that we are entrusted with, and we rely on multiple layers of network segregation using firewalls to protect against attacks or unauthorized access. We also employ proprietary technologies to protect our users. For example, if we suspect that a user’s account may have been compromised, we may use a process that we refer to as “social authentication” to validate that the person accessing the account is the actual account holder. The process of social authentication may include asking the person accessing the account to identify photos of the account holder’s friends. Our security team actively scans for security vulnerabilities using commercial tools, penetration tests, code security reviews, and internal and external audits. We also have a network of geographically distributed single-tenant data centers, and we take measures to protect the information stored in these data centers.

Competition

Our business is characterized by innovation, rapid change, and disruptive technologies. We face significant competition in every aspect of our business, including from companies that provide tools to facilitate the sharing of information, that enable marketers to display personalized advertising and that provide development platforms for application- developers. We compete with the following:

- Companies that offer full-featured products that replicate the range of communications and related capabilities we provide. These offerings include, for example, Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries, such as Mixi in Japan and vKontakte and Odnoklassniki in Russia.
- Companies that develop applications, particularly mobile applications, that replicate discrete capabilities we provide, such as photo-sharing, messaging, and micro-blogging.
- Companies that provide web- and mobile-based information and entertainment products and services that are designed to engage users.
- Companies that offer platforms for game developers to reach broad audiences with free-to-play games including Apple’s iOS and Google’s Android mobile platforms.
- Traditional and online businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

We compete to attract, engage, and retain users, to attract and retain marketers, to attract and retain developers to build compelling apps and websites that integrate with Facebook, and to attract and retain highly talented individuals, especially software engineers, designers, and product managers.

As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Technology

We have assembled a team of highly skilled engineers and computer scientists whose expertise spans a broad range of technical areas. We make significant investments in product and feature development, data management and personalization technologies, large-scale systems and scalable infrastructure, mobile technologies, and advertising technologies, including:

- **Product and Feature Development.** We aim to improve our existing products continuously and to develop new products for our users, developers, and marketers. Our product development philosophy is centered on continuous innovation in creating products that are social by design, which means that our products are designed to place people and their social interactions at the core of the product experience.
- **Data Management and Personalization Technologies.** To provide each user with a personalized Facebook experience, we must process and analyze a vast and growing amount of content shared by our users, developers, and marketers and surface the most relevant content in real time. As such, we invest extensively in developing technologies and analytics in areas including content optimization and delivery, graph query, media storage and serving, large-scale data management, and software performance.
- **Large-Scale Systems and Scalable Infrastructure.** Our products are built on a shared computing infrastructure. We use a combination of off-the-shelf and custom software running on clusters of commodity computers to amass substantial computing capability. Our infrastructure has enabled the storage and processing of large datasets and facilitated the deployment of our products on a global scale. As our user base grows, and the level of engagement and sharing from our users continues to increase, our computing needs continue to expand. We aim to provide our products rapidly and reliably to all users around the world, including in countries where we do not expect significant short-term monetization. As the number of international users increases we are investing in extending our infrastructure to be closer to our users wherever they are in the world. We are currently building our first major custom international datacenter presence in Lulea, Sweden, which is expected to be operational in the first half of 2013.
- **Mobile Technologies.** In order to providing a high-quality experience on a wide variety of mobile devices and operating systems, we invest in developing novel techniques and technologies including: custom graphics rendering, operating system customizations, development tools, systems for customizing the user experience based on a variety of factors, and systems for monitoring the behavior of the applications in the field.
- **Advertising Technologies.** We invest extensively in advertising technology capable of serving billions of ad impressions every day while maximizing the relevance of each impression to selected users based upon the information that users have chosen to share. Our system manages our entire set of ads, the selected audiences, and the marketers' bids to determine which ads to show each person and how to display them for every page on Facebook. We use an advanced click prediction system that weighs many real-time updated features using automated learning techniques. Our technology incorporates the estimated click-through rate with both the marketer's bid and a user relevancy signal to select the optimal ads to show.

Our research and development expenses were \$1.4 billion, \$388 million and \$144 million in 2012, 2011, and 2010, respectively. For information about our research and development expenses, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Research and development" of this Annual Report on Form 10-K.

Sales and Operations

The majority of our marketers use our self-service ad platform to establish accounts and to launch and manage their advertising campaigns. We work directly with advertisers, through traditional advertising agencies and with an ecosystem of agencies that have a specialized focus on Facebook advertising. We also have a global sales force that is focused on attracting and retaining marketers and providing support to them throughout the stages of the advertising campaign cycle from pre-purchase decision making to real-time optimizations to post-campaign analytics. We currently operate more than 30 sales offices around the globe.

We have operations teams to provide support for our users, developers, and marketers in five regional centers located in Menlo Park, California; Austin, Texas; Dublin, Ireland; Hyderabad, India; and Singapore. We also invest in and rely on self-service tools to provide direct customer support to our users, developers, and marketers.

Marketing

To date, the Facebook user community has grown virally with users inviting their friends to connect with them, supported by internal efforts to stimulate user awareness and interest. In addition we have invested and will continue to invest in marketing our services to build our brand and user base around the world. We leverage the utility of our products and our social distribution channels as our most effective marketing tools. In addition, we undertake various user acquisition efforts and regularly host events and conferences to engage with developers and marketers.

Intellectual Property

To establish and protect our proprietary rights, we rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights. In addition, to further protect our proprietary rights, from time to time we have purchased patents and patent applications from third parties. We do not believe that our proprietary technology is dependent on any single patent or copyright or groups of related patents or copyrights. We believe the duration of our patents is adequate relative to the expected lives of our products.

Government Regulation

We are subject to a number of U.S. federal and state, and foreign laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation and online payment services. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of user data. Foreign data protection, privacy, and other laws and regulations are often more restrictive than those in the United States. U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly-evolving industry in which we operate. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies, and foreign governments concerning data protection which could affect us. For example, a revision to the 1995 European Union Data Protection Directive is currently being considered by legislative bodies that may include more stringent operational requirements for data processors and significant penalties for non-compliance.

In August 2012, the FTC approved a settlement agreement with us to resolve an investigation into various practices, that, among other things, requires us to establish and refine certain practices with respect to treatment of user data and privacy settings and also requires we complete bi-annual independent privacy assessments.

Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

Various laws and regulations in the United States and abroad, such as the Bank Secrecy Act, the Dodd-Frank Act, the USA PATRIOT Act, and the Credit CARD Act, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. Under these laws and regulations, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers, and sellers or issuers of stored value. Requirements imposed on financial institutions under these laws include customer identification and verification programs, record retention policies and procedures, and transaction reporting. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have applied through subsidiaries for certain money transmitter licenses in the United States and similar licenses in certain foreign countries, which will generally require us to show compliance with many domestic and foreign laws relating to money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending, and import and export restrictions.

Employees

As of December 31, 2012, we had 4,619 employees.

Corporate Information

We were incorporated in Delaware in July 2004. We completed our initial public offering in May 2012 and our Class A common stock is listed on The Nasdaq Global Select Market under the symbol “FB.” Our principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025, and our telephone number is (650) 308-7300.

Facebook, the Facebook logo, FB, the Like Button, Instagram and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Notes 1 and 14 of our Notes to Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Available Information

Our website address is www.facebook.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at investor.fb.com when such reports are available on the SEC’s website. We use our investor.fb.com website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor such portions of investor.fb.com, in addition to following press releases, SEC filings and public conference calls and webcasts.

The public may read and copy any materials filed by Facebook with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the

operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with Facebook, our revenue, financial results, and business may be significantly harmed.

The size of our user base and our users' level of engagement are critical to our success. We had 1.06 billion monthly active users (MAUs) as of December 31, 2012. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users. We anticipate that our active user growth rate will decline over time as the size of our active user base increases, and as we achieve higher market penetration rates. To the extent our active user growth rate slows, our business performance will become increasingly dependent on our ability to increase levels of user engagement and monetization. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. Our user engagement patterns have changed over time and can be difficult to measure, particularly as users engage increasingly via mobile devices and as we introduce new and different services. Any decrease in user retention, growth, or engagement could render Facebook less attractive to developers and marketers, which may have a material and adverse impact on our revenue, business, financial condition, and results of operations. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with other products or activities;
- we fail to introduce new and improved products or if we introduce new products or services that are not favorably received;
- users feel that their Facebook experience is diminished as a result of the decisions we make with respect to the frequency, prominence, and size of ads that we display;
- we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- there are changes in user sentiment about the quality or usefulness of our products or concerns related to privacy and sharing, safety, security, or other factors;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- users adopt new technologies where Facebook may not be featured or otherwise available;
- there are adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience, such as any failure to prevent spam or similar content;

- we adopt policies or procedures related to areas such as sharing or user data that are perceived negatively by our users or the general public;
- we fail to provide adequate customer service to users, developers, or marketers;
- we, our Platform developers, or other companies in our industry are the subject of adverse media reports or other negative publicity; or
- our current or future products, such as the Facebook Platform, reduce user activity on Facebook by making it easier for our users to interact and share on third-party websites.

If we are unable to maintain and increase our user base and user engagement, our revenue and financial results may be adversely affected.

We generate a substantial majority of our revenue from advertising. The loss of marketers, or reduction in spending by marketers with Facebook, could seriously harm our business.

The substantial majority of our revenue is currently generated from third parties advertising on Facebook. For 2012, 2011, and 2010, advertising accounted for 84%, 85% and 95%, respectively, of our revenue. As is common in the industry, our marketers do not have long-term advertising commitments with us. Many of our marketers spend only a relatively small portion of their overall advertising budget with us. In addition, marketers may view some of our products as experimental and unproven. Marketers will not continue to do business with us, or they will reduce the prices they are willing to pay to advertise with us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives. Our advertising revenue could be adversely affected by a number of other factors, including:

- decreases in user engagement, including time spent on Facebook;
- increased user access to and engagement with Facebook through our mobile products or other new devices in the future, where our ability to monetize is less proven than it is from use on personal computers;
- product changes or inventory management decisions we may make that reduce the size, frequency, or relative prominence of ads displayed on Facebook;
- our inability to increase advertiser demand, which affects pricing;
- our inability to increase the quality of ads shown to users, particularly on mobile devices;
- the accuracy of our analytics and measurement solutions that demonstrate the value of our ads, or our ability to further improve such tools;
- decisions by marketers to use our free products, such as Facebook Pages, instead of advertising on Facebook;
- loss of advertising market share to our competitors, including if such competitors offer more integrated products;
- adverse legal developments relating to advertising, including legislative and regulatory developments and developments in litigation;
- adverse media reports or other negative publicity involving us, our Platform developers, or other companies in our industry;
- our inability to create new products that sustain or increase the value of our ads;
- the degree to which users opt out of social ads;
- the degree to which users cease or reduce the number of times they click on our ads;
- changes in the way online advertising is priced;

- the impact of new technologies that could block or obscure the display of our ads; and
- the impact of macroeconomic conditions and conditions in the advertising industry in general.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results.

Growth in the use of Facebook through our mobile products as a substitute for use on personal computers may negatively affect our revenue and financial results.

We had 680 million mobile MAUs in December 2012. While most of our mobile users also access Facebook through personal computers, we anticipate that the rate of growth in mobile usage will exceed the growth in usage through personal computers for the foreseeable future and that the usage through personal computers may decline or continue to decline in certain markets, in part due to our focus on developing mobile products to encourage mobile usage of Facebook. For example, during the fourth quarter of 2012, the number of daily active users (DAUs) using personal computers declined modestly compared to the third quarter of 2012, including declines in key markets such as the United States, while mobile DAUs continued to increase. While we began showing ads in users' mobile News Feeds in early 2012, we have generated only a small portion of our revenue from the use of Facebook mobile products to date. In addition, we do not currently offer our Payments infrastructure to applications on mobile devices. If users increasingly access Facebook mobile products as a substitute for access through personal computers, and if we are unable to continue to grow mobile revenues, or if we incur excessive expenses in this effort, our financial performance and ability to grow revenue would be negatively affected.

Facebook user growth and engagement on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

There is no guarantee that popular mobile devices will continue to feature Facebook, or that mobile device users will continue to use Facebook rather than competing products. We are dependent on the interoperability of Facebook with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our products' functionality or give preferential treatment to competitive products could adversely affect Facebook usage on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use Facebook on their mobile devices, or if our users choose not to access or use Facebook on their mobile devices or use mobile products that do not offer access to Facebook, our user growth and user engagement could be harmed.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We face significant competition in every aspect of our business, including from companies that provide tools to facilitate the sharing of information, companies that enable marketers to display personalized advertising and companies that provide development platforms for applications developers. We compete with companies that offer full-featured products that replicate the range of communications and related capabilities we provide. These offerings include, for example, Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries, such as Mixi in Japan and vKontakte and Odnoklassniki in Russia. We also compete with companies that develop applications, particularly mobile applications, that replicate discrete capabilities we provide, such as photo-sharing, messaging, and micro-blogging, and companies that provide web- and mobile-based information and entertainment products and services that are designed to engage users and capture time spent online and on

mobile devices. In addition, we face competition from traditional and online businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

Some of our current and potential competitors may have significantly greater resources or better competitive positions in certain product segments, geographic regions or user demographics than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some of our users, particularly our younger users, are aware of and actively engaging with other products and services similar to, or as a substitute for, Facebook. For example, we believe that some of our users have reduced their engagement with Facebook in favor of increased engagement with other products and services such as Instagram. In the event that our users increasingly engage with other products and services, we may experience a decline in user engagement and our business could be harmed.

Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, Platform partners may use information shared by our users through the Facebook Platform in order to develop products or features that compete with us. Certain competitors, including Google, could use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate including: by integrating competing social networking platforms or features into products they control such as search engines, web browsers, or mobile device operating systems; by making acquisitions; or by making access to Facebook more difficult. As a result, our competitors may acquire and engage users at the expense of the growth or engagement of our user base, which may negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance, and reliability of our products compared to our competitors;
- the size and composition of our user base;
- the engagement of our users with our products;
- the timing and market acceptance of products, including developments and enhancements to our or our competitors' products;
- our ability to monetize our products, including our ability to successfully monetize mobile usage;
- the frequency, size, and relative prominence of the ads displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts;
- our ability to establish and maintain developers' interest in building on the Facebook Platform;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers;
- our ability to cost-effectively manage and grow our operations; and
- our reputation and brand strength relative to our competitors.

If we are not able to compete effectively, our user base and level of user engagement may decrease, which could make us less attractive to developers and marketers and materially and adversely affect our revenue and results of operations.

We may not be successful in our efforts to grow usage of and engagement with the Facebook Platform.

We have made and are continuing to make investments to enable developers to build applications (apps) and websites that integrate with the Facebook Platform. Existing and prospective Platform developers may not be successful in building apps or websites that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties, rather than building on the Facebook Platform. We are continuously seeking to balance the distribution objectives of our Platform developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain Platform developers. From time to time, we have taken actions to reduce the volume of communications from Platform developers to users on Facebook with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our monetization opportunities from, Facebook-integrated apps and websites. In some instances, these actions have adversely affected our relationships with Platform developers. If we are not successful in our efforts to grow our Platform or if we are unable to build and maintain good relations with Platform developers, our user growth and user engagement and our financial results may be adversely affected.

We may not be successful in our efforts to further monetize the Facebook Platform.

We currently monetize the Facebook Platform in several ways, including ads on pages generated by apps on Facebook, direct advertising on Facebook purchased by Platform developers to drive traffic to their apps and websites, and fees from our Platform developers' use of our Payments infrastructure to sell virtual and digital goods to users accessing Facebook via personal computers. Apps built by developers of social games are currently responsible for substantially all of our revenue derived from Payments. While we have expanded the number of developers using our Payments infrastructure, our overall Payments revenue may decrease or stay flat in future periods. In addition, a relatively small percentage of our users have transacted with Facebook Payments. For example, for the fiscal year ended December 31, 2012, approximately 27 million users purchased virtual goods using Facebook Payments. If the Platform apps that currently generate revenue fail to grow or maintain their users and engagement, if Platform developers do not continue to introduce new apps that attract users and create engagement, if Platform developers reduce their advertising on Facebook, if we fail to maintain good relationships with Platform developers or attract new developers, or if Platform apps outside of social games do not gain popularity and generate significant revenue for us, our financial performance and ability to grow revenue could be adversely affected.

Additionally, we are actively supporting Platform developers' efforts to develop their own mobile apps and websites that integrate with Facebook. Unlike apps that run within the Facebook website which enable us to show ads and offer Payments, we generally do not directly monetize from Platform developers' integrating their own mobile apps and websites with Facebook. Therefore, our Platform developers' efforts to prioritize Facebook integrations with their own mobile apps or websites may reduce or slow the growth of our user activity that generates advertising and Payments opportunities, which could negatively affect our revenue. Although we believe that there are significant long-term benefits to Facebook resulting from increased engagement on Facebook-integrated websites and mobile apps, these benefits may not offset the possible loss of revenue, in which case our business could be harmed.

Action by governments to restrict access to Facebook in their countries could substantially harm our business and financial results.

It is possible that governments of one or more countries may seek to censor content available on Facebook in their country, restrict access to Facebook from their country entirely, or impose other restrictions that may affect the accessibility of Facebook in their country for an extended period of time or indefinitely. For example, access to Facebook has been or is currently restricted in whole or in part in China, Iran, North Korea, and Syria. In addition, governments in other countries may seek to restrict access to Facebook if they consider us to be in violation of their laws. In the event that access to Facebook is restricted, in whole or in part, in one or more

countries or our competitors are able to successfully penetrate geographic markets that we cannot access, our ability to retain or increase our user base and user engagement may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Our new products and changes to existing products could fail to attract or retain users or generate revenue.

Our ability to retain, increase, and engage our user base and to increase our revenue will depend heavily on our ability to create successful new products, both independently and in conjunction with Platform developers or other third parties. We may introduce significant changes to our existing products or develop and introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience. If new or enhanced products fail to engage users, developers, or marketers, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected. In the future, we may invest in new products and initiatives to generate revenue, but there is no guarantee these approaches will be successful. For example, in 2012, we launched our Gifts product that enables users to send physical or digital gifts to friends. We may not be successful in generating meaningful revenue from this product. If we are not successful with new approaches to monetization, we may not be able to maintain or grow our revenue as anticipated or recover any associated development costs, and our financial results could be adversely affected.

Our culture emphasizes rapid innovation and prioritizes user engagement over short-term financial results.

We have a culture that encourages employees to quickly develop and launch new and innovative products. As our business grows and becomes more complex, our cultural emphasis on moving quickly may result in unintended outcomes or decisions that are poorly received by users, developers, or marketers. Our culture also prioritizes user engagement over short-term financial results, and we frequently make product decisions that may reduce our short-term revenue or profitability if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. These decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with developers and marketers, and our business and results of operations could be harmed.

If we are not able to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to expand our base of users, developers, and marketers may be impaired, and our business and financial results may be harmed.

We believe that the Facebook brand has significantly contributed to the success of our business. We also believe that maintaining and enhancing our brand is critical to expanding our base of users, developers, and marketers. Many of our new users are referred by existing users. Maintaining and enhancing our brand will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products, which we may not do successfully. We may introduce new products or terms of service that users do not like, which may negatively affect our brand. Additionally, the actions of our Platform developers may affect our brand if users do not have a positive experience using third-party apps and websites integrated with Facebook. We have in the past experienced, and we expect that in the future we will continue to experience, media, legislative, or regulatory scrutiny of our decisions regarding user privacy or other issues, which may adversely affect our reputation and brand. We also may fail to provide adequate customer service, which could erode confidence in our brand. Our brand may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users, or by users acting under false or inauthentic identities. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to successfully promote and maintain the Facebook brand or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

Improper access to or disclosure of our users' information, or violation of our terms of service or policies, could harm our reputation and adversely affect our business.

Our efforts to protect the information that our users have chosen to share using Facebook may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. If any of these events occur, our users' information could be accessed or disclosed improperly. Our Data Use Policy governs the use of information that users have chosen to share using Facebook and how that information may be used by us and third parties. Some Platform developers may store information provided by our users through apps on the Facebook Platform or websites integrated with Facebook. If these third parties or Platform developers fail to adopt or adhere to adequate data security practices or fail to comply with our terms and policies, or in the event of a breach of their networks, our users' data may be improperly accessed or disclosed.

Any incidents involving unauthorized access to or improper use of the information of our users or incidents involving violation of our terms of service or policies, including our Data Use Policy, could damage our reputation and our brand and diminish our competitive position. In addition, the affected users or government authorities could initiate legal or regulatory action against us in connection with such incidents, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

Unfavorable media coverage could negatively affect our business.

We receive a high degree of media coverage around the world. Unfavorable publicity regarding, for example, our privacy practices, product changes, product quality, litigation or regulatory activity, or the actions of our Platform developers or our users, could adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

Our financial results will fluctuate from quarter to quarter and are difficult to predict.

Our quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to maintain and grow our user base and user engagement;
- our ability to attract and retain marketers in a particular period;
- fluctuations in spending by our marketers due to seasonality, such as historically strong spending in the fourth quarter of each year, or other factors;
- the number of ads shown to users;
- the pricing of our ads and other products;
- the rate of growth in mobile usage compared to usage through personal computers, and our ability to monetize through our mobile products;
- our ability to maintain or increase Payments and other fees revenue;
- the diversification and growth of revenue sources beyond advertising and Payments;
- the development and introduction of new products or services by us or our competitors;

- increases in marketing, sales, and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- our ability to maintain gross margins and operating margins;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs;
- our ability to obtain equipment and components for our data centers and other technical infrastructure in a timely and cost-effective manner;
- system failures which could prevent us from serving ads for any period of time, or breaches of security or privacy, and the costs associated with remediating any such failures or breaches;
- inaccessibility of Facebook due to third-party actions;
- share-based compensation expense;
- adverse litigation judgments, settlements, or other litigation-related costs;
- changes in the legislative or regulatory environment, including with respect to privacy, or enforcement by government regulators, including fines, orders, or consent decrees;
- the overall tax rate for our business, which may be affected by the financial results of our international subsidiaries;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- fluctuations in the market values of our portfolio investments and in interest rates;
- changes in U.S. generally accepted accounting principles; and
- changes in global business or macroeconomic conditions.

We expect our rates of growth will decline in the future.

We believe that our rates of user and revenue growth will decline over time. For example, our revenue grew 37% from 2011 to 2012, 88% from 2010 to 2011 and 154% from 2009 year to 2010. Historically, our user growth has been a primary driver of growth in our revenue. While our periodic rates of growth may be flat or increase from time to time, we expect that our user growth and revenue growth rates will decline over time as the size of our active user base increases and as we achieve higher market penetration rates. As our growth rates decline, investors' perceptions of our business may be adversely affected and the trading price of our Class A common stock could decline.

Our costs are continuing to grow, which could harm our business and profitability.

Providing our products to our users is costly and we expect our expenses to continue to increase in the future as we broaden our user base, as users increase the number of connections and amount of data they share with us, as we develop and implement new product features that require more computing infrastructure. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs, in particular for servers, storage, power, and data centers, to support our anticipated future growth. We expect to continue to invest in our global infrastructure in order to provide our products rapidly and reliably to all users around the world, including in countries where we do not expect significant short-term monetization. In addition, our costs may increase as we hire additional employees, particularly as a result of the significant competition that we face to attract and retain technical talent. Our expenses may continue to grow faster than our revenue over time. Our expenses may be greater than we anticipate, and our investments may not be successful. In addition, we may increase marketing, sales, and other operating expenses in order to grow and expand our operations and to remain competitive. Increases in our costs may adversely affect our business and profitability.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including user privacy, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation, securities law compliance, and online payment services. The introduction of new products may subject us to additional laws and regulations. For example, depending on how our new Gifts product evolves, we may be subject to laws and regulations governing returns, taxability of purchases, purchase of restricted products such as alcohol, product liability, and international import and export restrictions. In addition, foreign data protection, privacy, and other laws and regulations are often more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, which can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. For example, the interpretation of some laws and regulations that govern the use of names and likenesses in connection with advertising and marketing activities is unsettled and developments in this area could affect the manner in which we design our products, as well as our terms of use. A number of proposals are pending before federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. For example, a revision to the 1995 European Union Data Protection Directive is currently being considered by European legislative bodies that may include more stringent operational requirements for data processors and significant penalties for non-compliance. Similarly, there have been a number of recent legislative proposals in the United States, at both the federal and state level, that would impose new obligations in areas such as privacy and liability for copyright infringement by third parties. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

We have been subject to regulatory investigations and settlements and we expect to continue to be subject to such proceedings in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we receive inquiries from regulators regarding our compliance with laws and other matters. For example, in 2012, the Federal Trade Commission approved a settlement agreement with us that, among other things, requires us to establish and refine certain practices with respect to treatment of user data and privacy settings and also requires that we complete bi-annual independent privacy assessments. As another example, in 2011 and 2012, the Irish Data Protection Commissioner audited the data, security, and privacy practices and policies of Facebook Ireland. We expect to continue to be the subject of regulatory investigations and audits in the future by these and other regulators throughout the world.

It is possible that a regulatory inquiry might result in changes to our policies or practices. Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations. In addition, it is possible that future orders issued by, or enforcement actions initiated by, regulatory authorities could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright,

patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold a number of issued patents in multiple jurisdictions and have acquired patents and patent applications from third parties. In addition, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. In addition, we regularly contribute software source code under open source licenses and have made other technology we developed available under other open licenses, and we include open source software in our products. For example, we have contributed certain specifications and designs related to our data center equipment to the Open Compute Project Foundation, a non-profit entity that shares and develops such information with the technology community, under the Open Web Foundation License. As a result of our open source contributions and the use of open source in our products, we may license or be required to license innovations that turn out to be material to our business and may also be exposed to increased litigation risk. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We are currently, and expect to be in the future, party to patent lawsuits and other intellectual property rights claims that are expensive and time consuming, and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.

Companies in the Internet, technology, and media industries own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various “non-practicing entities” that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. Furthermore, from time to time we may introduce new products, including in areas where we currently do not compete, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

From time to time, we receive notice letters from patent holders alleging that certain of our products and services infringe their patent rights. We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. Defending patent and other intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party’s rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices could require significant effort and expense or may not be feasible. Our business, financial condition, and results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.

In addition to intellectual property claims, we are also involved in numerous other lawsuits, including putative class action lawsuits brought by users and marketers, many of which claim statutory damages, and we anticipate that we will continue to be a target for numerous lawsuits in the future. Because we have over a billion users, the plaintiffs in class action cases filed against us typically claim enormous monetary damages even if the alleged per-user harm is small or non-existent. Any negative outcome from such lawsuits could result in payments of substantial monetary damages or fines, or changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected. Although the results of such lawsuits and claims cannot be predicted with certainty, we do not believe that the final outcome of those matters relating to our products that we currently face will have a material adverse effect on our business, financial condition, or results of operations. In addition, following our initial public offering (IPO), we became the subject of stockholder class action suits. We believe these lawsuits are without merit and are vigorously defending these lawsuits.

There can be no assurances that a favorable final outcome will be obtained in all our cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which could adversely affect our business, financial conditions, or results of operations.

Our CEO has control over key decision making as a result of his control of a majority of our voting stock.

As a result of voting agreements with certain stockholders, together with the shares he holds, Mark Zuckerberg, our founder, Chairman, and CEO, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock as of December 31, 2012. Mr. Zuckerberg therefore has the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock. In addition, Mr. Zuckerberg has the ability to control the management and major strategic investments of our company as a result of his position as our CEO and his ability to control the election or replacement of our directors. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he designates. As a board member and officer, Mr. Zuckerberg owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares, and shares over which he has voting control as a result of voting agreements, in his own interests, which may not always be in the interests of our stockholders generally.

We plan to continue to make acquisitions, which could require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial results.

As part of our business strategy, we have made and intend to make acquisitions to add specialized employees, complementary companies, products, or technologies. Our ability to acquire and integrate larger or more complex companies, products, or technologies in a successful manner is unproven. In the future, we may not be able to find other suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Any future acquisitions we complete could be viewed negatively by users, developers, marketers, or investors, and our acquisitions may not achieve our goals. For example, in August 2012, we acquired Instagram, but we are still focused on user growth and the users' experience and do not yet derive any

direct revenue from Instagram. In addition, if we fail to successfully close or integrate any acquisitions, integrate the products or technologies associated with such acquisitions into our company, or identify and address liabilities associated with the acquired business or assets, our business, revenue, and operating results could be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired products, technology, or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. In addition, our ability to conduct due diligence with respect to acquisitions, and our ability to evaluate the results of such due diligence, is dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives. Despite our efforts, there could be significant liabilities or deficiencies associated with the business, assets, products, financial condition or accounting practices related to the assets or companies we acquire. In addition, we may have to pay cash, incur debt, or issue equity securities to pay for acquisitions, any of which could adversely affect our financial results. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of Facebook and our underlying technical infrastructure. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If Facebook is unavailable when users attempt to access it, or if it does not load as quickly as they expect, users may not return to our website as often in the future, or at all. As our user base and the amount and types of information shared on Facebook continue to grow, we will need an increasing amount of technical infrastructure, including network capacity, and computing power, to continue to satisfy the needs of our users. It is possible that we may fail to effectively scale and grow our technical infrastructure to accommodate these increased demands. In addition, our business is subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, or other catastrophic events.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

We could experience unforeseen difficulties in building and operating key portions of our technical infrastructure.

We have designed and built our own data centers and key portions of our technical infrastructure through which we serve our products, and we plan to continue to significantly expand the size of our infrastructure primarily through data centers and other projects. The infrastructure expansion we are undertaking is complex, and unanticipated delays in the completion of these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of our products. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, that could further degrade the user experience or increase our costs.

Our software is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our products incorporate software that is highly technical and complex. Our software has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors in our software code

may only be discovered after the code has been released. Any errors, bugs, or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

Certain of our user metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers of our MAUs, DAUs, and mobile MAUs and average revenue per user (ARPU) are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that “duplicate” accounts (an account that a user maintains in addition to his or her principal account) may have represented approximately 5.0% of our worldwide MAUs as of December 31, 2012. We also seek to identify “false” accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. As of December 31, 2012, for example, we estimate user-misclassified accounts may have represented approximately 1.3% of our worldwide MAUs and undesirable accounts may have represented approximately 0.9% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or Australia and higher in developing markets such as Indonesia and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Some of our historical metrics through the second quarter of 2012 have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. For example, we estimate that less than 5% of our estimated worldwide DAUs as of December 31, 2011 and 2010 resulted from this type of automatic mobile activity, and that this type of activity had a substantially smaller effect on our estimate of worldwide MAUs and mobile MAUs. The impact of this automatic activity on our metrics varied by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user’s IP address and self-disclosed location. These factors may not always accurately reflect the user’s actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user’s actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. For example, in early June 2012, we discovered an error in the algorithm we use to estimate the geographic location of our users that affected our attribution of certain user locations for the period ended March 31, 2012. While this issue did not affect our overall worldwide MAU and DAU numbers, it did affect our attribution of users across different geographic regions. We estimate that the number of MAUs as of March 31, 2012 for the United States & Canada region was overstated as a result of the error by approximately 3% and this overstatement was offset by understatements in other regions. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review and may adjust our processes for calculating these metrics to improve their accuracy. In addition, our MAU and DAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses. If marketers,

developers, or investors do not perceive our user metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and marketers and developers may be less willing to allocate their budgets or resources to Facebook, which could negatively affect our business and financial results.

We cannot assure you that we will effectively manage our growth.

Our employee headcount and the scope and complexity of our business have increased significantly, with the number of employees increasing to 4,619 as of December 31, 2012 from 3,200 as of December 31, 2011, and we expect headcount growth to continue for the foreseeable future. The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relations with users, marketers, Platform developers, and other third parties. In the event of continued growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our employee base. As our organization continues to grow, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. This could negatively affect our business performance.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of our key personnel, including Mark Zuckerberg and Sheryl K. Sandberg. Although we have entered into employment agreements with Mr. Zuckerberg and Ms. Sandberg, the agreements have no specific duration and constitute at-will employment. In addition, many of our key technologies and systems are custom-made for our business by our personnel. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business.

As we continue to grow, we cannot guarantee we will continue to attract the personnel we need to maintain our competitive position. In particular, we intend to hire a significant number of technical personnel in 2013, and we expect to face significant competition from other companies in hiring such personnel, particularly in the San Francisco Bay Area. As we mature, the incentives to attract, retain, and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past, and if we issue significant equity to attract additional employees, the ownership of our existing stockholders may be further diluted. Additionally, we have a number of current employees whose equity ownership in our company gives them a substantial amount of personal wealth, which could affect their decisions about whether or not to continue to work for us. As a result of these factors, it may be difficult for us to continue to retain and motivate our employees. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We may incur liability as a result of information retrieved from or transmitted over the Internet or posted to Facebook and claims related to our products.

We have faced, currently face, and will continue to face claims relating to information that is published or made available on Facebook. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, and personal injury torts. This risk is enhanced in certain jurisdictions outside the United States where our protection from liability for third-party actions may be unclear and where we may be less protected under local laws than we are in the United States. We could incur

significant costs investigating and defending such claims and, if we are found liable, significant damages. If any of these events occur, our business and financial results could be adversely affected.

Computer malware, viruses, hacking and phishing attacks, and spamming could harm our business and results of operations.

Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. Because of our prominence, we believe that we are a particularly attractive target for such attacks. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of our products and technical infrastructure. Any such failure may harm our reputation and our ability to retain existing users and attract new users.

In addition, spammers attempt to use our products to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make Facebook less user-friendly. We cannot be certain that the technologies and employees that we have to attempt to defeat spamming attacks will be able to eliminate all spam messages from being sent on our platform. As a result of spamming activities, our users may use Facebook less or stop using our products altogether.

Payment transactions on the Facebook Platform may subject us to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Our users can use the Facebook Platform to purchase virtual and digital goods from our Platform developers using our Payments infrastructure. Depending on how our Payments product evolves, we may be subject to a variety of laws and regulations in the United States, Europe, and elsewhere, including those governing money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending, and import and export restrictions. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have applied for and received certain money transmitter licenses in the United States and expect to apply for certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws in these areas. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make product changes, any of which could have an adverse effect on our business and financial results.

In addition, we may be subject to a variety of additional risks as a result of Payments on the Facebook Platform, including:

- increased costs and diversion of management time and effort and other resources to deal with bad transactions or customer disputes;
- potential fraudulent or otherwise illegal activity by users, developers, employees, or third parties;
- restrictions on the investment of consumer funds used to transact Payments; and
- additional disclosure and reporting requirements.

We plan to continue expanding our operations abroad where we have limited operating experience and may be subject to increased business and economic risks that could affect our financial results.

We plan to continue the international expansion of our business operations and the translation of our products. We currently make Facebook available in more than 70 different languages, and we have offices or

data centers in more than 20 different countries. We may enter new international markets where we have limited or no experience in marketing, selling, and deploying our products. For example, we continue to evaluate entering China. However, this market has substantial legal and regulatory complexities that have prevented our entry into China to date. If we fail to deploy or manage our operations in international markets successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social, or economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, and unexpected changes in laws, regulatory requirements, and enforcement;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities;
- fluctuations in currency exchange rates;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- burdens of complying with a variety of foreign laws;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure, and legal compliance costs associated with multiple international locations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar laws in other jurisdictions; and
- compliance with statutory equity requirements and management of tax consequences.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our financial results could be adversely affected.

We have a substantial amount of indebtedness which could adversely affect our financial condition and our ability to obtain additional capital on reasonable terms when required.

As of December 31, 2012, we had \$1.5 billion outstanding under our term loan facility. By drawing on our term loan facility, our interest expense and principal repayment requirements have increased significantly, which could have an adverse effect on our financial results.

In addition, we may require additional capital to support our business growth or to respond to business opportunities, challenges or unforeseen circumstances. We also expect to expend substantial amounts to fund tax withholding and remittance obligations related to the vesting and settlement of restricted stock units (RSUs) in the future if we continue to net settle such RSUs. Our ability to obtain additional capital, if and when required, will depend on our business plans, investor demand, our operating performance, the condition of the capital markets, and other factors, and our substantial indebtedness may limit our ability to borrow such additional funds. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution.

If we default on our leasing and credit obligations, our operations may be interrupted and our business and financial results could be adversely affected.

We finance a significant portion of our expenditures through leasing arrangements, some of which are not required to be reflected on our balance sheet, and we may enter into additional similar arrangements in the future.

In particular, we have used these types of arrangements to finance some of our equipment and data centers. In addition, we have a revolving credit facility that we may draw upon to finance our operations or other corporate purposes, and have a term loan facility, from which we drew \$1.5 billion to fund a portion of our tax withholding and remittance obligations in connection with the settlement of RSUs. If we default on these leasing and credit obligations, our leasing partners and lenders may, among other things:

- require repayment of any outstanding lease obligations or amounts drawn on our credit facilities;
- terminate our leasing arrangements and credit facilities;
- terminate our access to the leased data centers we utilize;
- stop delivery of ordered equipment;
- sell or require us to return our leased equipment; or
- require us to pay significant damages.

If some or all of these events were to occur, our operations may be interrupted and our ability to fund our operations or obligations, as well as our business, financial results, and financial condition, could be adversely affected.

We may have exposure to greater than anticipated tax liabilities.

Our income tax obligations are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and results of operations. We are subject to regular review and audit by U.S. federal and state and foreign tax authorities. Tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles. For example, we have previously incurred losses in certain international subsidiaries that resulted in an effective tax rate that is significantly higher than the statutory tax rate in the United States and this could continue to happen in the future.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations. For example, the current U.S. administration and key members of Congress have made public statements indicating that international tax is a priority. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our foreign earnings. In addition, other countries are considering changes to their tax regimes in an effort to raise additional tax proceeds from companies such as Facebook. Due to the large and expanding scale of our international business activities, any changes in the taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock has been and will likely continue to be volatile.

The trading price of our Class A common stock has been, and is likely to continue to be, volatile. Since shares of our Class A common stock were sold in our IPO in May 2012 at a price of \$38.00 per share, our stock price has ranged from \$17.55 to \$45.00 through December 31, 2012. In addition to the factors discussed in this Annual Report on Form 10-K, the trading price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales;
- investor sentiment with respect to our competitors, our business partners, and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base, the level of user engagement or the effectiveness of our ad products;
- changes in operating performance and stock market valuations of technology companies in our industry, including our Platform developers and competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- media coverage of our business and financial performance;
- lawsuits threatened or filed against us;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. Following our IPO, the events surrounding the offering became the subject of securities litigation. We may experience more such litigation following future periods of volatility. Any securities litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

Substantially all of our total outstanding shares are available for sale into the public market and any substantial sales of our stock could cause the price of our Class A common stock to decline.

The price of our Class A common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers, employees, and significant stockholders, or when there is a

large number of shares of our common stock available for sale. As of December 31, 2012, there were 1,671,277,621 shares of our Class A common stock and 701,427,574 shares of our Class B common stock outstanding. Shares of our Class B common stock are convertible into an equivalent number of shares of our Class A common stock and generally convert into shares of our Class A common stock upon transfer.

As of December 31, 2012, substantially all of our outstanding shares are available for sale into the market, except for 47,315,862 shares held by Mail.ru Group Limited and DST Global Limited and their respective affiliates, which will be eligible for sale in the public market on May 18, 2013, and 426 million outstanding shares and 60 million shares issuable upon the exercise of an option held by Mark Zuckerberg. Mr. Zuckerberg has informed us that he has no intention to conduct any sale transactions in our securities until at least September 2013.

If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade the rating of our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price could decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the trading price of our Class A common stock increases. In addition, our credit facilities contain restrictions on our ability to pay dividends.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our Class A common stock may be negatively affected.

We are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. In addition, beginning with our 2013 Annual Report on Form 10-K to be filed in 2014, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We are in the process of designing, implementing, and testing the internal control over financial reporting required to comply with this obligation, which process is time consuming, costly, and complicated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our Class A common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

The requirements of being a public company may strain our resources and divert management's attention.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the NASDAQ Global Select Market, and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and may/will continue to increase our legal and financial compliance costs, make some activities more difficult, time-

consuming, or costly, and increase demand on our systems and resources. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have hired additional employees to comply with these requirements, we may need to hire more employees in the future, which will increase our costs and expenses.

In addition, complying with public disclosure rules makes our business more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results.

The dual class structure of our common stock and the voting agreements among certain stockholders have the effect of concentrating voting control with our CEO, and also with employees and directors and their affiliates; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers, employees, and directors and their affiliates, together hold a substantial majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Zuckerberg retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

We have elected to take advantage of the "controlled company" exemption to the corporate governance rules for NASDAQ-listed companies, which could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a "controlled company" under the corporate governance rules for NASDAQ-listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, our board of directors determined not to have an independent nominating function and chose to have the full board of directors be directly responsible for nominating members of our board, and in the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NASDAQ-listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Delaware law and provisions in our restated certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business

combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- until the first date on which the outstanding shares of our Class B common stock represent less than 35% of the combined voting power of our common stock, any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- we have a dual class common stock structure, which provides Mr. Zuckerberg with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, certain amendments to our restated certificate of incorporation or bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- only our chairman, our chief executive officer, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval; and
- certain litigation against us can only be brought in Delaware.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2012, we leased office and data center facilities around the world totaling approximately 2.2 million square feet, including one million square feet for our corporate headquarters in Menlo Park, California. We have data centers in the United States, including data center facilities that we own in North Carolina and Oregon and leased data center facilities in California and Virginia. We believe that our facilities are adequate for our current needs. To support our continuing growth, we are currently constructing a new data center in Luleå, Sweden.

Item 3. Legal Proceedings

Paul D. Ceglia filed suit against us and Mark Zuckerberg on or about June 30, 2010, in the Supreme Court of the State of New York for the County of Allegheny, claiming substantial ownership of our company based on a purported contract between Mr. Ceglia and Mr. Zuckerberg allegedly entered into in April 2003. We removed the case to the U.S. District Court for the Western District of New York, where the case is now pending. In his first amended complaint, filed on April 11, 2011, Mr. Ceglia revised his claims to include an alleged partnership with Mr. Zuckerberg, he revised his claims for relief to seek a substantial share of Mr. Zuckerberg's ownership in us, and he included quotations from supposed emails that he claims to have exchanged with Mr. Zuckerberg in 2003 and 2004. On June 2, 2011, we filed a motion for expedited discovery based on evidence we submitted to the court showing that the alleged contract and emails upon which Mr. Ceglia bases his complaint are fraudulent. On July 1, 2011, the court granted our motion and ordered Mr. Ceglia to produce, among other things, all hard copy and electronic versions of the purported contract and emails. On January 10, 2012, the court granted our request for sanctions against Mr. Ceglia for his delay in compliance with that order. On March 26, 2012, we filed a motion to dismiss Mr. Ceglia's complaint and a motion for judgment on the pleadings. We continue to believe that Mr. Ceglia is attempting to perpetrate a fraud on the court and we intend to continue to defend the case vigorously.

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our IPO and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. On October 4, 2012, on our motion, the vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the United States District Court for the Southern District of New York. In addition, the events surrounding our IPO have become the subject of various government inquiries, and we are cooperating with those inquiries. Any such inquiries could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

We are also party to various legal proceedings and claims which arise in the ordinary course of business. Among these pending legal matters, two cases are currently scheduled for trial in the near future: Summit 6 LLC v. Research in Motion Corporation et al., Case No. 3:11cv00367, is scheduled to begin trial as early as February 19, 2013, in the U.S. District Court for the Northern District of Texas, and Timelines, Inc. v. Facebook, Inc., Case No. 1:2011cv06867, is scheduled to begin trial on April 22, 2013, in the U.S. District Court for the Northern District of Illinois. In the Summit 6 case, the plaintiffs allege that Facebook infringes certain patents held by the plaintiffs. In the Timelines case, the plaintiffs allege that Facebook infringes a trademark held by the plaintiffs. In both cases, the plaintiffs are seeking significant monetary damages and equitable relief.

We believe the claims made by the Summit 6 plaintiffs and the Timelines plaintiffs are without merit, and we intend to continue to defend ourselves vigorously in both cases. Although the outcome of litigation is inherently uncertain, we do not believe the possibility of loss in either of these cases is probable. We are unable to estimate a range of loss, if any, that could result were there to be an adverse final decision, and we have not accrued a liability for either matter. If an unfavorable outcome were to occur in the Summit 6 case and/or the Timelines case, it is possible that the impact could be material to our results of operations in the period(s) in which any such outcome becomes probable and estimable.

In addition, we are also currently parties to multiple other lawsuits related to our products, including other patent infringement lawsuits as well as class action lawsuits brought by users and marketers, and we may in the future be subject to additional lawsuits and disputes. We are also involved in other claims, government investigations, and proceedings arising from the ordinary course of our business. Although the results of these other lawsuits, claims, government investigations, and proceedings in which we are involved cannot be predicted with certainty, we do not believe that the final outcome of these other matters will have a material adverse effect on our business, financial condition, or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our Class A common stock has been listed on the NASDAQ Global Select Market under the symbol “FB” since May 18, 2012. Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low intra-day sales prices per share for our Class A common stock on the NASDAQ Global Select Market.

	<u>High</u>	<u>Low</u>
Second Quarter 2012 (from May 18, 2012)	\$45.00	\$25.52
Third Quarter 2012	32.88	17.55
Fourth Quarter 2012	28.88	18.80

Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of December 31, 2012, there were 4,681 stockholders of record of our Class A common stock, and the closing price of our Class A common stock was \$26.62 per share as reported on the NASDAQ Global Select Market. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. As of December 31, 2012, there were 324 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid any cash dividend on our common stock. We intend to retain any future earnings and do not expect to pay dividends in the foreseeable future. In addition, our credit facilities contain restrictions on our ability to pay dividends.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below provides information with respect to repurchases of unvested shares of our Class A common stock for the three months ended December 31, 2012.

<u>Period</u>	<u>Total Number of Shares Purchased⁽¹⁾</u>	<u>Weighted Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1 –			—	—
October 31, 2012	—	—		
November 1 –			—	—
November 30, 2012 ...	4,848	\$0.322727		
December 1 –			—	—
December 31, 2012 ...	—	—		

1) Under certain acquisition agreements, some shares issued in connection with those acquisitions are subject to vesting. Unvested shares are subject to a right of repurchase by us in the event the recipient of such unvested acquisition shares is no longer employed by us prior to a vesting date. All shares in the above table were shares repurchased as a result of us exercising this right and not pursuant to a publicly announced plan or program.

Recent Sale of Unregistered Securities and Use of Proceeds

Recent Sale of Unregistered Securities

On October 1, 2012, we issued 94,547 additional shares of our Class A common stock as consideration to 9 individuals and 5 entities in connection with an acquisition of all the outstanding shares of a company in the third quarter of 2012.

The sales of the above securities were exempt from registration under the Securities Act of 1933, as amended (Securities Act), in reliance upon Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the book-entry entitlements issued in this transaction.

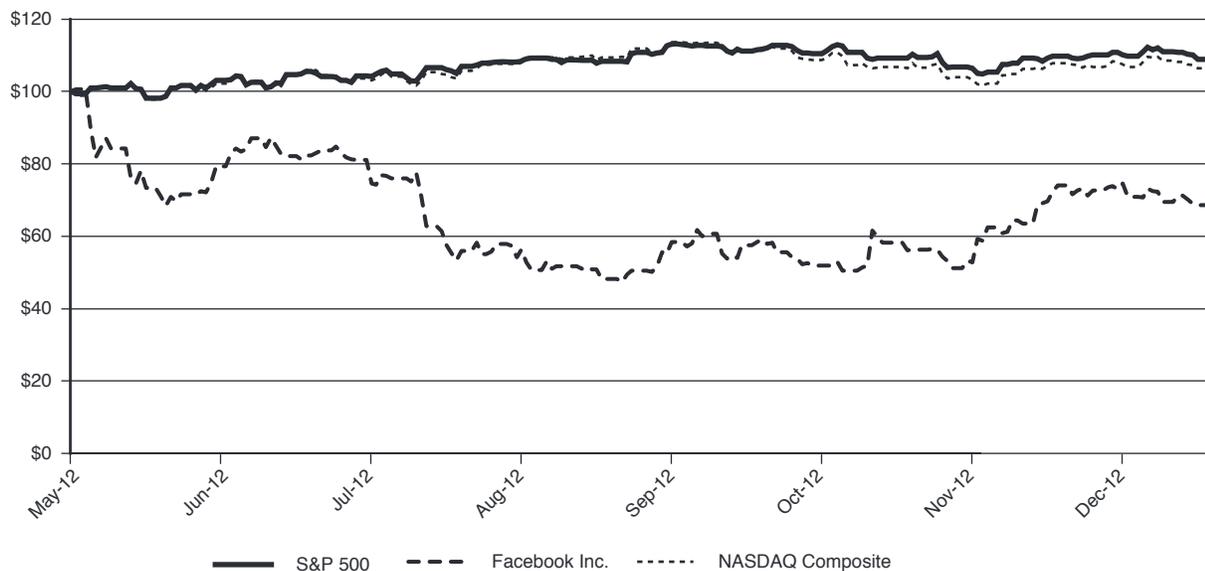
Use of Proceeds

On May 17, 2012, our registration statement on Form S-1 (File No. 333-179287) was declared effective by the Securities and Exchange Commission (SEC) for our initial public offering pursuant to which we sold an aggregate of 180,000,000 shares of our Class A common stock at a price to the public of \$38.00 per share. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on May 18, 2012 pursuant to Rule 424(b).

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Facebook, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph shows a comparison from May 18, 2012 (the date our Class A common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2012 of the cumulative total return for our Class A common stock, the Standard & Poor’s 500 Stock Index (S&P 500 Index) and the Nasdaq Composite Index (NASDAQ Composite). The graph assumes that \$100 was invested at the market close on May 18, 2012 in the Class A common stock of Facebook, Inc., the S&P 500 Index and the NASDAQ Composite and data for the S&P 500 Index and the NASDAQ Composite assumes reinvestments of dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



Item 6. Selected Financial Data.

You should read the following selected consolidated financial data in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” and our consolidated financial statements and the related notes included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

The consolidated statements of operations data for each of the years ended December 31, 2012, 2011, and 2010 and the consolidated balance sheets data as of December 31, 2012 and 2011 are derived from our audited consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K. The consolidated statements of operations data for the years ended December 31, 2009 and 2008 and the consolidated balance sheets data as of December 31, 2010, 2009, and 2008 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	\$5,089	\$3,711	\$1,974	\$ 777	\$ 272
Total costs and expenses ⁽¹⁾	4,551	1,955	942	515	327
Income (loss) from operations	538	1,756	1,032	262	(55)
Income (loss) before provision for income taxes	494	1,695	1,008	254	(56)
Net income (loss)	53	1,000	606	229	(56)
Net income (loss) attributable to Class A and Class B common stockholders	32	668	372	122	(56)
Earnings (loss) per share attributable to Class A and Class B common stockholders ⁽²⁾ :					
Basic	\$ 0.02	\$ 0.52	\$ 0.34	\$0.12	\$(0.06)
Diluted	\$ 0.01	\$ 0.46	\$ 0.28	\$0.10	\$(0.06)

(1) Total costs and expenses include \$1.57 billion, \$217 million, \$20 million, \$27 million and \$30 million of share-based compensation for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, respectively.

(2) See Note 3 of the notes to our consolidated financial statements for a description of our computation of basic and diluted net earnings (loss) per share attributable to Class A and Class B common stockholders.

	As of December 31,				
	2012	2011	2010	2009	2008
	(in millions)				
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and marketable securities	\$ 9,626	\$3,908	\$1,785	\$ 633	\$297
Working capital	10,215	3,705	1,857	703	279
Property and equipment, net	2,391	1,475	574	148	131
Total assets	15,103	6,331	2,990	1,109	505
Capital lease obligations	856	677	223	95	56
Long-term debt	1,500	—	250	—	—
Total liabilities	3,348	1,432	828	241	170
Additional paid-in capital	10,094	2,684	947	253	147
Total stockholders’ equity	11,755	4,899	2,162	868	335

Free Cash Flow

In addition to other financial measures presented in accordance with U.S. generally accepted accounting principles (GAAP), we monitor free cash flow (FCF) as a non-GAAP measure to manage our business, make planning decisions, evaluate our performance, and allocate resources. We define FCF as net cash provided by operating activities reduced by purchases of property and equipment and property and equipment acquired under capital leases.

We believe that FCF is one of the key financial indicators of our business performance over the long term and provides useful information regarding how cash provided by operating activities compares to the property and equipment investments required to maintain and grow our business. We have chosen to subtract both purchases of property and equipment and property and equipment acquired under capital leases in our calculation of FCF because we believe that these two items collectively represent the amount of property and equipment we need to procure to support our business, regardless of whether we finance such property or equipment with a capital lease. The market for financing servers and other technical equipment is dynamic and we expect our use of capital leases could vary significantly from year to year.

We have chosen our definition for FCF because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business. We use FCF in discussions with our senior management and board of directors.

FCF has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are:

- FCF does not reflect our future contractual commitments; and
- other companies in our industry present similarly titled measures differently than we do, limiting their usefulness as comparative measures.

Management compensates for the inherent limitations associated with using the FCF measure through disclosure of such limitations, presentation of our financial statements in accordance with GAAP, and reconciliation of FCF to the most directly comparable GAAP measure, net cash provided by operating activities, as presented below.

The following is a reconciliation of FCF to the most comparable GAAP measure, net cash provided by operating activities:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions)				
Net cash provided by operating activities ⁽¹⁾	\$ 1,612	\$ 1,549	\$ 698	\$ 155	\$ 8
Purchases of property and equipment	(1,235)	(606)	(293)	(33)	(70)
Property and equipment acquired under capital leases	(340)	(473)	(217)	(56)	(26)
Free cash flow	<u>\$ 37</u>	<u>\$ 470</u>	<u>\$ 188</u>	<u>\$ 66</u>	<u>\$ (88)</u>

- 1) For the year ended December 31, 2012, net cash provided by operating activities was reduced by \$451 million of income tax refundable from income tax loss carrybacks due to the recognition of tax benefits related to share-based compensation from RSUs granted prior to January 1, 2011. We expect to receive this refund in the first six months of 2013, at which time, our FCF will increase by this amount.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to our historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, "Risk Factors." For a discussion of limitations in the measurement of certain of our user metrics, see the section entitled "Limitations of Key Metrics."

Overview

Our mission is to make the world more open and connected. Facebook enables you to express yourself and connect with the world around you instantly and freely.

We build products that support our mission by creating utility for users, developers, and marketers:

Users. We enable people who use Facebook to stay connected with their friends and family, to discover what is going on in the world around them, and to share and express what matters to them to the people they care about.

Developers. We enable developers to use the Facebook Platform to build applications (apps) and websites that integrate with Facebook to reach our global network of users and to build products that are more personalized and social.

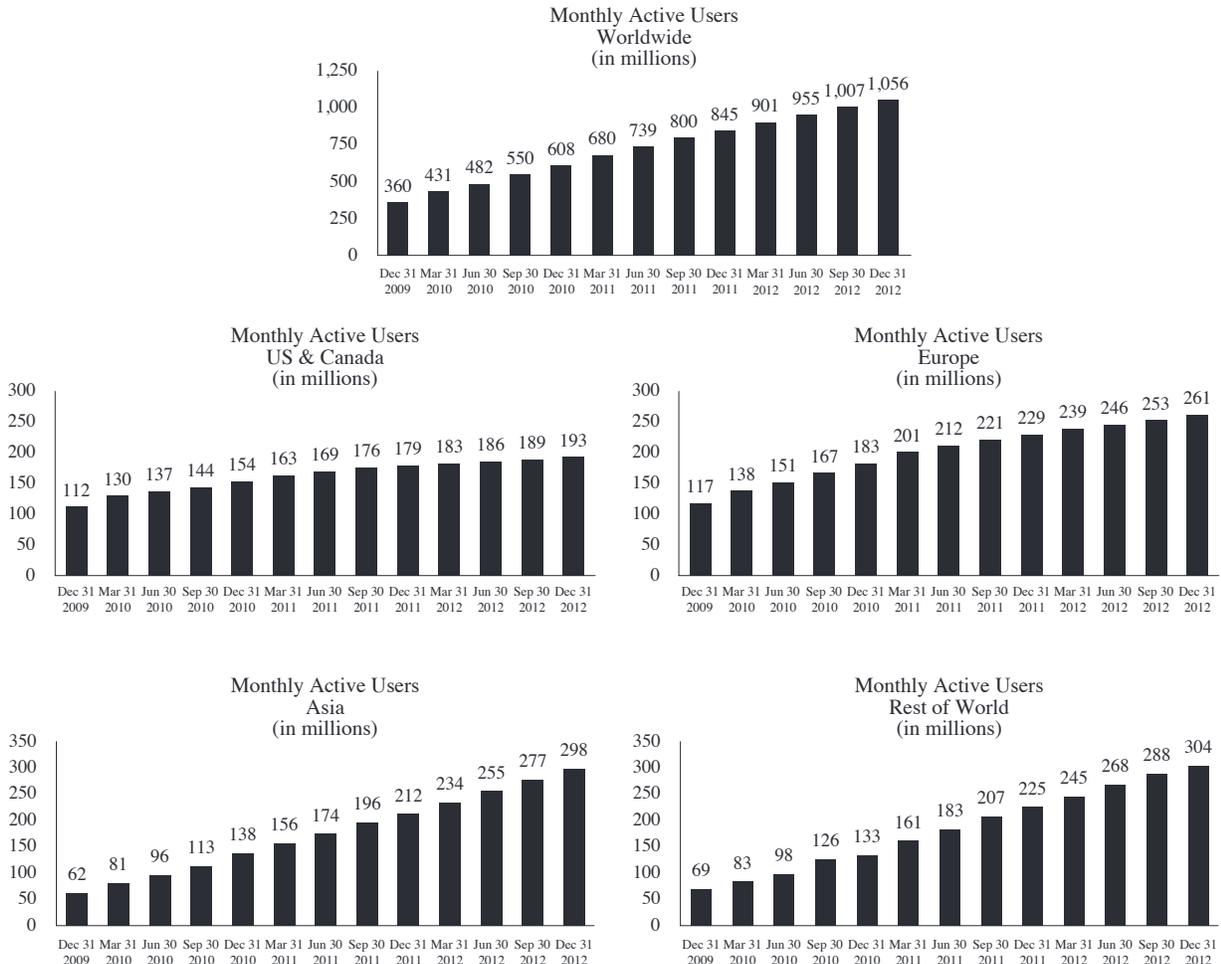
Marketers. We enable marketers to engage with more than one billion monthly active users (MAUs) on Facebook or subsets of our users based on information they have chosen to share with us such as their age, location, gender, or interests. We offer marketers a unique combination of reach, relevance, social context, and engagement to enhance the value of their ads.

We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables users to purchase virtual and digital goods from our Platform developers. For the year ended December 31, 2012, we recorded revenue of \$5.09 billion, income from operations of \$538 million and net income of \$53 million. Total costs and expenses increased 133% compared to revenue growth of 37% due to significant increases in share-based compensation and related payroll tax expenses for restricted stock units (RSUs) and increases in headcount for the year ended December 31, 2012. During fiscal 2012, we recognized \$1.72 billion of share-based compensation and related payroll tax expenses. Of these amounts, \$1.13 billion was due to the recognition of share-based compensation and related payroll tax expenses related to RSUs granted prior to January 1, 2011 (Pre-2011 RSUs) triggered by the completion of our initial public offering (IPO) in May 2012. Our effective tax rate for the year ended December 31, 2012 has exceeded the U.S. statutory rate primarily due to the impact of non-deductible share-based compensation and losses arising outside the United States in jurisdictions where we do not receive a tax benefit.

Trends in Our User Metrics

The numbers of MAUs, DAUs, and mobile MAUs discussed below, as well as average revenue per user (ARPU), do not include Instagram users unless such users would otherwise qualify as MAUs, DAUs and/or mobile MAUs based on activity that is shared back to Facebook.

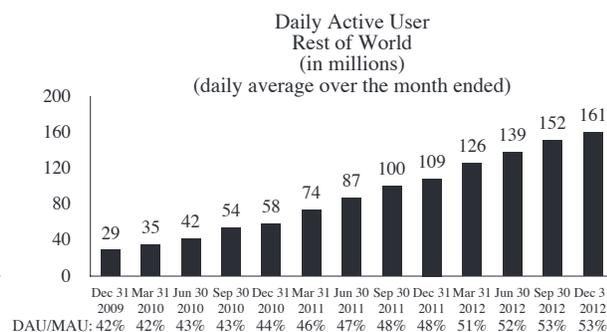
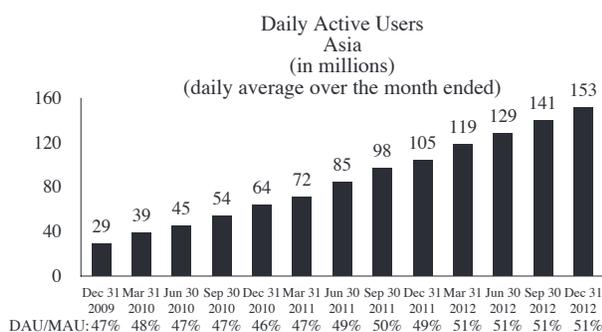
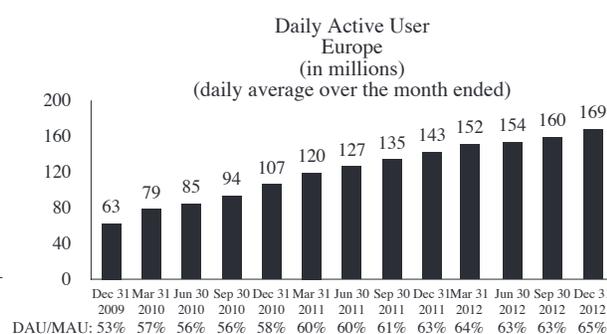
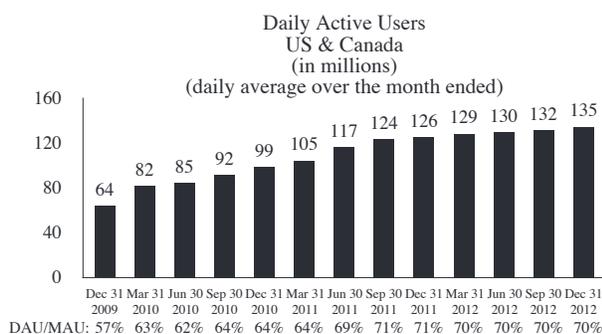
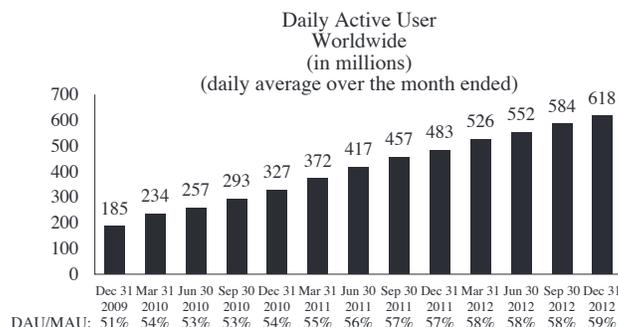
- Monthly Active Users (MAUs).** We define a monthly active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, or took an action to share content or activity with his or her Facebook friends or connections via a third-party website that is integrated with Facebook, in the last 30 days as of the date of measurement. MAUs are a measure of the size of our global active user community, which has grown substantially in the past several years.



Note: For purposes of reporting MAUs, DAUs, and ARPU by geographic region, Europe includes all users in Russia and Turkey, Asia includes all users in Australia and New Zealand, and Rest of World includes Africa, Latin America, and the Middle East. In June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the first quarter of 2012. While this issue did not affect our overall worldwide MAU number, it did affect our attribution of users to different geographic regions. The first quarter of 2012 user metrics as pictured in the charts above reflect the reclassification to more correctly attribute users by geographic region.

As of December 31, 2012, we had 1.06 billion MAUs, an increase of 25% from December 31, 2011. Users in Brazil, India and Indonesia represented key sources of growth in fiscal 2012 relative to the prior year. We had 67 million MAUs in Brazil as of December 31, 2012, an increase of 81% compared to the same period in 2011; we had 71 million MAUs in India as of December 31, 2012, an increase of 54% compared to the same period in 2011; and we had 60 million MAUs in Indonesia as of December 31, 2012, an increase of 25% compared to the same period in 2011. Additionally, we had 174 million MAUs in the United States as of December 31, 2012, an increase of 8% compared to the same period in 2011.

- Daily Active Users (DAUs). We define a daily active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, or took an action to share content or activity with his or her Facebook friends or connections via a third-party website that is integrated with Facebook, on a given day. We view DAUs, and DAUs as a percentage of MAUs, as measures of user engagement.

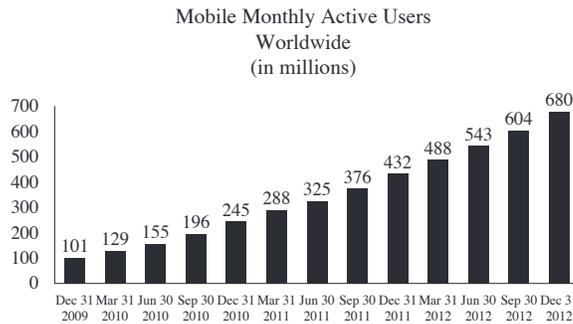


Note: For non-worldwide DAU user numbers presented for the periods marked March 31, 2012 and June 30, 2012, the figures represent an average of the first 25 days of the former period and the last 27 days of the latter period in order to avoid using data subject to the algorithm error described in the MAU section above. These average numbers do not meaningfully differ from the average numbers when calculated over a full month.

Worldwide DAUs increased 28% to 618 million on average during December 2012 from 483 million during December 2011. We experienced growth in DAUs across major markets including Brazil, India and Japan. Overall growth in DAUs was driven largely by increased mobile usage of Facebook. Relative to September 30, 2012, DAUs increased from 584 million to 618 million, due to an increase in mobile users. During the fourth quarter of 2012, the number of DAUs using personal computers declined modestly compared to the third quarter of 2012, including declines in key markets such as the United States, while mobile DAUs continued to increase.

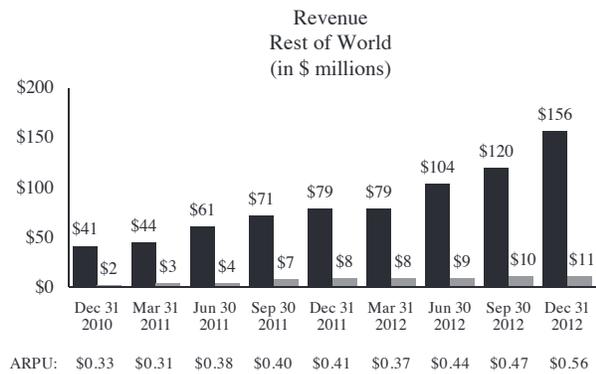
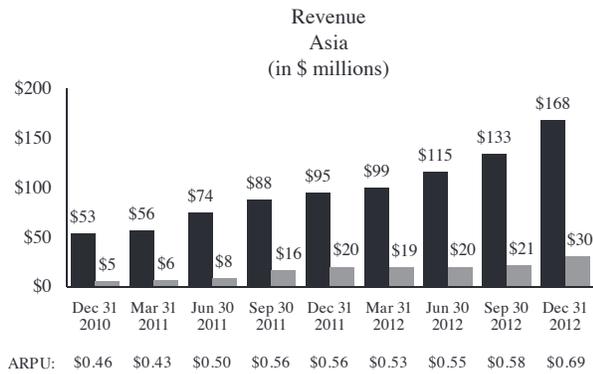
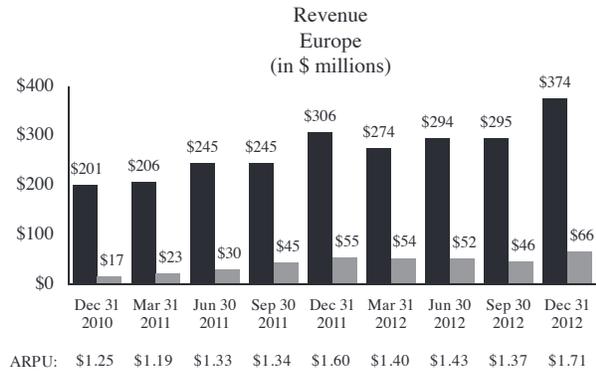
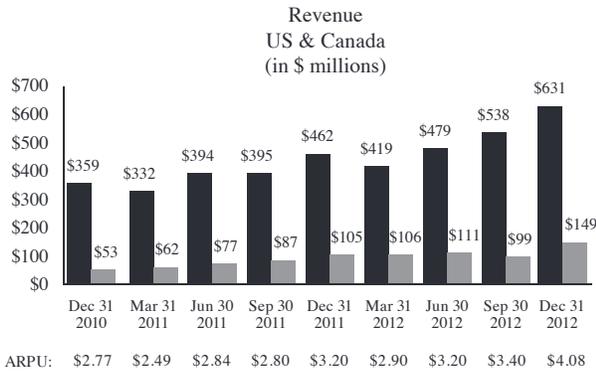
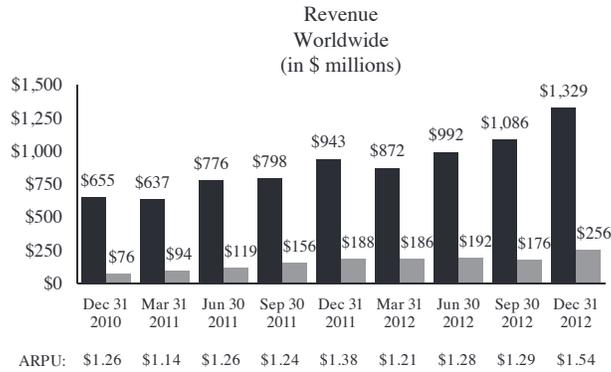
- Mobile MAUs. We define a mobile MAU as a user who accessed Facebook via a mobile app or via mobile-optimized versions of our website such as m.facebook.com, whether on a mobile phone or tablet such as the iPad, during the period of measurement.

Worldwide mobile MAUs increased 57% to 680 million as of December 31, 2012 from 432 million as of December 31, 2011. In all regions, an increasing number of our MAUs are accessing Facebook through mobile devices, with users in the United States, India and Brazil representing key sources of mobile growth over the fourth quarter of 2012 as compared to the third quarter of 2012. Approximately 157 million mobile MAUs accessed Facebook solely through mobile apps or our mobile website during the month ended December 31, 2012, increasing 25% from 126 million during the month ended September 30, 2012. The remaining 523 million mobile MAUs accessed Facebook from both personal computers and mobile devices during that month. While most of our mobile users also access Facebook through personal computers, we anticipate that the rate of growth in mobile usage will exceed the growth in usage through personal computers for the foreseeable future and that the usage through personal computers may be flat or continue to decline in certain markets, including key developed markets such as the United States, in part due to our focus on developing mobile products to encourage mobile usage of Facebook.



Trends in Our Monetization by User Geography

We calculate our revenue by user geography based on our estimate of the geography in which ad impressions are delivered or virtual goods are purchased. We define ARPU as our total revenue in a given geography during a given quarter, divided by the average of the number of MAUs in the geography at the beginning and end of the quarter. Annual ARPU is the sum of respective quarterly ARPU amounts in that year. Our revenue and ARPU in markets such as United States & Canada and Europe are relatively higher due to the size and maturity of those advertising markets as well as our greater sales presence and the number of payment methods that we make available to marketers and users.



Advertising Revenue
 Payments and Other Fees Revenue

Note: Our revenue by user geography in the charts above is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the advertiser or developer. In June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the first quarter of 2012. The first quarter of 2012 ARPU amount for the United States & Canada region reflects an adjustment based on the reclassification to more correctly attribute users by geographic region. The amounts above for the fourth quarter of 2012 include a one-time increase in Payments revenue as described in Results of Operations.

For 2012, worldwide ARPU was \$5.32, an increase of 6% from 2011. ARPU increased in 2012 by approximately 20% in the United States & Canada and Rest of World, by approximately 15% in Asia and 8% in Europe compared to 2011. During the fourth quarter of 2012, worldwide ARPU was \$1.54, an increase of 12% from the fourth quarter of 2011. Over this period, ARPU increased by approximately 37% in Rest of World, by over 20% in United States & Canada and Asia, and by approximately 7% in Europe. User growth was more rapid in geographies with relatively lower ARPU, such as Asia and Rest of World. We expect that user growth in the future will continue to be higher in those regions where ARPU is relatively lower, such as Asia and Rest of World, such that worldwide ARPU may continue to increase at a slower rate relative to ARPU in any geographic region, or potentially decrease even if ARPU increases in each geographic region. We also expect worldwide ARPU will decline in the first quarter of 2013 driven by seasonality, which is consistent with historical trends.

Factors Affecting Our Performance

Number of MAUs and DAUs. Trends in our MAUs and DAUs affect our revenue and financial results by influencing the number of ads we are able to show, the volume of Payments transactions, as well as our expenses and capital expenditures. In 2012, MAUs increased by 25% and DAUs increased by 28%. We expect our growth rates for MAUs and DAUs to decline as the size of our active user base increases and as we achieve higher market penetration rates. Additionally, as we grow our business and expand internationally, we expect to face challenges entering new markets such as China, where access to Facebook is restricted in whole or in part. As user growth rates slow, we expect the rate of growth in revenue will likely decline over time, which will affect our income from operations and net income.

User Geography. The geography of our users affects our revenue and financial results because we currently monetize users in different geographies at different average rates. For example, ARPU for an average user in United States & Canada is more than five times higher than for an average user in Asia. User geography also has some impact on our costs, though in general new users in Asia and Rest of World do not require material incremental infrastructure investments because we are able to utilize existing infrastructure such as our data centers in the United States to make our products available to these users. In addition, user growth by geography does not necessarily affect our overall headcount requirements or headcount-related expenses since we are generally able to support users in all geographies from our existing facilities. In 2012, we grew users relatively faster in Asia and Rest of World where on average users generate less revenue as compared with users in the United States or Europe. In the future, we expect to continue to grow more rapidly in Asia and Rest of World markets where our current penetration rates are lower. We plan to continue to invest in user growth across the world, including in geographies where current per user monetization is relatively lower.

User Engagement. Changes in user engagement as measured by metrics such as frequency of visitation will also affect our revenue and financial performance. Growth in user engagement should generally increase the opportunities for us to display advertising and to deliver relevant commercial content to users. Growth in user engagement also generally results in increases in our expenses and capital expenditures required to support user activity. User engagement as measured by DAUs as a percentage of MAUs increased from 57% at the end of 2011 to 59% at the end of 2012. Our product development investments are focused on increasing user engagement over time.

Facebook Usage on Mobile Devices. Increasing Facebook use on mobile devices may affect our revenue and financial results as we currently show fewer ads on average to mobile users compared to users on personal computers. The lower volume of ads per mobile user is partially offset by the higher price per ad for mobile, and we are investing to try to make our mobile ads more valuable over time. In 2012, we began showing ads in mobile users' News Feeds, and for the fourth quarter of 2012 and for the year ended December 31, 2012, we estimate that approximately 23% and 11% of our ads revenue came from mobile products, respectively. We expect mobile usage to increase at a faster rate than usage through personal computers for the foreseeable future, particularly in developed markets, and our success in ramping up mobile monetization will likely have a material impact on our financial performance.

Value of Our Advertising Products. We believe that increasing the value of our advertising products and the consequent return on investment to marketers from working with Facebook will increase marketer demand and thereby increase the amount marketers spend with us. We aim to increase the value of our advertising products through such means as increasing the size and engagement of our user base, improving our ability to select relevant advertising content for each user, developing new ads formats and products, and improving the measurement tools available to marketers to optimize their campaigns. For example, in 2012, we launched advertising in News Feed and Custom Audiences in order to enable marketers to more effectively reach their target customers.

Management of Ad Inventory. Our revenue trends are also affected by ad inventory management changes affecting the number, size, or prominence of ads we display. For example, in 2012 we began showing ads in News Feed. These News Feed ads are displayed more prominently and we receive a higher price per ad compared to ads displayed on the right hand column of our web page.

Product Innovation. We make ongoing product changes intended to enhance the user experience and increase user engagement. For example, in 2012, we launched new versions of our iPhone app that are faster and more reliable than the prior versions of our app. The new versions of the apps significantly increased News Feed loads and user feedback shared. Our new products often also increase costs if they require additional compute power and infrastructure.

Investment in Infrastructure. Our investments in the scope, reliability, redundancy, and efficiency of our infrastructure affects our expenses and capital expenditures. In 2012, we continued to make significant investments in our technical infrastructure to ensure that our growing user base can access Facebook rapidly and reliably, by expanding the capacity of our data centers in Prineville, Oregon and Forest City, North Carolina and by initiating construction of a new data center project in Lulea, Sweden. We also invested in hardware and software efficiency projects to improve the performance of our infrastructure.

Investment in Talent. As of December 31, 2012, we had 4,619 employees, an increase of 44% from the end of 2011. Our employee headcount has increased significantly and we expect headcount growth to continue in 2013 as we ramp up our investment in technical staff, sales and marketing, and general and administrative personnel. We have also made and intend to make acquisitions with the primary objective of adding software engineers, product designers, and other personnel with certain technology expertise.

Business Development and Acquisitions. As part of our business strategy, we periodically make acquisitions to add specialized employees, complementary companies, products, technologies, or other assets. For example, in 2012, we acquired Instagram, Inc. and certain AOL patent assets from Microsoft Corporation. Our acquisitions will affect our future financial results due to factors such as the amortization of acquired intangible assets and may also result in potential charges such as restructuring costs or impairment expense.

Geographic Earnings Mix. In 2012, our tax rate was 89%, up from 41% in 2011, primarily due to significant amounts of share-based compensation expense being allocated to our international subsidiaries in low tax jurisdictions, leading to non-deductible losses in those subsidiaries. Our future tax rate and financial results will be affected by the relative profitability of our corporate entities in higher versus lower tax jurisdictions.

Seasonality. Advertising spending is traditionally seasonally strong in the fourth quarter of each year. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect significant growth in advertising revenue between the third and fourth quarters and a decline in advertising spending between the fourth and subsequent first quarters. For instance, our advertising revenue increased 46%, 18%, and 22% between the third and fourth quarters of 2010, 2011, and 2012, respectively, while advertising revenue for the first quarter of 2011 and 2012 declined 3% and 8% compared to the fourth quarters of 2010 and 2011, respectively.

Share-based Compensation Expense. During the year ended December 31, 2012, we recognized \$1.57 billion of share-based compensation expense. Of these amounts, \$1.04 billion was due to the recognition of

share-based compensation related to Pre-2011 RSUs triggered by the completion of our IPO in May 2012. As of December 31, 2012, there was \$2.21 billion of unrecognized share-based compensation expense, of which \$1.96 billion is related to RSUs and \$244 million is related to restricted shares and stock options. This unrecognized share-based compensation expense is expected to be recognized over a weighted-average period of approximately three years.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe that the assumptions and estimates associated with revenue recognition for payments and other fees, income taxes, share-based compensation, loss contingencies, and business combinations and valuation of goodwill and other acquired intangible assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 1 of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Revenue Recognition for Payments and Other Fees

We enable Payments from our users to our Platform developers. Our users can make payments on the Facebook Platform by using credit cards or other payment methods available on our website. The primary process for these transactions is through the purchase of our virtual currency. Our users then use this virtual currency to purchase virtual and digital goods in games and apps from developers on the Facebook Platform. Upon the initial sale of the virtual currency, we record consideration received from a user as a deposit.

When a user engages in a payment transaction utilizing the virtual currency for the purchase of a virtual or digital good from a Platform developer, we reduce the virtual currency balance of the user by the price of the purchase, which is a price that is solely determined by the Platform developer. We remit to the Platform developer an amount that is based on the total amount of virtual currency redeemed less the processing fee that we charge the Platform developer for the service performed. Our revenue is the net amount of the transaction representing our processing fee for the transaction. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the user. Under GAAP guidance related to reporting revenue gross as a principal versus net as an agent, the indicators used to determine whether an entity is a principal or an agent to a transaction are subject to judgment. We consider ourselves the agent to these transactions when we apply the indicators to our facts. Should material subsequent changes in the substance or nature of the transactions with Platform developers result in us being considered the principal in such sales, we would reflect the virtual and digital goods sale as revenue and the amounts paid to the Platform developers as an associated cost.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any reserves that we believe are appropriate, as well as the related net interest and penalties.

Share-based Compensation

Prior to January 1, 2011 we granted Pre-2011 RSUs to our employees and members of our board of directors that vested upon the satisfaction of both a service-based condition, generally over four years, and a liquidity condition. The liquidity condition was satisfied in connection with our IPO in May 2012. Because the liquidity condition was not satisfied until our IPO, in prior periods we had not recorded any expense relating to the granting of the Pre-2011 RSUs. In the second quarter of 2012, we recognized \$986 million of stock-based compensation expense associated with Pre-2011 RSUs that vested in connection with our IPO. For the Pre-2011 RSUs, we recognize share-based compensation expense using the accelerated attribution method, net of estimated forfeitures, in which compensation cost for each vesting tranche in an award is recognized ratably from the service inception date to the vesting date for that tranche.

RSUs granted on or after January 1, 2011 (Post-2011 RSUs) are not subject to a liquidity condition in order to vest, and compensation expense related to these grants is based on the grant date fair value of the RSUs and is recognized on a straight-line basis over the applicable service period. The majority of Post-2011 RSUs are earned over a service period of four to five years. For Post-2011 RSUs, which are only subject to a service condition, we recognize share-based compensation expense on a ratable basis over the requisite service period for the entire award.

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and RSUs, to be measured based on the grant-date fair value of the awards.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such is recorded for only those share-based awards that we expect to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted

for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the employee's required service period.

We capitalize share-based employee compensation expense when appropriate. We did not capitalize any share-based compensation expense in the three years ended December 31, 2012.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

In the opinion of management, there was not at least a reasonable possibility we may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for legal and other contingencies as of December 31, 2012. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against us in the same reporting period for amounts in excess of management's expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting operating unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under the new authoritative guidance issued by the Financial Accounting Standards Board (FASB). If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of December 31, 2012, no impairment of goodwill has been identified.

Acquired intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of amortizable intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If

such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our amortizable intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized over the revised estimated useful life.

Components of Results of Operations

Revenue

We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables users to purchase virtual and digital goods from our Platform developers.

Advertising. Our advertising revenue is generated by displaying ad products on the Facebook website or mobile app and third-party affiliated websites or mobile apps. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of impressions delivered or the number of clicks made by our users. We recognize revenue from the delivery of click-based ads in the period in which a user clicks on the content. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users. The number of ads we show is subject to methodological changes as we continue to evolve our ads business and the structure of our ads products. Whether we count the initial display only or every display of an ad as an impression is dependent on where the ad is displayed. For example, an individual ad in News Feed that is purchased on an impression basis may be displayed to users more than once during a day; however, only the initial display of the ad is considered an impression, regardless of how many times the ad is actually displayed within the News Feed.

Payments and other fees. We enable Payments from our users to our Platform developers. Our users can transact and make payments on the Facebook Platform by using credit cards, PayPal or other payment methods available on our website. We receive a fee from our Platform developers when users make purchases from our Platform developers using our Payments infrastructure. We recognize revenue net of amounts remitted to our Platform developers. We have mandated the use of our Payments infrastructure for game apps on Facebook, and fees related to Payments are generated almost exclusively from games. Cumulatively to date, games from Zynga have generated the majority of our payments and other fees revenue. However, Zynga's contribution to our payments and other fees revenue has decreased over time and this trend may continue. Our other fees revenue consists primarily of user Promoted Posts and, to a lesser extent, Facebook Gifts revenue, and has been immaterial in recent periods.

Cost of Revenue and Operating Expenses

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment depreciation, facility and server equipment rent expense, energy and bandwidth costs, support and maintenance costs, and salaries, benefits, and share-based compensation for employees on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions.

Research and development. Research and development expenses consist primarily of salaries, benefits, and share-based compensation for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products. We expense all of our research and development costs as they are incurred.

Marketing and sales. Our marketing and sales expenses consist primarily of salaries, benefits, and share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include user-, developer-, and advertiser-facing marketing and promotional expenditures.

General and administrative. Our general and administrative expenses consist primarily of salaries, benefits, and share-based compensation for our executives as well as our legal, finance, human resources, corporate communications and policy, and other administrative employees. In addition, general and administrative expenses include outside consulting fees, legal and accounting services, and facilities and other supporting overhead costs. General and administrative expenses also include legal settlements and amortization of patents we acquired.

We have reclassified certain prior period expense amounts from marketing and sales to general and administrative within our consolidated statements of income to conform to our current year presentation. These reclassifications did not affect previously reported revenue, total costs and expenses, income from operations, or net income in our consolidated statements of income.

Results of Operations

The following table set forth our consolidated statements of income data:

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Consolidated Statements of Income Data:			
Revenue	\$5,089	\$3,711	\$1,974
Costs and expenses:			
Cost of revenue	1,364	860	493
Research and development	1,399	388	144
Marketing and sales	896	393	167
General and administrative	892	314	138
Total costs and expenses	4,551	1,955	942
Income from operations	538	1,756	1,032
Interest and other income (expense), net	(44)	(61)	(24)
Income before provision for income taxes	494	1,695	1,008
Provision for income taxes	441	695	402
Net income	\$ 53	\$1,000	\$ 606

Share-based compensation expense included in costs and expenses:

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Cost of revenue	\$ 88	\$ 9	\$ —
Research and development	843	114	9
Marketing and sales	306	37	2
General and administrative	335	57	9
Total share-based compensation expense	\$1,572	\$ 217	\$ 20

The following table set forth our consolidated statements of income data (as a percentage of revenue):

	Year Ended December 31,		
	2012	2011	2010
Consolidated Statements of Income Data:			
Revenue	100%	100%	100%
Costs and expenses:			
Cost of revenue	27	23	25
Research and development	27	10	7
Marketing and sales	18	11	8
General and administrative	18	8	7
Total costs and expenses	89	53	48
Income from operations	11	47	52
Interest and other income (expense), net	(1)	(2)	(1)
Income before provision for income taxes	10	46	51
Provision for income taxes	9	19	20
Net income	1%	27%	31%

Share-based compensation expense included in costs and expenses (as a percentage of revenue):

	Year Ended December 31,		
	2012	2011	2010
Cost of revenue	2%	—	—
Research and development	17	3	—
Marketing and sales	6	1	—
General and administrative	7	2	—
Total share-based compensation expense	31%	6%	1%

Revenue

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(in millions)				
Advertising	\$4,279	\$3,154	\$1,868	36%	69%
Payments and other fees	810	557	106	45%	425%
Total revenue	\$5,089	\$3,711	\$1,974	37%	88%

2012 Compared to 2011. Revenue in 2012 increased \$1.38 billion, or 37% compared to 2011. The increase was due primarily to a 36% increase in advertising revenue during 2012 as compared to 2011.

Advertising revenue grew due to a 32% increase in the number of ads delivered during 2012 and to a 3% increase in the average price per ad. The increase in ads delivered was driven primarily by user growth. MAUs grew 25% from December 31, 2011 to December 31, 2012 and average DAUs grew 28% from December 2011 to December 2012. Various product changes and changes in user engagement generally offset in their impact on the average number of ads per user. For example, the shift to greater mobile use generally reduced ads per user, while the introduction of ads in News Feed increased the number of ads per user. The rate of change in number of ads delivered also differs by geography, driven by factors such as mobile penetration. For example, Europe and Rest of World increased at a faster rate than the United States and Asia.

Growth in the average price per ad during 2012 compared to 2011 was driven primarily by an increase in price per ad in the United States, which benefited from growth in ads in News Feed across desktop and mobile devices. Ads in News Feed have a significantly higher average price per ad due to factors which include the prominent position of the ads. The increase in price per ad in the United States was partially offset by an increased percentage of our worldwide ads being delivered in the Asia and Rest of World geographies where the average price per ad, while growing on a year-over-year basis, is relatively lower. The average price per ad was also affected by a decline in the average price per ad in Europe in 2012 compared to 2011 due to the impact of foreign exchange rate changes, an increase in the percentage of ads being delivered in European regions where the average price per ads is relatively lower, and in part, we believe, to continuing weak economic conditions in that region affecting advertiser demand.

For the year ended December 31, 2012, we estimate that mobile advertising revenue as a percentage of advertising revenue was approximately 11%. As mobile advertising was not offered prior to the first quarter of 2012, comparisons to prior year are not meaningful.

Advertising revenue in the fourth quarter of 2012 increased 41% compared to the same period in 2011, due to a 46% increase in the number of ads delivered, partially offset by a 4% decrease in the average price per ad. The increase in ads delivered was driven by user growth and certain product changes, including the addition of News Feed ads on personal computers and mobile devices. MAUs grew 25% from December 31, 2011 to December 31, 2012 and average DAUs grew 28% from December 2011 to December 2012. Additionally, in the fourth quarter of 2012, we lowered our market reserve price (i.e. the minimum price threshold accepted in our ads auction), and this product change had the effect of increasing the number of ads delivered and decreasing the average price per ad. This change primarily affected the Rest of World and Asia markets where the average price per ad is relatively lower, and the change increased the percentage of our ads that are shown in relatively lower priced markets, which has the effect of decreasing the overall average price per ad. For the fourth quarter of 2012, we estimate that mobile advertising revenue as a percentage of advertising revenue was approximately 23%.

Payments and other fees revenue in 2012 increased \$253 million, or 45%, compared to 2011. Excluding the one-time increase in Payments revenue described below, Payments and other fees revenue in 2012 increased 34% compared to 2011. Facebook Payments became mandatory for all game developers accepting payments on the Facebook Platform with limited exceptions on July 1, 2011. Accordingly, comparisons of Payments and other fees revenue to periods before this date may not be meaningful.

Payments and other fees revenue in the fourth quarter of 2012 was \$256 million. Comparisons to prior periods are not meaningful due to the one-time increase in Payments revenue described below.

Our Payments terms and conditions provide for a 30-day claim period subsequent to a Payments transaction during which the customer may dispute the virtual or digital goods transaction. Through the third quarter of 2012, we had deferred recognition of Payments revenue until the expiration of this period as we were unable to make reasonable and reliable estimates of future refunds or chargebacks arising during this claim period, due to lack of historical transactional information. Beginning in the fourth quarter of 2012, we had 24 months of historical transactional information which enabled us to estimate future refunds and chargebacks. Accordingly, in the fourth quarter of 2012, we recorded all Payments revenues at the time of the purchase of the related virtual or digital goods, net of estimated refunds or chargebacks. This change resulted in a one-time increase in Payments revenue in the fourth quarter of 2012 of approximately \$66 million as we recognized revenue from four months of transactions.

Seven and nine percent of our total revenue for the three and twelve months ended December 31, 2012, respectively and 11% and 12% of our total revenue for the three and twelve months ended December 31, 2011, respectively, came from a single customer, Zynga. Revenue from Zynga consisted of payments processing fees related to their sale of virtual goods and from direct advertising purchased by Zynga.

In 2012, we generated approximately 51% of our revenue from marketers and Platform developers based in the United States, compared to 56% in 2011. The change is due primarily to a faster growth rate of international users and, to a lesser extent, to the expansion of international sales offices and payment methods. The majority of our revenue outside of the United States came from customers located in western Europe, Canada, Australia and Brazil.

2011 Compared to 2010. Revenue in 2011 increased \$1.74 billion, or 88% compared to 2010. The increase was due primarily to a 69% increase in advertising revenue to \$3.15 billion. Advertising revenue grew due to a 42% increase in the number of ads delivered and an 18% increase in the average price per ad delivered. The increase in ads delivered was driven primarily by user growth; MAUs grew 39% from December 31, 2010 to December 31, 2011 and average DAUs grew 48% from December 2010 to December 2011. The number of ads delivered was also affected by many other factors including product changes that significantly increased the number of ads on many Facebook pages beginning in the fourth quarter of 2010, partially offset by an increase in usage of our mobile products, where we did not show ads, and by various product changes implemented in 2011 that in aggregate modestly reduced the number of ads on certain pages. The increase in average price per ad delivered was affected by factors including improvements in our ability to deliver more relevant ads to users and product changes that contributed to higher user interaction with the ads by increasing their relative prominence.

Payments and other fees revenue increased to \$557 million in 2011 due to the adoption of Facebook Payments, which has been gradually adopted by our Platform developers and began generating significant revenue in the fourth quarter of 2010. Facebook Payments became mandatory for all game developers accepting payments on the Facebook Platform with limited exceptions on July 1, 2011. Accordingly, comparisons of payments and other fees revenue to periods before that date may not be meaningful. In 2011, other fees revenue was immaterial.

In 2011, we generated approximately 56% of our revenue from marketers and Platform developers based in the United States, compared to 62% in 2010. This change is due to factors including a faster growth rate of international users and the expansion of international sales offices and payment methods. The majority of our revenue outside of the United States came from customers located in western Europe, Canada, and Australia.

Cost of revenue

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(dollars in millions)				
Cost of revenue	\$1,364	\$860	\$493	59%	74%
Percentage of revenue	27%	23%	25%		

2012 Compared to 2011. Cost of revenue in 2012 increased \$504 million, or 59%, compared to 2011. The increase was primarily due to expenses related to expanding our data center operations, including a \$257 million increase in depreciation in 2012. Share-based compensation expense increased by \$79 million in 2012 compared to 2011 mainly due to the recognition of expenses related to Pre-2011 RSUs triggered by the completion of our IPO in May 2012 and, to a lesser extent, Post-2011 RSUs. Increases in payroll and benefits expenses resulting from a 65% increase in employee headcount also contributed to the increase in cost of revenue in 2012. These expenses supported our user growth, the increased usage of products by users, developers, and marketers, and the launch of new products.

2011 Compared to 2010. Cost of revenue in 2011 increased \$367 million, or 74%, compared to 2010. The increase was primarily due to expenses related to expanding our data center operations, including a \$164 million increase in depreciation and a \$35 million increase in data center facility rent. These expenses supported our user growth, the increased usage of our products by users, developers, and marketers, and the launch of new products. Additionally, credit card and other related revenue processing fees increased by \$60 million.

We anticipate that the cost of revenue will increase in dollar amount for the foreseeable future as we expand our data center capacity to support user growth, increased user engagement, and the delivery of new products and offerings. The expected increase in cost of revenue may be partially mitigated to the extent we are able to realize improvements in server performance and the efficiency of our technical operations. We expect cost of revenue in absolute dollars and as a percentage of revenue to increase in 2013 compared to 2012 due to our investment in technical infrastructure.

Research and development

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(dollars in millions)				
Research and development	\$1,399	\$388	\$144	261%	169%
Percentage of revenue	27%	10%	7%		

2012 Compared to 2011. Research and development expenses in 2012 increased \$1.01 billion, or 261%, compared to 2011. The increase was primarily due to an increase in share-based compensation expense of \$729 million in 2012 resulting primarily from the recognition of expenses related to Pre-2011 RSUs triggered by the completion of our IPO in May 2012 and, to a lesser extent, Post-2011 RSUs. Payroll and benefits expense also increased due to a 73% growth in employee headcount in engineering, design, product management, and other technical functions. This investment supported our efforts to improve existing products and build new products for users, developers, and marketers.

2011 Compared to 2010. Research and development expenses in 2011 increased \$244 million, or 169%, compared to 2010. The increase was primarily due to an increase from \$9 million in 2010 to \$114 million in 2011 for share-based compensation expense related to Post-2011 RSUs. Payroll and benefits expense also increased due to a 57% growth in employee headcount in engineering, design, product management, and other technical functions. This investment supported our efforts to improve existing products and build new products for users, developers, and marketers.

In 2013, we plan to continue rapidly hiring engineering, design, product management, and other technical employees. However, we expect research and development expenses will rise in 2013 at a lower rate than it rose in 2012 due to the large share-based compensation expense in the second quarter of 2012 associated with Pre-2011 RSUs triggered by the completion of our IPO.

Marketing and sales

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(dollars in millions)				
Marketing and sales	896	393	167	128%	135%
Percentage of revenue	18%	11%	8%		

2012 Compared to 2011. Marketing and sales expenses in 2012 increased \$503 million, or 128%, compared to 2011. The increase was primarily due to an increase in share-based compensation expense of \$269 million in 2012 resulting primarily from the recognition of expenses related to Pre-2011 RSUs triggered by the completion of our IPO in May 2012 and, to a lesser extent, Post-2011 RSUs. Payroll and benefits expenses also increased due to a 19% increase in employee headcount to support global sales, business development and customer service. An increase in our user-, developer-, and advertiser-facing marketing expense also contributed to the increase in 2012.

2011 Compared to 2010. Marketing and sales expenses in 2011 increased \$226 million, or 135%, compared to 2010. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 45% increase in employee headcount to support global sales, business development, and customer service, and, to a lesser extent, an increase in our user-, developer-, and advertiser-facing marketing. Additionally, share-based compensation expense increased from \$2 million in 2010 to \$37 million in 2011 due to recognition of expense related to Post-2011 RSUs.

In 2013, we plan to add sales, business development and customer service employees, and increase our investment in user-, developer-, and marketer-facing marketing. However, we expect marketing and sales expenses will rise in 2013 at a lower rate than it rose in 2012 due to the large share-based compensation expense in the second quarter of 2012 associated with Pre-2011 RSUs triggered by the completion of our IPO.

General and administrative

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(dollars in millions)				
General and administrative	\$892	\$314	\$138	184%	128%
Percentage of revenue	18%	8%	7%		

2012 Compared to 2011. General and administrative expenses in 2012 increased \$578 million, or 184%, compared to 2011. The increase was primarily due to an increase in share-based compensation expense of \$278 million resulting from recognition of expense related to Pre-2011 RSUs and, to a lesser extent, Post-2011 RSUs. The increase was also due to growth in legal fees and settlement costs, amortization of acquired patents and other professional service fees. Payroll and benefits expenses also increased for 2012 due to a 38% increase in employee headcount in corporate communications and policy, human resources, legal, finance, and other functions.

2011 Compared to 2010. General and administrative expenses in 2011 increased \$176 million, or 128%, compared to 2010. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 60% increase in employee headcount in finance, legal, human resources, and other functions. Additionally, outside consulting and legal fees contributed to the increase. Share-based compensation expense increased from \$9 million in 2010 to \$57 million in 2011 due to recognition of expense related to Post-2011 RSUs.

In 2013, we plan to continue to increase general and administrative employee headcount to support our growth. However, we expect general and administrative expenses will rise in 2013 at a lower rate than it rose in 2012 due to the large share-based compensation expense in the second quarter of 2012 associated with Pre-2011 RSUs triggered by the completion of our IPO.

Interest and other income (expense), net

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(in millions)				
Interest expense	\$(51)	\$(42)	\$(22)	21%	91%
Other income (expense), net	7	(19)	(2)	(137)%	850%
Interest and other income (expense), net	<u>\$(44)</u>	<u>\$(61)</u>	<u>\$(24)</u>	(28)%	154%

2012 Compared to 2011. Interest and other income (expense), net in 2012 decreased \$17 million, or 28%, compared to 2011. Interest expense increased by \$9 million primarily due to an increased volume of property and equipment financed by capital leases for 2012 and interest on the \$1.5 billion term loan that was drawn down in

the fourth quarter of 2012. Changes in other income (expense), net were primarily due to lower foreign exchange losses in 2012 resulting from the periodic re-measurement of our foreign currency balances and an increase in interest income driven by higher invested cash balances.

2011 Compared to 2010. Interest and other income (expense), net in 2011 increased \$37 million, or 154%, compared to 2010. Interest expense increased by \$20 million, driven by an increase in fees related to our credit facility as described in “—Liquidity and Capital Resources,” and the payments related to an increased volume of property and equipment financed by capital leases. The change in other income (expense), net was primarily due to \$29 million in foreign exchange related losses in 2011. Foreign exchange losses in 2011 stemmed from the periodic re-measurement of our intercompany Euro balances. Foreign currency balances were immaterial in 2010. These expenses were partially offset by an increase in interest income driven by larger invested cash balances.

Provision for income taxes

	Year Ended December 31,			2011 to 2012 % Change	2010 to 2011 % Change
	2012	2011	2010		
	(dollars in millions)				
Provision for income taxes	\$441	\$695	\$402	(37)%	73%
Effective tax rate	89%	41%	40%		

2012 Compared to 2011. Our provision for income taxes in 2012 decreased \$254 million, or 37%, compared to 2011, primarily due to a decrease in pre-tax income. Our effective tax rate increased primarily due to the impact of non-deductible share-based compensation and the losses arising outside the United States in jurisdictions where we do not receive a tax benefit. Our effective tax rate in 2012 was also higher due to the expiration of the federal tax credit for research and development activities.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted, which includes a reinstatement of the federal research and development credit for the tax year ended December 31, 2012. We estimate that our tax credit for 2012 would have been approximately \$80 million to \$120 million, which we will record as a discrete benefit in the first quarter of 2013.

2011 Compared to 2010. Our provision for income taxes in 2011 increased \$293 million, or 73%, compared to 2010 primarily due to an increase in pre-tax income. Our effective tax rate increased primarily due to losses arising outside the United States in jurisdictions where we do not receive a tax benefit and the impact of non-deductible share-based compensation expense during the year.

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of operations data in dollars and as a percentage of total revenue for each of the eight quarters in the period ended December 31, 2012. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included in Part II, Item 8, “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results of operations for any future period.

	Three Months Ended							
	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
	(in millions)							
Consolidated Statements of Operations Data:								
Revenue:								
Advertising revenue	\$1,329	\$1,086	\$ 992	\$ 872	\$ 943	\$ 798	\$ 776	\$ 637
Payments and other fees revenue ⁽¹⁾	256	176	192	186	188	156	119	94
Total revenue	1,585	1,262	1,184	1,058	1,131	954	895	731
Costs and expenses:								
Cost of revenue	398	322	367	277	247	236	210	167
Research and development	297	244	705	153	124	108	99	57
Marketing and sales	193	168	392	143	120	114	96	62
General and administrative	174	151	463	104	92	82	83	57
Total costs and expenses	1,062	885	1,927	677	583	540	488	343
Income (loss) from operations	523	377	(743)	381	548	414	407	388
Income (loss) before (provision for) benefit from income taxes	505	372	(765)	382	520	379	399	398
Net income (loss)	\$ 64	\$ (59)	\$ (157)	\$ 205	\$ 302	\$ 227	\$ 240	\$ 233
Net income (loss) attributable to Class A and Class B common stockholders								
	\$ 64	\$ (59)	\$ (157)	\$ 137	\$ 205	\$ 150	\$ 159	\$ 153
Earnings (loss) per share attributable to Class A and Class B common stockholders:								
Basic	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ 0.10	\$ 0.15	\$ 0.11	\$ 0.12	\$ 0.12
Diluted	\$ 0.03	\$ (0.02)	\$ (0.08)	\$ 0.09	\$ 0.14	\$ 0.10	\$ 0.11	\$ 0.11

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
	(in millions)							
Cost of revenue	\$ 9	\$ 8	\$ 66	\$ 5	\$ 3	\$ 3	\$ 3	\$ —
Research and development	124	114	545	60	42	33	35	4
Marketing and sales	27	28	232	19	13	13	11	—
General and administrative	24	29	263	19	18	21	15	3
Total share-based compensation expense ⁽²⁾	<u>\$ 184</u>	<u>\$ 179</u>	<u>\$ 1,106</u>	<u>\$ 103</u>	<u>\$ 76</u>	<u>\$ 70</u>	<u>\$ 64</u>	<u>\$ 7</u>

- (1) In the fourth quarter of 2012, we recorded all Payments revenue at the time of purchase of the related virtual or digital goods, net of estimated refunds or chargebacks, instead of deferring Payment revenue until the expiration of the 30-day claim period, as we are able to estimate future refunds and chargebacks based on historical trends. This charge resulted in a one-time increase in Payment revenue of \$66 million in the fourth quarter of 2012.
- (2) In the second quarter of 2012, we recognized \$986 million of share-based compensation expense related to Pre-2011 RSUs that vested in connection with our IPO.

	Three Months Ended							
	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
	(as a percentage of total revenue)							
Consolidated Statements of Operations								
Data:								
Revenue:								
Advertising revenue	84%	86%	84%	82%	83%	84%	87%	87%
Payments and other fees revenue	<u>16</u>	<u>14</u>	<u>16</u>	<u>18</u>	<u>17</u>	<u>16</u>	<u>13</u>	<u>13</u>
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	25	26	31	26	22	25	23	23
Research and development	19	19	60	14	11	11	11	8
Marketing and sales	12	13	33	14	11	12	11	8
General and administrative	<u>11</u>	<u>12</u>	<u>39</u>	<u>10</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>8</u>
Total costs and expenses	<u>67</u>	<u>70</u>	<u>163</u>	<u>64</u>	<u>52</u>	<u>57</u>	<u>55</u>	<u>47</u>
Income (loss) from operations	<u>33</u>	<u>30</u>	<u>(63)</u>	<u>36</u>	<u>48</u>	<u>43</u>	<u>45</u>	<u>53</u>
Income (loss) before (provision for) benefit from income taxes	<u>32</u>	<u>29</u>	<u>(65)</u>	<u>36</u>	<u>46</u>	<u>40</u>	<u>45</u>	<u>54</u>
Net income (loss)	<u>4%</u>	<u>(5)%</u>	<u>(13)%</u>	<u>19%</u>	<u>27%</u>	<u>24%</u>	<u>27%</u>	<u>32%</u>
Net income (loss) attributable to Class A and Class B common stockholders	<u>4%</u>	<u>(5)%</u>	<u>(13)%</u>	<u>13%</u>	<u>18%</u>	<u>16%</u>	<u>18%</u>	<u>21%</u>

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
	(as a percentage of total revenue)							
Cost of revenue	1%	1%	6%	—%	—%	—%	—%	—%
Research and development	8	9	46	6	4	3	4	1
Marketing and sales	2	2	20	2	1	1	1	—
General and administrative	2	2	22	2	2	2	2	—
Total share-based compensation expense	<u>12%</u>	<u>14%</u>	<u>93%</u>	<u>10%</u>	<u>7%</u>	<u>7%</u>	<u>7%</u>	<u>1%</u>

Liquidity and Capital Resources

	Year Ended December 31,		
	2012	2011	2010
	(in millions)		
Consolidated Statements of Cash Flows Data:			
Net cash provided by operating activities	\$ 1,612	\$ 1,549	\$ 698
Net cash used in investing activities	(7,024)	(3,023)	(324)
Net cash provided by financing activities	6,283	1,198	781
Purchases of property and equipment	(1,235)	(606)	(293)
Depreciation and amortization	649	323	139
Share-based compensation	1,572	217	20

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, and cash generated from operations. Cash and cash equivalents and marketable securities consist primarily of cash on deposit with banks and investments in money market funds and U.S. government and U.S. government agency securities. Cash and cash equivalents and marketable securities totaled \$9.63 billion as of December 31, 2012, an increase of \$5.72 billion from December 31, 2011. The most significant cash flow activities consisted of \$6.8 billion of net proceeds from our IPO, which was completed in May 2012, \$1.61 billion of cash generated from operations, \$1.5 billion of loan draw down and \$1.03 billion in excess tax benefit from share-based award activity, offset by \$2.86 billion of taxes paid related to the net share settlement of RSUs when the Pre-2011 RSUs vested and settled in the fourth quarter of 2012, \$1.24 billion used for capital expenditures and \$911 million used for acquisitions of businesses and other assets. If we continue to net settle RSUs, we will use additional cash to pay employees' tax withholding obligations in connection with such settlements. We currently anticipate that our available funds, credit facilities, and cash flow from operations will be sufficient to meet our operational cash needs for the foreseeable future.

In February 2012, we entered into an agreement for an unsecured five-year revolving credit facility that allows us to borrow up to \$5 billion for general corporate purposes, with interest payable on the borrowed amounts set at London Interbank Offered Rate (LIBOR) plus 1.0%. Under the terms of the agreement, we are obligated to pay a commitment fee of 0.10% per annum on the daily undrawn balance. No amounts were drawn down under this credit facility as of December 31, 2012.

Concurrent with our entering into the revolving credit facility, we also entered into a bridge credit facility agreement that allowed us to borrow up to \$3 billion to fund tax withholding and remittance obligations related to the settlement of RSUs in connection with our IPO.

In October 2012, we amended and restated our bridge credit facility, converting it to an unsecured term loan facility (Amended and Restated Term Loan) that allowed us to borrow up to \$1.5 billion to fund tax withholding

and remittance obligations related to the settlement of RSUs in connection with our IPO, with interest payable on the borrowed amounts set at LIBOR plus 1.0%. We paid origination fees at closing of the Amended and Restated Term Loan, which fees are being amortized over the term of the facility. We drew down the \$1.5 billion of the Amended and Restated Term Loan in October 2012 and paid an upfront fee of 0.15% on the loan amount, which fee is being amortized over the remaining term of the facility. Any amounts outstanding will become due and payable on October 25, 2015.

In connection with the draw down of the Amended and Restated Term Loan, to hedge our exposure to interest rate fluctuation, we entered into an interest rate swap agreement. The net effect of this swap agreement is to convert the variable interest rate to a fixed interest rate of 1.46%. The interest rate swap has a maturity date of October 25, 2015.

As of December 31, 2012, our income tax refundable of \$451 million reflects the expected refund from income tax loss carrybacks to 2010 and 2011. We expect to receive this refund in the first six months of 2013.

As of December 31, 2012, \$565 million of the \$9.63 billion in cash and cash equivalents and marketable securities was held by our foreign subsidiaries. We have provided for the additional taxes that would be due if we repatriated these funds for use in our operations in the United States.

Cash Provided by Operating Activities

Cash flow from operating activities during 2012 primarily consisted of adjustments to net income for certain non-cash items such as share-based compensation expense of \$1.57 billion and total depreciation and amortization of \$649 million, partially offset by income tax refundable of \$451 million. The cash flow from operating activities during 2012 compared to 2011 increased modestly as the increases in adjustments for non-cash items as described above were offset by a reduction in net income of \$947 million and an increase in income tax refundable.

Cash flow from operating activities during 2011 primarily resulted from net income of \$1 billion, adjusted for certain non-cash items, including depreciation and amortization of \$323 million, and share-based compensation expense of \$217 million.

Cash flow from operating activities during 2010 primarily resulted from net income of \$606 million, adjusted for certain non-cash items, including depreciation and amortization of \$139 million and share-based compensation expense of \$20 million, partially offset by cash consumed by working capital of \$70 million.

Cash Used in Investing Activities

Cash used in investing activities during 2012 primarily resulted from \$4.87 billion for the net purchase of marketable securities, \$1.24 billion for capital expenditures related to the purchase of servers, networking equipment, storage infrastructure, and the construction of data centers as well as \$911 million for acquisitions of businesses and other assets, such as patents. The increase in cash used in investing activities during 2012 compared to 2011 was mainly due to increases in the purchase of marketable securities, acquisitions of businesses and other assets, and capital expenditures.

Cash used in investing activities during 2011 primarily related to the use of approximately \$2.4 billion for the net purchase of marketable securities. Our cash used in investing activities in 2011 also consisted of capital expenditures of \$606 million related to the purchase of servers, networking equipment, storage infrastructure, and the construction of data centers.

Cash used in investing activities during 2010 primarily consisted of capital expenditures related to the purchases of property and equipment and the construction of data centers. Changes in restricted cash and deposits consumed \$9 million of cash related to security deposits in support of real estate expansion in 2010. Acquisitions, net of cash acquired, also consumed \$22 million of cash in 2010.

We anticipate making capital expenditures in 2013 of approximately \$1.8 billion.

Cash Provided by Financing Activities

In May 2012, we received \$6.8 billion in proceeds from our IPO, net of offering costs. Our financing activities have primarily consisted of equity issuances, lease financing, and debt financing. Net cash provided by financing activities was \$6.28 billion and \$1.2 billion, in 2012 and 2011, respectively, and included excess tax benefits from stock award activities of \$1.03 billion and \$433 million for the same periods, respectively. In 2012, our net cash provided by financing activities included the draw down of \$1.5 billion from the Amended and Restated Term Loan. We did not have a loan draw down in 2011. In the fourth quarter of 2012, we paid \$2.86 billion of taxes related to the net settlement of RSUs when the Pre-2011 RSUs were vested and settled.

In January 2011, we completed an offering of our Class A common stock to certain non-U.S. investors that generated \$998 million in net proceeds. In December 2010, we completed an offering of our Class A common stock that generated \$500 million in proceeds.

In March 2010, we entered into a credit facility with certain lenders. This facility allowed for the draw down of up to \$250 million in unsecured senior loans. In April 2010, we drew down the full amount available under the facility, and in March 2011, we repaid the entire \$250 million balance.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2012.

Contractual Obligations

Our principal commitments consist of obligations under capital and operating leases for equipment and office and data center facilities. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2012.

	Total	Payment Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	\$ 851	\$ 142	\$ 245	\$ 212	\$ 252
Capital lease obligations	979	398	403	35	143
Other contractual commitments ⁽¹⁾	749	659	71	19	—
Long-term debt ⁽²⁾	1,562	22	1,540	—	—
Total contractual obligations	<u>\$4,141</u>	<u>\$1,221</u>	<u>\$2,259</u>	<u>\$ 266</u>	<u>\$ 395</u>

(1) Other contractual commitments primarily relate to equipment and supplies for our data center operations, and, to a lesser extent, construction commitments related to our data center sites.

(2) Long-term debt relates to the draw down of our Amended and Restated Term Loan of \$1.5 billion including the estimated future interest payments using a fixed rate of 1.46%, which represented our effective interest rate after we entered into an interest rate swap agreement.

In addition, our other liabilities include \$100 million related to uncertain tax positions as of December 31, 2012. Due to uncertainties in the timing of the completion of tax audits, the timing of the resolution of these positions is uncertain and we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months. As a result, this amount is not included in the above table.

Contingencies

We are involved in claims, lawsuits, government investigations, and proceedings. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be

reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

See Note 10 in the accompanying notes to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” and Part I, Item 3, “Legal Proceedings” of this Annual Report on Form 10-K for additional information regarding contingencies.

Recently Issued and Adopted Accounting Pronouncement

Comprehensive Income

In May 2011, the FASB issued guidance that changed the requirement for presenting “Comprehensive Income” in the consolidated financial statements. The update requires an entity to present the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. We adopted this new guidance on January 1, 2012.

Goodwill Impairment Testing

In September 2011, the FASB issued an amendment to an existing accounting standard which provides entities an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. An entity now has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this new standard on January 1, 2012 and the adoption did not have a material impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including changes to foreign currency exchange rates, interest rates, and inflation.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Euro. In general, we are a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time we do not, but in the future we may enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities would have on our results of operations. We recognized foreign currency losses of \$9 million and \$29 million for the year ended December 31, 2012 and 2011, respectively. Foreign currency losses were not significant in 2010.

Interest Rate Sensitivity

Our exposure to changes in interest rates relates primarily to interest earned and market value on our cash and cash equivalents and marketable securities and interest paid on our long-term debt.

Our cash and cash equivalents and marketable securities consist of cash, certificates of deposit, time deposits, money market funds and U.S. government and U.S. government agency securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities and the market value of those securities. A hypothetical 100 basis point increase in interest rates would result in a decrease of approximately \$55 million and \$15 million in the market value of our available-for-sale debt securities as of December 31, 2012 and December 31, 2011, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Our long-term debt consists of the \$1.5 billion draw down on our three-year unsecured term loan facility that bears variable interest at 1-month LIBOR plus 1.0%. As our risk management objective is to mitigate the risk of changes in cash flows attributable to changes in the designated 1-month LIBOR for the loan, we have entered into an interest rate swap agreement for the exact notional amount of \$1.5 billion and a fixed interest rate of 1.46% at the same time the term loan was drawn down to hedge this exposure. Both the term loan and interest rate swap have a maturity date of October 25, 2015. Changes in the cash flows of the interest rate swap are expected to exactly offset the changes in cash flows attributable to fluctuations in the 1-month LIBOR based interest payments on the long-term debt. The net effect of this swap agreement is to convert the variable interest rate to a fixed rate of 1.46%.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations.

Item 8. Financial Statements and Supplementary Data

FACEBOOK, INC.

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations Data," which is incorporated herein by reference.

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Facebook, Inc.

We have audited the accompanying consolidated balance sheets of Facebook, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Facebook, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Francisco, California

February 1, 2013

FACEBOOK, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for number of shares and par value)

	December 31,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,384	\$ 1,512
Marketable securities	7,242	2,396
Accounts receivable, net of allowances for doubtful accounts of \$22 and \$17 as of December 31, 2012 and 2011, respectively	719	547
Income tax refundable	451	—
Prepaid expenses and other current assets	471	149
Total current assets	11,267	4,604
Property and equipment, net	2,391	1,475
Goodwill and intangible assets, net	1,388	162
Other assets	57	90
Total assets	\$15,103	\$ 6,331
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 65	\$ 63
Platform partners payable	169	171
Accrued expenses and other current liabilities	423	296
Deferred revenue and deposits	30	90
Current portion of capital lease obligations	365	279
Total current liabilities	1,052	899
Capital lease obligations, less current portion	491	398
Long-term debt	1,500	—
Other liabilities	305	135
Total liabilities	3,348	1,432
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.000006 par value, issuable in series; no shares and 569 million shares authorized as of December 31, 2012 and 2011, respectively, no shares and 543 million shares issued and outstanding as of December 31, 2012 and 2011, respectively	—	615
Common stock, \$0.000006 par value; 5,000 million and 4,141 million Class A shares authorized as of December 31, 2012 and 2011, respectively, 1,671 million and 117 million shares issued and outstanding, including 2 million and 1 million outstanding shares subject to repurchase as of December 31, 2012 and 2011, respectively; 4,141 million Class B shares authorized, 701 million and 1,213 million shares issued and outstanding, including 11 million and 2 million outstanding shares subject to repurchase as of December 31, 2012 and 2011, respectively	—	—
Additional paid-in capital	10,094	2,684
Accumulated other comprehensive income (loss)	2	(6)
Retained earnings	1,659	1,606
Total stockholders' equity	11,755	4,899
Total liabilities and stockholders' equity	\$15,103	\$ 6,331

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Year Ended December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue	\$5,089	\$3,711	\$1,974
Costs and expenses:			
Cost of revenue	1,364	860	493
Research and development	1,399	388	144
Marketing and sales	896	393	167
General and administrative	892	314	138
Total costs and expenses	<u>4,551</u>	<u>1,955</u>	<u>942</u>
Income from operations	538	1,756	1,032
Interest and other income (expense), net:			
Interest expense	(51)	(42)	(22)
Other income (expense), net	7	(19)	(2)
Income before provision for income taxes	494	1,695	1,008
Provision for income taxes	441	695	402
Net income	<u>\$ 53</u>	<u>\$1,000</u>	<u>\$ 606</u>
Less: Net income attributable to participating securities	21	332	234
Net income attributable to Class A and Class B common stockholders	<u>\$ 32</u>	<u>\$ 668</u>	<u>\$ 372</u>
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	<u>\$ 0.02</u>	<u>\$ 0.52</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.46</u>	<u>\$ 0.28</u>
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	<u>2,006</u>	<u>1,294</u>	<u>1,107</u>
Diluted	<u>2,166</u>	<u>1,508</u>	<u>1,414</u>
Share-based compensation expense included in costs and expenses:			
Cost of revenue	\$ 88	\$ 9	\$ —
Research and development	843	114	9
Marketing and sales	306	37	2
General and administrative	335	57	9
Total share-based compensation expense	<u>\$1,572</u>	<u>\$ 217</u>	<u>\$ 20</u>

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Net income	\$ 53	\$1,000	\$ 606
Other comprehensive income (loss):			
Foreign currency translation adjustment	9	—	(6)
Unrealized gain on available-for-sale investments, net of tax	1	—	—
Unrealized loss on derivative, net of tax	(2)	—	—
Comprehensive income	\$ 61	\$1,000	\$ 600

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Par Value				
Balances at December 31, 2009	543	\$ 615	1,070	\$ —	\$ 253	\$ —	\$ —	\$ 868
Issuance of common stock, net of issuance costs	—	—	24	—	500	—	—	500
Issuance of common stock for cash upon exercise of stock options	—	—	70	—	6	—	—	6
Issuance of common stock related to acquisitions	—	—	6	—	60	—	—	60
Conversion of Series A preferred stock to common stock	(2)	—	2	—	—	—	—	—
Reclassification of option liability to additional paid-in capital	—	—	—	—	3	—	—	3
Share-based compensation, related to employee share-based awards	—	—	—	—	17	—	—	17
Share-based compensation, related to nonemployee share-based awards	—	—	—	—	1	—	—	1
Excess tax benefit from share-based award activity, net of deferred tax impact	—	—	—	—	107	—	—	107
Other comprehensive loss	—	—	—	—	—	(6)	—	(6)
Net income	—	—	—	—	—	—	606	606
Balances at December 31, 2010	541	615	1,172	—	947	(6)	606	2,162
Issuance of common stock, net of issuance costs	—	—	48	—	998	—	—	998
Issuance of common stock for cash upon exercise of stock options	—	—	102	—	28	—	—	28
Issuance of common stock to nonemployees for past services	—	—	—	—	3	—	—	3
Issuance of common stock related to acquisitions	—	—	2	—	58	—	—	58
Exercise of preferred stock warrants	8	—	—	—	—	—	—	—
Conversion of Series B & C preferred stock to common stock	(6)	—	6	—	—	—	—	—
Share-based compensation, related to employee share-based awards	—	—	—	—	217	—	—	217
Excess tax benefit from share-based award activity	—	—	—	—	433	—	—	433
Net income	—	—	—	—	—	—	1,000	1,000
Balances at December 31, 2011	543	615	1,330	—	2,684	(6)	1,606	4,899
Issuance of common stock, net of issuance costs	—	—	180	—	6,760	—	—	6,760
Issuance of common stock for cash upon exercise of stock options	—	—	135	—	17	—	—	17
Issuance of common stock to nonemployees for past services	—	—	—	—	1	—	—	1
Issuance of common stock related to acquisitions	—	—	26	—	274	—	—	274
Issuance of common stock for settlement of restricted stock units (RSUs)	—	—	279	—	—	—	—	—
Shares withheld related to net share settlement of RSUs	—	—	(123)	—	(2,862)	—	—	(2,862)
Conversion of Series A, B, C, D & E preferred stock to common stock	(543)	(615)	545	—	615	—	—	—
Share-based compensation, related to employee share-based awards	—	—	—	—	1,572	—	—	1,572
Excess tax benefit from share-based award activity	—	—	—	—	1,033	—	—	1,033
Other comprehensive income	—	—	—	—	—	8	—	8
Net income	—	—	—	—	—	—	53	53
Balances at December 31, 2012	—	\$ —	2,372	\$ —	\$10,094	\$ 2	\$ 1,659	\$11,755

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Cash flows from operating activities			
Net income	\$ 53	\$ 1,000	\$ 606
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	649	323	139
Loss on write-off of equipment	15	4	3
Share-based compensation	1,572	217	20
Deferred income taxes	(186)	(30)	23
Tax benefit from share-based award activity	1,033	433	115
Excess tax benefit from share-based award activity	(1,033)	(433)	(115)
Changes in assets and liabilities:			
Accounts receivable	(170)	(174)	(209)
Income tax refundable	(451)	—	—
Prepaid expenses and other current assets	(14)	(24)	(38)
Other assets	2	(5)	(6)
Accounts payable	1	6	12
Platform partners payable	(2)	96	75
Accrued expenses and other current liabilities	160	37	20
Deferred revenue and deposits	(60)	49	37
Other liabilities	43	50	16
Net cash provided by operating activities	1,612	1,549	698
Cash flows from investing activities			
Purchases of property and equipment	(1,235)	(606)	(293)
Purchases of marketable securities	(10,307)	(3,025)	—
Sales of marketable securities	2,100	113	—
Maturities of marketable securities	3,333	516	—
Investments in non-marketable equity securities	(2)	(3)	—
Acquisitions of businesses, net of cash acquired, and purchases of intangible and other assets	(911)	(24)	(22)
Change in restricted cash and deposits	(2)	6	(9)
Net cash used in investing activities	(7,024)	(3,023)	(324)
Cash flows from financing activities			
Net proceeds from issuance of common stock	6,760	998	500
Taxes paid related to net share settlement of equity awards	(2,862)	—	—
Proceeds from exercise of stock options	17	28	6
Proceeds from long-term debt, net of issuance cost	1,496	—	250
Repayment of long-term debt	—	(250)	—
Proceeds from sale and lease-back transactions	205	170	—
Principal payments on capital lease obligations	(366)	(181)	(90)
Excess tax benefit from share-based award activity	1,033	433	115
Net cash provided by financing activities	6,283	1,198	781
Effect of exchange rate changes on cash and cash equivalents	1	3	(3)
Net increase (decrease) in cash and cash equivalents	872	(273)	1,152
Cash and cash equivalents at beginning of period	1,512	1,785	633
Cash and cash equivalents at end of period	<u>\$ 2,384</u>	<u>\$ 1,512</u>	<u>\$ 1,785</u>

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2012	2011	2010
Supplemental cash flow data			
Cash paid during the period for:			
Interest	\$ 38	\$ 28	\$ 23
Income taxes, net	\$ 53	\$197	\$261
Non-cash investing and financing activities:			
Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	\$ (40)	\$135	\$ 47
Property and equipment acquired under capital leases	\$340	\$473	\$217
Fair value of shares issued related to acquisitions of businesses and other assets	\$274	\$ 58	\$ 60

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

Facebook was incorporated in Delaware in July 2004. Our mission is to make the world more open and connected. We build products that support our mission by providing utility to Facebook users, Platform developers, and marketers. We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables users to purchase virtual and digital goods from our Platform developers.

Basis of Presentation

We prepared the consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of Facebook, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to revenue recognition, collectability of accounts receivable, contingent liabilities, fair value of share-based awards, fair value of financial instruments, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, and income taxes. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

Reclassifications

We have reclassified certain prior period amounts within our consolidated statements of income and cash flows to conform to our current year presentation. These reclassifications did not affect previously reported revenue, total costs and expenses, income from operations, net income in the consolidated statements of income, or net cash provided by operating activities in the consolidated statements of cash flows.

Revenue Recognition

We generate substantially all of our revenue from advertising and payment processing fees. We recognize revenue once all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery of Facebook's obligations to our customer has occurred;
- the price is fixed or determinable; and
- collectability of the related receivable is reasonably assured.

Revenue for the years ended December 31, 2012, 2011, and 2010 consists of the following (in millions):

	Year Ended December 31,		
	2012	2011	2010
Advertising	\$4,279	\$3,154	\$1,868
Payments and other fees	810	557	106
Total revenue	<u>\$5,089</u>	<u>\$3,711</u>	<u>\$1,974</u>

Advertising

Advertising revenue is generated by displaying ad products on the Facebook website or mobile app and third-party affiliated websites or mobile apps. The arrangements are evidenced by either online acceptance of terms and conditions or contracts that stipulate the types of advertising to be delivered, the timing and the pricing. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of impressions delivered or the number of clicks made by our users. The typical term of an advertising arrangement is approximately 30 days with billing generally occurring after the delivery of the advertisement.

We recognize revenue from the delivery of click-based ads in the period in which a user clicks on the content. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Payments and Other Fees

We enable Payments from our users to our Platform developers. Our users can transact and make payments on the Facebook Platform by using credit cards, PayPal or other payment methods available on our website. The primary method for users to transact with the developers on the Facebook Platform is via the purchase of our virtual currency, which enables our users to purchase virtual and digital goods in games and apps. Upon the initial sale of our virtual currency, we record consideration received from a user as a deposit.

When a user engages in a payment transaction utilizing our virtual currency for the purchase of a virtual or digital good from a Platform developer, we reduce the user's virtual currency balance by the price of the purchase, which is a price that is solely determined by the Platform developer. We remit to the Platform developer an amount that is based on the total amount of virtual currency redeemed less the processing fee that we charge the Platform developer for the transaction. Our revenue is the net amount of the transaction, representing our processing fee for the service performed. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the user.

Our Payments terms and conditions provide for a 30-day claim period subsequent to a Payments transaction during which the customer may dispute the virtual or digital goods transaction. Through the third quarter of 2012, we had deferred recognition of Payments revenue until the expiration of this period as we were unable to make reasonable and reliable estimates of future refunds or chargebacks arising during this claim period, due to lack of historical transactional information. Beginning in the fourth quarter of 2012, we had 24 months of historical transactional information which enabled us to estimate future refunds and chargebacks. Accordingly, in the fourth quarter of 2012, we recorded all Payments revenues at the time of the purchase of the related virtual or digital goods, net of estimated refunds or chargebacks. This change resulted in a one-time increase in Payments revenue in the fourth quarter of 2012 of approximately \$66 million as we recognized revenue from four months of transactions.

Other fees, which includes user Promoted Posts and, to a lesser extent, Facebook Gifts, have not been material in all periods presented in our financial statements.

Revenue is recognized net of applicable sales and other taxes.

Cost of Revenue

Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment depreciation, facility and server equipment rent expense, energy and bandwidth costs, support and maintenance costs, and salaries, benefits and share-based compensation for certain personnel on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions of GAAP. Those provisions require all share-based payments to employees, including grants of stock options and RSUs, to be measured based on the grant-date fair value of the awards, with the resulting expense generally recognized in our consolidated statements of income over the period during which the employee is required to perform service in exchange for the award.

Prior to January 1, 2011, we granted RSUs (Pre-2011 RSUs) under our 2005 Stock Plan to our employees and members of our board of directors that vested upon the satisfaction of both a service condition and a liquidity condition. The service condition for the majority of these awards is satisfied over four years. The liquidity condition was satisfied six months after our initial public offering (IPO) in May 2012. The vesting condition that was satisfied six months following our IPO did not affect the expense attribution period for the RSUs for which the service condition has been met as of the date of our IPO. This six-month period was not a substantive service condition and, accordingly, beginning on the effectiveness of our IPO in May 2012, we recognized cumulative share-based compensation expense for the portion of the RSUs that had met the service condition, following the accelerated attribution method (net of estimated forfeitures). In the year ended December 31, 2012, we recognized \$1.04 billion of share-based compensation expense related to our Pre-2011 RSUs. Refer to Note 11 Stockholders' Equity for disclosure with respect to the settlement of the Pre-2011 RSUs.

RSUs granted on or after January 1, 2011 (Post-2011 RSUs) under our 2005 Stock Plan or 2012 Equity Incentive Plan (2012 Plan) are not subject to a liquidity condition in order to vest, and compensation expense related to these grants is based on the grant date fair value of the RSUs and is recognized on a straight-line basis over the applicable service period. The majority of Post-2011 RSUs are earned over a service period of four to five years, and vested shares will be settled beginning in 2013.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such, only those share-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the employee's required service period.

During the years ended December 31, 2012, 2011, and 2010, we realized tax benefits from share-based award activity of \$1.03 billion, \$433 million and \$115 million, respectively. These amounts reflect the extent that the total reduction to our income tax liability from share-based award activity was greater than the amount of the deferred tax assets that we had previously recorded in anticipation of these benefits. These amounts are the aggregate of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that we recorded, reduced by any individual transactions in which the reduction to our income

tax liability was less than the deferred tax assets that were recorded. These net amounts were recorded as an adjustment to stockholders' equity in each period, as an increase to cash flows from operating activities, and were not recognized in our consolidated statements of income.

The tax benefits realized from share-based award activity of \$1.03 billion relate to both the reduction of current year income tax liabilities and the expected refund of \$451 million from income tax loss carrybacks to 2010 and 2011.

In addition, we reported excess tax benefits that decreased our cash flows from operating activities and increased our cash flows from financing activities for the years ended December 31, 2012, 2011, and 2010, by \$1.03 billion, \$433 million, \$115 million, respectively. The amounts of these excess tax benefits reflect the total of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that were recorded, but were not reduced by any of the individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded.

Income Taxes

We recognize income taxes under the asset and liability method. We recognize deferred income tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

Advertising Expense

Advertising costs are expensed when incurred and are included in marketing and sales expenses in the accompanying consolidated statements of income. We incurred advertising expenses of \$67 million, \$28 million, and \$8 million for the years ended December 31, 2012, 2011, and 2010, respectively.

Cash and Cash Equivalents, and Marketable Securities

Cash and cash equivalents primarily consist of cash on deposit with banks and investments in money market funds, and U.S. government and U.S. government agency securities with maturities of 90 days or less from the date of purchase.

We hold investments in marketable securities, consisting of U.S. government and U.S. government agency securities. We classify our marketable securities as available-for-sale investments in our current assets because they represent investments of cash available for current operations. Our available-for-sale investments are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive income/(loss) in stockholders' equity. Unrealized losses are charged against other income (expense), net when a decline in fair value is determined to be other-than-temporary. We have not recorded any

such impairment charge in the periods presented. We determine realized gains or losses on sale of marketable securities on a specific identification method, and record such gains or losses as other income (expense), net.

We classify certain restricted cash balances within prepaid expenses and other current assets and other assets on the accompanying consolidated balance sheets based upon the term of the remaining restrictions.

Non-Marketable Securities

We invest in certain investment funds that are not publicly traded. We carry these investments at cost because we do not have significant influence over the underlying investee. We assess for any other-than-temporary impairment at least on an annual basis. No impairment charge has been recorded to-date on our non-marketable securities. We classify these investments within other assets on the accompanying consolidated balance sheets.

Derivative Financial Instruments

We account for derivative instruments as either assets or liabilities and carry them at fair value. For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash-flow hedges, the effective portion of the gain or loss on the derivative instruments is initially reported as a separate component of accumulated other comprehensive income (AOCI) in shareholders' equity and is subsequently recognized in earnings when the hedge exposure is recognized in earnings. The ineffective portion of the gain or loss on the derivative instruments, if any, is recognized in earnings. To receive hedge accounting treatment, a cash flow hedge must be highly effective in offsetting changes to expected future cash flows on the hedged transaction.

In October 2012 we entered into an interest rate swap agreement to hedge our exposure to interest rate fluctuation with respect to our \$1.5 billion floating rate three-year unsecured term loan facility. The critical terms of the interest rate swap agreement and the related debt agreement match and allow us to designate the interest rate swap as a highly effective cash flow hedge under GAAP. We periodically assess the effectiveness of our hedged transaction. The interest rate swap agreement is currently our only derivative instrument and is not used for trading purpose. Refer to Note 9 Long-term Debt for further disclosure on the interest rate swap agreement.

Fair Value of Financial Instruments

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Our valuation techniques used to measure the fair value of money market funds and marketable debt securities were derived from quoted prices in active markets for identical assets or liabilities and our valuation technique used to measure the fair value of our derivative instrument was based on a model-driven valuation using significant inputs derived from or corroborated by observable market data.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. We make estimates for the allowance for doubtful accounts based upon our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect customers' ability to pay.

Property and Equipment

Property and equipment, which includes amounts recorded under capital leases, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the remaining lease term, in the case of a capital lease, whichever is shorter.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Network equipment	Three to four years
Buildings	15 to 20 years
Computer software, office equipment and other	Two to five years
Leased equipment and leasehold improvements	Lesser of estimated useful life or remaining lease term

Land and assets held within construction in progress are not depreciated. Construction in progress is related to the construction or development of property and equipment that have not yet been placed in service for their intended use.

The cost of maintenance and repairs is expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in income from operations.

Lease Obligations

We lease office space, data centers, and equipment under non-cancelable capital and operating leases with various expiration dates through 2027. Certain of the operating lease agreements contain rent holidays, rent escalation provisions, and purchase options. Rent holidays and rent escalation provisions are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease inception.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and amortizable intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting operating unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under the new authoritative guidance issued by the Financial Accounting Standards Board (FASB). If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test is performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of December 31, 2012, no impairment of goodwill has been identified.

Acquired amortizable intangible assets, which are included in goodwill and intangible assets, net, are amortized on a straight-line basis over the estimated useful lives of the assets. The estimated remaining useful lives for intangible assets range from less than one year to 17 years.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of property and equipment and amortizable intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

Deferred Revenue and Deposits

Deferred revenue consists of billings in advance of revenue recognition. Deposits relate to unused virtual currency held by our users. Once this virtual currency is utilized by a user, approximately 70% of this amount would then be payable to the Platform developer and the balance would be recognized as revenue.

Deferred revenue and deposits consists of the following (in millions):

	December 31,	
	2012	2011
Deferred revenue	\$ 8	\$ 75
Deposits	22	15
Total deferred revenue and deposits	<u>\$ 30</u>	<u>\$ 90</u>

Foreign Currency

Generally the functional currency of our international subsidiaries is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenue, costs, and expenses. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. Net losses resulting from foreign exchange transactions were \$9 million, \$29 million and \$1 million for the years ended December 31, 2012, 2011 and 2010, respectively. These losses were recorded as other income (expense), net on our consolidated statements of income.

Credit Risk and Concentration

Financial instruments owned by the company that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities, accounts receivable, and derivative instruments. Cash equivalents consist of short-term money market funds and U.S. government and U.S. government agency securities, which are deposited with reputable financial institutions. Marketable securities consist of investments in U.S. government and U.S. government agency securities. Our investment policy limits investment instruments to U.S. government and U.S. government agency securities with the main objective of preserving capital and maintaining liquidity.

Accounts receivable are typically unsecured and are derived from revenue earned from customers across different industries and countries. We generated 51%, 56%, and 62% of our revenue for the years ended December 31, 2012, 2011, and 2010, respectively, from marketers and Platform developers based in the United States, with the majority of revenue outside of the United States coming from customers located in western Europe, Canada, Australia, and Brazil.

We perform ongoing credit evaluations of our customers, and generally do not require collateral. We maintain an allowance for estimated credit losses. During the years ended December 31, 2012, 2011, and 2010, our bad debt expenses were \$9 million, \$8 million, and \$9 million, respectively. In the event that accounts receivable collection cycles deteriorate, our operating results and financial position could be adversely affected.

Revenue from one customer, Zynga, represented 12% of total revenue for the year ended December 31, 2011. Revenue from Zynga consisted of payments processing fees related to their sale of virtual goods and from direct advertising purchased by Zynga. No customer represented 10% or more of total revenue during the years ended December 31, 2012 and 2010.

Segments

Our chief operating decision-maker is our Chief Executive Officer who reviews financial information presented on a consolidated basis. There are no segment managers who are held accountable by the chief operating decision-maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, we have determined that we have a single reporting segment and operating unit structure.

Recently Issued and Adopted Accounting Pronouncement

Comprehensive Income

In May 2011, the FASB issued guidance that changed the requirement for presenting "Comprehensive Income" in the consolidated financial statements. The update requires an entity to present the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. We adopted this new guidance on January 1, 2012.

Goodwill Impairment Testing

In September 2011, the FASB issued an amendment to an existing accounting standard which provides entities an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. An entity now has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this new standard on January 1, 2012 and the adoption did not have a material impact on our financial statements.

Note 2. Acquisitions

In August 2012, we completed our acquisition of Instagram, Inc. (Instagram), a privately-held company which has built a mobile phone-based photo-sharing service that is expected to enhance our photos product offerings and to enable users to increase their levels of mobile engagement and photo sharing. We have accounted for this transaction as a business acquisition for a total purchase price of \$521 million, consisting of the issuance of approximately 12 million vested shares of our Class B common stock to non-employee stockholders of Instagram and \$300 million in cash. The value of the equity component of the purchase price was determined for accounting purposes based on the fair value of our common stock on the closing date. We also issued approximately 11 million unvested shares of our Class B common stock to employee stockholders of Instagram on the closing date, with an aggregate fair value of \$194 million, which will be recognized as they vest over a three-year service period as share-based compensation expense.

In 2012, we also completed other business acquisitions for total consideration of \$87 million. These acquisitions were not material to our consolidated financial statements individually or in the aggregate. Pro forma results of operations related to our acquisition of Instagram or of other companies during the year ended December 31, 2012 have not been presented because they are not material to our consolidated statements of income, either individually or in the aggregate.

The following table summarizes the allocation of the fair values of the assets acquired and liabilities assumed and the related useful lives, where applicable:

	Instagram, Inc.		Other	
	(in millions)	Useful lives (in years)	(in millions)	Useful lives (in years)
Amortizable intangible assets:				
Acquired technology	\$ 74	5	\$ 20	3 – 5
Tradename and other	64	2 – 7	8	2 – 3
Net liabilities assumed	(1)		(4)	
Deferred tax liabilities	(49)		(9)	
Net assets acquired	\$ 88		\$ 15	
Goodwill	433		72	
Total fair value considerations	<u>\$521</u>		<u>\$ 87</u>	

Goodwill generated from all business acquisitions completed during 2012 is primarily attributable to expected synergies from future growth and potential monetization opportunities and is not deductible for tax purposes.

In 2012, we also acquired \$633 million of patents and other intellectual property rights. We completed the largest of these intangible asset purchases in June 2012 under an agreement with Microsoft Corporation pursuant to which we were assigned Microsoft's rights to acquire approximately 615 U.S. patents and patent applications

and certain of their foreign counterparts, consisting of approximately 170 foreign patents and patent applications, that were subject to an agreement between AOL Inc. and Microsoft entered into on April 5, 2012. We paid \$550 million in cash in exchange for these patents and patent applications. As part of this transaction, we established a deferred tax liability of \$49 million to reflect the difference between the future tax basis and book basis in the acquired patents and patent applications, which also increased the capitalized patent cost by this amount. As part of this transaction, we obtained a license to the other AOL patents and patent applications being purchased by Microsoft and granted Microsoft a license to the AOL patents and patent applications that we acquired. The acquisitions of these patents, patent applications and other intellectual property rights were accounted for as asset acquisitions. Patents acquired during 2012 have estimated useful lives ranging from three to 17 years from the dates of acquisition.

Note 3. Earnings per Share

We compute earnings per share (EPS) of Class A and Class B common stock using the two-class method required for participating securities. Prior to the date of the IPO, we considered all series of our convertible preferred stock to be participating securities due to their non-cumulative dividend rights. Immediately after the completion of our IPO in May 2012, all outstanding shares of convertible preferred stock converted to Class B common stock. Additionally, we consider restricted stock awards to be participating securities, because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares.

Undistributed earnings allocated to these participating securities are subtracted from net income in determining net income attributable to common stockholders. Net losses, if any are not allocated to these participating securities. Basic EPS is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of our Class A and Class B common stock outstanding, adjusted for outstanding shares that are subject to repurchase.

For the calculation of diluted EPS, net income attributable to common stockholders for basic EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans. In addition, the computation of the diluted EPS of Class A common stock assumes the conversion from Class B common stock, while the diluted EPS of Class B common stock does not assume the conversion of those shares. Diluted EPS attributable to common stockholders is computed by dividing the resulting net income attributable to common stockholders by the weighted-average number of fully diluted common shares outstanding.

Dilutive securities in our diluted EPS calculation for the years ended December 31, 2011 and 2010 do not include Pre-2011 RSUs. Vesting of these RSUs is dependent upon the satisfaction of both a service condition and a liquidity condition. The liquidity condition is satisfied upon the occurrence of a qualifying event, defined as a change of control transaction or six months following the completion of our IPO. Our IPO did not occur until May 2012. Therefore, prior to this date the holders of these RSUs had no rights in our undistributed earnings and accordingly, they are excluded from the effect of basic and dilutive securities. However, subsequent to the completion of our IPO in May 2012, these RSUs are included in our basic and diluted EPS calculation. Post-2011 RSUs are not subject to a liquidity condition in order to vest, and are thus included in the calculation of diluted EPS. We also excluded 15 million and three million Post-2011 RSUs for the years ended December 31, 2012 and December 31, 2011, respectively, and two million shares issuable upon exercise of employee stock options for the year ended December 31, 2010 because the impact would be anti-dilutive.

Basic and diluted EPS are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The numerators and denominators of the basic and diluted EPS computations for our common stock are calculated as follows (in millions, except per share amounts):

	Year Ended December 31,					
	2012		2011		2010	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic EPS:						
Numerator						
Net income	\$ 18	\$ 35	\$ 85	\$ 915	\$ 18	\$ 588
Less: Net income attributable to participating securities	7	14	28	304	7	227
Net income attributable to common stockholders	<u>\$ 11</u>	<u>\$ 21</u>	<u>\$ 57</u>	<u>\$ 611</u>	<u>\$ 11</u>	<u>\$ 361</u>
Denominator						
Weighted average shares outstanding	668	1,344	110	1,189	32	1,081
Less: Shares subject to repurchase	1	5	—	5	—	6
Number of shares used for basic EPS computation	<u>667</u>	<u>1,339</u>	<u>110</u>	<u>1,184</u>	<u>32</u>	<u>1,075</u>
Basic EPS	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>	<u>\$ 0.34</u>	<u>\$ 0.34</u>
Diluted EPS:						
Numerator						
Net income attributable to common stockholders	\$ 11	\$ 21	\$ 57	\$ 611	\$ 11	\$ 361
Reallocation of net income attributable to participating securities	—	—	31	—	30	—
Reallocation of net income as a result of conversion of Class B to Class A common stock	21	—	611	—	361	—
Reallocation of net income to Class B common stock	—	1	—	37	—	32
Net income attributable to common stockholders for diluted EPS	<u>\$ 32</u>	<u>\$ 22</u>	<u>\$ 699</u>	<u>\$ 648</u>	<u>\$ 402</u>	<u>\$ 393</u>
Denominator						
Number of shares used for basic EPS computation	667	1,339	110	1,184	32	1,075
Conversion of Class B to Class A common stock	1,339	—	1,184	—	1,075	—
Weighted average effect of dilutive securities:						
Employee stock options	134	134	204	204	295	295
RSUs	23	23	5	5	—	—
Shares subject to repurchase	3	3	3	3	4	4
Warrants	—	—	2	2	8	8
Number of shares used for diluted EPS computation	<u>2,166</u>	<u>1,499</u>	<u>1,508</u>	<u>1,398</u>	<u>1,414</u>	<u>1,382</u>
Diluted EPS	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.46</u>	<u>\$ 0.46</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>

Note 4. Cash and Cash Equivalents, and Marketable Securities

The following table sets forth the cash, cash equivalents and marketable securities for the periods presented (in millions):

	December 31,	
	2012	2011
Cash and cash equivalents:		
Cash	\$1,513	\$ 510
Cash equivalents:		
Money market funds	871	892
U.S. government securities	—	60
U.S. government agency securities	—	50
Total cash and cash equivalents	<u>2,384</u>	<u>1,512</u>
Marketable securities:		
U.S. government securities	5,165	1,415
U.S. government agency securities	2,077	981
Total marketable securities	<u>7,242</u>	<u>2,396</u>
Total cash, cash equivalents and marketable securities	<u>\$9,626</u>	<u>\$3,908</u>

The gross unrealized gains or losses on our marketable securities as of December 31, 2012 and 2011 were not significant. In addition, there were no securities in a continuous loss position for 12 months or longer as of December 31, 2012 and 2011.

The following table classifies our marketable securities by contractual maturities: (in millions):

	December 31,	
	2012	2011
Due in one year	\$4,815	\$1,964
Due in one to two years	<u>2,427</u>	<u>432</u>
Total	<u>\$7,242</u>	<u>\$2,396</u>

Note 5. Fair Value Measurement

The following table summarizes, for assets or liabilities measured at fair value, the respective fair value and the classification by level of input within the fair value hierarchy (in millions):

Description	December 31, 2012	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 871	\$ 871	\$ —	\$ —
Marketable securities:				
U.S. government securities	5,165	5,165	—	—
U.S. government agency securities	<u>2,077</u>	<u>2,077</u>	—	—
Total cash equivalents and marketable securities	<u>\$8,113</u>	<u>\$8,113</u>	<u>\$ —</u>	<u>\$ —</u>
Other current liabilities:				
Contingent consideration liability	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4</u>
Other liabilities:				
Derivative financial instrument	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ —</u>

Description	December 31, 2011	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 892	\$ 892	—	—
U.S. government securities	60	60	—	—
U.S. government agency securities	<u>50</u>	<u>50</u>	—	—
Total cash equivalents	1,002	1,002	—	—
Marketable securities:				
U.S. government securities	1,415	1,415	—	—
U.S. government agency securities	<u>981</u>	<u>981</u>	—	—
Total cash equivalents and marketable securities	<u>\$3,398</u>	<u>\$3,398</u>	<u>\$ —</u>	<u>\$ —</u>

There was no contingent consideration liability or interest rate swap as of December 31, 2011.

Our Level 2 derivative financial instrument represents our interest rate swap agreement which is valued based on a valuation model using significant inputs derived from or corroborated by observable market data.

We estimate the fair value of our Level 3 contingent consideration liability based on the probability assessment of the earn-out criteria. In developing these estimates, we consider factors not observed in the market and thus this represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs

that are supported by little or no market activity and reflect our own assumptions in measuring fair value. Our fair value estimate of this liability was \$6 million at the date of acquisition. Changes in the fair value of the contingent consideration liability subsequent to the acquisition date, such as changes in the probability assessment and our stock prices, are recognized in earnings in the period when the change in the estimated fair value occurs.

Note 6. Property and Equipment

Property and equipment consists of the following (in millions):

	December 31,	
	2012	2011
Network equipment	\$1,912	\$1,016
Land	36	34
Buildings	594	355
Leasehold improvements	194	120
Computer software, office equipment and other	93	73
Construction in progress	444	327
Total	3,273	1,925
Less: accumulated depreciation	(882)	(450)
Property and equipment, net	<u>\$2,391</u>	<u>\$1,475</u>

Depreciation expense on property and equipment was \$566 million, \$303 million and \$129 million during 2012, 2011 and 2010, respectively.

Property and equipment at December 31, 2012 and 2011 includes \$1.28 billion and \$881 million, respectively, acquired under capital lease agreements of which the majority is included in computer software, office equipment, and other. Accumulated depreciation of property and equipment acquired under these capital leases was \$437 million and \$210 million at December 31, 2012 and 2011, respectively.

Construction in progress includes costs primarily related to the construction of data centers and equipment located in our data centers in Oregon, North Carolina, and Sweden. Interest capitalized during the years presented was not material.

Note 7. Goodwill and Intangible Assets

The changes in carrying amount of goodwill for the years ended December 31, 2012 and 2011 are as follows (in millions):

Balance as of December 31, 2010	\$ 37
Goodwill acquired	48
Effect of currency translation adjustment	<u>(3)</u>
Balance as of December 31, 2011	82
Goodwill acquired	<u>505</u>
Balance as of December 31, 2012	<u>\$587</u>

Intangible assets consist of the following (in millions):

	Useful lives from date of acquisitions (in years)	December 31, 2012			December 31, 2011		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:							
Acquired patents	3 – 18	\$ 684	\$ (53)	\$ 631	\$ 51	\$ (4)	\$ 47
Acquired technology	2 – 10	133	(32)	101	38	(15)	23
Tradename and other	2 – 7	94	(25)	69	23	(13)	10
Total		<u>\$ 911</u>	<u>\$(110)</u>	<u>\$ 801</u>	<u>\$ 112</u>	<u>\$ (32)</u>	<u>\$ 80</u>

Amortization expense of intangible assets for the years ended December 31, 2012, 2011, and 2010 was \$78 million, \$20 million, and \$9 million, respectively.

As of December 31, 2012, expected amortization expense for the unamortized acquired intangible assets for the next five years and thereafter is as follows (in millions):

2013	\$126
2014	120
2015	112
2016	102
2017	86
Thereafter	255
Total	<u>\$801</u>

Note 8. Accrued expenses and other current liabilities

The components of accrued expenses and other current liabilities were as follows (in millions):

	December 31,	
	2012	2011
Accrued compensation and benefits	\$146	\$ 57
Other current liabilities	277	239
Total accrued expenses and other current liabilities	<u>\$423</u>	<u>\$296</u>

Note 9. Long-term Debt

In 2011, we entered into an agreement for an unsecured five-year revolving credit facility that allowed us to borrow up to \$2.5 billion, with interest payable on borrowed amounts set at LIBOR plus 1.0%. No amounts were drawn down under this agreement as of December 31, 2011. This credit facility was terminated in February 2012.

In February 2012, we entered into a new agreement for an unsecured five-year revolving credit facility that allows us to borrow up to \$5 billion for general corporate purposes, with interest payable on the borrowed amounts set at LIBOR plus 1.0%. Origination fees are amortized over the term of the credit facility. Under the terms of the agreement, we are obligated to pay a commitment fee of 0.10% per annum on the daily undrawn balance. As of December 31, 2012, no amounts were drawn down and we were in compliance with the covenants under this credit facility.

Concurrent with our entering into the revolving credit facility in February 2012, we also entered into a bridge credit facility agreement that allows us to borrow up to \$3 billion to fund tax withholding and remittance

obligations related to the settlement of RSUs in connection with our IPO, with interest payable on the borrowed amounts set at LIBOR plus 1.0% and an additional 0.25% payable on drawn balances outstanding from and after the 180th day of borrowing. Under the terms of the agreement, we are obligated to pay a commitment fee of 0.10% per annum on the daily undrawn balance from and after the 90th day following the date we entered into the bridge facility.

In October 2012, we amended and restated our bridge credit facility, and converted it into a three-year unsecured term loan facility (Amended and Restated Term Loan) that allows us to borrow up to \$1.5 billion to fund tax withholding and remittance obligations related to the settlement of RSUs in connection with our IPO with interest payable on the borrowed amounts set at LIBOR plus 1.0%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. We paid origination fees at closing of the Amended and Restated Term Loan, which fees are being amortized over the term of the facility. On October 25, 2012, we fully drew down the \$1.5 billion available on the Amended and Restated Term Loan to fund a portion of the withholding tax liability that arise due to the vesting and settlement of RSUs in October and November 2012. We paid an additional upfront fee of 0.15% of the \$1.5 billion drawn down on the funding date, which fee is being amortized over the remaining term of the facility. The amount outstanding under this facility will become due and payable on October 25, 2015. As of December 31, 2012, we were in compliance with the covenants in the Amended and Restated Term Loan.

In connection with the draw down of the Amended and Restated Term Loan, we entered into an interest rate swap agreement with an effective date of October 25, 2012. The notional amount of the interest rate swap agreement is \$1.5 billion and the agreement converts the one-month LIBOR rate on the corresponding notional amount of debt to a fixed interest rate of 1.46% to hedge our exposure to interest rate fluctuation. This interest rate swap has a maturity date of October 25, 2015. We have designated the interest rate swap agreement as a qualifying hedging instrument and accounted for it as a cash flow hedge.

As of December 31, 2012 the change in fair value of this interest rate swap agreement, net of tax was \$2 million and is recognized in AOCI with the corresponding fair value of \$4 million included in other liabilities on our consolidated balance sheet. For the year ended December 31, 2012, the amount of loss in other comprehensive income reclassified to interest expense was not significant. There were no realized gains or losses on derivative other than those related to the periodic settlement of the interest rate swap.

We estimate that \$3 million of derivative losses included in AOCI will be reclassified into earnings within the next 12 months. This amount has been calculated based on the variable interest rate assumptions used in the fair value calculation of the interest rate swap agreement as of December 31, 2012.

Note 10. Commitments and Contingencies

Commitments

Leases

We entered into various capital lease arrangements to obtain property and equipment for our operations. Additionally, on occasion we have purchased property and equipment for which we have subsequently obtained capital financing under sale-leaseback transactions. These agreements are typically for three years except for building leases which are for 15 years, with interest rates ranging from 1% to 13%. The leases are secured by the underlying leased buildings, leasehold improvements, and equipment. We have also entered into various non-cancelable operating lease agreements for certain of our offices, equipment, land and data centers with original lease periods expiring between now and 2027. We are committed to pay a portion of the related actual operating expenses under certain of these lease agreements. Certain of these arrangements have free rent periods or escalating rent payment provisions, and we recognize rent expense under such arrangements on a straight-line basis.

The following is a schedule, by years, of the future minimum lease payments required under non-cancelable capital and operating leases as of December 31, 2012 (in millions):

	Capital Leases	Operating Leases
2013	\$ 398	\$ 142
2014	278	128
2015	125	117
2016	20	110
2017	15	102
Thereafter	143	252
Total minimum lease payments	<u>\$ 979</u>	<u>\$ 851</u>
Less: amount representing interest and taxes	(123)	
Less: current portion of the present value of minimum lease payments	<u>(365)</u>	
Capital lease obligations, net of current portion	<u>\$ 491</u>	

Operating lease expenses totaled \$196 million, \$219 million, and \$178 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Other contractual commitments

We also have \$749 million of non-cancelable contractual commitments as of December 31, 2012, primarily related to equipment and supplies for our data center operations, and, to a lesser extent, construction of our data center sites. The majority of these commitments are due in 2013.

Contingencies

Legal Matters

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our IPO and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. On October 4, 2012, on our motion, the vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the United States District Court for the Southern District of New York. In addition, the events surrounding our IPO have become the subject of various government inquiries, and we are cooperating with those inquiries.

In the opinion of management, there was not at least a reasonable possibility we may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies relating to the matters set forth above. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against us in the same reporting period for amounts in excess of management's expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected.

We are also party to various legal proceedings and claims which arise in the ordinary course of business. Among these pending legal matters, two cases are currently scheduled for trial in the near future: Summit 6 LLC v. Research in Motion Corporation et al., Case No. 3:11cv00367, is scheduled to begin trial as early as February 19, 2013, in the U.S. District Court for the Northern District of Texas, and Timelines, Inc. v. Facebook, Inc., Case No. 1:2011cv06867, is scheduled to begin trial on April 22, 2013, in the U.S. District Court for the

Northern District of Illinois. In the Summit 6 case, the plaintiffs allege that Facebook infringes certain patents held by the plaintiffs. In the Timelines case, the plaintiffs allege that Facebook infringes a trademark held by the plaintiffs. In both cases, the plaintiffs are seeking significant monetary damages and equitable relief.

We believe the claims made by the Summit 6 plaintiffs and the Timelines plaintiffs are without merit, and we intend to continue to defend ourselves vigorously in both cases. Although the outcome of litigation is inherently uncertain, we do not believe the possibility of loss in either of these cases is probable. We are unable to estimate a range of loss, if any, that could result were there to be an adverse final decision, and we have not accrued a liability for either matter. If an unfavorable outcome were to occur in the Summit 6 case and/or the Timelines case, it is possible that the impact could be material to our results of operations in the period(s) in which any such outcome becomes probable and estimable.

Indemnifications

In the normal course of business, to facilitate transactions of services and products, we have agreed to indemnify certain parties with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers, directors, and certain employees, and our certificate of incorporation and bylaws contain similar indemnification obligations.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our consolidated financial position, results of operations or cash flows. In our opinion, as of December 31, 2012, there was not at least a reasonable possibility we had incurred a material loss with respect to indemnification of such parties. We have not recorded any liability for costs related to indemnification through December 31, 2012.

Note 11. Stockholders' Equity

Initial Public Offering

In May 2012, we completed our IPO in which we issued and sold 180,000,000 shares of Class A common stock at a public offering price of \$38.00 per share and the selling stockholders sold 241,233,615 shares of Class A common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received from the IPO were \$6.8 billion after deducting underwriting discounts and commissions of \$75 million and other offering expenses of approximately \$7 million.

Convertible Preferred Stock

Upon the closing of our IPO, all shares of our then-outstanding convertible preferred stock, as shown on the table below, automatically converted into an aggregate of 545,401,443 shares of our Class B common stock.

The following table summarizes the convertible preferred stock outstanding immediately prior to the conversion into common stock, and the rights and preferences of our respective series as of December 31, 2011 and immediately prior to the conversion into common stock:

	Shares		Aggregate Liquidation Preference (in millions)	Dividend Per Share Per Annum	Conversion Ratio Per Share
	Authorized (in thousands)	Issued and Outstanding (in thousands)			
Series A	134,747	133,055	\$ 1	\$0.00036875	1.000000
Series B	226,032	224,123	13	0.00456	1.004910
Series C	95,768	91,410	26	0.02297335	1.004909
Series D	67,454	50,591	375	0.593	1.012561
Series E	45,000	44,038	200	0.3633264	1.000000
Total	<u>569,001</u>	<u>543,217</u>	<u>\$ 615</u>		

Common Stock

Our certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. As of December 31, 2012, we are authorized to issue 5,000,000,000 shares of Class A common stock and 4,141,000,000 shares of Class B common stock, each with a par value of \$0.000006 per share. Holders of our Class A common stock and Class B common stock are entitled to dividends when, as and if, declared by our board of directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, 2012, we did not declare any dividends and our credit facilities contain restrictions on our ability to pay dividends. The holder of each share of Class A common stock is entitled to one vote, while the holder of each share of Class B common stock is entitled to ten votes. Shares of our Class B common stock are convertible into an equivalent number of shares of our Class A common stock and generally convert into shares of our Class A common stock upon transfer. Class A common stock and Class B common stock are referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

Upon the closing of our IPO, an aggregate of 335,943,024 shares of Class B common stock were converted into Class A common stock. As of December 31, 2012, there were 1,671,277,621 shares and 701,427,574 shares of Class A common stock and Class B common stock, respectively, issued and outstanding.

Share-based Compensation Plans

We maintain three share-based employee compensation plans: the 2012 Plan, the 2005 Stock Plan and the 2005 Officers' Stock Plan (collectively, Stock Plans). Our 2012 Plan was approved by our board of directors in January 2012 and adopted by our stockholders in April 2012. The 2012 Plan, effective on May 17, 2012, serves as the successor to our 2005 Stock Plan and provides for the issuance of incentive and nonstatutory stock options, restricted stock awards, stock appreciation rights, RSUs, performance shares and stock bonuses to qualified employees, directors and consultants. No new awards will be issued under the 2005 Stock Plan as of the effective date of the 2012 Plan. Outstanding awards under the 2005 Stock Plan continue to be subject to the terms and conditions of the 2005 Stock Plan. Shares available for grant under the 2005 Stock Plan, which were reserved but not issued or subject to outstanding awards under the 2005 Stock Plan as of the effective date, were added to the reserves of the 2012 Plan.

We have initially reserved 25,000,000 shares of our Class A common stock for issuance under our 2012 Plan. The number of shares reserved for issuance under our 2012 Plan will increase automatically on the first day of January of each of 2013 through 2022 by a number of shares of Class A common stock equal to the lesser of (i) 2.5% of the total outstanding shares of our common stock as of the immediately preceding December 31st or (ii) a number of shares determined by the board of directors. The maximum term for stock options granted under the 2012 Plan may not exceed ten years from the date of grant. Our 2012 Plan will terminate ten years from the date of approval unless it is terminated earlier by our compensation committee.

The 2005 Officers' Stock Plan provides for up to 120,000,000 shares of incentive and nonstatutory stock options to certain of our employees or officers. The 2005 Officers' Stock Plan will terminate ten years after its adoption unless terminated earlier by our compensation committee. Stock options become vested and exercisable at such times and under such conditions as determined by our compensation committee on the date of grant. In November 2005, we issued a nonstatutory stock option to our CEO to purchase 120,000,000 shares of our Class B common stock under the 2005 Officers' Stock Plan. As of December 31, 2012, the option had been partially exercised in respect of 60,000,000 shares with the remainder remaining outstanding and fully vested, and no options were available for future issuance under the 2005 Officers' Stock Plan.

The following table summarizes the stock option and RSU award activities under the Stock Plans for the year ended December 31, 2012:

	Shares Subject to Options Outstanding				Outstanding RSUs		
	Shares Available for Grant ⁽¹⁾ (in thousands)	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ⁽²⁾ (in millions)	Outstanding RSUs ⁽³⁾ (in thousands)	Weighted Average Grant Date Fair Value
Balance as of December 31, 2011	52,318	258,539	\$0.47	4.38	\$7,360	378,772	\$ 6.83
Stock options exercised	—	(135,505)	0.12			—	
Stock options forfeited/ cancelled	213	(213)	1.41			—	
RSUs granted	(41,252)	—				41,252	32.60
RSUs settled	—	—				(278,846)	3.02
Shares withheld related to net share settlement of RSUs	122,757	—				—	
RSUs forfeited and cancelled	12,955	—				(12,955)	20.00
2012 Equity Incentive Plan shares authorized	<u>25,000</u>	—				—	
Balance as of December 31, 2012	<u>171,991</u>	<u>122,821</u>	\$0.85	3.79	\$3,166	<u>128,223</u>	\$22.08
Stock options vested and expected to vest as of December 31, 2012		<u>122,791</u>	\$0.85	3.79	\$3,166		
Stock options exercisable as of December 31, 2012		<u>113,688</u>	\$0.34	3.53	\$2,989		

- (1) After excluding 195 thousand restricted stock awards included in the table above, 171,796 thousand shares are available for grant under the Stock Plans as of December 31, 2012.
- (2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the assessed fair value of our common stock as of December 31, 2011 and the closing market price of our common stock as of December 31, 2012.
- (3) During the year ended December 31, 2012 69,196 thousand RSUs were vested and the total grant date fair value of these RSUs vested is \$9.14. As of December 31, 2012 and 2011, we have 113,044 thousand and 153,943 thousand of unvested RSUs.

Under net settlement procedures currently applicable to our outstanding RSUs for current and former employees, upon each settlement date, RSUs are withheld to cover the required withholding tax, which is based on the value of the RSU on the settlement date as determined by the closing price of our common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the

recipient as shares of our common stock. We settled 279 million of Pre-2011 RSUs in 2012 of which 273 million RSUs were net settled by withholding 123 million shares, which represented the employees' minimum statutory obligation for each such employee's applicable income and other employment taxes and remitted cash totaling of \$2.86 billion to the appropriate tax authorities. The amount remitted to the tax authorities for the employees' tax obligation to the tax authorities was reflected as a financing activity within our consolidated statements of cash flows. These shares withheld by us as a result of the net settlement of Pre-2011 RSUs are no longer considered issued and outstanding, thereby reducing our shares outstanding used to calculate earnings per share. These shares are returned to the reserves and are available for future issuance under the 2012 Plan.

We estimate the fair value of stock options granted using the Black-Scholes-Merton single option valuation model, which requires inputs such as expected term, expected volatility and risk-free interest rate. Further, the estimated forfeiture rate of awards also affects the amount of aggregate compensation. These inputs are subjective and generally require significant analysis and judgment to develop.

We estimate the expected term based upon the historical behavior of our employees for employee grants. We estimate expected volatility based on a study of publicly traded industry peer companies. The forfeiture rate is derived primarily from our historical data, and the risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues. Our dividend yield is 0%, since we have not paid, and do not expect to pay, dividends.

The fair values of employee options granted during 2010 have been estimated as of the date of grant using the following weighted-average assumptions.

	December 31, 2010
Expected term from grant date (in years)	7.15
Risk-free interest rate	1.69%
Expected volatility	0.46
Dividend yield	—

The weighted-average fair value of employee options granted during the year ended December 31, 2010 was \$5.26 per share. There were no options granted for the years ended December 31, 2012 and 2011.

The following table summarizes additional information regarding outstanding and exercisable options under the Stock Plans at December 31, 2012:

Exercise Price (Range)	Options Outstanding			Options Exercisable	
	Number of Shares (in thousands)	Weighted-Average Remaining Life (in years)	Weighted-Average Exercise Price	Number of Shares (in thousands)	Weighted-Average Exercise Price
\$0.00 – 0.04	5,381	2.65	\$ 0.04	5,381	\$0.04
0.06	63,379	2.86	0.06	63,379	0.06
0.10 – 0.18	18,096	3.66	0.15	18,096	0.15
0.29 – 0.33	14,701	4.40	0.31	14,701	0.31
1.78	4,693	5.59	1.78	3,701	1.78
1.85	4,865	6.04	1.85	3,938	1.85
2.95	2,506	6.64	2.95	1,567	2.95
3.23	4,500	6.82	3.23	2,925	3.23
10.39	3,500	7.56	10.39	—	—
15.00	1,200	7.81	15.00	—	—
	<u>122,821</u>	3.79	\$ 0.85	<u>113,688</u>	\$0.34

The aggregate intrinsic value of the options exercised in the years ended December 31, 2012, 2011, and 2010 was \$4.23 billion, \$2.38 billion and \$492 million, respectively. The total grant date fair value of stock options vested during the years ended December 31, 2012, 2011, and 2010 was \$5 million, \$6 million and \$16 million, respectively.

As of December 31, 2012, there was \$2.21 billion of unrecognized share-based compensation expense, of which \$1.96 billion is related to RSUs, and \$244 million is related to restricted shares and stock options. This unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately three years.

Note 12. Other income (expense), net

The following table presents the detail of other income (expense), net, for the periods presented (in millions):

	Year Ended December 31,		
	2012	2011	2010
Interest income	\$ 14	\$ 4	\$ 1
Foreign currency exchange losses, net	(9)	(29)	(1)
Other	2	6	(2)
Other income (expense), net	<u>\$ 7</u>	<u>\$(19)</u>	<u>\$ (2)</u>

Note 13. Income Taxes

The components of income before provision for income taxes for the years ended December 31, 2012, 2011, and 2010 are as follows (in millions):

	Year Ended December 31,		
	2012	2011	2010
Domestic	\$1,062	\$1,819	\$1,027
Foreign	(568)	(124)	(19)
Income before provision for income taxes	<u>\$ 494</u>	<u>\$1,695</u>	<u>\$1,008</u>

The provision for income taxes consisted of the following (in millions):

	Year Ended December 31,		
	2012	2011	2010
Current:			
Federal	\$ 559	\$ 664	\$ 325
State	45	60	57
Foreign	22	8	1
Total current tax expense	626	732	383
Deferred:			
Federal	(172)	(34)	13
State	(6)	(3)	6
Foreign	(7)	—	—
Total deferred tax expense (benefit)	<u>(185)</u>	<u>(37)</u>	<u>19</u>
Provision for income taxes	<u>\$ 441</u>	<u>\$ 695</u>	<u>\$ 402</u>

A reconciliation of the U.S. federal statutory income tax rate of 35% to our effective tax rate is as follows (in percentages):

	Year Ended December 31,		
	2012	2011	2010
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	6.2	2.2	4.0
Research tax credits	—	(1.0)	(0.8)
Share-based compensation	19.2	1.5	0.3
Foreign losses not benefited	26.9	3.3	0.8
Other	2.0	—	0.6
Effective tax rate	<u>89.3%</u>	<u>41.0%</u>	<u>39.9%</u>

Excess tax benefits associated with stock option exercises and other equity awards are credited to stockholders' equity. The income tax benefits resulting from stock awards that were credited to stockholders' equity were \$1.03 billion, \$433 million and \$107 million for the years ended December 31, 2012, 2011, and 2010.

Our deferred tax assets (liabilities) are as follows (in millions):

	December 31,	
	2012	2011
Deferred tax assets:		
Net operating loss carryforward	\$ 10	\$ 3
Tax credit carryforward	37	9
Share-based compensation	233	79
Accrued expenses and other liabilities	83	58
Other	16	—
Total deferred tax assets	379	149
Less: valuation allowance	(37)	(9)
Deferred tax assets, net of valuation allowance	342	140
Deferred tax liabilities:		
Depreciation and amortization	(97)	(69)
Purchased intangible assets	(92)	(10)
Deferred foreign taxes	(15)	(1)
Total deferred tax liabilities	(204)	(80)
Net deferred tax assets	<u>\$ 138</u>	<u>\$ 60</u>

The valuation allowance was approximately \$37 million and \$9 million as of December 31, 2012 and 2011, respectively, related to state tax credits that we do not believe will ultimately be realized.

As of December 31, 2012, the U.S. federal and state net operating loss carryforwards were approximately \$5.83 billion and \$7.62 billion, which will expire in 2027 and 2021, respectively, if not utilized. If realized, \$2.17 billion of net operating loss carryforwards will be recognized as a benefit through additional paid in capital. We also have state tax credit carryforwards of \$181 million, which carry forward indefinitely.

Utilization of our net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expiration of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes include, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

Our net foreign pretax losses include jurisdictions with both pretax earnings and pretax losses. Our consolidated financial statements provide taxes for all related tax liabilities that would arise upon repatriation of earnings in the foreign jurisdictions where we do not intend to indefinitely reinvest those earnings outside the United States, and the amount of taxes provided for has been insignificant.

The following table reflects changes in the gross unrecognized tax benefits (in millions):

	Year Ended December 31,		
	2012	2011	2010
Gross unrecognized tax benefits-beginning of period	\$ 63	\$ 18	\$ 9
Increase related to prior year tax positions	13	5	1
Decreases related to prior year tax positions	(16)	(2)	(2)
Increases related to current year tax positions	104	42	10
Gross unrecognized tax benefits-end of period	<u>\$164</u>	<u>\$ 63</u>	<u>\$ 18</u>

During all years presented, we recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of income. For the year ended December 31, 2012, we recognized interest of \$3 million and penalties of \$1 million. The amount of interest and penalties accrued as of December 31, 2012 and 2011 was \$10 million and \$6 million, respectively.

If the remaining balance of gross unrecognized tax benefits of \$164 million as of December 31, 2012 was realized in a future period, this would result in a tax benefit of \$70 million within our provision of income taxes at such time.

We are subject to taxation in the United States and various other state and foreign jurisdictions. The material jurisdictions in which we are subject to potential examination include the United States and Ireland. We are under examination by the Internal Revenue Service (IRS) for our 2008 through 2010 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations and we do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years. Our 2011 and 2012 tax years remain subject to examination by the IRS and all tax years starting in 2008 remain subject to examination in Ireland. We remain subject to possible examinations or are undergoing audits in various other jurisdictions that are not material to our financial statements.

Although the timing of the resolution, settlement, and closure of any audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years remaining that are subject to examination, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

Note 14. Geographical Information

Revenue by geography is based on the billing address of the advertiser or Platform developer. The following table sets forth revenue and property and equipment, net by geographic area (in millions):

	Year Ended December 31,		
	2012	2011	2010
Revenue:			
United States	\$2,578	\$2,067	\$1,223
Rest of the world ⁽¹⁾	2,511	1,644	751
Total revenue	<u>\$5,089</u>	<u>\$3,711</u>	<u>\$1,974</u>

(1) No individual country exceeded 10% of our total revenue for any period presented.

	December 31,	
	<u>2012</u>	<u>2011</u>
Property and equipment, net:		
United States	\$2,110	\$1,444
Rest of the world ⁽¹⁾	<u>281</u>	<u>31</u>
Total property and equipment, net	<u>\$2,391</u>	<u>\$1,475</u>

(1) No individual country exceeded 10% of our total property and equipment, net for any period presented.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (CEO) and chief financial officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2012, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Annual Report on Form 10-K that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (SEC) within 120 days of the fiscal year ended December 31, 2012.

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all officers, directors and employees, which is available on our website (investor.fb.com) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics by posting such information on our website at the address and location specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2012.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2012.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2012.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2012.

PART IV

Item 15. Exhibits, Financial Statement Schedules

We have filed the following documents as part of this Form 10-K:

1. Consolidated Financial Statements:

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Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	69
Consolidated Balance Sheets	70
Consolidated Statements of Income	71
Consolidated Statements of Comprehensive Income	72
Consolidated Statements of Stockholders' Equity	73
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Notes to Consolidated Financial Statements	76

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on this first day of February 2013.

FACEBOOK, INC.

Date: February 1, 2013

/s/ MARK ZUCKERBERG

Mark Zuckerberg
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Ebersman and Theodore W. Ullyot, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MARK ZUCKERBERG</u> Mark Zuckerberg	Chairman and Chief Executive Officer (Principal Executive Officer)	February 1, 2013
<u>/s/ DAVID A. EBERSMAN</u> David A. Ebersman	Chief Financial Officer (Principal Financial Officer)	February 1, 2013
<u>/s/ DAVID M. SPILLANE</u> David M. Spillane	Chief Accounting Officer (Principal Accounting Officer)	February 1, 2013
<u>/s/ Marc L. Andreessen</u> Marc L. Andreessen	Director	February 1, 2013
<u>/s/ Erskine B. Bowles</u> Erskine B. Bowles	Director	February 1, 2013
<u>/s/ James W. Breyer</u> James W. Breyer	Director	February 1, 2013
<u>/s/ Donald E. Graham</u> Donald E. Graham	Director	February 1, 2013
<u>/s/ Reed Hastings</u> Reed Hastings	Director	February 1, 2013
<u>/s/ Sheryl K. Sandberg</u> Sheryl K. Sandberg	Director	February 1, 2013
<u>/s/ Peter A. Thiel</u> Peter A. Thiel	Director	February 1, 2013

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation.	10-Q	001-35551	3.1	July 31, 2012	
3.2	Amended and Restated Bylaws.	10-Q	001-35551	3.2	July 31, 2012	
4.1	Form of Class A Common Stock Certificate	S-1	333-179287	4.1	February 8, 2012	
4.2	Form of Class B Common Stock Certificate	S-8	333-181566	4.4	May 21, 2012	
4.3	Sixth Amended and Restated Investors' Rights Agreement, dated December 27, 2010, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2	February 8, 2012	
4.4	Amendment No. 1 to Sixth Amended and Restated Investors' Rights Agreement, dated May 1, 2012, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2A	May 3, 2012	
4.5	Form of "Type 1" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.3	February 8, 2012	
4.6	Form of "Type 2" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.4	February 8, 2012	
4.7	Form of "Type 3" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.5	February 8, 2012	
10.1+	Form of Indemnification Agreement	S-1	333-179287	10.1	February 8, 2012	
10.2(A)+	2005 Stock Plan, as amended					X
10.2(B)+	2005 Stock Plan forms of award agreements	S-1	333-179287	10.2	February 8, 2012	
10.3+	2005 Officers' Stock Plan, and amended and restated notice of stock option grant and stock option agreement	S-1	333-179287	10.3	February 8, 2012	
10.4(A)+	2012 Equity Incentive Plan, as amended					X
10.4(B)+	2012 Equity Incentive Plan forms of award agreements	10-Q	001-35551	10.2	July 31, 2012	
10.5+	2012 Bonus/Retention Plan					X
10.6+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mark Zuckerberg.	S-1	333-179287	10.6	February 8, 2012	

10.7+	Amended and Restated Employment Agreement, dated January 27, 2012, between Registrant and Sheryl K. Sandberg.	S-1	333-179287	10.7	February 8, 2012	
10.8+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and David A. Ebersman.	S-1	333-179287	10.8	February 8, 2012	
10.9+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mike Schroepfer.	S-1	333-179287	10.9	February 8, 2012	
10.10+	Amended and Restated Employment Agreement, dated January 27, 2012, between Registrant and Theodore W. Ullyot.	S-1	333-179287	10.10	February 8, 2012	
10.11†	Lease, dated February 7, 2011, between Registrant and Wilson Menlo Park Campus, LLC.	S-1	333-179287	10.11	February 8, 2012	
10.12	Conversion Agreement, dated February 19, 2010, between Registrant, Digital Sky Technologies Limited, and DST Global Limited.	S-1	333-179287	10.16	February 8, 2012	
10.13	Amendment No. 1 to Conversion Agreement, dated April 30, 2012, between Registrant and Mail.ru Group Limited (f/k/a Digital Sky Technologies Limited), DST Global Limited, DST Global II, L.P., DST Global III, L.P., DST USA Limited, and DST USA II Limited.	S-1	333-179287	10.16A	May 3, 2012	
10.14	Amended and Restated Term Loan Agreement, dated as of October 12, 2012, among Facebook, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto.	8-K	001-35551	10.1	October 15, 2012	
10.15	Credit Agreement, dated February 28, 2012, between Registrant, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	S-1	333-179287	10.14	March 7, 2012	
10.16	Amendment No. 1 to Credit Agreement, dated as of October 12, 2012, among Facebook, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto.	8-K	001-35551	10.2	October 15, 2012	
21.1	List of subsidiaries.					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.					X

31.1	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of David A. Ebersman, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1#	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2#	Certification of David A. Ebersman, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X

+ Indicates a management contract or compensatory plan.

† Portions of exhibit have been granted confidential treatment by the SEC.

This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (Securities Act) or the Exchange Act.

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Directors

Mark Zuckerberg
Chairman and Chief Executive Officer, Facebook

Sheryl K. Sandberg
Chief Operating Officer, Facebook

Marc L. Andreessen
Co-founder and General Partner, Andreessen Horowitz

Erskine B. Bowles
President Emeritus of the University of North Carolina
(UNC)

James W. Breyer
Partner at Accel Partners

Susan D. Desmond-Hellman
Chancellor, University of California, San Francisco
(UCSF)

Donald E. Graham
Chairman and Chief Executive Officer of the Washington
Post Company

Reed Hastings
Chief Executive Officer and Chairman of the Board of
Directors of NetScout, Inc.

Peter A. Thiel
President of Thiel Capital and Partner of Founders Fund

Stockholder Information

Investor Relations
Facebook, Inc.
1601 Willow Road
Menlo Park, California 94025
investor@fb.com

Investor Relations Web Site
<http://investor.fb.com>

Facebook's Class A common stock trades on NASDAQ
under the ticker symbol "FB"

Transfer Agent
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
1 (855) 879-3967 (U.S.)
1 (781) 575-4340 (non-U.S.)
<http://www.computershare.com/investor>

Ernst & Young LLP
Ernst & Young LLP

Annual Meeting
Facebook's Annual Stockholder meeting will be held on
June 11, 2013 at 11:00 am PT

Proxy Statement
<http://investor.fb.com/secproxy>
Please refer to the proxy statement for more information.
a meeting of the Board of Directors.

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Please read the section of our Annual Report on Form 10-K entitled "Note About Forward Looking Statements" for a discussion of the limitations and risks regarding forward-looking statements made in this Annual Report. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K included herein and these may cause actual results to differ materially from those contained in any forward-looking statements we may make. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Facebook, the Facebook logo, FB, the Like Button, Instagram and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report are the property of their respective owners.



EXHIBIT 69

facebook
Annual Report 2013

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-35551

FACEBOOK, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-1665019
(I.R.S. Employer Identification Number)

1601 Willow Road, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)
(650) 543-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.000006 par value
(Title of each class)

The NASDAQ Stock Market LLC
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was \$49,067,097,971 based upon the closing price reported for such date on the NASDAQ Global Select Market.

On January 28, 2014, the registrant had 1,975,722,473 shares of Class A common stock and 574,020,314 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2013.

FACEBOOK, INC.
FORM 10-K
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Facebook," "company," "we," "us," and "our" in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term "Facebook" may also refer to our products, regardless of the manner in which they are accessed. For references to accessing Facebook on the "web" or via a "website," such terms refer to accessing Facebook on desktop or personal computers. For references to accessing Facebook on "mobile," such term refers to accessing Facebook via a mobile application or via a mobile-optimized version of our website such as m.facebook.com, whether on a mobile phone or tablet.

LIMITATIONS OF KEY METRICS AND OTHER DATA

The numbers for our key metrics, which include our daily active users (DAUs), mobile DAUs, monthly active users (MAUs), mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented between approximately 4.3% and 7.9% of our worldwide MAUs in 2013. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2013, for example, we estimate user-misclassified accounts may have represented between approximately 0.8% and 2.1% of our worldwide MAUs and undesirable accounts may have represented between approximately 0.4% and 1.2% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology. Due to inherent variability in such estimates at particular dates of measurement, we disclose these estimates as a range over a recent period.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. In the third quarter of 2013, we worked with third parties to develop models to more accurately analyze user data by age in the United States. These models suggested that usage by U.S. teens overall was stable, but that DAUs among younger U.S. teens had declined. The data and models we are using are not precise and our understanding of usage by age group may not be complete.

Some of our historical metrics through the second quarter of 2012 were also affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. For example, we estimate that less than 5% of our estimated worldwide DAUs as of December 31, 2011 and 2010 resulted from this type of automatic mobile activity, and that this type of activity had a substantially smaller effect on our estimate of worldwide MAUs and mobile MAUs. The impact of this automatic activity on our metrics varies by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. For example, in early June 2012, we discovered an error in the algorithm we used to estimate the geographic location of our users that affected our attribution of certain user locations for the period ended March 31, 2012. While this issue did not affect our overall worldwide DAU and MAU numbers, it did affect our attribution of users across different geographic regions. We estimate that the number of MAUs as of March 31, 2012 for the United States & Canada region was overstated as a result of the error by approximately 3% and this overstatement was offset by understatements in other regions. The number of such users for the period ended March 31, 2012 disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Trends in Our User Metrics" reflect the reclassification to more correctly attribute users by geographic region. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review and may adjust our processes for calculating these metrics to improve their accuracy. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

The numbers of DAUs, mobile DAUs, MAUs, mobile MAUs, mobile-only DAUs and mobile-only MAUs discussed in this Annual Report on Form 10-K, as well as ARPU, do not include users of Instagram unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook. In addition, other user engagement metrics included herein do not include Instagram unless otherwise specifically stated.

PART I

Item 1. Business

Overview

Our mission is to give people the power to share and make the world more open and connected.

We build technology to enable faster, easier and richer communication. Hundreds of millions of people use Facebook's websites and mobile applications every day to stay connected with their friends and family, to discover and learn what is going on in the world around them, and to share and express what matters to them to the people they care about.

Our business focuses on creating value for users, marketers, and developers.

How We Create Value for People Who Use Facebook

Our top priority is to build useful and engaging products that enable people to:

- **Connect and Share with Friends.** With more than 1.2 billion monthly active users (MAUs) worldwide, Facebook users are able to find and stay connected with their friends, family, and colleagues on Facebook.
- **Discover and Learn.** We believe that people come to Facebook to discover and learn more about what is going on in the world around them, particularly in the lives of their friends and family and with public figures and organizations that interest them. Each person's experience on Facebook is unique based on the content shared by his or her friends and connections.
- **Express Yourself.** We enable people to share their opinions, ideas, photos and videos, and activities with audiences ranging from their closest friends to the public at large, giving everyone a voice within the Facebook community. Through Facebook's privacy and sharing settings, people can control what they share and with whom they share it.
- **Stay Connected Everywhere.** People can access Facebook through our website, mobile sites, smartphone applications, and feature phone products. Through mobile and web applications built by developers that integrate with Facebook, people can interact with their Facebook friends while playing games, listening to music, watching movies, reading news, and engaging in other activities across the web and on mobile devices.

We had 757 million daily active users (DAUs) on average in December 2013, an increase of 22% compared to December 2012. We had 556 million DAUs who accessed Facebook from a mobile device on average in December 2013, an increase of 49% compared to December 2012.

How We Create Value for Marketers

Facebook focuses on providing value for all kinds of marketers, including brand marketers, direct marketers, small and medium-sized businesses, and developers. We help marketers achieve their business objectives, such as increasing online sales, in-store sales, or awareness of their brands, products, or services. We generate the substantial majority of our revenue from selling advertising placements to marketers.

We offer marketers the following benefits:

- **Targeted Reach.** With over 1.2 billion MAUs using our service every month, Facebook offers marketers the ability to reach their existing and prospective customers. Marketers can target their ads to people on Facebook based on demographic factors such as age, location, gender, education, and specific interests that users have chosen to share with us. In addition, marketers may choose to match their own data or third-party data with ours, so they can find existing customers or potential new ones directly on Facebook. We also offer marketers the ability to include social context with their marketing messages. Social context is information that highlights a friend's connections with a particular brand or business, and we believe that social context improves ad effectiveness.
- **Engagement.** We offer marketers access to one of the most highly engaged consumer networks in the world. According to eMarketer, in 2013, people spent more time with digital media than watching TV for the first time. We believe marketing dollars will follow this shift in consumer time, and we offer marketers a place to shift their spend given our large and highly engaged audience.
- **Facebook Ads.** Our ads offer marketers the opportunity to communicate their messages to consumers and to direct them to specific destinations such as a web page or a Facebook Page. Marketers purchase ads that can appear in multiple locations including in the right-hand side of most page types on personal computers and in the News Feed on personal

computers or mobile devices. Our ads are effectively integrated into the Facebook experience in a manner designed to deliver impressive returns for marketers while optimizing the user experience.

- **Facebook Ad System.** Our ad creation tools are designed to align with marketers' advertising goals. When marketers create an ad campaign on Facebook, they can specify their marketing objectives and the types of people they want to reach. In addition, marketers can use our products such as Custom Audiences to more precisely target people such as those who have previously expressed interest in that particular marketer. Using our ad system, marketers indicate the maximum price they are willing to pay for their ad, either per click (CPC), per action (CPA), or per thousand impressions (CPM), and their maximum budget. Our system also supports guaranteed delivery of a fixed number of ad impressions for a fixed price. Facebook's ad serving technology dynamically determines the best available ad to show each user based on the combination of the user's unique attributes and the real-time comparison of bids from eligible ads. We enable marketers to deploy and adjust campaigns rapidly.
- **Ad Measurement.** Marketers can use our platform to track and optimize both the in-store and online performance of their ad campaigns. Offline and online conversion measurement and partnerships with third parties help marketers understand how their ad investments impact specific business outcomes (e.g. in-store sales, offsite conversions, application installs). These insights also help marketers make modifications to their ad campaigns to maximize results.

How We Create Value for Developers

Facebook provides a set of development tools and application programming interfaces (APIs) that enable developers to easily integrate with Facebook to create mobile and web applications. We are focused on providing developers with unique tools to support their mobile and web applications. We generate revenue from developers who use our Payments infrastructure to sell virtual and digital goods to our users on personal computers. We also generate revenue from developers who choose to purchase ads from us.

We support developers' efforts to build, grow, and monetize their mobile and web applications:

- **Build.** We provide tools and services that accelerate and enhance cross-platform mobile and web application development. With Facebook Login, developers can offer their users a single identity across platforms, which provides a fast and secure way for people to sign in. Facebook Login also enables developers to design applications that feel familiar to each user by bringing their Facebook identity to the application experience. Through our Parse service, we enable developers to focus on creating engaging front-end user experiences while using our service to handle complex back-end infrastructure, services and server maintenance.
- **Grow.** We provide developers with tools to increase the exposure, distribution and engagement of their mobile and web applications. By using our tools for sharing, invites, requests, and mobile application ads, developers have unique ways to drive application discovery and user engagement. Mobile application ads enable developers to grow awareness and usage of their applications and can feature a call to action such as "install" or "shop now." Mobile application ads for "install" actions appear in the Facebook News Feed and take people directly to the application store to download. If a mobile developer would like to target users who already have their application installed, they can link users from the News Feed ad to a customized, specific location inside the application, such as a sale, promotion or specific content such as a new album or hotel listing. In addition, social plugins, such as the Like button, are social features that developers can easily integrate with their websites by incorporating a few lines of HTML code. Social plugins enable developers to provide engaging and personalized social experiences to their users.
- **Monetize.** On the web, we provide an online Payments infrastructure that enables developers to receive payments from our users in an easy-to-use, secure, and trusted environment. Our Payments infrastructure enables users on personal computers to purchase virtual or digital goods from developers and third-party websites by using debit and credit cards, PayPal, mobile phone payments, gift cards or other methods. Currently, substantially all of our Payments revenue is from users' purchases of virtual goods used in social games on personal computers. We receive a fee of up to 30% when users make such purchases from developers using our Payments infrastructure. In 2013, developers received more than \$2.1 billion from transactions enabled by our Payments infrastructure. While mobile applications can also integrate with Facebook, mobile applications do not process transactions using our Payments infrastructure.

Our Products

- **Facebook.** The Facebook mobile app and website enable people to connect, share, discover, and communicate with each other on mobile devices and personal computers. Facebook is free and available throughout the world. The Facebook website and mobile app includes the following features:
 - **News Feed.** News Feed is the core feature of a person's homepage on the Facebook website and mobile app and

is a regularly updating list of stories from friends, Pages, and other entities to which the person is connected. It includes posts, photos, event updates, group memberships, application updates, and other activities. Each person's News Feed is personalized based on his or her interests and the sharing activity of his or her friends and connections. Stories in each person's News Feed are prioritized based on several factors, including how many friends have Liked or Commented on a certain piece of content, who posted the content, and what type of content it is.

- *Timeline.* Timeline allows people to organize and display the events and activities that matter most to them, enabling them to curate their memories in a searchable personal narrative that is organized chronologically. People choose what information to share on their Timeline, such as their interests, photos, education, work history, relationship status, and contact information, and people can control with whom content is shared on their Timeline.
- *Graph Search.* Graph Search is a structured search tool that enables people to find people, places, photos and other information shared with them on Facebook. People can search using simple phrases such as "Photos of my friends in New York" or "Restaurants in London that my friends have been to," and browse the results. Once turned on, Graph Search replaces the search bar at the top of every page on Facebook. Graph Search beta is available on the web for people using the site in English, and we are planning to expand Graph Search to mobile and international audiences in the future.
- *Messenger.* Messenger is a mobile-to-mobile messaging application available on iOS and Android phones. Messenger works similarly to texting (SMS) to let people reach others instantly.
- *Instagram.* Instagram is a mobile app and website that enable people to take photos or videos, customize them with filter effects, and share them with friends and followers in a photo feed or send them directly to friends.

Our Strategy

We are in the early stages of pursuing our mission to make the world more open and connected. We believe we have a significant opportunity to further enhance the value we deliver to users, developers, and marketers. Key elements of our strategy are:

- *Expand Our Global Community.* There are more than 1.5 billion internet users on personal computers, and more than three billion mobile users worldwide according to GSMA Wireless Intelligence, and we aspire to someday connect all of these people. As of December 31, 2013, we had 1.23 billion MAUs globally. We intend to increase the size of our network by continuing our marketing and user acquisition efforts, enhancing our products including mobile applications, and making Facebook more easily accessible to people throughout the world. We are focused on increasing the number of people using Facebook across all geographies, including relatively less-developed markets. Our investments include efforts to make Facebook accessible on feature phones, reducing the amount of data required to utilize our service, and investing in increasing the number of people who have access to the internet including through industry partnerships such as Internet.org.
- *Develop Great Social Products to Increase Engagement.* We prioritize product development investments that we believe will drive user engagement. We continue to invest significantly in improving our existing products such as News Feed, Timeline, and Graph Search and our stand-alone mobile applications such as Messenger and Instagram. For example, we are continually improving our ability to analyze and organize vast amounts of information in real time to enable us to select the unique content that we believe will be most interesting to show to each user. We are also focused on developing new products, including new stand-alone applications, to increase engagement. Increasing user engagement is a core part of our strategy to maximize our long-term business performance and therefore we are willing to sacrifice short-term monetization in order to increase engagement.
- *Increase the Utility of our Service and Provide the Most Compelling User Experience.* We aim to maximize the utility we create for people using our service. We are investing significantly in improving our products and developing new products, including new stand-alone applications, in order to create more value and make the Facebook experience more useful. We also enable developers to integrate their mobile and web applications with Facebook in order to increase utility for our users.
- *Improve Our Ad Products.* We are investing to improve our ad products in order to attract more marketers to work with Facebook, to create more value for marketers, and to enhance marketers' ability to make their advertising more relevant for users. Our advertising strategy centers on the belief that ad products that are relevant, well-targeted, social, and well-integrated with other content on Facebook can enhance the user experience while providing an attractive return for marketers. We intend to invest in additional products for marketers while continuing to balance our monetization objectives with our commitment to optimizing the user experience. We will continue to work to develop new tools that help marketers to target their ads most effectively and thereby increase their return on ad spend. We also continue to focus on analytics

and measurement tools to enable marketers to evaluate and improve the effectiveness of ad campaigns on Facebook.

- ***Excel at Mobile Product Development and Make our Mobile Products Fast, Reliable, and Easily Available.*** We devote substantial resources to our development of mobile products and experiences for a wide range of platforms, including smartphones, feature phones and tablets. In addition, we are working across the mobile industry with operators, hardware manufacturers, operating system providers, and developers to improve the Facebook experience on mobile devices and make Facebook available to more people around the world. We had 945 million MAUs who used Facebook mobile products as of December 31, 2013. We believe that mobile usage of Facebook is critical to user growth and engagement over the long term.
- ***Enable Developers to Build, Grow, and Monetize Their Mobile and Web Applications.*** The success of Facebook's developer ecosystem is an important part of our strategy. We continue to invest in tools and APIs that enhance the ability of developers who integrate with Facebook to build valuable and engaging products. Developers can create value for Facebook in multiple ways, including: purchasing advertising on Facebook; using our Payment infrastructure to facilitate transactions with users on personal computers; sharing content with Facebook that makes our products more engaging; and contributing to our understanding of users' interests and preferences.
- ***Build a Scalable Infrastructure to Provide the Most Compelling, Robust, and Reliable Product Experience.*** We are investing in software and hardware infrastructure that enables us to provide a unique, personalized experience to each of our users around the world. We believe the speed and reliability of our products are important competitive advantages.

Building and Maintaining User Trust

Trust is a cornerstone of our business. We dedicate significant resources to the goal of building user trust through developing and implementing programs designed to protect user privacy, promote a safe environment, and assure the security of user data. The resources we dedicate to this goal include engineers, analysts, lawyers, policy experts, and operations specialists, as well as hardware and software from leading vendors and solutions we have designed and built.

- ***Privacy and Sharing.*** People come to Facebook to connect and share with different audiences. Protecting user privacy is an important part of our product development process. Our objective is to give users choice over what they share and with whom they share it. This effort is fundamental to our business and focuses on control, transparency, and accountability.
 - ***Control.*** We believe that by providing our users with clear and easy-to-use controls, we will continue to promote trust in our products. For example, when a user posts a status update or uploads a photo to Facebook, our in-line controls allow the user to select his or her audience at the same time that he or she is publishing the post. In addition, we provide other data management tools. "Activity Log" is a unified tool that people can use to review and manage the content they have posted and the actions they have taken on Facebook. When using the Activity Log, a user can view his or her activity with a particular application, delete a specific post, change who can see a photo, or remove an application completely. Additionally, our "Download Your Information" tool enables users to access and store their personal information off Facebook.
 - ***Transparency.*** Our Data Use Policy describes in plain language our data use practices and how privacy works on Facebook. We also offer a number of tools and features that provide users with transparency about their information on Facebook. Our application settings feature enables users to view each of the applications they have chosen to use, the information needed by each application, and the audience with whom the user has chosen to share his or her interactions with each application. We believe that this transparency enables people to make more informed decisions about their activities on Facebook.
 - ***Accountability.*** We continue to build new procedural safeguards as part of our comprehensive privacy program. These include a dedicated team of privacy professionals who are involved in new product and feature development from design through launch; ongoing review and monitoring of the way data is handled by existing features and applications; and rigorous data security practices. We regularly work with online privacy and safety experts and regulators around the world. In August 2012, the Federal Trade Commission formally approved a 20-year settlement agreement requiring us to enhance our privacy program and to complete biennial third-party assessments. We also have undergone two audits by the Office of the Irish Data Protection Commissioner. The audits comprehensively reviewed our compliance with Irish data protection law, which is grounded in European data protection principles. As part of the audit process, we agreed to enhance various data protection and privacy practices to ensure compliance with the law and adherence to industry best practices.
- ***Safety.*** We design our products to include safety tools. These tools are coupled with educational resources and partnerships with online safety experts to offer protections for all users, particularly teenagers. We take into account the unique needs

of teenagers who use our service and employ age-appropriate settings that restrict their visibility, limit the audience with whom they can share, and help prevent unwanted contact from strangers.

Our abuse reporting infrastructure allows anyone on Facebook to report inappropriate, offensive, or dangerous content through "report" links found throughout our site. We have enhanced this reporting system to include "Social Reporting," which gives users the option to report content to us, to report content to a trusted friend, or to block the person who posted the content with one easy-to-use tool. Our Safety Advisory Board, comprised of five leading online safety organizations from around the world, advises us on product design and helps us to create comprehensive safety resources for everyone who uses our service. These resources are located in our multimedia Family Safety Center on our website, which also offers special information for parents, educators, teenagers, and members of the law enforcement community.

- **Security.** We invest in technology, processes, and people as part of our commitment to safeguarding our users' information. We use a variety of techniques to protect the data that we are entrusted with, and we rely on multiple layers of network segregation using firewalls to protect against attacks or unauthorized access. We also employ proprietary technologies to protect our users. For example, if we suspect that a user's account may have been compromised, we may use a process that we refer to as "social authentication" to validate that the person accessing the account is the actual account holder. The process of social authentication may include asking the person accessing the account to identify photos of the account holder's friends. Our security team actively scans for security vulnerabilities using commercial tools, penetration tests, code security reviews, and internal and external audits. We also have a network of geographically distributed single-tenant data centers, and we take measures to protect the information stored in these data centers.

Competition

Our business is characterized by innovation, rapid change, and disruptive technologies. We face significant competition in every aspect of our business, including from companies that provide tools to facilitate the sharing of information, companies that enable marketers to display advertising, and companies that provide development platforms for application developers. We compete to attract, engage, and retain users, to attract and retain marketers, to attract and retain developers to build compelling mobile and web applications that integrate with Facebook, and to attract and retain highly talented individuals, especially software engineers, designers, and product managers.

We compete with the following:

- Companies that offer full-featured products that replicate the range of communications and related capabilities we provide. These offerings include, for example, Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries.
- Companies that develop applications, particularly mobile applications, that provide social functionality, such as messaging, photo- and video-sharing, and micro-blogging.
- Companies that provide web- and mobile-based information and entertainment products and services that are designed to engage users and capture time spent online and on mobile devices.
- Traditional and online businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Technology

We have assembled a team of highly skilled engineers and computer scientists whose expertise spans a broad range of technical areas. We make significant investments in product and feature development, data management and personalization technologies, large-scale systems and scalable infrastructure, mobile technologies, and advertising technologies, including:

- **Product and Feature Development.** We aim to improve our existing products continuously and to develop new products for our users, developers, and marketers. Our product development philosophy is centered on continuous innovation in creating products that are social by design, which means that our products are designed to place people and their social interactions at the core of the product experience.
- **Data Management and Personalization Technologies.** To provide each user with a personalized Facebook experience, we must process and analyze a significant amount of content shared by our users, developers, and marketers and surface the most relevant content in real time. As such, we invest extensively in developing technologies and analytics in areas

including content optimization and delivery, graph query, media storage and serving, large-scale data management, and software performance.

- **Large-Scale Systems and Scalable Infrastructure.** Our products are built on a shared computing infrastructure. We use a combination of off-the-shelf and custom software running on clusters of commodity computers to amass substantial computing capability. Our infrastructure has enabled the storage and processing of large datasets and facilitated the deployment of our products on a global scale. As our user base grows, and the level of engagement and sharing from our users continues to increase, our computing needs continue to expand. We aim to provide our products rapidly and reliably to all users around the world, including in countries where we do not expect significant short-term monetization.
- **Mobile Technologies.** In order to provide a high-quality experience on a wide variety of mobile devices and operating systems, we invest in developing novel techniques and technologies including: custom graphics rendering, operating system customizations, development tools, systems for customizing the user experience based on a variety of factors, and systems for monitoring the behavior of the applications in the field.
- **Advertising Technologies.** We invest extensively in advertising technology capable of serving billions of ad impressions every day while maximizing the relevance of each impression to selected users based upon the information that users have chosen to share. Our system manages our entire set of ads, the selected audiences, and the marketers' bids to determine which ads to show each person and how to display them for every page on Facebook. We use an advanced user action prediction system that weighs many real-time updated features using automated learning techniques. Our technology incorporates the estimated user action rate with both the marketer's bid and a user relevancy signal to select what we believe to be the optimal ads to show.

Our research and development expenses were \$1.4 billion in both 2013 and 2012 and \$388 million in 2011. For information about our research and development expenses, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Research and development" of this Annual Report on Form 10-K.

Sales and Operations

The majority of our marketers use our self-service ad platform to establish accounts and to launch and manage their advertising campaigns. We also have a global sales force that is focused on attracting and retaining marketers and providing support to them throughout the stages of the advertising campaign cycle from pre-purchase decision making to real-time optimizations to post-campaign analytics. We work directly with marketers, through traditional advertising agencies, and with an ecosystem of agencies that have a specialized focus on Facebook advertising. We currently operate more than 30 sales offices around the globe.

We have operations teams to provide support for our users, developers, and marketers in five regional centers located in Menlo Park, California; Austin, Texas; Dublin, Ireland; Hyderabad, India; and Singapore. We also invest in and rely on self-service tools to provide direct customer support to our users, developers, and marketers.

Marketing

To date, the Facebook user community has grown virally with users inviting their friends to connect with them, supported by internal efforts to stimulate user awareness and interest. In addition we have invested and will continue to invest in marketing our services to build our brand and user base around the world. We leverage the utility of our products and our social distribution channels as our most effective marketing tools. In addition, we undertake various user acquisition efforts and regularly host events and conferences to engage with developers and marketers.

Intellectual Property

To establish and protect our proprietary rights, we rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights. In addition, to further protect our proprietary rights, from time to time we have purchased patents and patent applications from third parties. We do not believe that our proprietary technology is dependent on any single patent or copyright or groups of related patents or copyrights. We believe the duration of our patents is adequate relative to the expected lives of our products.

Government Regulation

We are subject to a number of U.S. federal and state, and foreign laws and regulations that affect companies conducting business on the Internet. Many of these laws and regulations are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation and online payment

services. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of user data. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly-evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies, and foreign governments concerning data protection which could affect us. For example, the European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance.

In August 2012, the FTC approved a settlement agreement with us to resolve an investigation into various practices, that, among other things, requires us to complete bi-annual independent privacy assessments and to establish and refine certain practices with respect to treatment of user information and the privacy settings we offer. Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

Various laws and regulations in the United States and abroad, such as the Bank Secrecy Act, the Dodd-Frank Act, the USA PATRIOT Act, and the Credit CARD Act, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. Under these laws and regulations, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers, and sellers or issuers of stored value. Requirements imposed on financial institutions under these laws include customer identification and verification programs, record retention policies and procedures, and transaction reporting. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and expect to apply for certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws relating to money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending, and import and export restrictions.

Employees

As of December 31, 2013, we had 6,337 employees.

Corporate Information

We were incorporated in Delaware in July 2004. We completed our initial public offering in May 2012 and our Class A common stock is listed on The Nasdaq Global Select Market under the symbol "FB." Our principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025, and our telephone number is (650) 543-4800.

Facebook, the Facebook logo, FB, the Like button, Instagram and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Notes 1 and 14 of our Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Available Information

Our website address is www.facebook.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at investor.fb.com when such reports are available on the SEC's website. We use our investor.fb.com website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor such portions of investor.fb.com, in addition to following SEC filings and public conference calls and webcasts.

The public may read and copy any materials filed by Facebook with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

EXHIBIT 70

facebook
Annual Report 2014

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-35551

FACEBOOK, INC.
(Exact name of registrant as specified in its charter)

Delaware **20-1665019**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)
1601 Willow Road, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)
(650) 543-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.000006 par value **The NASDAQ Stock Market LLC**
(Title of each class) (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was \$143,589,386,032 based upon the closing price reported for such date on the NASDAQ Global Select Market.

On January 27, 2015, the registrant had 2,236,333,833 shares of Class A common stock and 562,677,981 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2014.

FACEBOOK, INC.
FORM 10-K
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Facebook," "company," "we," "us," and "our" in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term "Facebook" may also refer to our products, regardless of the manner in which they are accessed. For references to accessing Facebook on the "web" or via a "website," such terms refer to accessing Facebook on desktop or personal computers. For references to accessing Facebook on "mobile," such term refers to accessing Facebook via a mobile application or via a mobile-optimized version of our website such as m.facebook.com, whether on a mobile phone or tablet.

LIMITATIONS OF KEY METRICS AND OTHER DATA

The numbers for our key metrics, which include our daily active users (DAUs), mobile DAUs, monthly active users (MAUs), mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world.

For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented less than 5% of our worldwide MAUs in 2014. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2014, for example, we estimate user-misclassified and undesirable accounts may have represented less than 2% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

Some of our metrics have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The impact of this automatic activity on our metrics varies by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

The numbers of DAUs, mobile DAUs, MAUs, mobile MAUs, mobile-only DAUs and mobile-only MAUs discussed in this Annual Report on Form 10-K, as well as ARPU, do not include users of Instagram or WhatsApp unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook. In addition, other user engagement metrics included herein do not include Instagram or WhatsApp unless otherwise specifically stated.

PART I

Item 1. Business

Overview

Our mission is to give people the power to share and make the world more open and connected.

Our business focuses on creating value for people, marketers, and developers.

How We Create Value for People Who Use Facebook

Our top priority is to build useful and engaging products that enable people to connect and share through mobile devices and personal computers. We also help people discover and learn about what is going on in the world around them, enable people to share their opinions, ideas, photos and videos, and other activities with audiences ranging from their closest friends to the public at large, and stay connected everywhere by accessing our products, including:

- **Facebook.** The Facebook mobile app and website enable people to connect, share, discover, and communicate with each other on mobile devices and personal computers. Facebook is free and available throughout the world. We had 890 million daily active users (DAUs) on average in December 2014, an increase of 18% compared to December 2013. We had 745 million DAUs who accessed Facebook from a mobile device on average in December 2014, an increase of 34% compared to December 2013.
- **Instagram.** Instagram is a mobile application that enables people to take photos or videos, customize them with filter effects, and share them with friends and followers in a photo feed or send them directly to friends.
- **Messenger.** Messenger is a mobile-to-mobile messaging application available on Android, iOS and Windows Phone devices. Messenger works similarly to texting (SMS) or online chat to enable people to reach others instantly and also seamlessly integrates with Facebook messaging functionality on personal computers.
- **WhatsApp.** WhatsApp Messenger is a cross-platform mobile messaging application that allows people to exchange messages on iOS, Android, BlackBerry, Windows Phone, and Nokia devices.

How We Create Value for Marketers

Facebook focuses on providing value for all kinds of marketers, including brand, direct response, small and medium-sized businesses, and developers. We help them achieve their business objectives, whether it is driving online sales, in-store sales, or awareness of their brand.

We generate the substantial majority of our revenue from selling advertising placements to marketers. Our ads let marketers reach people on Facebook based on a variety of factors including age, gender, location, and interests. Marketers purchase ads that can appear in multiple places including in News Feed on mobile devices and personal computers, and on the right-hand side of personal computers.

Our ad planning tools are designed to align with marketers' business goals. When marketers create an ad campaign on Facebook, they can specify their budget, marketing objectives and the types of people they want to reach. Facebook's ad serving technology then dynamically determines the best available ad to show each person based on those dimensions. Marketers can also use our platform's insights to measure and optimize both the in-store and online performance of their ad campaigns. These insights help marketers not only understand how their ads drove results but also help them make modifications to their ad campaigns to improve those results. In addition to ads on Facebook, marketers can buy ads on Instagram and on other websites and applications such as Audience Network, Atlas, and LiveRail.

How We Create Value for Developers

Facebook supports developers' efforts to build, grow, and monetize their mobile and web applications. First, we provide a set of development tools and application programming interfaces (APIs) that enable developers to easily integrate with Facebook to create mobile and web applications across platforms and devices. Second, we help developers grow their mobile and web applications by providing them with tools, such as mobile application ads or social plugins, to increase the exposure, distribution and engagement of such applications. By using our tools for sharing, messaging, invites, requests, and mobile application ads, developers have a number of ways to drive application discovery and user engagement. Finally, we help developers monetize their web applications by providing an online Payments infrastructure that enables developers to receive payments from people who use Facebook in an easy-to-use, secure, and trusted environment, as well as from our Audience Network, where developers are able to monetize their mobile applications by showing ads from Facebook advertisers within their application.

We generate revenue from developers who use our Payments infrastructure to sell virtual and digital goods to people who use Facebook on personal computers. We also generate revenue from developers who choose to purchase ads from us, and we receive a portion of the revenue from developers who show ads from Facebook advertisers in their applications within our Audience Network.

Competition

Our business is characterized by innovation, rapid change, and disruptive technologies. We face significant competition in every aspect of our business, including from companies that provide tools to facilitate the sharing of information, companies that enable marketers to display advertising, and companies that provide development platforms for application developers. We compete to attract, engage, and retain people, to attract and retain marketers, to attract and retain developers to build compelling mobile and web applications that integrate with Facebook, and to attract and retain highly talented individuals, especially software engineers, designers, and product managers.

We compete with the following:

- Companies that offer full-featured products that replicate the range of communications and related capabilities we provide. These offerings include, for example, Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries.
- Companies that develop applications, particularly mobile applications, that provide social or other communications functionality, such as messaging, photo- and video-sharing, and micro-blogging.
- Companies that provide web- and mobile-based information and entertainment products and services that are designed to engage people and capture time spent online and on mobile devices.
- Traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

As we introduce new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Technology

Our product development philosophy is centered on continuous innovation in creating and improving products that are social by design, which means that our products are designed to place people and their social interactions at the core of the product experience. As our user base grows, and the level of engagement from the people who use Facebook continues to increase, including on mobile devices, our computing needs continue to expand. We make significant investments in technology both to improve our existing products and services and to develop new ones for people who use Facebook, and for our marketers and developers.

Our research and development expenses were \$2.67 billion, \$1.42 billion, and \$1.40 billion in 2014, 2013, and 2012, respectively. For information about our research and development expenses, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Research and development" of this Annual Report on Form 10-K.

Sales and Operations

The majority of our marketers use our self-service ad platform to establish accounts and to launch and manage their advertising campaigns. We also have a global sales force that is focused on attracting and retaining marketers and providing support to them throughout the stages of the advertising campaign cycle from pre-purchase decision-making to real-time optimizations to post-campaign analytics. We work directly with marketers, through traditional advertising agencies, and with an ecosystem of agencies that have a specialized focus on Facebook advertising. We currently operate more than 30 sales offices around the globe.

We have operations teams to provide support for people, marketers and developers in five regional centers located in Menlo Park, California; Austin, Texas; Dublin, Ireland; Hyderabad, India; and Singapore. We also invest in and rely on self-service tools to provide direct customer support to people, marketers, and developers.

We have data centers in the United States, including data center facilities that we own in Iowa, North Carolina, and Oregon and leased data center facilities in California and Virginia. We also own a data center facility in Lulea, Sweden.

Marketing

To date, the Facebook community has grown virally with people inviting their friends to connect with them, supported by internal efforts to stimulate awareness and interest. In addition we have invested and will continue to invest in marketing our products

and services to build our brand and user base around the world. We leverage the utility of our products and our social distribution channels as our most effective marketing tools. In addition, we undertake various user acquisition efforts and regularly host events and conferences to engage with marketers and developers.

Intellectual Property

To establish and protect our proprietary rights, we rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights. In addition, to further protect our proprietary rights, from time to time we have purchased patents and patent applications from third parties. We do not believe that our proprietary technology is dependent on any single patent or copyright or groups of related patents or copyrights. We believe the duration of our patents is adequate relative to the expected lives of our products.

Government Regulation

We are subject to a number of U.S. federal and state, and foreign laws and regulations that affect companies conducting business on the Internet. Many of these laws and regulations are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment services. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly-evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies, and foreign governments concerning privacy and data protection which could affect us. For example, the European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance.

In August 2012, the FTC approved a settlement agreement with us to resolve an investigation into various practices that, among other things, requires us to complete bi-annual independent privacy assessments and to establish and refine certain practices with respect to treatment of people's information and the privacy settings we offer. Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

Various laws and regulations in the United States and abroad, such as the U.S. Bank Secrecy Act, the Dodd-Frank Act, the USA PATRIOT Act, and the Credit CARD Act, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. Under these laws and regulations, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers, and sellers or issuers of stored value or prepaid access products. Requirements imposed on financial institutions under these laws include customer identification and verification programs, record retention policies and procedures, and transaction reporting. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and are applying for, or expect to apply for, certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws relating to money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending, financial privacy and data security, and import and export restrictions.

Employees

As of December 31, 2014, we had 9,199 employees.

Corporate Information

We were incorporated in Delaware in July 2004. We completed our initial public offering in May 2012 and our Class A common stock is listed on The NASDAQ Global Select Market under the symbol "FB." Our principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025, and our telephone number is (650) 543-4800.

Facebook, the Facebook logo, FB, the Like button, Instagram, Oculus, WhatsApp, and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its

affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Notes 1 and 14 of our Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Available Information

Our website address is www.facebook.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at investor.fb.com when such reports are available on the SEC's website. We use our investor.fb.com website and Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD.

The public may read and copy any materials filed by Facebook with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.

The size of our user base and our users' level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users. We anticipate that our active user growth rate will continue to decline over time as the size of our active user base increases, and as we achieve higher market penetration rates. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. Our user engagement patterns have changed over time, and user engagement can be difficult to measure, particularly as users continue to engage increasingly via mobile devices and as we introduce new and different products and services. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with other products or services;
- we fail to introduce new products or services that users find engaging or if we introduce new products or services that are not favorably received;
- users feel that their Facebook experience is diminished as a result of the decisions we make with respect to the frequency, prominence, and size of ads that we display, or the quality of the ads displayed;
- users have difficulty installing, updating, or otherwise accessing our products on mobile devices as a result of actions by us or third parties that we rely on to distribute our products and deliver our services;
- user behavior on any of our products changes, including decreases in the quality and frequency of content shared on our products and services;
- we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- there are decreases in user sentiment about the quality or usefulness of our products or concerns related to privacy and sharing, safety, security, or other factors;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- users adopt new technologies where our products may be displaced in favor of other products or services, or may not be featured or otherwise available;
- there are adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience, such as security breaches or failure to prevent or limit spam or similar content;
- we adopt policies or procedures related to areas such as sharing or user data that are perceived negatively by our users or the general public;
- we elect to focus our user growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain users and engagement are unsuccessful or discontinued, whether as a result of actions by us, third

parties, or otherwise;

- we fail to provide adequate customer service to users, marketers, or developers;
- we, developers whose products are integrated with Facebook, or other companies in our industry are the subject of adverse media reports or other negative publicity; or
- our current or future products, such as our development tools and application programming interfaces that enable developers to build, grow, and monetize mobile and web applications, reduce user activity on Facebook by making it easier for our users to interact and share on third-party mobile and web applications.

If we are unable to maintain or increase our user base and user engagement, our revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render our products less attractive to users, marketers, and developers, which is likely to have a material and adverse impact on our revenue, business, financial condition, and results of operations. If our active user growth rate continues to slow, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and monetization in order to drive revenue growth.

We generate a substantial majority of our revenue from advertising. The loss of marketers, or reduction in spending by marketers with Facebook, could seriously harm our business.

The substantial majority of our revenue is currently generated from third parties advertising on Facebook. For 2014, 2013, and 2012, advertising accounted for 92%, 89% and 84%, respectively, of our revenue. As is common in the industry, our marketers do not have long-term advertising commitments with us. Many of our marketers spend only a relatively small portion of their overall advertising budget with us. We expect our ability to grow advertising revenue will continue to be dependent on our ability to generate revenue from ads displayed on mobile devices. In addition, marketers may view some of our products as experimental and unproven. Marketers will not continue to do business with us, or they will reduce the prices they are willing to pay to advertise with us or the budgets they are willing to commit to us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives. Our advertising revenue could be adversely affected by a number of other factors, including:

- decreases in user engagement, including time spent on Facebook;
- our inability to continue to increase user access to and engagement with Facebook through our mobile products;
- product changes or inventory management decisions we may make that change the size, frequency, or relative prominence of ads displayed on Facebook or of other unpaid content shared by marketers on Facebook;
- our inability to maintain or increase marketer demand, the pricing of our ads, or both;
- our inability to maintain or increase the quality of ads shown to users, particularly on mobile devices;
- changes to third-party policies that limit our ability to deliver or target advertising on mobile devices;
- the availability, accuracy, and utility of analytics and measurement solutions offered by us or third parties that demonstrate the value of our ads to marketers, or our ability to further improve such tools;
- loss of advertising market share to our competitors, including if prices for purchasing ads on Facebook increase or if competitors offer lower priced or more integrated products;
- adverse legal developments relating to advertising, including legislative and regulatory developments and developments in litigation;
- decisions by marketers to reduce their advertising as a result of adverse media reports or other negative publicity involving us, content on Facebook, developers with Facebook-integrated mobile and web applications, or other companies in our industry;
- our inability to improve our existing products or create new products that sustain or increase the value of our ads or marketers' ability to analyze and measure the value of our ads;
- the degree to which users opt out of social ads or certain types of ad targeting;
- the degree to which users cease or reduce the number of times they click on our ads;
- changes in the way advertising on mobile devices or on personal computers is measured or priced;

- the impact of new technologies that could block or obscure the display of our ads; and
- the impact of macroeconomic conditions or conditions in the advertising industry, in general.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results.

We generate a significant portion of our revenue from mobile advertising. Mobile advertising is evolving and growth in the use of Facebook through our mobile products as a substitute for use on personal computers may negatively affect our revenue and financial results.

Facebook had 1.19 billion mobile monthly active users (MAUs) in December 2014. We anticipate that growth in mobile users will continue to be the driver of our growth for the foreseeable future and that usage through personal computers will continue to decline worldwide. We generate a significant portion of our revenue from mobile advertising, which comprised approximately 69% of our overall advertising revenue in the fourth quarter of 2014. While our mobile advertising revenue continues to grow, the mobile advertising market remains an evolving market. If users continue to access Facebook mobile products as a substitute for access through personal computers, and if we are unable to continue to grow mobile revenue or unable to continue to successfully monetize mobile users, or if we incur excessive expenses in these efforts, our financial performance and ability to grow revenue would be negatively affected.

Our user growth, engagement, and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

There is no guarantee that popular mobile devices will continue to feature Facebook or our other products, or that mobile device users will continue to use our products rather than competing products. We are dependent on the interoperability of Facebook and our other products with popular mobile operating systems, networks, and standards that we do not control, such as the Android and iOS operating systems, and any changes in such systems, our relationships with mobile operating system partners, handset manufacturers, or mobile carriers, or in their terms of service or policies that degrade our products' functionality, reduce or eliminate our ability to distribute our products, give preferential treatment to competitive products, limit our ability to deliver, target, or measure the effectiveness of ads, or impose fees or other charges related to our delivery of ads could adversely affect Facebook usage and monetization on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control, and that we have good relationships with handset manufacturers and mobile carriers. We may not be successful in maintaining or developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use Facebook or our other products on their mobile devices, or if our users choose not to access or use Facebook or our other products on their mobile devices or use mobile products that do not offer access to Facebook or our other products, our user growth and user engagement could be harmed. From time to time, we may also take actions regarding the distribution of our products or the operation of our business based on what we believe to be in our long-term best interests. Such actions may adversely affect our relationships with the operators of mobile operating systems, handset manufacturers, mobile carriers, or other business partners, and there is no assurance that these actions will result in the anticipated long-term benefits. In the event that our relationships with such third parties deteriorate, our user growth, engagement, and monetization could be adversely affected and our business could be harmed.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We face significant competition in every aspect of our business, including from companies that provide tools to facilitate the sharing of information, companies that enable marketers to display advertising and companies that provide development platforms for applications developers. We compete with companies that offer full-featured products that replicate the range of communications and related capabilities we provide. These offerings include, for example, Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries. We also compete with companies that develop applications, particularly mobile applications, that provide social or other communications functionality, such as messaging, photo- and video-sharing, and micro-blogging, and companies that provide web- and mobile-based information and entertainment products and services that are designed to engage users and capture time spent online and on mobile devices. In addition, we face competition from traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

Some of our current and potential competitors may have significantly greater resources or better competitive positions in certain product segments, geographic regions or user demographics than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some of our users, particularly our younger users, are aware of and actively engaging with other products and services similar to, or as a substitute for, Facebook

products and services, and we believe that some of our users have reduced their engagement with Facebook in favor of increased engagement with these other products and services. In the event that our users increasingly engage with other products and services, we may experience a decline in user engagement in key user demographics or more broadly, in which our business would likely be harmed.

Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, developers whose mobile and web applications are integrated with Facebook may use information shared by our users through Facebook in order to develop products or features that compete with us. Certain competitors, including Google, could use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate, including: by integrating competing social networking platforms or features into products they control such as mobile device operating systems, search engines, or web browsers; by making acquisitions; by limiting or denying our access to advertising measurement or delivery systems; by limiting our ability to deliver, target, or measure the effectiveness of ads; by imposing fees or other charges related to our delivery of ads; or by making access to our products more difficult. As a result, our competitors may acquire and engage users or generate advertising or other revenue at the expense of our own efforts, which may negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance, and reliability of our products compared to our competitors' products, particularly with respect to mobile products;
- the size and composition of our user base;
- the engagement of our users with our products and competing products;
- the timing and market acceptance of products, including developments and enhancements to our or our competitors' products;
- our ability to monetize our products;
- the frequency, size, quality, and relative prominence of the ads displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts, including our ability to measure the effectiveness of our ads and to provide marketers with a compelling return on their investments;
- our ability to establish and maintain developers' interest in building mobile and web applications that integrate with Facebook;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers, designers, and product managers;
- our ability to cost-effectively manage and grow our operations; and
- our reputation and brand strength relative to those of our competitors.

If we are not able to compete effectively, our user base and level of user engagement may decrease, we may become less attractive to developers and marketers, and our revenue and results of operations may be materially and adversely affected.

Action by governments to restrict access to Facebook or our other products in their countries could substantially harm our business and financial results.

It is possible that governments of one or more countries may seek to censor content available on Facebook or our other products in their country, restrict access to our products from their country entirely, or impose other restrictions that may affect the accessibility of our products in their country for an extended period of time or indefinitely. For example, access to Facebook has been or is currently restricted in whole or in part in China, Iran, and North Korea. In addition, government authorities in other countries may seek to restrict access to our products if they consider us to be in violation of their laws. In the event that content shown on Facebook or our other products is subject to censorship, access to our products is restricted, in whole or in part, in one or more countries, or other restrictions are imposed on our products, or our competitors are able to successfully penetrate geographic markets that we cannot access or where we face other restrictions, our ability to retain or increase our user base and user engagement may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Our new products and changes to existing products could fail to attract or retain users or generate revenue.

Our ability to retain, increase, and engage our user base and to increase our revenue depends heavily on our ability to create successful new products, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing products, or acquire or introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience. For example, in July 2014 we completed our acquisition of Oculus VR, Inc. (Oculus), a company developing virtual reality technology. We do not have prior experience with consumer hardware products or virtual reality technology, which may adversely affect our ability to successfully develop and market Oculus' products or technology. In addition, in October 2014, we acquired WhatsApp Inc. (WhatsApp), a cross-platform mobile messaging company. We currently monetize WhatsApp in only a very limited fashion, and we may not be successful in our efforts to generate meaningful revenue from WhatsApp over the long term. If these or other new or enhanced products fail to engage users, marketers, or developers, or if we are unsuccessful in our monetization efforts, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We prioritize user growth and engagement and the user experience over short-term financial results.

We frequently make product decisions that may reduce our short-term revenue or profitability if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. For example, from time to time we may change the size, frequency, or relative prominence of ads in order to improve ad quality and overall user experience. Similarly, from time to time we update our News Feed ranking algorithm to deliver the most relevant content to our users, which may adversely affect the distribution of content of marketers and developers and could reduce their incentive to invest in their development and marketing efforts on Facebook. We also may introduce changes to existing products, or introduce new stand-alone products, that direct users away from properties where we have a proven means of monetization. For example, we have taken action to redirect users who send messages from within the Facebook application to our stand-alone Messenger application, although we currently do not monetize the stand-alone Messenger application. In addition, we plan to focus on growing the user base for Instagram, WhatsApp, and potentially other stand-alone applications that may have limited or no near-term monetization, and it is possible that these efforts may reduce engagement with the core Facebook application. We also may take steps that result in limiting distribution of mobile products and services in the short term in order to attempt to ensure the availability of our products and services to users over the long term. These decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with marketers and developers, and our business and results of operations could be harmed.

If we are not able to maintain and enhance our brands, or if events occur that damage our reputation and brands, our ability to expand our base of users, marketers, and developers may be impaired, and our business and financial results may be harmed.

We believe that our brands have significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands is critical to expanding our base of users, marketers, and developers. Many of our new users are referred by existing users. Maintaining and enhancing our brands will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products, which we may not do successfully. We may introduce new products or terms of service or policies that users do not like, which may negatively affect our brands. Additionally, the actions of our developers may affect our brand if users do not have a positive experience using third-party mobile and web applications integrated with Facebook. We will also continue to experience media, legislative, or regulatory scrutiny of our decisions regarding user privacy and other issues, which may adversely affect our reputation and brands. We also may fail to provide adequate customer service, which could erode confidence in our brands. Our brands may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users, or by users acting under false or inauthentic identities, by perceived or actual efforts by governments to obtain access to user information for security-related purposes, or by the use of our products or services for illicit, objectionable, or illegal ends. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. Certain of our past actions have eroded confidence in our brands, and if we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.

Our industry is prone to cyber attacks, with third parties seeking unauthorized access to our data or users' data. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, and hacking and phishing attacks by third parties have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. As a result of our prominence, we believe that we are a particularly attractive target for such breaches and attacks. Such attacks may cause interruptions to the services we provide, degrade the user experience, or cause users to lose confidence in our products. Our efforts to protect our company data or the information we receive may also be unsuccessful due to software bugs or other technical malfunctions, employee error or malfeasance, government surveillance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Although we have developed systems and processes that are designed to protect our data and user data and to prevent data loss and other security breaches, we cannot assure you that such measures will provide absolute security.

In addition, some of our developers or other partners, such as those that help us measure the effectiveness of ads, may receive or store information provided by us or by our users through mobile or web applications integrated with Facebook. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our users' data may be improperly accessed, used, or disclosed.

Affected users or government authorities could initiate legal or regulatory actions against us in connection with any security breaches, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

Unfavorable media coverage could negatively affect our business.

We receive a high degree of media coverage around the world. Unfavorable publicity regarding, for example, our privacy practices, terms of service, product changes, product quality, litigation or regulatory activity, government surveillance, the actions of our developers whose products are integrated with Facebook, the use of our products or services for illicit, objectionable, or illegal ends, the actions of our users, or the actions of other companies that provide similar services to us, could adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

Our financial results will fluctuate from quarter to quarter and are difficult to predict.

Our quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to maintain and grow our user base and user engagement;

- our ability to attract and retain marketers in a particular period;
- fluctuations in spending by our marketers due to seasonality, such as historically strong spending in the fourth quarter of each year, or other factors;
- the number and quality of ads shown to users;
- the pricing of our ads and other products;
- our ability to maintain or increase Payments and other fees revenue;
- the diversification and growth of revenue sources beyond advertising and Payments;
- the development and introduction of new products or services by us or our competitors;
- increases in marketing, sales, and other operating expenses that we will incur to grow and expand our operations and to remain competitive;
- our ability to maintain gross margins and operating margins;
- costs related to the acquisitions of businesses, talent, technologies, or intellectual property, including potentially significant amortization costs and impairment loss and additional investments to further develop the acquired technologies;
- our ability to obtain equipment and components for our data centers and other technical infrastructure in a timely and cost-effective manner;
- system failures, which could prevent us from serving ads for any period of time, or breaches of security or privacy, and the costs associated with remediating any such failures or breaches;
- inaccessibility of our products due to third-party actions;
- share-based compensation expense, including acquisition-related expense;
- adverse litigation judgments, settlements, or other litigation-related costs;
- changes in the legislative or regulatory environment, including with respect to privacy, or enforcement by government regulators, including fines, orders, or consent decrees;
- the overall tax rate for our business, which may be affected by a number of factors, including the financial results of our international subsidiaries and the timing, size, and integration of acquisitions we may make from time to time;
- tax obligations that may arise from changes in laws or resolutions of tax examinations that materially differ from the amounts we have anticipated;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- fluctuations in the market values of our portfolio investments and in interest rates;
- changes in U.S. generally accepted accounting principles; and
- changes in global business or macroeconomic conditions.

We expect our rates of growth to decline in the future.

We expect that our user growth and revenue growth rates will decline over time as the size of our active user base increases and as we achieve greater market penetration. For example, the growth rate of Facebook's MAUs declined from 25% from 2011 to 2012, to 16% from 2012 to 2013, to 13% from 2013 to 2014. Historically, our user growth has been a primary driver of growth in our revenue. In addition, we expect our revenue growth rate will generally decline over time as our revenue increases to higher levels. As our growth rates decline, investors' perceptions of our business may be adversely affected and the trading price of our Class A common stock could decline.

Our costs are continuing to grow, which could harm our business and profitability.

Operating our business is costly and we expect our expenses to continue to increase in the future as we broaden our user base, as users increase the number of connections and amount of data they share with us, as we develop and implement new products, and as we continue to hire additional employees to support our expanding operations. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs, in particular for servers, storage, power, data centers, security systems, and talent to support our anticipated future growth. We expect to continue to invest in these and other efforts to operate and expand our business around the world, including in countries and/or projects where we may not have a clear path to monetization, such as our commitment to the Internet.org initiative to increase global Internet access. Our costs will increase as a result of integrating and operating larger and more complex business acquisitions, including our recent acquisitions of Oculus and WhatsApp. In addition, we intend to increase marketing, sales, and other operating expenses in order to continue to grow and expand our operations and to remain competitive. Increases in our costs may adversely affect our business and profitability. Our expenses are expected to grow faster than our revenue in the near term and may be greater than we anticipate, and our investments may not be successful.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment services. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. These U.S. federal and state and foreign laws and regulations, which can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For example, the interpretation of some laws and regulations that govern the use of names and likenesses in connection with advertising and marketing activities is unsettled, and developments in this area could affect the manner in which we design our products and offer services. Similarly, any regulatory or legislative action affecting the manner in which we display content to our users could adversely affect user growth and engagement. A number of proposals are pending before federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. For example, the European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance. Similarly, there are a number of legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business, such as privacy or liability for copyright infringement by third parties. In addition, some countries are considering or have passed legislation requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

We have been subject to regulatory investigations and settlements and we expect to continue to be subject to such proceedings in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and other matters. We expect to continue to be the subject of investigations and audits in the future as we continue to grow and expand our operations. Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties, or require us to change our business practices in a manner materially adverse to our business.

If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of confidentiality, assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold a number of issued patents in multiple jurisdictions and have acquired patents and patent applications from third parties. In addition, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have generally taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. In addition, we regularly contribute software source code under open source licenses and have made other technology we developed available under other open licenses, and we include open source software in our products. For example, we have contributed certain specifications and designs related to our data center equipment to the Open Compute Project Foundation, a non-profit entity that shares and develops such information with the technology community, under the Open Web Foundation License. As a result of our open source contributions and the use of open source in our products, we may license or be required to license or disclose code and/or innovations that turn out to be material to our business and may also be exposed to increased litigation risk. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services, and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We are currently, and expect to be in the future, party to patent lawsuits and other intellectual property rights claims that are expensive and time consuming, and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.

Companies in the Internet, technology, and media industries own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various "non-practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

From time to time, we receive notice letters from patent holders alleging that certain of our products and services infringe their patent rights. We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. Defending patent and other intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices could require significant effort and expense or may not be feasible. Our business, financial condition, and results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.

In addition to intellectual property claims, we are also involved in numerous other lawsuits, including putative class action lawsuits, many of which claim statutory damages and/or seek significant changes to our business operations, and we anticipate that we will continue to be a target for numerous lawsuits in the future. Because Facebook has over a billion users, the plaintiffs in class action cases filed against us typically claim enormous monetary damages even if the alleged per-user harm is small or non-existent. In addition, following our acquisition of Oculus, we may be subject to additional class action lawsuits based on product performance or other claims related to the use of consumer hardware and software, as well as virtual reality technology and products, which are new

and unproven. Any negative outcome from any such lawsuits could result in payments of substantial monetary damages or fines, or undesirable changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected. Although the results of such lawsuits and claims cannot be predicted with certainty, we do not believe that the final outcome of those matters relating to our products that we currently face will have a material adverse effect on our business, financial condition, or results of operations. In addition, we are currently the subject of stockholder class action suits in connection with our IPO. We believe these lawsuits are without merit and are vigorously defending these lawsuits.

There can be no assurances that a favorable final outcome will be obtained in all our cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which could adversely affect our business, financial conditions, or results of operations.

We may incur liability as a result of information retrieved from or transmitted over the Internet or published using our products or as a result of claims related to our products.

We have faced, currently face, and will continue to face claims relating to information that is published or made available on our products. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, and personal injury torts. This risk is enhanced in certain jurisdictions outside the United States where our protection from liability for third-party actions may be unclear and where we may be less protected under local laws than we are in the United States. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. If any of these events occur, our business and financial results could be adversely affected.

Our CEO has control over key decision making as a result of his control of a majority of our voting stock.

Mark Zuckerberg, our founder, Chairman, and CEO, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and therefore has the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock. In addition, Mr. Zuckerberg has the ability to control the management and major strategic investments of our company as a result of his position as our CEO and his ability to control the election or replacement of our directors. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he designates. As a board member and officer, Mr. Zuckerberg owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares, and shares over which he has voting control as a result of voting agreements, in his own interests, which may not always be in the interests of our stockholders generally.

We plan to continue to make acquisitions, which could harm our financial condition or results of operations and may adversely affect the price of our common stock.

As part of our business strategy, we have made and intend to continue to make acquisitions to add specialized employees and complementary companies, products, or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. In some cases, the costs of such acquisitions may be substantial. For example, in 2014 we paid approximately \$4.6 billion in cash and issued 178 million shares of our Class A common stock in connection with our acquisition of WhatsApp, and we paid approximately \$400 million in cash and issued 23 million shares of our Class B common stock in connection with our acquisition of Oculus. We also issued a substantial number of RSUs to help retain the employees of these companies. There is no assurance that we will receive a favorable return on investment for these or other acquisitions.

In the future, we may pay substantial amounts of cash or incur debt to pay for acquisitions, which could adversely affect our liquidity. The incurrence of indebtedness would also result in increased fixed obligations, increased interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for acquisitions and we regularly grant RSUs to retain the employees of acquired companies, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, any acquisitions we announce could be viewed negatively by users, marketers, developers, or investors, which may adversely affect our business or the price of our common stock.

We may also discover liabilities or deficiencies associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs. The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may fail to accurately forecast the financial impact of an acquisition transaction, including tax and accounting charges. Acquisitions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite-lived intangible assets on our balance sheet upon closing. Any of these factors may adversely affect our financial condition or results of operations.

We may not be able to successfully integrate our acquisitions, and we may incur significant costs to integrate and support the companies we acquire.

The integration of acquisitions requires significant time and resources, and we may not manage these processes successfully. Our ability to successfully integrate complex acquisitions is unproven, particularly with respect to companies that have significant operations or that develop products where we do not have prior experience. For example, Oculus and WhatsApp are larger and more complex than previous companies we have acquired. In particular, Oculus builds technology and products that are new to Facebook, and accordingly we did not have significant experience or structure in place to support this business prior to the acquisition. We plan to make substantial investments of resources to support these acquisitions, which will result in significant ongoing operating expenses and may divert resources and management attention from other areas of our business. We cannot assure you that these investments will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

If our goodwill or finite-lived intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at least annually. If such goodwill or finite-lived intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or finite-lived intangible assets is determined, which would negatively affect our results of operations.

Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of our products and our underlying technical infrastructure. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our products are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not use our products as often in the future, or at all. As our user base and engagement continue to grow, and the amount and types of information shared on Facebook and our other products continue to grow and evolve, such as increased engagement with video, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy the needs of our users. It is possible that we may fail to effectively scale and grow our technical infrastructure to accommodate these increased demands. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, or other catastrophic events. If such an event were to occur, users may be subject to service disruptions or outages and we may not be able to recover our technical infrastructure and user data in a timely manner to restart or provide our services, which may adversely affect our financial results.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

We could experience unforeseen difficulties in building and operating key portions of our technical infrastructure.

We have designed and built our own data centers and key portions of our technical infrastructure through which we serve our products, and we plan to continue to significantly expand the size of our infrastructure primarily through data centers and other projects. The infrastructure expansion we are undertaking is complex, and unanticipated delays in the completion of these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of our products. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, that

could further degrade the user experience or increase our costs.

Our products and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our products and internal systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for users and marketers who use our products, delay product introductions or enhancements, result in measurement or billing errors, or compromise our ability to protect the data of our users and/or our intellectual property. Any errors, bugs, or defects discovered in the software on which we rely could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

Certain of our user metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers for our key metrics, which include our DAUs, mobile DAUs, MAUs, mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world.

For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented less than 5% of our worldwide MAUs in 2014. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2014, for example, we estimate that such user-misclassified and undesirable accounts may have represented less than 2% our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

Some of our metrics have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The impact of this automatic activity on our metrics varied by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

If marketers, developers, or investors do not perceive our user metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and marketers and developers may be less willing

to allocate their budgets or resources to Facebook, which could negatively affect our business and financial results.

We cannot assure you that we will effectively manage our growth.

Our employee headcount and the scope and complexity of our business have increased significantly, with the number of employees increasing to 9,199 as of December 31, 2014 from 6,337 as of December 31, 2013, and we expect headcount growth to continue for the foreseeable future. The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relations with users, marketers, developers, and other third parties. In the event of continued growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our employee base. As our organization continues to grow, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. This could negatively affect our business performance.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of our key personnel, including Mark Zuckerberg and Sheryl K. Sandberg. Although we have entered into employment agreements with Mr. Zuckerberg and Ms. Sandberg, the agreements have no specific duration and constitute at-will employment. In addition, many of our key technologies and systems are custom-made for our business by our personnel. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business.

As we continue to grow, we cannot guarantee we will continue to attract the personnel we need to maintain our competitive position. In particular, we intend to continue to hire a significant number of technical personnel in the foreseeable future, and we expect to face significant competition from other companies in hiring such personnel, particularly in the San Francisco Bay Area. As we mature, the incentives to attract, retain, and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past, and if we issue significant equity to attract additional employees, the ownership of our existing stockholders may be further diluted. Additionally, we have a number of current employees whose equity ownership in our company has provided them a substantial amount of personal wealth, which could affect their decisions about whether or not to continue to work for us. As a result of these factors, it may be difficult for us to continue to retain and motivate our employees. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We may not be able to continue to successfully grow usage of and engagement with mobile and web applications that integrate with Facebook.

We have made and are continuing to make investments to enable developers to build, grow, and monetize mobile and web applications that integrate with Facebook. Such existing and prospective developers may not be successful in building, growing, or monetizing mobile and/or web applications that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties, rather than building products that integrate with Facebook. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. For example, from time to time, we have taken actions to reduce the volume of communications from these developers to users on Facebook with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our monetization opportunities from, Facebook-integrated mobile and web applications. In some instances, these actions, as well as other actions to enforce our policies applicable to developers, have adversely affected our relationships with such developers. If we are not successful in our efforts to continue to grow the number of developers that choose to build products that integrate with Facebook or if we are unable to continue to build and maintain good relations with such developers, our user growth and user engagement and our financial results may be adversely affected.

We generate all of our Payments revenue from developers that use Facebook on personal computers, and we expect that our Payments revenue will decline in the future as usage of Facebook on personal computers continues to decline.

We currently generate all of our Payments revenue from developers that use Facebook on personal computers. Specifically, applications built by developers of social games are currently responsible for substantially all of our revenue derived from Payments, and the majority of the revenue from these applications has historically been generated by a limited number of the most popular games. We have experienced and expect to continue to see the continued decline in usage of Facebook on personal computers for the foreseeable future, which we expect will result in a decline in Payments revenue. In addition, a relatively small percentage of our users have transacted with Facebook Payments. If the Facebook-integrated applications fail to grow or maintain their users and engagement, whether as a result of the continued decline in the usage of Facebook on personal computers or otherwise, if developers do not continue to introduce new applications that attract users and create engagement on Facebook, or if Facebook-integrated applications outside of social games do not gain popularity and generate significant revenue for us, our financial performance could be adversely affected.

Payment transactions on Facebook may subject us to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Our users can use Facebook to purchase virtual and digital goods from developers that offer applications on the Facebook website using our Payments infrastructure. We are subject to a variety of laws and regulations in the United States, Europe, and elsewhere, including those governing anti-money laundering and counter-terrorist financing, money transmission, gift cards and other prepaid access instruments, and import and export restrictions. Depending on how our Payments product evolves, we may also be subject to other laws and regulations including those governing electronic funds transfers, gambling, banking, and lending. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and are applying for certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws in these areas. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make product changes, any of which could have an adverse effect on our business and financial results.

In addition, we may be subject to a variety of additional risks as a result of Payments on Facebook, including:

- increased costs and diversion of management time and effort and other resources to deal with bad transactions or customer disputes;
- potential fraudulent or otherwise illegal activity by users, developers, employees, or third parties;
- restrictions on the investment of consumer funds used to transact Payments; and
- additional disclosure and reporting requirements.

We have significant international operations and plan to continue expanding our operations abroad where we have limited operating experience, and this may subject us to increased business and economic risks that could affect our financial results.

We have significant international operations and plan to continue the international expansion of our business operations and the translation of our products. We currently make Facebook available in more than 80 different languages, and we have offices or data centers in more than 25 different countries. We may enter new international markets where we have limited or no experience in marketing, selling, and deploying our products. Our products are generally available globally through the web and on mobile, but some or all of our products or functionality may not be available in certain markets due to legal and regulatory complexities. For example, Facebook is not generally available in China. If we fail to deploy or manage our operations in international markets successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social, or economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, tax, law enforcement, content, intellectual property, and terrestrial infrastructure matters;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities;
- fluctuations in currency exchange rates and compliance with currency controls;

- foreign exchange controls that might prevent us from repatriating cash earned in countries outside the United States;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- burdens of complying with a variety of foreign laws;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure, and legal compliance costs associated with multiple international locations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar laws in other jurisdictions; and
- compliance with statutory equity requirements and management of tax consequences.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our financial results could be adversely affected.

We may incur a substantial amount of indebtedness, which could adversely affect our financial condition.

In August 2013, we entered into a five-year senior unsecured revolving credit facility under which we may borrow up to \$6.5 billion to fund working capital and general corporate purposes. As of December 31, 2014, no amounts were outstanding under this facility. If we draw down on this facility in the future, our interest expense and principal repayment requirements will increase significantly, which could have an adverse effect on our financial results.

We may require additional capital to support our business growth, and this capital may not be available on acceptable terms, if at all.

We may require additional capital to support our business growth or to respond to business opportunities, challenges or unforeseen circumstances. Our ability to obtain additional capital, if and when required, will depend on our business plans, investor demand, our operating performance, the condition of the capital markets, and other factors. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances could be adversely affected, and our business may be harmed.

If we default on our leasing and credit obligations, our operations may be interrupted and our business and financial results could be adversely affected.

We finance a significant portion of our expenditures through leasing arrangements, some of which are not required to be reflected on our balance sheet, and we may enter into additional similar arrangements in the future. In particular, we have used these types of arrangements to finance some of our equipment, offices, and data centers. In addition, we have a \$6.5 billion revolving credit facility that we may draw upon to finance our operations or other corporate purposes. If we default on these leasing and credit obligations, our leasing partners and lenders may, among other things:

- require repayment of any outstanding lease obligations or amounts drawn on our credit facility;
- terminate our leasing arrangements and credit facilities;
- terminate our access to the leased data centers and offices we utilize;
- stop delivery of ordered equipment;
- sell or require us to return our leased equipment; or
- require us to pay significant damages.

If some or all of these events were to occur, our operations may be interrupted and our ability to fund our operations or obligations, as well as our business, financial results, and financial condition, could be adversely affected.

We may have exposure to greater than anticipated tax liabilities.

Our income tax obligations are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from companies such as Facebook. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and results of operations. We are subject to regular review and audit by U.S. federal and state and foreign tax authorities. Tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles. For example, we have previously incurred losses in certain international subsidiaries that resulted in an effective tax rate that is significantly higher than the statutory tax rate in the United States and this could continue to happen in the future.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations. For example, the current U.S. administration and key members of Congress have made public statements indicating that tax reform is a priority. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our foreign earnings. In addition, many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws. Certain proposals could include recommendations that would significantly increase our tax obligations in many countries where we do business. Due to the large and expanding scale of our international business activities, any changes in the taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock has been and will likely continue to be volatile.

The trading price of our Class A common stock has been, and is likely to continue to be, volatile. Since shares of our Class A common stock were sold in our IPO in May 2012 at a price of \$38.00 per share, our stock price has ranged from \$17.55 to \$82.17 through December 31, 2014. In addition to the factors discussed in this Annual Report on Form 10-K, the trading price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- additional shares of our Class A common stock being sold into the market by us, our existing stockholders, or in connection with acquisitions, including shares sold by our employees to cover tax liabilities in connection with RSU vesting events, or the anticipation of such sales;
- investor sentiment with respect to our competitors, our business partners, and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base, the level of user engagement, or the effectiveness of our ad products;
- changes in operating performance and stock market valuations of technology companies in our industry, including our

developers and competitors;

- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the inclusion or deletion of our Class A common stock from any trading indices, such as the S&P 500 Index;
- media coverage of our business and financial performance;
- lawsuits threatened or filed against us;
- developments in anticipated or new legislation and pending lawsuits or regulatory actions, including interim or final rulings by tax, judicial, or regulatory bodies; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. We are currently subject to securities litigation in connection with our IPO. We may experience more such litigation following future periods of volatility. Any securities litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the trading price of our Class A common stock increases. In addition, our credit facility contains restrictions on our ability to pay dividends.

The dual class structure of our common stock and the voting agreements among certain stockholders have the effect of concentrating voting control with our CEO and certain other holders of our Class B common stock; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including certain of our executive officers, employees, and directors and their affiliates, together hold a substantial majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Zuckerberg retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

We have elected to take advantage of the "controlled company" exemption to the corporate governance rules for NASDAQ-listed companies, which could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a "controlled company" under the corporate governance rules for NASDAQ-listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, our board of directors determined not to have an independent nominating function and chose to have the full board of directors be directly responsible for nominating members of our board, and in the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NASDAQ-listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Delaware law and provisions in our restated certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- until the first date on which the outstanding shares of our Class B common stock represent less than 35% of the combined voting power of our common stock, any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- we have a dual class common stock structure, which provides Mr. Zuckerberg with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, certain amendments to our restated certificate of incorporation or bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- only our chairman, our chief executive officer, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval; and
- certain litigation against us can only be brought in Delaware.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2014, we leased office and data center facilities around the world totaling approximately 3 million square feet, including one million square feet for our corporate headquarters in Menlo Park, California. We have data centers in the United States, including data center facilities that we own in Iowa, North Carolina, and Oregon and leased data center facilities in California and Virginia. We also own a data center facility in Lulea, Sweden. We believe that our facilities are adequate for our current needs. To support planned future growth, we are currently making significant investments to expand our corporate headquarters in Menlo Park, California.

Item 3. Legal Proceedings

Paul D. Ceglia filed suit against us and Mark Zuckerberg on or about June 30, 2010, in the Supreme Court of the State of New York for the County of Allegheny, claiming substantial ownership of our company based on a purported contract between Mr. Ceglia and Mr. Zuckerberg allegedly entered into in April 2003. We removed the case to the U.S. District Court for the Western District of New York, where the case is now pending. In his first amended complaint, filed on April 11, 2011, Mr. Ceglia revised his claims to include an alleged partnership with Mr. Zuckerberg, he revised his claims for relief to seek a substantial share of Mr. Zuckerberg's ownership in us, and he included quotations from supposed emails that he claims to have exchanged with Mr. Zuckerberg in 2003 and 2004. On March 26, 2012, we filed a motion to dismiss Mr. Ceglia's complaint and a motion for judgment on the pleadings. On March 26, 2013, the magistrate judge overseeing the matter issued a report recommending that the court grant our motion to dismiss and that it deny as moot our motion for judgment on the pleadings. On March 25, 2014, the district judge adopted the magistrate judge's report and recommendation and granted our motion to dismiss and denied our motion for judgment on the pleadings as moot. On April 24, 2014, Mr. Ceglia filed a notice of appeal. The appeal has been fully briefed. We continue to believe that Mr. Ceglia is perpetrating a fraud on the court and we intend to continue to defend the case vigorously.

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our initial public offering (IPO) and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. The vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the U.S. District Court for the Southern District of New York. In a series of rulings in 2013 and 2014, the court denied our motion to dismiss the consolidated securities class action and granted our motions to dismiss the derivative actions against our directors and certain of our officers. The plaintiffs in four of these derivative actions have filed notices of appeal. On December 23, 2014, the plaintiffs in the consolidated securities class action filed their motion for class certification. In addition, the events surrounding our IPO became the subject of various state and federal government inquiries. In May 2014, the Securities and Exchange Commission (SEC) notified us that it had terminated its inquiry and that no enforcement action had been recommended by the SEC.

In addition, we are also currently parties to multiple other lawsuits related to our products, including other patent infringement lawsuits as well as class action lawsuits brought by users and marketers, and we may in the future be subject to additional lawsuits and disputes. We are also involved in other claims, government investigations, and proceedings arising from the ordinary course of our business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our Class A common stock has been listed on the NASDAQ Global Select Market under the symbol "FB" since May 18, 2012. Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low intra-day sales prices per share for our Class A common stock on the NASDAQ Global Select Market.

	2014		2013	
	High	Low	High	Low
First Quarter	\$ 72.59	\$ 51.85	\$ 32.51	\$ 24.72
Second Quarter	\$ 68.00	\$ 54.66	\$ 29.07	\$ 22.67
Third Quarter	\$ 79.71	\$ 62.21	\$ 51.60	\$ 24.15
Fourth Quarter	\$ 82.17	\$ 70.32	\$ 58.58	\$ 43.55

Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of December 31, 2014, there were 5,182 stockholders of record of our Class A common stock, and the closing price of our Class A common stock was \$78.02 per share as reported on the NASDAQ Global Select Market. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. As of December 31, 2014, there were 61 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid any cash dividend on our common stock. We intend to retain any future earnings and do not expect to pay dividends in the foreseeable future. In addition, our credit facility contains restrictions on our ability to pay dividends.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sale of Unregistered Securities and Use of Proceeds

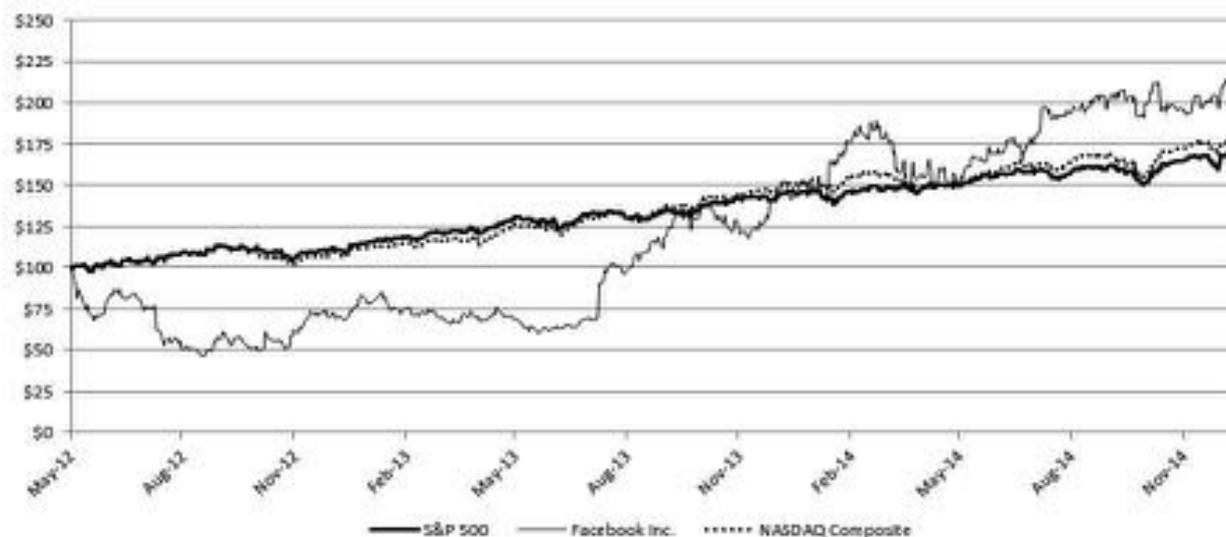
Recent Sale of Unregistered Securities

On October 6, 2014, we issued 177,760,669 shares of our Class A common stock as consideration to 49 individuals and 16 entities in connection with our acquisition of all the outstanding shares of a company. The sales of these securities were exempt from registration under the Securities Act of 1933, as amended (Securities Act) in reliance upon Section 4(a)(2) of the Securities Act.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Facebook, Inc. under the Securities Act or the Exchange Act.

The following graph shows a comparison from May 18, 2012 (the date our Class A common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2014 of the cumulative total return for our Class A common stock, the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Nasdaq Composite Index (NASDAQ Composite). The graph assumes that \$100 was invested at the market close on May 18, 2012 in the Class A common stock of Facebook, Inc., the S&P 500 Index and the NASDAQ Composite and data for the S&P 500 Index and the NASDAQ Composite assumes reinvestments of gross dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2014.

Item 6. Selected Financial Data.

You should read the following selected consolidated financial data in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The consolidated statements of income data for each of the years ended December 31, 2014, 2013, and 2012 and the consolidated balance sheets data as of December 31, 2014 and 2013 are derived from our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. The consolidated statements of income data for the years ended December 31, 2011 and 2010 and the consolidated balance sheets data as of December 31, 2012, 2011, and 2010 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in millions, except per share data)				
Consolidated Statements of Income Data:					
Revenue	\$ 12,466	\$ 7,872	\$ 5,089	\$ 3,711	\$ 1,974
Total costs and expenses ⁽¹⁾	7,472	5,068	4,551	1,955	942
Income from operations	4,994	2,804	538	1,756	1,032
Income before provision for income taxes	4,910	2,754	494	1,695	1,008
Net income	2,940	1,500	53	1,000	606
Net income attributable to Class A and Class B common stockholders	2,925	1,491	32	668	372
Earnings per share attributable to Class A and Class B common stockholders⁽²⁾:					
Basic	\$ 1.12	\$ 0.62	\$ 0.02	\$ 0.52	\$ 0.34
Diluted	\$ 1.10	\$ 0.60	\$ 0.01	\$ 0.46	\$ 0.28

(1) Total costs and expenses include \$1.84 billion, \$906 million, \$1.57 billion, \$217 million, and \$20 million of share-based compensation for the years ended December 31, 2014, 2013, 2012, 2011, and 2010, respectively.

(2) See Note 3 of the notes to our consolidated financial statements for a description of our computation of basic and diluted earnings per share attributable to Class A and Class B common stockholders.

	As of December 31,				
	2014	2013	2012	2011	2010
	(in millions)				
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and marketable securities	\$ 11,199	\$ 11,449	\$ 9,626	\$ 3,908	\$ 1,785
Working capital	12,246	11,970	10,215	3,705	1,857
Property and equipment, net	3,967	2,882	2,391	1,475	574
Total assets	40,184	17,895	15,103	6,331	2,990
Capital lease obligations	233	476	856	677	223
Long-term debt	—	—	1,500	—	250
Total liabilities	4,088	2,425	3,348	1,432	828
Additional paid-in capital	30,225	12,297	10,094	2,684	947
Total stockholders' equity	36,096	15,470	11,755	4,899	2,162

Free Cash Flow

In addition to other financial measures presented in accordance with U.S. generally accepted accounting principles (GAAP), we monitor free cash flow (FCF) as a non-GAAP measure to manage our business, make planning decisions, evaluate our performance, and allocate resources. We define FCF as net cash provided by operating activities reduced by purchases of property and equipment and property and equipment acquired under capital leases.

We believe that FCF is one of the key financial indicators of our business performance over the long term and provides useful information regarding how cash provided by operating activities compares to the property and equipment investments required to maintain and grow our business. We have chosen to subtract both purchases of property and equipment and property and equipment acquired under capital leases in our calculation of FCF because we believe that these two items collectively represent the amount of property and equipment we need to procure to support our business, regardless of whether we finance such property or equipment with a capital lease. The market for financing servers and other technical equipment is dynamic and we expect our use of capital leases could vary significantly from year to year.

We have chosen our definition for FCF because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business. We use FCF in discussions with our senior management and board of directors.

FCF has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are:

- FCF does not reflect our future contractual commitments; and
- other companies in our industry present similarly titled measures differently than we do, limiting their usefulness as comparative measures.

Management compensates for the inherent limitations associated with using the FCF measure through disclosure of such limitations, presentation of our financial statements in accordance with GAAP, and reconciliation of FCF to the most directly comparable GAAP measure, net cash provided by operating activities, as presented below.

The following is a reconciliation of FCF to the most comparable GAAP measure, net cash provided by operating activities:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
			(in millions)		
Net cash provided by operating activities ⁽¹⁾	\$ 5,457	\$ 4,222	\$ 1,612	\$ 1,549	\$ 698
Purchases of property and equipment	(1,831)	(1,362)	(1,235)	(606)	(293)
Property and equipment acquired under capital leases	—	(11)	(340)	(473)	(217)
Free cash flow	<u>\$ 3,626</u>	<u>\$ 2,849</u>	<u>\$ 37</u>	<u>\$ 470</u>	<u>\$ 188</u>

- (1) For the year ended December 31, 2012, net cash provided by operating activities was reduced by \$451 million of income tax refundable from income tax loss carrybacks due to the recognition of tax benefits related to share-based compensation from restricted stock units granted prior to January 1, 2011. We received substantially all of this refund in 2013 which increased our net cash provided by operating activities and FCF for the year ended December 31, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to our historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, "Risk Factors." For a discussion of limitations in the measurement of certain of our user metrics, see the section entitled "Limitations of Key Metrics and Other Data" in this Annual Report on Form 10-K.

Overview

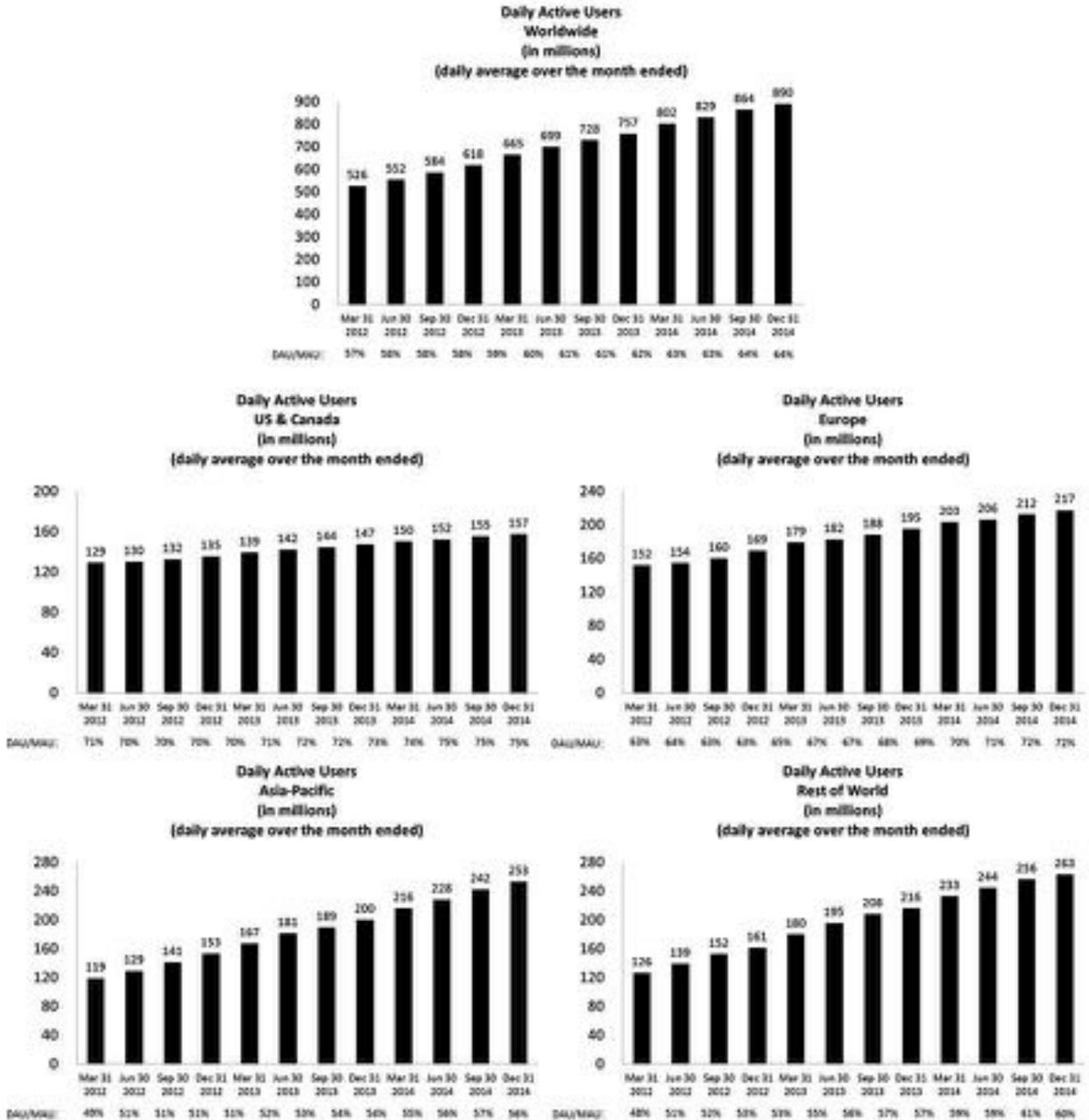
We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables people who use Facebook to purchase virtual and digital goods from developers. For the year ended December 31, 2014, we recorded revenue of \$12.47 billion, income from operations of \$4.99 billion, and net income of \$2.94 billion.

Trends in Our User Metrics

The numbers for our key metrics, our daily active users (DAUs), mobile DAUs, MAUs, mobile MAUs, and average revenue per user (ARPU), and certain other metrics such as mobile-only DAUs and mobile-only MAUs, do not include Instagram or WhatsApp users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook. In addition, other user engagement metrics do not include Instagram or WhatsApp unless otherwise specifically stated.

Trends in the number of users affect our revenue and financial results by influencing the number of ads we are able to show, the value of our ads to marketers, the volume of Payments transactions, as well as our expenses and capital expenditures.

- Daily Active Users (DAUs).** We define a daily active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, used our Messenger app, or took an action to share content or activity with his or her Facebook friends or connections via a third-party website or application that is integrated with Facebook, on a given day. We view DAUs, and DAUs as a percentage of MAUs, as measures of user engagement.

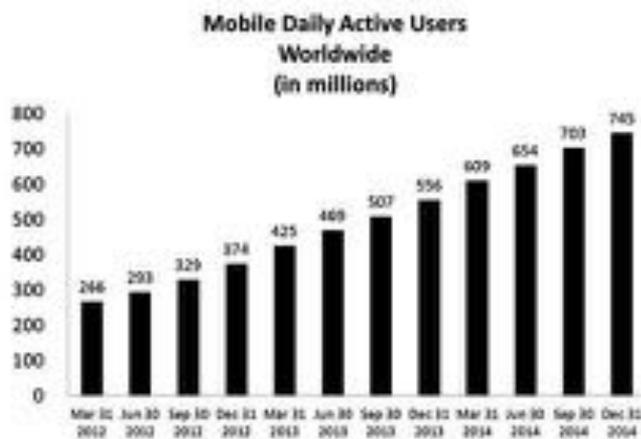


Note: For purposes of reporting DAUs, MAUs, and ARPU by geographic region, Europe includes all users in Russia and Turkey and Rest of World includes all users in Africa, Latin America, and the Middle East.

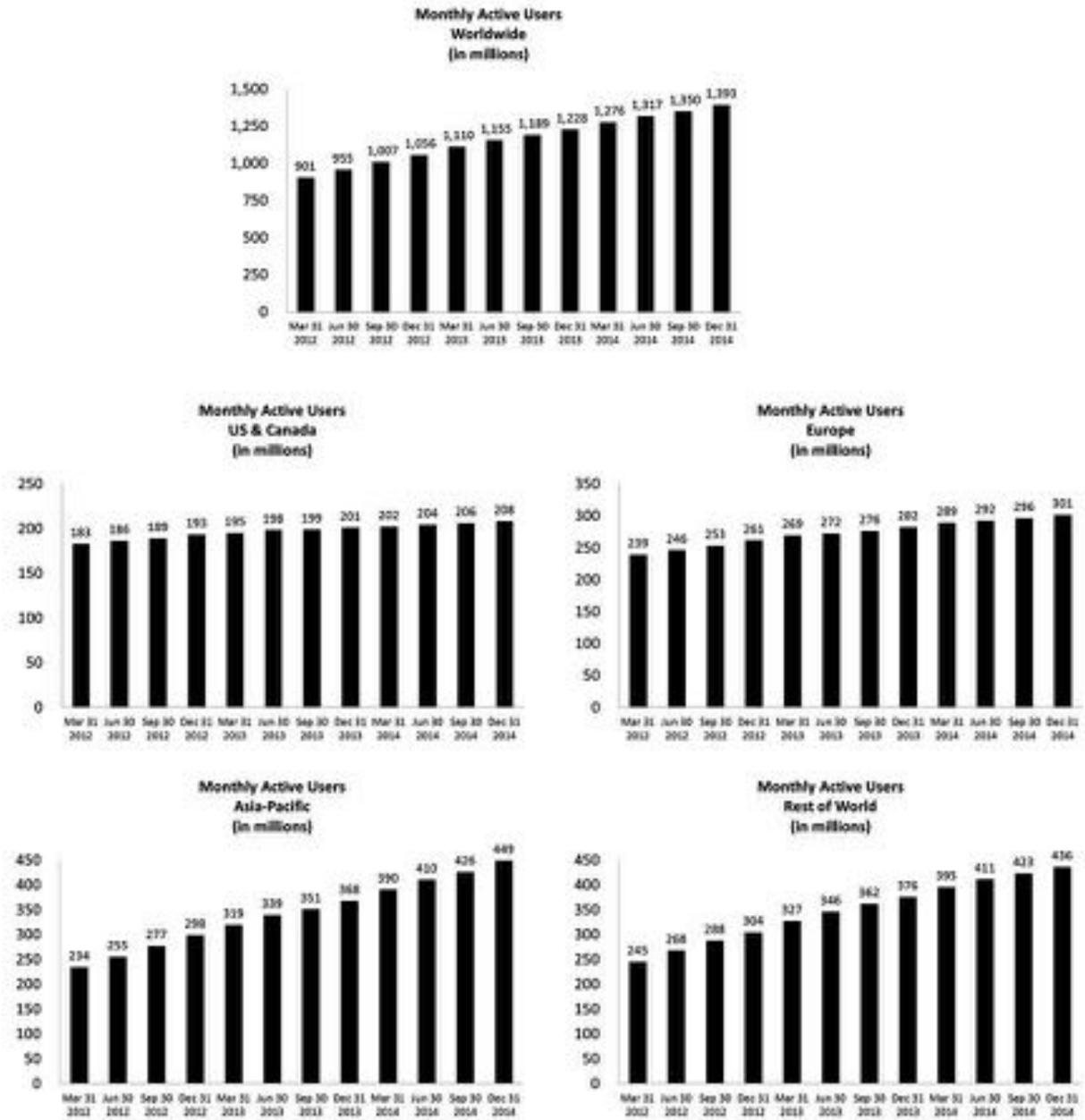
Worldwide DAUs increased 18% to 890 million on average during December 2014 from 757 million during December 2013. We experienced growth in DAUs across major markets including India, Brazil, and the United States. Overall growth in DAUs was driven by increased mobile usage of Facebook, and the number of DAUs accessing Facebook on personal computers decreased in December 2014 compared to the same period in 2013. We believe that use of Facebook through personal computers will continue to decline in all regions.

- **Mobile DAUs.** We define a mobile DAU as a user who accessed Facebook via a mobile application or via mobile versions of our website such as m.facebook.com, whether on a mobile phone or tablet, or used our Messenger app on a given day.

Worldwide mobile DAUs increased 34% to 745 million on average during December 2014 from 556 million during December 2013. In all regions, an increasing number of our DAUs accessed Facebook through mobile devices on average during December 2014 as compared to the same period during 2013, with users in Brazil, India, and the United States representing key sources of mobile DAU growth on average during December 2014. On average during the month ended December 31, 2014, there were 589 million DAUs who accessed Facebook solely through mobile applications or our mobile website, increasing 49% from 395 million mobile-only DAUs during the same period in 2013. The remaining mobile DAUs accessed Facebook from both mobile devices and personal computers. We anticipate that growth in mobile users will continue to be the driver of our user growth for the foreseeable future.



- Monthly Active Users (MAUs).** We define a monthly active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, used our Messenger app, or took an action to share content or activity with his or her Facebook friends or connections via a third-party website or application that is integrated with Facebook, in the last 30 days as of the date of measurement. MAUs are a measure of the size of our global active user community.



As of December 31, 2014, we had 1.39 billion MAUs, an increase of 13% from December 31, 2013. Users in India, Brazil, and Indonesia represented key sources of growth in 2014. Overall growth in MAUs was driven by increased mobile usage of Facebook, and the number of MAUs accessing Facebook on personal computers decreased in December 2014 compared to the same period in 2013. We believe that use of Facebook through personal computers will continue to decline in all regions.

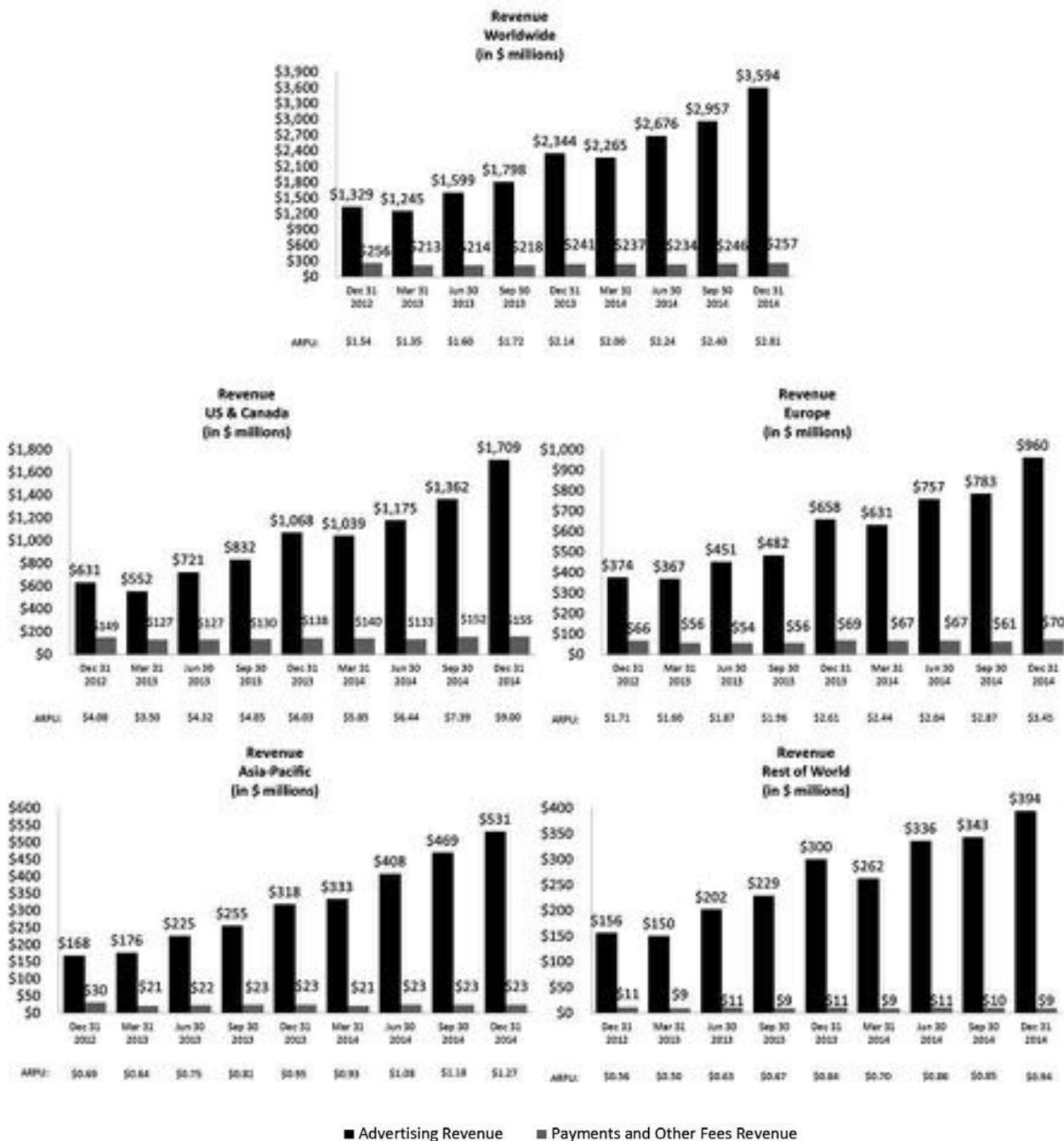
- Mobile MAUs.** We define a mobile MAU as a user who accessed Facebook via a mobile application or via mobile versions of our website such as m.facebook.com, whether on a mobile phone or tablet, or used our Messenger app during the period of measurement.

Worldwide mobile MAUs increased 26% to 1.19 billion as of December 31, 2014 from 945 million as of December 31, 2013. In all regions, an increasing number of our MAUs accessed Facebook through mobile devices in 2014 as compared to the same period in 2013, with users in India, Brazil, and the United States representing key sources of mobile MAU growth in 2014. There were 526 million mobile MAUs who accessed Facebook solely through mobile applications or our mobile website during the month ended December 31, 2014, increasing 78% from 296 million during the same period in 2013. The remaining 663 million mobile MAUs accessed Facebook from both mobile devices and personal computers during December 2014. We anticipate that growth in mobile users will continue to be the driver of our user growth for the foreseeable future.



Trends in Our Monetization by User Geography

We calculate our revenue by user geography based on our estimate of the geography in which ad impressions are delivered or virtual and digital goods are purchased. We define ARPU as our total revenue in a given geography during a given quarter, divided by the average of the number of MAUs in the geography at the beginning and end of the quarter. The geography of our users affects our revenue and financial results because we currently monetize users in different geographies at different average rates. Our revenue and ARPU in regions such as United States & Canada and Europe are relatively higher due to the size and maturity of those advertising markets as well as our greater sales presence and the number of payment methods that we make available to marketers and users. For example, ARPU for an average user in 2014 in United States & Canada was more than six times higher than for an average user in Asia-Pacific.



Note: Our revenue by user geography in the charts above is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

For 2014, worldwide ARPU was \$9.45, an increase of 39% from 2013. Over this period, ARPU increased by approximately 53% in United States & Canada, 44% in Europe, 42% in Asia-Pacific, and 27% in Rest of World. User growth was more rapid in geographies with relatively lower ARPU, such as Asia-Pacific and Rest of World. We expect that user growth in the future will be primarily concentrated in those regions where ARPU is relatively lower, such as Asia-Pacific and Rest of World, such that worldwide ARPU may continue to increase at a slower rate relative to ARPU in any geographic region, or potentially decrease even if ARPU increases in each geographic region.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe that the assumptions and estimates associated with revenue recognition for payments and other fees, income taxes, share-based compensation, loss contingencies, and business combinations and valuation of goodwill and other acquired intangible assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 1 of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Revenue Recognition for Payments and Other Fees

We enable Payments from people to purchase virtual and digital goods from developers. People can make payments on Facebook by using debit and credit cards, PayPal, mobile phone payments, gift cards, or other methods. We receive a fee from developers when a person engages in a payment transaction for the purchase of a virtual or digital good on the Facebook website. The price of the virtual or digital good is a price that is solely determined by the developer. We remit to the developer an amount that is based on the total amount of transaction less the processing fee that we charge the developer for the service performed. Our revenue is the net amount of the transaction representing our processing fee for the transaction. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the person. Under GAAP guidance related to reporting revenue gross as a principal versus net as an agent, the indicators used to determine whether an entity is a principal or an agent to a transaction are subject to judgment. We consider ourselves the agent to these transactions when we apply the indicators to our facts. Should material subsequent changes in the substance or nature of the transactions with developers result in us being considered the principal in such sales, we would reflect the virtual and digital goods sale as revenue and the amounts paid to the developers as an associated cost.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any reserves that we believe are appropriate, as well as the related net interest and penalties.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such is recorded for only those share-based awards that we expect to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

Loss Contingencies

We are involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

We believe that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of December 31, 2014. However, the outcome of litigation is inherently uncertain. Therefore, if one or more of these legal matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period, could be materially adversely affected.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under Accounting Standards Update (ASU) No. 2011-08, *Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, issued by the Financial Accounting Standards Board (FASB). If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of December 31, 2014, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any such impairment charge during the years presented.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our finite-lived intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized over the revised estimated useful life.

Components of Results of Operations

Revenue

We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables people to purchase virtual and digital goods from our developers.

Advertising. Our advertising revenue is generated by displaying ad products on Facebook properties, including our mobile applications, and third-party affiliated websites or mobile applications. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of clicks made by people, the number of actions taken by people, or the number of impressions delivered. We recognize revenue from the delivery of click-based ads in the period in which a person clicks on the content, and action-based ads in the period in which a person takes the action the marketer contracted for. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to people. The number of ads we show is subject to methodological changes as we continue to evolve our ads business and the structure of our ads products. We calculate price per ad as total ad revenue divided by the number of ads delivered, representing the effective price paid per impression by a marketer regardless of their desired objective such as impression, click, or action.

Payments and other fees. We enable Payments from people to purchase virtual and digital goods from our developers. People can transact and make payments on the Facebook website by using debit and credit cards, PayPal, mobile phone payments, gift cards, or other methods. We receive a fee from developers when people make purchases in these applications using our Payments infrastructure. We recognize revenue net of amounts remitted to our developers. We have mandated the use of our Payments infrastructure for game applications on Facebook, and fees related to Payments are generated almost exclusively from games. Our other fees revenue, which has not been significant in recent periods, consists primarily of revenue from our ad serving and measurement products and the delivery of virtual reality platform devices.

Cost of Revenue and Operating Expenses

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment depreciation, facility and server equipment rent expense, energy and bandwidth costs, support and maintenance costs, and salaries, benefits, and share-based compensation for employees on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions, amortization of intangible assets, and cost of virtual reality platform device inventory sold.

Research and development. Research and development expenses consist primarily of share-based compensation, salaries and benefits for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products. We expense all of our research and development costs as they are incurred.

Marketing and sales. Our marketing and sales expenses consist primarily of salaries, benefits, and share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include people-, marketer-, and developer-facing marketing and promotional expenditures as well as amortization of intangible assets.

General and administrative. Our general and administrative expenses consist primarily of salaries, benefits, and share-based compensation for our executives as well as our legal, finance, human resources, corporate communications and policy, and other administrative employees. In addition, general and administrative expenses include outside consulting fees, and legal and accounting services. General and administrative expenses also include legal settlements and amortization of intangible assets we have acquired.

Results of Operations

The following table sets forth our consolidated statements of income data:

	Year Ended December 31,		
	2014	2013	2012
	(in millions)		
Consolidated Statements of Income Data:			
Revenue	\$ 12,466	\$ 7,872	\$ 5,089
Costs and expenses:			
Cost of revenue	2,153	1,875	1,364
Research and development	2,666	1,415	1,399
Marketing and sales	1,680	997	896
General and administrative	973	781	892
Total costs and expenses	<u>7,472</u>	<u>5,068</u>	<u>4,551</u>
Income from operations	4,994	2,804	538
Interest and other income/(expense), net	(84)	(50)	(44)
Income before provision for income taxes	4,910	2,754	494
Provision for income taxes	1,970	1,254	441
Net income	<u>\$ 2,940</u>	<u>\$ 1,500</u>	<u>\$ 53</u>

Share-based compensation expense included in costs and expenses:

	Year Ended December 31,		
	2014	2013	2012
	(in millions)		
Cost of revenue	\$ 62	\$ 42	\$ 88
Research and development	1,328	604	843
Marketing and sales	249	133	306
General and administrative	198	127	335
Total share-based compensation expense	<u>\$ 1,837</u>	<u>\$ 906</u>	<u>\$ 1,572</u>

The following table sets forth our consolidated statements of income data (as a percentage of revenue):

	Year Ended December 31,		
	2014	2013	2012
Consolidated Statements of Income Data:			
Revenue	100%	100%	100%
Costs and expenses:			
Cost of revenue	17	24	27
Research and development	21	18	27
Marketing and sales	13	13	18
General and administrative	8	10	18
Total costs and expenses	<u>60</u>	<u>64</u>	<u>89</u>
Income from operations	40	36	11
Interest and other income/(expense), net	(1)	(1)	(1)
Income before provision for income taxes	39	35	10
Provision for income taxes	16	16	9
Net income	<u>24%</u>	<u>19%</u>	<u>1%</u>

Share-based compensation expense included in costs and expenses (as a percentage of revenue):

	Year Ended December 31,		
	2014	2013	2012
Cost of revenue	—%	1%	2%
Research and development	11	8	17
Marketing and sales	2	2	6
General and administrative	2	2	7
Total share-based compensation expense	15%	12%	31%

Revenue

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(in millions)				
Advertising	\$ 11,492	\$ 6,986	\$ 4,279	65%	63%
Payments and other fees	974	886	810	10%	9%
Total revenue	\$ 12,466	\$ 7,872	\$ 5,089	58%	55%

2014 Compared to 2013. Revenue in 2014 increased \$4.59 billion, or 58% compared to 2013. The increase was due primarily to a 65% increase in advertising revenue during 2014 as compared to 2013.

The most important factor driving advertising revenue growth was an increase in revenue from ads in News Feed on both mobile devices and personal computers. News Feed ads are displayed more prominently, have significantly higher levels of engagement and a higher price per ad relative to our other ad placements. In 2014, we estimate that mobile advertising revenue represented approximately 65% of total advertising revenue, as compared with 45% in 2013. Other factors that influenced our advertising revenue growth in 2014 included (i) an increase in the number of marketers actively advertising on Facebook, which we believe increased demand for our ad inventory, (ii) other product changes to increase the value and performance of our ads, and (iii) an increase in user growth and engagement.

In 2014 compared to 2013, the average price per ad increased by 173% and the number of ads delivered decreased by 40%. The increase in average price per ad was driven by a product change related to certain non-News Feed ads during the third quarter of 2014, which decreased the number of ads displayed but increased the prominence of each ad. Average price per ad was also driven by a mix shift towards a greater percentage of our ads being shown in News Feed. The reduction in ads delivered was driven by factors including the product change described above as well as the shift in usage towards mobile devices where people are shown fewer ads as compared to personal computers.

Advertising revenue in the fourth quarter of 2014 increased 53% compared to the same period in 2013. The increase in advertising revenue in the fourth quarter of 2014 was driven by the same factors that drove 2014 annual advertising revenue growth, primarily an increase in revenue from ads in News Feed on both mobile devices and personal computers. For the fourth quarter of 2014, we estimate that mobile advertising revenue represented approximately 69% of total advertising revenue, as compared with 53% in the same period in 2013.

Advertising spending is traditionally seasonally strong in the fourth quarter of each year. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect significant growth in advertising revenue between the third and fourth quarters and a decline in advertising spending between the fourth and subsequent first quarters. For instance, our advertising revenue increased 22%, 30%, and 22% between the third and fourth quarters of 2014, 2013, and 2012, respectively, while advertising revenue for the first quarter of 2014 and 2013 declined 3% and 6% compared to the fourth quarters of 2013 and 2012, respectively.

Payments and other fees revenue in 2014 increased \$88 million, or 10%, compared to 2013. The increase in Payments and other fees revenue is a result of increased revenue from our ad serving and measurement products and the delivery of virtual reality platform devices.

Payments and other fees revenue in the fourth quarter of 2014 was \$257 million, as compared to \$241 million in the same period of 2013. Payments and other fees revenue is currently based predominantly on Payments revenue from games played on

personal computers. We expect Facebook usage on personal computers will continue to decline in the future, which we expect to result in a decline of our Payments revenue.

2013 Compared to 2012. Revenue in 2013 increased \$2.78 billion, or 55% compared to 2012. The increase was due primarily to a 63% increase in advertising revenue during 2013 as compared to 2012.

The most important factor driving advertising revenue growth was an increase in revenue from ads in News Feed on both mobile devices and personal computers. News Feed ads are displayed more prominently, have significantly higher levels of engagement and a higher price per ad relative to our other ad placements. In 2013, we estimate that mobile advertising revenue represented approximately 45% of total advertising revenue, as compared with 11% in 2012. Other factors that influenced our advertising revenue growth in 2013 included an increase in the number of marketers actively advertising on Facebook, which we believe increased demand for our ad inventory, and a 22% growth in average DAUs from December 2012 to December 2013.

In 2013 compared to 2012, we increased the number of ads shown by 20% and the average price per ad by 36%. The increase in average price per ad was driven primarily by the increased number of News Feed ads on both mobile devices and personal computers, offset partially by product changes including our decision to lower the market reserve price, i.e. the minimum price threshold accepted in our auction. The increase in the number of ads shown was driven by user growth and the reserve price change, partially offset by a shift towards more usage on mobile devices, where we show fewer ads than on personal computers.

Payments and other fees revenue in 2013 increased \$76 million, or 9%, compared to 2012. The increase in Payments and other fees revenue is a result of increased Payments revenue from games played on Facebook on personal computers, and to a lesser extent, the inclusion of other fees revenue in 2013 from user Promoted Posts and our ad serving and measurement products.

In 2013, we generated approximately 46% of our revenue from marketers and developers based in the United States, compared to 51% in 2012. The change is due to a faster growth rate of international users and to the expansion of international sales offices and payment methods. The majority of our revenue outside of the United States came from customers located in Western Europe, Canada, Australia and Brazil.

No customer represented 10% or more of total revenue during the years ended December 31, 2014, 2013, and 2012.

Cost of revenue

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(dollars in millions)				
Cost of revenue	\$ 2,153	\$ 1,875	\$ 1,364	15%	37%
Percentage of revenue	17%	24%	27%		

2014 Compared to 2013. Cost of revenue in 2014 increased \$278 million, or 15%, compared to 2013. The increase was primarily due to operational expenses related to our data center and technical infrastructure and increased amortization of our intangible assets. These increases were partially offset by items related to data center lease abandonment: we reversed \$34 million of lease abandonment expense in 2014 due to our decision to re-occupy and utilize a previously exited data center, compared to a recognition of \$117 million of lease abandonment expense in 2013.

2013 Compared to 2012. Cost of revenue in 2013 increased \$511 million, or 37%, compared to 2012. The increase was primarily due to operational expenses related to expanding our data center and technical infrastructure, including a \$275 million increase in depreciation in 2013. In addition, we recognized \$117 million of lease abandonment expense in 2013 primarily due to exiting certain leased data centers resulting from the migration of operations to our own data centers. The increase in cost of revenue in 2013 was partially offset by a \$46 million decrease in share-based compensation expense compared to 2012.

In 2015, we anticipate that the cost of revenue will increase at a higher rate than it increased in 2014 as we expand our data center capacity and technical infrastructure to support user growth, increased user engagement, and the delivery of new products and services. Additionally, we also expect an increase in amortization of our intangible assets.

Research and development

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(dollars in millions)				
Research and development	\$ 2,666	\$ 1,415	\$ 1,399	88%	1%
Percentage of revenue	21%	18%	27%		

2014 Compared to 2013. Research and development expenses in 2014 increased \$1.25 billion, or 88%, compared to 2013. The increase was primarily due to an increase of \$724 million in share-based compensation expense compared to 2013, and an increase in other payroll and benefits expense resulting from a 48% growth in employee headcount from December 31, 2013 to December 31, 2014 in engineering and other technical functions. Share-based compensation expense also increased due to the acquisitions we completed in 2014.

2013 Compared to 2012. Research and development expenses in 2013 increased \$16 million, or 1%, compared to 2012. The increase was primarily due to an increase in payroll and benefits expense resulting from a 50% growth in employee headcount from December 31, 2012 to December 31, 2013 in engineering and other technical functions. This increase in 2013 was offset by a \$239 million decrease in share-based compensation expense compared to 2012.

In 2015, we plan to continue hiring software engineers and other technical employees to support our research and development initiatives.

Marketing and sales

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(dollars in millions)				
Marketing and sales	\$ 1,680	\$ 997	\$ 896	69%	11%
Percentage of revenue	13%	13%	18%		

2014 Compared to 2013. Marketing and sales expenses in 2014 increased \$683 million, or 69%, compared to 2013. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 44% increase in employee headcount from December 31, 2013 to December 31, 2014 to support global sales, business development and customer service. Our people-, marketer-, and developer-facing marketing expense also increased \$150 million in 2014 compared to 2013. Additionally, share-based compensation expense also increased \$116 million compared to 2013.

2013 Compared to 2012. Marketing and sales expenses in 2013 increased \$101 million, or 11%, compared to 2012. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 36% increase in employee headcount from December 31, 2012 to December 31, 2013 to support global sales, business development and customer service. Our people-, marketer-, and developer-facing marketing expense also contributed to the increase in 2013. These increases in 2013 were partially offset by a decrease in share-based compensation expense of \$173 million compared to 2012.

In 2015, we plan to add sales and business development employees, and increase our investment in marketing to our people, marketers and developers.

General and administrative

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(dollars in millions)				
General and administrative	\$ 973	\$ 781	\$ 892	25%	(12)%
Percentage of revenue	8%	10%	18%		

2014 Compared to 2013. General and administrative expenses in 2014 increased \$192 million, or 25%, compared to 2013. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 55% increase in employee headcount. Share-based compensation expense also increased \$71 million compared to 2013. Additionally, professional services expense in 2014 also increased \$58 million primarily due to higher consulting and other professional service fees.

2013 Compared to 2012. General and administrative expenses in 2013 decreased \$111 million, or 12%, compared to 2012. The decrease was primarily due to a \$208 million decrease in share-based compensation expense in 2013 compared to 2012. The decrease in 2013 was partially offset by increased payroll and benefits expense resulting from a 19% increase in employee headcount and increased amortization of acquired patents.

In 2015, we plan to increase general and administrative employee headcount to support overall company growth.

Interest and other income/(expense), net

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(in millions)				
Interest income/(expense), net	\$ 4	\$ (37)	\$ (37)	111 %	— %
Other income/(expense), net	(88)	(13)	(7)	(577)%	(86)%
Interest and other income/(expense), net	<u>\$ (84)</u>	<u>\$ (50)</u>	<u>\$ (44)</u>	(68)%	(14)%

2014 Compared to 2013. Interest and other income/(expense), net in 2014 decreased \$34 million, or 68%, compared to 2013. Other income/(expense), net decreased primarily due to \$87 million in foreign exchange losses resulting from the periodic re-measurement of our foreign currency balances. The decrease in other income/(expense), net was partially offset by a decrease in interest expense due to the repayment of our long-term debt in August 2013 and lower capital lease payments.

2013 Compared to 2012. Interest and other income/(expense), net in 2013 decreased \$6 million, or 14%, compared to 2012. Other income/(expense), net decreased primarily due to foreign exchange losses resulting from the periodic re-measurement of our foreign currency balances. In addition, interest expense increased by \$5 million primarily due to interest on the \$1.5 billion term loan that was drawn down in the fourth quarter of 2012 and fully repaid in August 2013, offset by an increase in interest income resulting from higher invested cash balances.

Provision for income taxes

	Year Ended December 31,			2014 vs 2013 % Change	2013 vs 2012 % Change
	2014	2013	2012		
	(dollars in millions)				
Provision for income taxes	\$ 1,970	\$ 1,254	\$ 441	57%	184%
Effective tax rate	40%	46%	89%		

2014 Compared to 2013. Our provision for income taxes in 2014 increased \$716 million, or 57%, compared to 2013, primarily due to an increase in income before provision for income taxes. Our effective tax rate differs from the statutory rate due to non-deductible share-based compensation, operations in jurisdictions with tax rates lower than the U.S., and tax research credits. Our effective tax rate decreased primarily due to a change in our geographic mix of pre-tax income.

2013 Compared to 2012. Our provision for income taxes in 2013 increased \$813 million, or 184%, compared to 2012, primarily due to an increase in income before provision for income taxes. Our effective tax rate decreased primarily due to a lower amount of non-deductible share-based compensation. Our effective tax rate in 2013 was also lower due to the reinstatement in 2013 of the federal tax credit for research and development activities. We recognized the benefit from the reinstatement of the tax credit for 2012 and 2013 during the year ended December 31, 2013.

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of income data in dollars and as a percentage of total revenue for each of the eight quarters in the period ended December 31, 2014. We have prepared the quarterly consolidated statements of income data on a basis consistent with the audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results of operations for any future period.

	Three Months Ended							
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
	(in millions)							
Consolidated Statements of Income Data:								
Revenue:								
Advertising	\$ 3,594	\$ 2,957	\$ 2,676	\$ 2,265	\$ 2,344	\$ 1,798	\$ 1,599	\$ 1,245
Payments and other fees	257	246	234	237	241	218	214	213
Total revenue	3,851	3,203	2,910	2,502	2,585	2,016	1,813	1,458
Costs and expenses:								
Cost of revenue	653	565	473	462	491	507	465	413
Research and development	1,111	608	492	455	408	369	344	293
Marketing and sales	624	374	358	323	292	233	269	203
General and administrative	330	259	197	187	261	171	173	176
Total costs and expenses ⁽¹⁾	2,718	1,806	1,520	1,427	1,452	1,280	1,251	1,085
Income from operations	1,133	1,397	1,390	1,075	1,133	736	562	373
Interest and other income/(expense), net	(19)	(61)	(4)	—	(3)	(10)	(17)	(20)
Income before provision for income taxes	1,114	1,336	1,386	1,075	1,130	726	545	353
Provision for income taxes	413	530	595	433	607	301	212	134
Net income	\$ 701	\$ 806	\$ 791	\$ 642	\$ 523	\$ 425	\$ 333	\$ 219
Less: Net income attributable to participating securities	5	4	3	3	3	3	2	2
Net income attributable to Class A and Class B common stockholders	\$ 696	\$ 802	\$ 788	\$ 639	\$ 520	\$ 422	\$ 331	\$ 217
Earnings per share attributable to Class A and Class B common stockholders:								
Basic	\$ 0.25	\$ 0.31	\$ 0.31	\$ 0.25	\$ 0.21	\$ 0.17	\$ 0.14	\$ 0.09
Diluted	\$ 0.25	\$ 0.30	\$ 0.30	\$ 0.25	\$ 0.20	\$ 0.17	\$ 0.13	\$ 0.09

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
	(in millions)							
Cost of revenue	\$ 18	\$ 16	\$ 16	\$ 12	\$ 11	\$ 12	\$ 11	\$ 8
Research and development	685	243	219	181	172	164	151	117
Marketing and sales	103	53	50	43	42	34	33	24
General and administrative	90	41	29	38	48	29	29	21
Total share-based compensation expense	<u>\$ 896</u>	<u>\$ 353</u>	<u>\$ 314</u>	<u>\$ 274</u>	<u>\$ 273</u>	<u>\$ 239</u>	<u>\$ 224</u>	<u>\$ 170</u>

⁽¹⁾ Total costs and expenses increased in the fourth quarter of 2014 compared to the third quarter of 2014, primarily due to increases in share-based compensation expense and amortization of intangible assets related to our acquisitions.

	Three Months Ended							
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
	(as a percentage of total revenue)							

Consolidated Statements of Income Data:

Revenue:								
Advertising	93%	92%	92%	91%	91%	89%	88%	85%
Payments and other fees	7	8	8	9	9	11	12	15
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	17	18	16	18	19	25	26	28
Research and development	29	19	17	18	16	18	19	20
Marketing and sales	16	12	12	13	11	12	15	14
General and administrative	9	8	7	7	10	8	10	12
Total costs and expenses	71	56	52	57	56	63	69	74
Income from operations	29	44	48	43	44	37	31	26
Interest and other income/(expense), net	—	(2)	—	—	—	—	(1)	(1)
Income before provision for income taxes	29	42	48	43	44	36	30	24
Provision for income taxes	11	17	20	17	23	15	12	9
Net income	18%	25%	27%	26%	20%	21%	18%	15%
Less: Net income attributable to participating securities	—	—	—	—	—	—	—	—
Net income attributable to Class A and Class B common stockholders	<u>18%</u>	<u>25%</u>	<u>27%</u>	<u>26%</u>	<u>20%</u>	<u>21%</u>	<u>18%</u>	<u>15%</u>

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
	(as a percentage of total revenue)							
Cost of revenue	—%	—%	1%	—%	—%	1%	1%	1%
Research and development	18	8	8	7	7	8	8	8
Marketing and sales	3	2	2	2	2	2	2	2
General and administrative	2	1	1	2	2	1	2	1
Total share-based compensation expense	23%	11%	11%	11%	11%	12%	12%	12%

Liquidity and Capital Resources

	Year Ended December 31,		
	2014	2013	2012
	(in millions)		
Consolidated Statements of Cash Flows Data:			
Net cash provided by operating activities	\$ 5,457	\$ 4,222	\$ 1,612
Net cash used in investing activities	(5,913)	(2,624)	(7,024)
Net cash provided by (used in) financing activities	1,571	(667)	6,283
Purchases of property and equipment	(1,831)	(1,362)	(1,235)
Depreciation and amortization	1,243	1,011	649
Share-based compensation	1,786	906	1,572

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, and cash generated from operations. Cash and cash equivalents and marketable securities consist primarily of cash on deposit with banks, investments in money market funds, and investments in U.S. government securities, U.S. government agency securities, and corporate debt securities. Cash and cash equivalents and marketable securities were \$11.20 billion as of December 31, 2014, a decrease of \$250 million from December 31, 2013, primarily due to \$4.98 billion for acquisitions of businesses and \$2.50 billion for other cash outflows mainly related to purchases of property and equipment. These decreases were partially offset by \$5.46 billion of cash generated from operations and \$1.87 billion in excess tax benefit from share-based award activity.

In October 2014, the tax withholdings related to the WhatsApp vested merger consideration were funded by net share settlement. The amount remitted to the tax authorities for the employees' tax obligation to the tax authorities was reflected as a financing activity within our consolidated statements of cash flows.

In January 2014, we began requiring that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required withholding taxes ("sell-to-cover"), rather than our previous approach of net share settlement. This sell-to-cover approach reduces our cash outflows compared to the net share settlement approach.

In August 2013, we entered into a five-year senior unsecured revolving credit facility (2013 Revolving Credit Facility) that allows us to borrow up to \$6.5 billion to fund working capital and general corporate purposes with interest payable on the borrowed amounts set at LIBOR plus 1.0%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. We paid origination fees at closing of the 2013 Revolving Credit Facility, which fees are being amortized over the term of the facility. Any amounts outstanding under this facility will be due and payable on August 15, 2018. As of December 31, 2014, no amounts had been drawn down and we were in compliance with the covenants under this credit facility.

As of December 31, 2014, \$1.57 billion of the \$11.20 billion in cash and cash equivalents and marketable securities was held by our foreign subsidiaries. Substantially all of these funds are in jurisdictions for which we are indefinitely reinvesting the earnings of the local subsidiary. These subsidiaries have historically incurred losses; as such, repatriating the funds will likely incur no residual tax liability. We have provided residual taxes in jurisdictions where we do not intend to indefinitely reinvest the earnings of the local subsidiary, however the amount of taxes provided has been insignificant.

We currently anticipate that our available funds, credit facilities, and cash flow from operations will be sufficient to meet our operational cash needs for the foreseeable future.

Cash Provided by Operating Activities

Cash flow from operating activities during 2014 primarily consisted of net income, adjusted for certain non-cash items, including share-based compensation expense of \$1.79 billion and total depreciation and amortization of \$1.24 billion. The cash flow from operating activities during 2014 compared to 2013 increased mainly due to an increase in net income of \$1.44 billion, as adjusted for certain non-cash items described above, partially offset by a decrease in income tax refunds of \$415 million.

Cash flow from operating activities during 2013 primarily consisted of net income, adjusted for certain non-cash items, including depreciation and amortization of \$1.01 billion and share-based compensation expense of \$906 million, and an increase in other liabilities related to uncertain tax positions. The cash flow from operating activities during 2013 compared to 2012 increased mainly due to an increase in net income of \$1.45 billion and uncertain tax position of \$786 million. In addition, we received income tax refunds of \$421 million in 2013.

Cash flow from operating activities during 2012 primarily consisted of adjustments to net income for certain non-cash items such as share-based compensation expense of \$1.57 billion and depreciation and amortization of \$649 million, partially offset by income tax refundable of \$451 million. The cash flow from operating activities during 2012 compared to 2011 increased modestly as the increases in adjustments for non-cash items as described above were offset by a reduction in net income of \$947 million and an increase in income tax refundable.

Cash Used in Investing Activities

Cash used in investing activities during 2014 primarily resulted from \$4.98 billion for the acquisition of businesses and \$1.83 billion for capital expenditures related to network infrastructure and the construction of data centers and office buildings, partially offset by \$1.24 billion for the net sales and maturities of marketable securities. The increase in cash used in investing activities during 2014 compared to 2013 was mainly due to increases in acquisitions of businesses and capital expenditures, partially offset by net sales of marketable securities.

Cash used in investing activities during 2013 primarily resulted from \$1.36 billion for capital expenditures related to the purchase of servers, network infrastructure, and the construction of data centers, as well as \$882 million for the net purchase of marketable securities and \$368 million for the acquisition of businesses and other assets, such as patents. The decrease in cash used in investing activities during 2013 compared to 2012 was mainly due to decreases in the purchase of marketable securities and the acquisition of businesses and other assets.

Cash used in investing activities during 2012 primarily resulted from \$4.87 billion for the net purchase of marketable securities, \$1.24 billion for capital expenditures related to the purchase of servers, network infrastructure, and the construction of data centers, as well as \$911 million for the acquisition of businesses and other assets, such as patents. The increase in cash used in investing activities during 2012 compared to 2011 was mainly due to increases in the purchase of marketable securities, the acquisition of businesses and other assets, and capital expenditures.

We anticipate making capital expenditures in 2015 of approximately \$2.8 billion to \$3.2 billion.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities during 2014 was \$1.57 billion, which primarily resulted from \$1.87 billion of excess tax benefit from share-based award activity, partially offset by \$243 million of payments related to our capital lease transactions, and \$73 million of tax payments related to net share settlement resulting mainly from the vested merger consideration of an acquisition.

Cash used in financing activities during 2013 was \$667 million, which primarily resulted from \$1.50 billion for repayment of debt and \$889 million of tax payments related to the net share settlement, partially offset by \$1.48 billion in net proceeds from the completion of our follow-on equity offering in December 2013.

Cash provided by financing activities during 2012 was \$6.28 billion, which primarily resulted from \$6.76 billion in net proceeds from the completion of our initial public offering, \$1.50 billion draw down from our unsecured term loan facility and \$1.03 billion of excess tax benefits from share-based award activity, partially offset by \$2.86 billion of taxes paid related to the net share settlement.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2014.

Contractual Obligations

Our principal commitments consist of obligations under operating and capital leases for equipment, office, and data center facilities. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2014.

	Total	Payment Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	\$ 1,101	\$ 155	\$ 319	\$ 268	\$ 359
Capital lease obligations	303	124	35	32	112
Other contractual commitments ⁽¹⁾	1,031	644	84	64	239
Total contractual obligations	<u>\$ 2,435</u>	<u>\$ 923</u>	<u>\$ 438</u>	<u>\$ 364</u>	<u>\$ 710</u>

(1) Other contractual commitments primarily relate to network infrastructure for our data center operations and, to a lesser extent, construction commitments related to our data center sites.

In addition, our other liabilities include \$1.19 billion related to uncertain tax positions as of December 31, 2014. Due to uncertainties in the timing of the completion of tax audits, the timing of the resolution of these positions is uncertain and we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months. As a result, this amount is not included in the above contractual obligations table.

Contingencies

We are involved in claims, lawsuits, government investigations, and proceedings. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

See Note 10 in the accompanying notes to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" and Part I, Item 3, "Legal Proceedings" of this Annual Report on Form 10-K for additional information regarding contingencies.

Recently Issued and Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for us in the first quarter of 2017. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including changes to foreign currency exchange rates, interest rates, and inflation.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Euro. In general, we are a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time we have not entered into, but in the future we may enter into, derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the effect hedging activities would have on our results of operations. We recognized foreign currency losses of \$87 million, \$14 million, and \$9 million in 2014, 2013, and 2012, respectively.

Interest Rate Sensitivity

Our exposure to changes in interest rates relates primarily to interest earned and market value on our cash and cash equivalents and marketable securities.

Our cash and cash equivalents and marketable securities consist of cash, certificates of deposit, time deposits, money market funds, U.S. government securities, U.S. government agency securities, and corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities and the market value of those securities. A hypothetical 100 basis point increase in interest rates would result in a decrease of approximately \$63 million and \$73 million in the market value of our available-for-sale debt securities as of December 31, 2014 and December 31, 2013, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Item 8. Financial Statements and Supplementary Data

FACEBOOK, INC.

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations Data," which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Facebook, Inc.

We have audited the accompanying consolidated balance sheets of Facebook, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Facebook, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Facebook, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 29, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

January 29, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Facebook, Inc.

We have audited Facebook, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (“the COSO criteria”). Facebook, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Facebook, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Facebook, Inc. and our report dated January 29, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

January 29, 2015

FACEBOOK, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for number of shares and par value)

	December 31,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,315	\$ 3,323
Marketable securities	6,884	8,126
Accounts receivable, net of allowances for doubtful accounts of \$39 and \$38 as of December 31, 2014 and December 31, 2013, respectively	1,678	1,109
Prepaid expenses and other current assets	793	512
Total current assets	13,670	13,070
Property and equipment, net	3,967	2,882
Intangible assets, net	3,929	883
Goodwill	17,981	839
Other assets	637	221
Total assets	\$ 40,184	\$ 17,895
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 176	\$ 87
Partners payable	202	181
Accrued expenses and other current liabilities	866	555
Deferred revenue and deposits	66	38
Current portion of capital lease obligations	114	239
Total current liabilities	1,424	1,100
Capital lease obligations, less current portion	119	237
Other liabilities	2,545	1,088
Total liabilities	4,088	2,425
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,234 million and 1,970 million shares issued and outstanding, including 13 million and 6 million outstanding shares subject to repurchase, as of December 31, 2014 and December 31, 2013, respectively; 4,141 million Class B shares authorized, 563 million and 577 million shares issued and outstanding, including 6 million outstanding shares subject to repurchase, as of December 31, 2014 and December 31, 2013, respectively	—	—
Additional paid-in capital	30,225	12,297
Accumulated other comprehensive (loss) income	(228)	14
Retained earnings	6,099	3,159
Total stockholders' equity	36,096	15,470
Total liabilities and stockholders' equity	\$ 40,184	\$ 17,895

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Year Ended December 31,		
	2014	2013	2012
Revenue	\$ 12,466	\$ 7,872	\$ 5,089
Costs and expenses:			
Cost of revenue	2,153	1,875	1,364
Research and development	2,666	1,415	1,399
Marketing and sales	1,680	997	896
General and administrative	973	781	892
Total costs and expenses	7,472	5,068	4,551
Income from operations	4,994	2,804	538
Interest and other income/(expense), net	(84)	(50)	(44)
Income before provision for income taxes	4,910	2,754	494
Provision for income taxes	1,970	1,254	441
Net income	\$ 2,940	\$ 1,500	\$ 53
Less: Net income attributable to participating securities	15	9	21
Net income attributable to Class A and Class B common stockholders	\$ 2,925	\$ 1,491	\$ 32
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	\$ 1.12	\$ 0.62	\$ 0.02
Diluted	\$ 1.10	\$ 0.60	\$ 0.01
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	2,614	2,420	2,006
Diluted	2,664	2,517	2,166
Share-based compensation expense included in costs and expenses:			
Cost of revenue	\$ 62	\$ 42	\$ 88
Research and development	1,328	604	843
Marketing and sales	249	133	306
General and administrative	198	127	335
Total share-based compensation expense	\$ 1,837	\$ 906	\$ 1,572

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Net income	\$ 2,940	\$ 1,500	\$ 53
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(239)	11	9
Change in unrealized gain/loss on available-for-sale investments, net of tax	(3)	(1)	1
Change in unrealized gain/loss on derivative, net of tax	—	2	(2)
Comprehensive income	\$ 2,698	\$ 1,512	\$ 61

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Par Value				
Balances at December 31, 2011	543	\$ 615	1,330	\$ —	\$ 2,684	\$ (6)	\$ 1,606	\$ 4,899
Issuance of common stock, net of issuance costs	—	—	180	—	6,760	—	—	6,760
Issuance of common stock for cash upon exercise of stock options	—	—	135	—	17	—	—	17
Issuance of common stock to nonemployees for past services	—	—	—	—	1	—	—	1
Issuance of common stock related to acquisitions	—	—	26	—	274	—	—	274
Issuance of common stock for settlement of restricted stock units (RSUs)	—	—	279	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(123)	—	(2,862)	—	—	(2,862)
Conversion of Series A, B, C, D & E preferred stock to common stock	(543)	(615)	545	—	615	—	—	—
Share-based compensation, related to employee share-based awards	—	—	—	—	1,572	—	—	1,572
Tax benefit from share-based award activity	—	—	—	—	1,033	—	—	1,033
Other comprehensive income	—	—	—	—	—	8	—	8
Net income	—	—	—	—	—	—	53	53
Balances at December 31, 2012	—	—	2,372	—	10,094	2	1,659	11,755
Issuance of common stock, net of issuance costs	—	—	27	—	1,478	—	—	1,478
Issuance of common stock for cash upon exercise of stock options	—	—	101	—	26	—	—	26
Issuance of common stock to nonemployees for past services	—	—	—	—	3	—	—	3
Issuance of common stock related to acquisitions	—	—	9	—	77	—	—	77
Issuance of common stock for settlement of RSUs	—	—	65	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(27)	—	(889)	—	—	(889)
Share-based compensation, related to employee share-based awards	—	—	—	—	906	—	—	906
Tax benefit from share-based award activity	—	—	—	—	602	—	—	602
Other comprehensive income	—	—	—	—	—	12	—	12
Net income	—	—	—	—	—	—	1,500	1,500
Balances at December 31, 2013	—	—	2,547	—	12,297	14	3,159	15,470
Issuance of common stock for cash upon exercise of stock options	—	—	9	—	18	—	—	18
Issuance of common stock related to acquisitions	—	—	201	—	14,344	—	—	14,344
Issuance of common stock for settlement of RSUs	—	—	41	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(1)	—	(73)	—	—	(73)
Share-based compensation, related to employee share-based awards	—	—	—	—	1,786	—	—	1,786
Tax benefit from share-based award activity	—	—	—	—	1,853	—	—	1,853
Other comprehensive loss	—	—	—	—	—	(242)	—	(242)
Net income	—	—	—	—	—	—	2,940	2,940
Balances at December 31, 2014	—	\$ —	2,797	\$ —	\$ 30,225	\$ (228)	\$ 6,099	\$ 36,096

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income	\$ 2,940	\$ 1,500	\$ 53
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,243	1,011	649
Lease abandonment	(31)	117	8
Share-based compensation	1,786	906	1,572
Deferred income taxes	(210)	(37)	(186)
Tax benefit from share-based award activity	1,853	602	1,033
Excess tax benefit from share-based award activity	(1,869)	(609)	(1,033)
Other	7	56	15
Changes in assets and liabilities:			
Accounts receivable	(610)	(378)	(170)
Prepaid expenses and other current assets	(123)	355	(465)
Other assets	(216)	(142)	2
Accounts payable	31	26	1
Partners payable	(28)	12	(2)
Accrued expenses and other current liabilities	328	(38)	152
Deferred revenue and deposits	10	8	(60)
Other liabilities	346	833	43
Net cash provided by operating activities	5,457	4,222	1,612
Cash flows from investing activities			
Purchases of property and equipment	(1,831)	(1,362)	(1,235)
Purchases of marketable securities	(9,104)	(7,433)	(10,307)
Sales of marketable securities	8,438	2,988	2,100
Maturities of marketable securities	1,909	3,563	3,333
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(4,975)	(368)	(911)
Change in restricted cash and deposits	(348)	(11)	(2)
Other investing activities, net	(2)	(1)	(2)
Net cash used in investing activities	(5,913)	(2,624)	(7,024)
Cash flows from financing activities			
Net proceeds from issuance of common stock	—	1,478	6,760
Taxes paid related to net share settlement	(73)	(889)	(2,862)
Proceeds from exercise of stock options	18	26	17
Proceeds from long-term debt, net of issuance cost	—	—	1,496
Repayment of long-term debt	—	(1,500)	—
Proceeds from sale and lease-back transactions	—	—	205
Principal payments on capital lease obligations	(243)	(391)	(366)
Excess tax benefit from share-based award activity	1,869	609	1,033
Net cash provided by (used in) financing activities	1,571	(667)	6,283
Effect of exchange rate changes on cash and cash equivalents	(123)	8	1
Net increase in cash and cash equivalents	992	939	872
Cash and cash equivalents at beginning of period	3,323	2,384	1,512
Cash and cash equivalents at end of period	\$ 4,315	\$ 3,323	\$ 2,384

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Supplemental cash flow data			
Cash paid during the period for:			
Interest	\$ 14	\$ 38	\$ 38
Income taxes	\$ 184	\$ 82	\$ 184
Cash received during the period for:			
Income taxes	\$ 6	\$ 421	\$ 131
Non-cash investing and financing activities:			
Net change in accounts payable and accrued expenses and other current liabilities related to property and equipment additions	\$ 91	\$ 53	\$ (40)
Property and equipment acquired under capital leases	\$ —	\$ 11	\$ 340
Fair value of shares issued related to acquisitions of businesses	\$ 14,344	\$ 77	\$ 274

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

Facebook was incorporated in Delaware in July 2004. Our mission is to give people the power to share and make the world more open and connected. We build products that support our mission by creating value for people, marketers, and developers. We generate substantially all of our revenue from advertising and from fees associated with our Payments infrastructure that enables users to purchase virtual and digital goods from developers.

Basis of Presentation

We prepared the consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of Facebook, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to revenue recognition, collectability of accounts receivable, contingent liabilities, fair value of financial instruments, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, and income taxes. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

Revenue Recognition

We generate substantially all of our revenue from advertising and payment processing fees. We recognize revenue once all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery of our obligations to our customer has occurred;
- the price is fixed or determinable; and
- collectability of the related receivable is reasonably assured.

Revenue for the years ended December 31, 2014, 2013, and 2012 consists of the following (in millions):

	Year Ended December 31,		
	2014	2013	2012
Advertising	\$ 11,492	\$ 6,986	\$ 4,279
Payments and other fees	974	886	810
Total revenue	\$ 12,466	\$ 7,872	\$ 5,089

Advertising

Advertising revenue is generated by displaying ad products on the Facebook properties, including our mobile applications, and third-party affiliated websites or mobile applications. The arrangements are evidenced by either online acceptance of terms and conditions or contracts that stipulate the types of advertising to be delivered, the timing and the pricing. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of clicks made by our users, the number of actions taken by our users, or the number of impressions delivered. The typical term of an advertising arrangement is approximately 30 days with billing generally occurring after the delivery of the advertisement.

We recognize revenue from the delivery of click-based ads in the period in which a user clicks on the content, and action-based ads in the period in which a user takes the action the marketer contracted for. We recognize revenue from the display of impression-

based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Payments and Other Fees

We enable Payments from people to purchase virtual and digital goods from our developers. People can transact and make payments on the Facebook website by using debit cards and credit cards, PayPal, mobile phone payments, gift cards, or other methods.

When a person engages in a payment transaction for the purchase of a virtual or digital good from a developer, we remit to the developer an amount that is based on the total amount of the transaction less the processing fee that we charge the developer. The price of the purchase is an amount that is solely determined by the developer. Our revenue is the net amount of the transaction, representing our processing fee for the service performed. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the person. Additionally, we record all Payments revenue at the time of the purchase of the related virtual goods, net of estimated refunds or chargebacks

Other fees, which includes our ad serving and measurement products and the delivery of virtual reality platform devices, were not material in all periods presented in our financial statements.

Revenue is recognized net of applicable sales and other taxes.

Cost of Revenue

Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers such as facility and server equipment depreciation, facility and server equipment rent expense, energy and bandwidth costs, support and maintenance costs, and salaries, benefits, and share-based compensation for employees on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions, amortization of intangible assets, and cost of virtual reality platform device inventory sold.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions of GAAP. Those provisions require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis in our consolidated statements of income over the period during which the employee is required to perform service in exchange for the award. The majority of our awards are earned over a service period of four to five years.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such, only those share-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

During the years ended December 31, 2014, 2013, and 2012, we realized tax benefits from share-based award activity of \$1.85 billion, \$602 million, and \$1.03 billion, respectively. These amounts reflect the extent that the total reduction to our income tax liability from share-based award activity was greater than the amount of the deferred tax assets that we had previously recorded in anticipation of these benefits. These amounts are the aggregate of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that we recorded, reduced by any individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded. These net amounts were recorded as an adjustment to stockholders' equity in each period, as an increase to cash flows from operating activities, and were not recognized in our consolidated statements of income.

In addition, we reported excess tax benefits that decreased our cash flows from operating activities and increased our cash flows from financing activities for the years ended December 31, 2014, 2013, and 2012, by \$1.87 billion, \$609 million, and \$1.03 billion, respectively. The amounts of these excess tax benefits reflect the total of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that were recorded, but were not reduced by any of the individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded.

Income Taxes

We recognize income taxes under the asset and liability method. We recognize deferred income tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

Advertising Expense

Advertising costs are expensed when incurred and are included in marketing and sales expenses in the accompanying consolidated statements of income. We incurred advertising expenses of \$135 million, \$117 million, and \$67 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Cash and Cash Equivalents, and Marketable Securities

Cash and cash equivalents primarily consist of cash on deposit with banks and investments in money market funds with maturities of 90 days or less from the date of purchase.

We hold investments in marketable securities, consisting of U.S. government securities, U.S. government agency securities, and corporate debt securities. We classify our marketable securities as available-for-sale investments in our current assets because they represent investments of cash available for current operations. Our available-for-sale investments are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive (loss) income in stockholders' equity. Unrealized losses are charged against interest and other income/(expense), net when a decline in fair value is determined to be other-than-temporary. We have not recorded any such impairment charge in the periods presented. We determine realized gains or losses on sale of marketable securities on a specific identification method, and record such gains or losses as interest and other income/(expense), net.

We classify certain restricted cash balances within prepaid expenses and other current assets and other assets on the accompanying consolidated balance sheets based upon the term of the remaining restrictions.

Fair Value of Financial Instruments

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1-Quoted prices in active markets for identical assets or liabilities.

Level 2-Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3-Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Our valuation techniques used to measure the fair value of money market funds and marketable debt securities were derived from quoted market prices or alternative pricing sources and models utilizing market observable inputs. Our valuation technique used to measure the fair value of our contingent consideration liability was based on the present value of probability-weighted future cash flows related to the contingent earn-out criteria and the fair value of our common stock on each reporting date.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. We make estimates for the allowance for doubtful accounts based upon our assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect customers' ability to pay.

Property and Equipment

Property and equipment, which includes amounts recorded under capital leases, are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the remaining lease term, in the case of a capital lease, whichever is shorter.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Network equipment	Three to five years
Buildings	Four to 20 years
Computer software, office equipment and other	Three to five years
Leased equipment and leasehold improvements	Lesser of estimated useful life or remaining lease term

Land and assets held within construction in progress are not depreciated. Construction in progress is related to the construction or development of property and equipment that have not yet been placed in service for their intended use.

The cost of maintenance and repairs is expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in income from operations.

Lease Obligations

We lease office space, data centers, and equipment under non-cancelable capital and operating leases with various expiration dates through 2030. Certain of the operating lease agreements contain rent holidays, rent escalation provisions, and purchase options. Rent holidays and rent escalation provisions are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease inception.

Loss Contingencies

We are involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates

that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charge during the years presented.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under Accounting Standards Update (ASU) No. 2011-08, *Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, issued by the Financial Accounting Standards Board (FASB). If we determine that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test is performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. As of December 31, 2014, no impairment of goodwill has been identified.

Acquired finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. The estimated remaining useful lives for intangible assets range from less than one year to 15 years. Acquired indefinite-lived intangible assets related to our in-process research and development (IPR&D) are capitalized and subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, we will make a separate determination of useful life of the acquired indefinite-lived intangible assets and the related amortization will be recorded as an expense over the estimated useful life of the specific projects.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of property and equipment and finite-lived intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

Deferred Revenue and Deposits

Deferred revenue consists of billings in advance of revenue recognition. Deposits relate to unused balances held on behalf of our users. Once this balance is utilized by a user, approximately 70% of this amount would then be payable to the developer and the balance would be recognized as revenue.

Deferred revenue and deposits consists of the following (in millions):

	December 31,	
	2014	2013
Deferred revenue	\$ 38	\$ 13
Deposits	28	25
Total deferred revenue and deposits	<u>\$ 66</u>	<u>\$ 38</u>

Foreign Currency

Generally the functional currency of our international subsidiaries is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenue, costs, and expenses. Translation gains and losses are recorded in accumulated other comprehensive (loss) income as a component of stockholders' equity. As of December 31, 2014 and 2013, we had a cumulative translation loss of \$227 million and a cumulative translation gain of \$12 million, respectively. Net losses resulting from foreign exchange transactions were \$87 million, \$14 million, and \$9 million for the years ended December 31, 2014, 2013, and 2012, respectively. These losses were recorded as interest and other income/(expense), net on our consolidated statements of income.

Credit Risk and Concentration

Financial instruments owned by the company that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities, and accounts receivable. Cash equivalents consist of short-term money market funds, which are managed by reputable financial institutions. Marketable securities consist of investments in U.S. government securities, U.S. government agency securities, and corporate debt securities. Our investment policy limits investment instruments to U.S. government securities, U.S. government agency securities, and corporate debt securities with the main objective of preserving capital and maintaining liquidity.

Accounts receivable are typically unsecured and are derived from revenue earned from customers across different industries and countries. We generated 45%, 46%, and 51% of our revenue for the years ended December 31, 2014, 2013, and 2012, respectively, from

marketers and developers based in the United States, with the majority of revenue outside of the United States coming from customers located in western Europe, Brazil, Canada, and Australia.

We perform ongoing credit evaluations of our customers, and generally do not require collateral. We maintain an allowance for estimated credit losses. During the years ended December 31, 2014, 2013, and 2012, our bad debt expenses were \$19 million, \$21 million, and \$9 million, respectively. In the event that accounts receivable collection cycles deteriorate, our operating results and financial position could be adversely affected.

No customer represented 10% or more of total revenue during the years ended December 31, 2014, 2013, and 2012.

Segments

Our chief operating decision-maker is our Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. There are no segment managers who are held accountable by the chief operating decision-maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, we have determined that we have a single reportable segment and operating unit structure.

Recently Issued and Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for us in the first quarter of 2017. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Note 2. Acquisitions

WhatsApp

In October 2014, we completed our acquisition of WhatsApp Inc. (WhatsApp), a privately-held cross-platform mobile messaging company that is expected to provide us with strategic advantages in the mobile ecosystem and expand our mobile messaging offerings. Pursuant to the merger agreement, we issued approximately 178 million shares of our Class A common stock and paid \$4.59 billion in cash. We also granted 46 million RSUs to WhatsApp employees which are recognized as share-based compensation expense over the employees' required service periods.

Upon acquisition, WhatsApp became our wholly-owned subsidiary. The acquisition was accounted for as a business combination. This method requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

The following table summarizes the components of the preliminary purchase consideration transferred based on the closing price of \$77.56 per share of our common stock as of the acquisition date (in millions):

Cash	\$	4,589
Common stock		13,787
Less: post-acquisition share-based compensation and other compensation expense		(1,067)
Less: cash and promissory notes acquired on acquisition date		(116)
Purchase consideration	<u>\$</u>	<u>17,193</u>

Of the \$1.07 billion of share-based compensation and other compensation expense excluded from the purchase consideration above, \$188 million was accounted for as share-based compensation expense, of which approximately \$50 million was settled in cash, at closing, as a result of the vesting provisions of WhatsApp employee awards on the acquisition date. The remaining \$879 million (approximately 8.5 million shares of Class A common stock and \$219 million in cash) is subject to continuous employment and will be recognized as share-based compensation and other compensation expense over the required service period of up to three years.

The following unaudited pro forma information presents the combined results of operations as if the acquisition had been completed on January 1, 2013, the beginning of the comparable prior annual reporting period. The unaudited pro forma results include: (i) amortization associated with preliminary estimates for the acquired intangible assets; (ii) recognition of the post-acquisition share-based compensation

and other compensation expense; (iii) share-based compensation expense related to the 46 million RSUs granted to WhatsApp employees; and (iv) the associated tax impact on these unaudited pro forma adjustments.

The unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies or the effect of the incremental costs incurred in integrating the two companies. Accordingly, these unaudited pro forma results are presented for informational purpose only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations (in millions):

	Year Ended December 31,	
	2014	2013
Revenue	\$ 12,487	\$ 7,882
Net income	\$ 1,757	\$ 65

The unaudited pro forma combined net income for the year ended December 31, 2013 includes a non-recurring pro forma adjustment of \$188 million of share-based compensation expense recognized at closing as a result of the vesting provisions of WhatsApp employee awards on the acquisition date.

The tax withholdings related to the WhatsApp vested merger consideration were funded by net share settlement. The amount remitted to the tax authorities for the employees' tax obligation to the tax authorities was reflected as a financing activity within our consolidated statements of cash flows.

Oculus

In July 2014, we completed our acquisition of Oculus VR, Inc. (Oculus), a privately-held company developing virtual reality technology that is expected to expand our platform. Pursuant to the merger agreement, we issued 23 million shares of our Class B common stock and paid \$400 million in cash. Furthermore, up to an additional three million shares of our Class B common stock and \$60 million in cash will be payable contingent upon the completion of certain milestones. We determined the acquisition-date fair value of the contingent consideration liability, based on the likelihood of payment related to the contingent earn-out clauses, as part of the consideration transferred. For contingent consideration to be settled in common stock, we use the fair value of the shares as of the acquisition date, which is remeasured on each reporting date until settlement. See Note 5 "Fair Value Measurements" for subsequent measurements of this contingent liability. The earn-out portion that would be payable to employee equityholders is subject to continuous employment through the applicable payment dates and as such has been excluded from purchase consideration transferred and accounted for as share-based compensation and other compensation expense.

We have accounted for this acquisition as a business combination. This method requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date and that in-process research and development (IPR&D) be recorded at fair value on the balance sheet regardless of the likelihood of success of the related product or technology.

The following table summarizes the components of the preliminary purchase consideration transferred based on the closing price of our common stock as of the acquisition date (in millions):

Cash	\$	400
Common stock		1,601
Less: post-acquisition share-based compensation and other compensation expense		(297)
Less: cash acquired on acquisition date		(20)
Total purchase consideration, excluding contingent consideration	\$	1,684
Contingent consideration		169
Purchase consideration	\$	1,853

Of the \$297 million of share-based compensation and other compensation expense excluded from the purchase consideration above, approximately \$13 million was recognized as share-based compensation at closing as a result of the vesting provisions of employee replacement awards on the acquisition date. The remaining \$284 million is subject to continuous employment and will be recognized as share-based compensation and other compensation expense over the required service period of four years.

Other acquisitions

During the year ended December 31, 2014, we also completed several other business acquisitions for total consideration of \$485 million. These acquisitions were not material to our consolidated financial statements either individually or in the aggregate.

We have included the financial results of WhatsApp, Oculus and the other business acquisitions, which are not material, in our consolidated financial statements from their respective dates of acquisition. Pro forma results of operations related to our acquisitions, other than WhatsApp, during the year ended December 31, 2014 have not been presented because they are not material to our consolidated statements of income, either individually or in the aggregate.

The fair value of assets acquired and liabilities assumed from our acquisition of WhatsApp and Oculus was based on a preliminary valuation and our estimates and assumptions are subject to change within the measurement period. The primary areas of the purchase price that are not yet finalized are related to income taxes and residual goodwill. Measurement period adjustments that we determine to be material will be applied retrospectively to the period of acquisition in our consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

The following table summarizes the allocation of estimated fair values of the net assets acquired during the year ended December 31, 2014, including the related estimated useful lives, where applicable:

	WhatsApp		Oculus		Other	
	(in millions)	Useful lives (in years)	(in millions)	Useful lives (in years)	(in millions)	Useful lives (in years)
Finite-lived intangible assets:						
Acquired users	\$ 2,026	7	\$ —		\$ —	
Trade names	448	5	113	7	26	5
Acquired technology	288	5	235	5	68	3 - 5
Other	21	2	19	2	61	5
IPR&D	—		60		—	
(Liabilities assumed) assets acquired	(33)		—		103	
Deferred tax liabilities	(899)		(107)		(48)	
Net assets acquired	\$ 1,851		\$ 320		\$ 210	
Goodwill	15,342		1,533		275	
Total fair value consideration	\$ 17,193		\$ 1,853		\$ 485	

IPR&D intangible assets represent the value assigned to acquired research and development projects that, as of the acquisition date had not established technological feasibility and had no alternative future use. The IPR&D intangible assets are capitalized and accounted for as indefinite-lived intangible assets and are subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project and launch of the product, we will make a separate determination of useful life of the IPR&D intangible assets and the related amortization will be recorded as an expense over the estimated useful life of the specific projects.

Goodwill generated from the WhatsApp acquisition is primarily attributable to expected synergies from future growth, from potential monetization opportunities, from strategic advantages provided in the mobile ecosystem, and from expansion of our mobile messaging offerings. Goodwill generated from all other business acquisitions completed during the year ended December 31, 2014 is primarily attributable to expected synergies from future growth, from potential monetization opportunities and, also for Oculus, as a potential to expand our platform. All goodwill generated during this period is not deductible for tax purposes.

Note 3. Earnings per Share

We compute earnings per share (EPS) of Class A and Class B common stock using the two-class method required for participating securities. We consider restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares.

Undistributed earnings allocated to participating securities are subtracted from net income in determining net income attributable to common stockholders. Basic EPS is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of our Class A and Class B common stock outstanding, adjusted for outstanding shares that are subject to repurchase.

For the calculation of diluted EPS, net income attributable to common stockholders for basic EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans. In addition, the computation of the diluted EPS of Class A common stock assumes the conversion of our Class B common stock to Class A common stock, while the diluted EPS of Class B common stock does not assume the conversion of those shares to Class A common stock. Diluted EPS attributable to common stockholders is

computed by dividing the resulting net income attributable to common stockholders by the weighted-average number of fully diluted common shares outstanding.

Basic and dilutive securities in our basic and diluted EPS calculation for the year ended December 31, 2014 do not include contingent earn-out shares resulting from our acquisition of Oculus. Issuance of these earn-out shares is dependent upon the completion of certain milestones. These milestones were not met as of December 31, 2014 and accordingly, these shares are excluded from the effect of basic and dilutive securities.

We have also excluded 14 million, 1 million, and 15 million RSUs for the years ended December 31, 2014, 2013, and 2012, respectively, because the impact would be anti-dilutive.

Basic and diluted EPS are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The numerators and denominators of the basic and diluted EPS computations for our common stock are calculated as follows (in millions, except per share amounts):

	Year Ended December 31,					
	2014		2013		2012	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic EPS:						
Numerator						
Net income	\$ 2,308	\$ 632	\$ 1,114	\$ 386	\$ 18	\$ 35
Less: Net income attributable to participating securities	12	3	7	2	7	14
Net income attributable to common stockholders	<u>\$ 2,296</u>	<u>\$ 629</u>	<u>\$ 1,107</u>	<u>\$ 384</u>	<u>\$ 11</u>	<u>\$ 21</u>
Denominator						
Weighted average shares outstanding	2,059	568	1,803	631	668	1,344
Less: Shares subject to repurchase	6	7	5	9	1	5
Number of shares used for basic EPS computation	<u>2,053</u>	<u>561</u>	<u>1,798</u>	<u>622</u>	<u>667</u>	<u>1,339</u>
Basic EPS	<u>\$ 1.12</u>	<u>\$ 1.12</u>	<u>\$ 0.62</u>	<u>\$ 0.62</u>	<u>\$ 0.02</u>	<u>\$ 0.02</u>
Diluted EPS:						
Numerator						
Net income attributable to common stockholders	\$ 2,296	\$ 629	\$ 1,107	\$ 384	\$ 11	\$ 21
Reallocation of net income attributable to participating securities	15	—	9	—	—	—
Reallocation of net income as a result of conversion of Class B to Class A common stock	629	—	384	—	21	—
Reallocation of net income to Class B common stock	—	23	—	39	—	1
Net income attributable to common stockholders for diluted EPS	<u>\$ 2,940</u>	<u>\$ 652</u>	<u>\$ 1,500</u>	<u>\$ 423</u>	<u>\$ 32</u>	<u>\$ 22</u>
Denominator						
Number of shares used for basic EPS computation	2,053	561	1,798	622	667	1,339
Conversion of Class B to Class A common stock	561	—	622	—	1,339	—
Weighted average effect of dilutive securities:						
Employee stock options	13	13	65	65	134	134
RSUs	30	13	25	15	23	23
Shares subject to repurchase	7	4	7	7	3	3
Number of shares used for diluted EPS computation	<u>2,664</u>	<u>591</u>	<u>2,517</u>	<u>709</u>	<u>2,166</u>	<u>1,499</u>
Diluted EPS	<u>\$ 1.10</u>	<u>\$ 1.10</u>	<u>\$ 0.60</u>	<u>\$ 0.60</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>

Note 4. Cash and Cash Equivalents, and Marketable Securities

The following table sets forth the cash, cash equivalents, and marketable securities (in millions):

	December 31,	
	2014	2013
Cash and cash equivalents:		
Cash	\$ 2,162	\$ 1,044
Money market funds	2,153	2,279
Total cash and cash equivalents	4,315	3,323
Marketable securities:		
U.S. government securities	2,830	5,687
U.S. government agency securities	2,710	2,439
Corporate debt securities	1,344	—
Total marketable securities	6,884	8,126
Total cash, cash equivalents and marketable securities	\$ 11,199	\$ 11,449

The gross unrealized gains or losses on our marketable securities as of December 31, 2014 and 2013 were not significant. In addition, there were no securities in a continuous loss position for 12 months or longer as of December 31, 2014 and 2013.

The following table classifies our marketable securities by contractual maturities (in millions):

	December 31,	
	2014	2013
Due in one year	\$ 3,422	\$ 4,704
Due in one to two years	3,462	3,422
Total	\$ 6,884	\$ 8,126

Note 5. Fair Value Measurement

The following table summarizes, for assets or liabilities measured at fair value, the respective fair value and the classification by level of input within the fair value hierarchy (in millions):

Description	December 31, 2014	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 2,153	\$ 2,153	\$ —	\$ —
Marketable securities:				
U.S. government securities	2,830	2,830	—	—
U.S. government agency securities	2,710	2,710	—	—
Corporate debt securities	1,344	—	1,344	—
Total cash equivalents and marketable securities	\$ 9,037	\$ 7,693	\$ 1,344	\$ —
Other liabilities:				
Contingent consideration liability	\$ 191	\$ —	\$ —	\$ 191

Description	Fair Value Measurement at Reporting Date Using			
	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 2,279	\$ 2,279	\$ —	\$ —
Marketable securities:				
U.S. government securities	5,687	5,687	—	—
U.S. government agency securities	2,439	2,439	—	—
Total cash equivalents and marketable securities	\$ 10,405	\$ 10,405	\$ —	\$ —

We classify our cash equivalents and marketable securities within Level 1 or Level 2 because we use quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value.

We classify our contingent consideration liability in connection with our acquisition of Oculus within Level 3 as factors used to develop the estimated fair value are unobservable inputs that are not supported by market activity. We estimate the fair value of our contingent consideration liability based on the present value of probability-weighted future cash flows related to the contingent earn-out criteria and the fair value of our common stock on each reporting date. Our fair value estimate of this liability was \$169 million at the date of acquisition and changes in the fair value of the contingent consideration liability subsequent to the acquisition date, such as changes in the probability assessment and the fair value of our common stock, are recognized in earnings in the period when the change in the estimated fair value occurs. During the year ended December 31, 2014, we recognized a \$22 million change in the fair value of our contingent consideration liability in research and development expense in our consolidated statements of income primarily due to the change in the fair value of our common stock.

Note 6. Property and Equipment

Property and equipment consists of the following (in millions):

	December 31,	
	2014	2013
Land	\$ 153	\$ 45
Buildings	1,420	1,071
Leasehold improvements	304	203
Network equipment	3,020	2,351
Computer software, office equipment and other	149	95
Construction in progress	738	377
Total	5,784	4,142
Less: Accumulated depreciation	(1,817)	(1,260)
Property and equipment, net	\$ 3,967	\$ 2,882

Depreciation expense on property and equipment was \$923 million, \$857 million, and \$566 million during 2014, 2013, and 2012, respectively.

Property and equipment at December 31, 2014 and 2013 includes \$700 million and \$976 million, respectively, acquired under capital lease agreements of which the majority is included in network equipment. Accumulated depreciation of property and equipment acquired under these capital leases was \$425 million and \$527 million at December 31, 2014 and 2013, respectively.

Construction in progress includes costs primarily related to the expansion of our corporate headquarters in Menlo Park, California, construction of data centers, and network equipment infrastructure to support our data centers around the world. No interest was capitalized during the year ended December 31, 2014. Interest capitalized during the years ended December 31, 2013 and 2012 was not material.

Note 7. Goodwill and Intangible Assets

The changes in carrying amount of goodwill for the years ended December 31, 2014 and 2013 are as follows (in millions):

Balance as of December 31, 2012	\$ 587
Goodwill acquired	252
Balance as of December 31, 2013	\$ 839
Goodwill acquired	17,150
Effect of currency translation adjustment	(8)
Balance as of December 31, 2014	<u>\$ 17,981</u>

Intangible assets consist of the following (in millions):

	Useful lives from date of acquisitions (in years)	December 31, 2014			December 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:							
Acquired users	3 - 7	\$ 2,056	\$ (85)	\$ 1,971	\$ 30	\$ (6)	\$ 24
Acquired technology	2 - 10	813	(144)	669	227	(65)	162
Acquired patents	2 - 18	773	(239)	534	773	(142)	631
Trade names	2 - 7	632	(46)	586	45	(8)	37
Other	2 - 10	164	(55)	109	63	(34)	29
Total finite-lived intangible assets		<u>\$ 4,438</u>	<u>\$ (569)</u>	<u>\$ 3,869</u>	<u>\$ 1,138</u>	<u>\$ (255)</u>	<u>\$ 883</u>
Indefinite-lived intangible assets:							
IPR&D		<u>\$ 60</u>	<u>\$ —</u>	<u>\$ 60</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total intangible assets		<u>\$ 4,498</u>	<u>\$ (569)</u>	<u>\$ 3,929</u>	<u>\$ 1,138</u>	<u>\$ (255)</u>	<u>\$ 883</u>

Amortization expense of intangible assets for the years ended December 31, 2014, 2013, and 2012 was \$319 million, \$145 million, and \$78 million, respectively.

As of December 31, 2014, expected amortization expense for the unamortized acquired intangible assets for the next five years and thereafter is as follows (in millions):

2015	\$ 710
2016	691
2017	648
2018	600
2019	518
Thereafter	702
Total	<u>\$ 3,869</u>

Note 8. Liabilities

The components of accrued expenses and other current liabilities are as follows (in millions):

	December 31,	
	2014	2013
Accrued compensation and benefits	\$ 322	\$ 196
Accrued property and equipment	164	87
Other current liabilities	380	272
Accrued expenses and other current liabilities	<u>\$ 866</u>	<u>\$ 555</u>

The components of other liabilities are as follows (in millions):

	December 31,	
	2014	2013
Income tax payable	\$ 1,190	\$ 886
Deferred tax liabilities	987	47
Other liabilities	368	155
Other liabilities	<u>\$ 2,545</u>	<u>\$ 1,088</u>

Note 9. Long-term Debt

In August 2013, we entered into a five-year senior unsecured revolving credit facility (2013 Revolving Credit Facility) that allows us to borrow up to \$6.5 billion to fund working capital and general corporate purposes with interest payable on the borrowed amounts set at LIBOR plus 1.0%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. We paid origination fees at closing of the 2013 Revolving Credit Facility, which fees are being amortized over the term of the facility. Any amounts outstanding under this facility will be due and payable on August 15, 2018. As of December 31, 2014, no amounts had been drawn down and we were in compliance with the covenants under this facility.

Note 10. Commitments and Contingencies

Commitments

Leases

We entered into various capital lease arrangements to obtain property and equipment for our operations. Additionally, on occasion we have purchased property and equipment for which we have subsequently obtained capital financing under sale-leaseback transactions. These agreements are typically for three years, except for a building lease which are for 15 years, with interest rates ranging from 1% to 13%. The leases are secured by the underlying leased buildings, leasehold improvements, and equipment. We have also entered into various non-cancelable operating lease agreements for certain of our offices, equipment, land and data centers with original lease periods expiring between 2015 and 2030. We are committed to pay a portion of the related actual operating expenses under certain of these lease agreements. Certain of these arrangements have free rent periods or escalating rent payment provisions, and we recognize rent expense under such arrangements on a straight-line basis.

The following is a schedule, by years, of the future minimum lease payments required under non-cancelable capital and operating leases as of December 31, 2014 (in millions):

	Capital Leases	Operating Leases
2015	\$ 124	\$ 155
2016	20	161
2017	15	158
2018	16	143
2019	16	125
Thereafter	112	359
Total minimum lease payments	<u>\$ 303</u>	<u>\$ 1,101</u>
Less: amount representing interest and taxes	(70)	
Less: current portion of the present value of minimum lease payments	(114)	
Capital lease obligations, net of current portion	<u>\$ 119</u>	

Operating lease expenses totaled \$125 million, \$130 million, and \$196 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Other contractual commitments

We also have \$1.03 billion of non-cancelable contractual commitments as of December 31, 2014, primarily related to network infrastructure for our data center operations and, to a lesser extent, construction of our data center sites. The majority of these commitments are due within five years.

Contingencies

Legal Matters

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our initial public offering (IPO) and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. The vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the U.S. District Court for the Southern District of New York. In a series of rulings in 2013 and 2014, the court denied our motion to dismiss the consolidated securities class action and granted our motions to dismiss the derivative actions against our directors and certain of our officers. The plaintiffs in four of these derivative actions have filed notices of appeal. On December 23, 2014, the plaintiffs in the consolidated securities class action filed their motion for class certification. In addition, the events surrounding our IPO became the subject of various state and federal government inquiries. In May 2014, the Securities and Exchange Commission (SEC) notified us that it had terminated its inquiry and that no enforcement action had been recommended by the SEC.

We are also party to various legal proceedings and claims that arise in the ordinary course of business. With respect to our outstanding legal matters, we believe that the amount or estimable range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of litigation is inherently uncertain. Therefore, if one or more of these legal matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period, could be materially adversely affected.

Indemnifications

In the normal course of business, to facilitate transactions of services and products, we have agreed to indemnify certain parties with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers, directors, and certain employees, and our certificate of incorporation and bylaws contain similar indemnification obligations.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our consolidated financial position, results of operations or cash flows. In our opinion, as of December 31, 2014, there was not at least a reasonable possibility we had incurred a material loss with respect to indemnification of such parties. We have not recorded any liability for costs related to indemnification through December 31, 2014.

Note 11. Stockholders' Equity

Initial Public Offering

In May 2012, we completed our IPO in which we issued and sold 180,000,000 shares of Class A common stock at a public offering price of \$38.00 per share and the selling stockholders sold 241,233,615 shares of Class A common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received from the IPO were \$6.76 billion after deducting underwriting discounts and commissions of \$75 million and other offering expenses of approximately \$7 million.

Follow-on Offering

In December 2013, we completed a follow-on offering in which we issued and sold 27,004,761 shares of Class A common stock at a public offering price of \$55.05 per share and the selling stockholders sold 42,995,239 shares of Class A common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received from the follow-on offering were \$1.48 billion after deducting underwriting discounts and commissions of \$7 million and other offering expenses of approximately \$1 million.

Common Stock

Our certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. As of December 31, 2014, we are authorized to issue 5,000,000,000 shares of Class A common stock and 4,141,000,000 shares of Class B common stock, each with a par value of \$0.000006 per share. Holders of our Class A common stock and Class B common stock are entitled to dividends when, as and if, declared by our board of directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, 2014, we did not declare any dividends and our credit facility contains restrictions on our ability to pay dividends. The holder of each share of Class A common stock is entitled to one vote, while the holder of each share of Class B common stock is entitled to ten votes. Shares of our Class B common stock are convertible into an equivalent number of shares of our Class A common stock and generally convert into shares of our Class A common stock upon transfer. Class A common stock and Class B common stock are referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

As of December 31, 2014, there were 2,234,113,007 shares and 562,792,201 shares of Class A common stock and Class B common stock, respectively, issued and outstanding.

Share-based Compensation Plans

We maintain two share-based employee compensation plans: the 2012 Plan and the 2005 Stock Plan (collectively, Stock Plans). Our 2012 Plan serves as the successor to our 2005 Stock Plan and provides for the issuance of incentive and nonstatutory stock options, restricted stock awards, stock appreciation rights, RSUs, performance shares and stock bonuses to qualified employees, directors and consultants. Outstanding awards under the 2005 Stock Plan continue to be subject to the terms and conditions of the 2005 Stock Plan.

We initially reserved 25,000,000 shares of our Class A common stock for issuance under our 2012 Plan. The number of shares reserved for issuance under our 2012 Plan will increase automatically on the first day of January of each of 2013 through 2022 by a number of shares of Class A common stock equal to the lesser of (i) 2.5% of the total outstanding shares of our common stock as of the immediately preceding December 31st or (ii) a number of shares determined by the board of directors. Our board of directors elected not to increase the number of shares reserved for issuance in 2014 and 2013. In addition, shares available for grant under the 2005 Stock Plan, which were reserved but not issued or subject to outstanding awards under the 2005 Stock Plan as of the effective date of our IPO, were added to the reserves of the 2012 Plan and shares that are withheld in connection with the net settlement of RSUs are also added to the reserves of the 2012 Plan. In January 2014, we began requiring that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required withholding taxes, rather than our previous approach of net share settlement. The maximum term for stock options granted under the 2012 Plan may not exceed ten years from the date of grant. Our 2012 Plan will terminate ten years from the date of approval unless it is terminated earlier by our compensation committee.

In connection with our acquisition of WhatsApp in October 2014, we granted inducement awards covering an aggregate of 37,475,271 RSUs to the WhatsApp founders. These awards are excluded from the Stock Plans and are subject to the terms, restrictions, and conditions of a separate non-plan RSU award agreement. In addition, these awards are earned over a service period of four years.

In February 2014, we terminated our 2005 Officers' Stock Plan as the only outstanding option issued under this plan had been exercised in full.

The following table summarizes stock option award activities under the Stock Plans for the year ended December 31, 2014:

	Shares Subject to Options Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾
	(in thousands)		(in years)	(in millions)
Balance as of December 31, 2013	22,102	\$ 3.56		
Stock options exercised	(9,118)	1.82		
Balance as of December 31, 2014	12,984	\$ 4.78	3.79	\$ 951
Stock options vested and expected to vest as of December 31, 2014	12,980	\$ 4.78	3.79	\$ 951
Stock options exercisable as of December 31, 2014	9,850	\$ 2.49	3.20	\$ 744

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the closing price of our Class A common stock of \$78.02 on December 31, 2014.

There were no options granted, forfeited, or canceled for the years ended December 31, 2014. The aggregate intrinsic value of the options exercised in the years ended December 31, 2014, 2013, and 2012 was \$624 million, \$4.58 billion, and \$4.23 billion, respectively. The total grant date fair value of stock options vested during the years ended December 31, 2014, 2013, and 2012 was \$7 million, \$7 million, and \$5 million, respectively.

The following table summarizes additional information regarding outstanding and exercisable options under the Stock Plans at December 31, 2014:

Exercise Price (Range)	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
	(in thousands)	(in years)		(in thousands)	
\$0.06	191	0.99	\$ 0.06	191	\$ 0.06
0.10 - 0.18	1,784	1.44	0.10	1,784	0.10
0.29 - 0.33	3,509	2.29	0.30	3,509	0.30
1.85	1,605	4.03	1.85	1,605	1.85
2.95	1,195	4.63	2.95	1,195	2.95
10.39	3,500	5.56	10.39	1,458	10.39
15.00	1,200	5.80	15.00	108	15.00
	12,984	3.79	\$ 4.78	9,850	\$ 2.49

The following table summarizes the activities for our unvested RSUs for the year ended December 31, 2014:

	Unvested RSUs	
	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2013	103,971	\$ 27.30
Granted	84,606	74.03
Vested	(41,233)	25.76
Forfeited	(9,289)	34.80
Unvested at December 31, 2014	138,055	\$ 55.89

The fair value as of the respective vesting dates of RSUs during the years ended December 31, 2014, 2013, and 2012 was \$2.77 billion, \$1.55 billion, and \$1.99 billion, respectively.

The majority of our RSUs that were settled during the year ended December 31, 2014 were settled on a gross basis. We require that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required minimum withholding taxes. However, during the year ended December 31, 2013 and 2012, the majority of RSUs were net share settled. Under net settlement procedures, upon each settlement date, RSUs were withheld to cover the required withholding tax, which is based on the value of the RSU on the settlement date as determined by the closing price of our common stock on the trading day immediately preceding the applicable settlement date. The remaining amounts are delivered to the recipient as shares of our common stock. The amount remitted to the tax authorities for the employees' tax obligation to the tax authorities was reflected as a financing activity within our consolidated statements of cash flows. These shares withheld by us as a result of the net settlement of RSUs are no longer considered issued and outstanding, thereby reducing our shares outstanding used to calculate earnings per share. These shares were returned to the reserves and are available for future issuance under the 2012 Plan.

As of December 31, 2014, there was \$7.96 billion of unrecognized share-based compensation expense, of which \$6.96 billion is related to RSUs, and \$999 million is related to restricted shares, shares with performance conditions related to our contingent consideration liability, and stock options. This unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately three years.

Note 12. Interest and other income/(expense), net

The following table presents the detail of interest and other income/(expense), net, for the periods presented (in millions):

	Year Ended December 31,		
	2014	2013	2012
Interest expense	\$ (23)	\$ (56)	\$ (51)
Interest income	27	19	14
Foreign currency exchange losses, net	(87)	(14)	(9)
Other	(1)	1	2
Interest and other income/(expense), net	\$ (84)	\$ (50)	\$ (44)

Note 13. Income Taxes

The components of income before provision for income taxes for the years ended December 31, 2014, 2013, and 2012 are as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Domestic	\$ 4,918	\$ 3,197	\$ 1,062
Foreign	(8)	(443)	(568)
Income before provision for income taxes	<u>\$ 4,910</u>	<u>\$ 2,754</u>	<u>\$ 494</u>

The provision for income taxes consisted of the following (in millions):

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	\$ 1,999	\$ 1,154	\$ 559
State	130	69	45
Foreign	96	68	22
Total current tax expense	<u>2,225</u>	<u>1,291</u>	<u>626</u>
Deferred:			
Federal	(240)	(28)	(172)
State	(14)	(7)	(6)
Foreign	(1)	(2)	(7)
Total deferred tax benefit	<u>(255)</u>	<u>(37)</u>	<u>(185)</u>
Provision for income taxes	<u>\$ 1,970</u>	<u>\$ 1,254</u>	<u>\$ 441</u>

A reconciliation of the U.S. federal statutory income tax rate of 35.0% to our effective tax rate is as follows (in percentages):

	Year Ended December 31,		
	2014	2013	2012
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	1.4	1.6	6.2
Research tax credits	(1.1)	(4.7)	—
Share-based compensation	6.5	5.2	19.2
Effect of non-U.S. operations	(3.6)	6.8	26.9
Other	1.9	1.6	2.0
Effective tax rate	<u>40.1%</u>	<u>45.5%</u>	<u>89.3%</u>

Excess tax benefits associated with stock option exercises and other equity awards are credited to stockholders' equity. The income tax benefits resulting from stock awards that were credited to stockholders' equity were \$1.85 billion, \$602 million and \$1.03 billion for the years ended December 31, 2014, 2013, and 2012, respectively.

Our deferred tax assets (liabilities) are as follows (in millions):

	December 31,	
	2014	2013
Deferred tax assets:		
Net operating loss carryforward	\$ 130	\$ 6
Tax credit carryforward	190	164
Share-based compensation	225	120
Accrued expenses and other liabilities	136	141
Other	21	5
Total deferred tax assets	702	436
Less: valuation allowance	(101)	(82)
Deferred tax assets, net of valuation allowance	601	354
Deferred tax liabilities:		
Depreciation and amortization	(101)	(68)
Purchased intangible assets	(1,190)	(90)
Deferred foreign taxes	—	(43)
Total deferred tax liabilities	(1,291)	(201)
Net deferred tax (liabilities) assets	\$ (690)	\$ 153

The valuation allowance was approximately \$101 million and \$82 million as of December 31, 2014 and 2013, respectively, related to state tax credits that we do not believe will ultimately be realized.

As of December 31, 2014, the U.S. federal and state net operating loss carryforwards were approximately \$4.53 billion and \$4.46 billion, which will begin to expire in 2028 and 2021, respectively, if not utilized. If realized, the impact of the net operating loss carryforwards will be recognized as a benefit of approximately \$1.47 billion through additional paid in capital. We have federal and state tax credit carryforwards of \$800 million and \$753 million, respectively, which will begin to expire in 2032.

Utilization of our net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expiration of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes include, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

Our net foreign pretax losses include jurisdictions with both pretax earnings and pretax losses. Our consolidated financial statements provide taxes for all related tax liabilities that would arise upon repatriation of earnings in the foreign jurisdictions where we do not intend to indefinitely reinvest those earnings outside the United States, and the amount of taxes provided for has been insignificant.

The following table reflects changes in the gross unrecognized tax benefits (in millions):

	Year Ended December 31,		
	2014	2013	2012
Gross unrecognized tax benefits-beginning of period	\$ 1,316	\$ 164	\$ 63
Increases related to prior year tax positions	24	425	13
Decreases related to prior year tax positions	—	(13)	(16)
Increases related to current year tax positions	346	740	104
Decreases related to settlements of prior year tax positions	(4)	—	—
Gross unrecognized tax benefits-end of period	\$ 1,682	\$ 1,316	\$ 164

During all years presented, we recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of income. The amount of interest and penalties accrued as of December 31, 2014 and 2013 was not material.

If the balance of gross unrecognized tax benefits of \$1.68 billion as of December 31, 2014 was realized in a future period, this would result in a tax benefit of \$1.16 billion within our provision of income taxes at such time.

We are subject to taxation in the United States and various other state and foreign jurisdictions. The material jurisdictions in which we are subject to potential examination include the United States and Ireland. We are under examination by the Internal Revenue Service (IRS) for our 2008 through 2010 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations and we do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years. Our 2011 through 2014 tax years remain subject to examination by the IRS and all tax years starting in 2008 remain subject to examination in Ireland.

Although the timing of the resolution, settlement, and closure of any audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years remaining that are subject to examination, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

Note 14. Geographical Information

Revenue by geography is based on the billing address of the advertiser or developer. The following table sets forth revenue and property and equipment, net by geographic area (in millions):

	Year Ended December 31,		
	2014	2013	2012
Revenue:			
United States	\$ 5,649	\$ 3,613	\$ 2,578
Rest of the world ⁽¹⁾	6,817	4,259	2,511
Total revenue	<u>\$ 12,466</u>	<u>\$ 7,872</u>	<u>\$ 5,089</u>

(1) No individual country, other than disclosed above, exceeded 10% of our total revenue for any period presented

	December 31,	
	2014	2013
Property and equipment, net:		
United States	\$ 3,256	\$ 2,368
Sweden	514	415
Rest of the world	197	99
Total property and equipment, net	<u>\$ 3,967</u>	<u>\$ 2,882</u>

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (CEO) and chief financial officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2014, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (SEC) within 120 days of the fiscal year ended December 31, 2014.

Our board of directors has adopted a Code of Conduct applicable to all officers, directors and employees, which is available on our website (investor.fb.com) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Conduct and by posting such information on the website address and location specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2014.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2014.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules

We have filed the following documents as part of this Form 10-K:

1. Consolidated Financial Statements:

	<u>Page No.</u>
<u>Reports of Independent Registered Public Accounting Firm</u>	54
<u>Consolidated Balance Sheets</u>	56
<u>Consolidated Statements of Income</u>	57
<u>Consolidated Statements of Comprehensive Income</u>	58
<u>Consolidated Statements of Stockholders' Equity</u>	59
<u>Consolidated Statements of Cash Flows</u>	60
<u>Notes to Consolidated Financial Statements</u>	62

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on this 29th day of January 2015.

FACEBOOK, INC.

Date: January 29, 2015

/s/ David M. Wehner

David M. Wehner
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David M. Wehner and Colin S. Stretch, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Mark Zuckerberg</u> Mark Zuckerberg	Chairman and Chief Executive Officer <i>(Principal Executive Officer)</i>	January 29, 2015
<u>/s/ David M. Wehner</u> David M. Wehner	Chief Financial Officer <i>(Principal Financial Officer)</i>	January 29, 2015
<u>/s/ Jas Athwal</u> Jas Athwal	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	January 29, 2015
<u>/s/ Marc L. Andreessen</u> Marc L. Andreessen	Director	January 26, 2015
<u>/s/ Erskine B. Bowles</u> Erskine B. Bowles	Director	January 28, 2015
<u>/s/ Susan D. Desmond-Hellmann</u> Susan D. Desmond-Hellmann	Director	January 29, 2015
<u>/s/ Donald E. Graham</u> Donald E. Graham	Director	January 29, 2015
<u>/s/ Reed Hastings</u> Reed Hastings	Director	January 29, 2015
<u>/s/ Jan Koum</u> Jan Koum	Director	January 29, 2015
<u>/s/ Sheryl K. Sandberg</u> Sheryl K. Sandberg	Director	January 26, 2015
<u>/s/ Peter A. Thiel</u> Peter A. Thiel	Director	January 28, 2015

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Agreement and Plan of Merger and Reorganization, dated February 19, 2014, among the Registrant, Rhodium Acquisition Sub II, Inc., Rhodium Merger Sub, Inc., WhatsApp Inc., and Fortis Advisors LLC.	10-Q	011-35551	2.1	April 25, 2014	
2.2	Amended and Restated Agreement and Plan of Merger, dated April 21, 2014, among the Registrant, Inception Acquisition Sub, Inc., Inception Acquisition Sub II, LLC, Oculus VR, Inc., and Shareholder Representative Services LLC.	10-Q	011-35551	2.2	April 25, 2014	
3.1	Restated Certificate of Incorporation.	10-Q	001-35551	3.1	July 31, 2012	
3.2	Amended and Restated Bylaws.	10-Q	001-35551	3.2	July 31, 2012	
4.1	Form of Class A Common Stock Certificate.	S-1	333-179287	4.1	February 8, 2012	
4.2	Form of Class B Common Stock Certificate.	S-8	333-181566	4.4	May 21, 2012	
4.3	Sixth Amended and Restated Investors' Rights Agreement, dated December 27, 2010, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2	February 8, 2012	
4.4	Amendment No. 1 to Sixth Amended and Restated Investors' Rights Agreement, dated May 1, 2012, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2A	May 3, 2012	
4.5	Form of "Type 1" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.3	February 8, 2012	
4.6	Registration Rights Agreement, dated October 6, 2014, among the Registrant and the parties thereto.	S-3	333-199678	4.9	October 29, 2014	
10.1+	Form of Indemnification Agreement.	S-1	333-179287	10.1	February 8, 2012	
10.2(A)+	2005 Stock Plan, as amended.	10-K	001-35551	10.2(A)	February 1, 2013	
10.2(B)+	2005 Stock Plan forms of award agreements.	S-1	333-179287	10.2	February 8, 2012	
10.3(A)+	2012 Equity Incentive Plan, as amended.	10-K	001-35551	10.4(A)	February 1, 2013	
10.3(B)+	2012 Equity Incentive Plan forms of award agreements.	10-Q	001-35551	10.2	July 31, 2012	
10.3(C)+	2012 Equity Incentive Plan forms of award agreements (Additional Forms).					X
10.4+	Form of Non-Plan Restricted Stock Unit Award Notice and Award Agreement	S-8	333-199172	99.1	October 6, 2014	
10.5+	2014 Bonus Plan.					X
10.6+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mark Zuckerberg.	S-1	333-179287	10.6	February 8, 2012	

10.7+	Amended and Restated Employment Agreement, dated January 27, 2012, between Registrant and Sheryl K. Sandberg.	S-1	333-179287	10.7	February 8, 2012	
10.8+	Amended and Restated Offer Letter, dated May 2, 2014, between Registrant and Christopher Cox.					X
10.9+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mike Schroepfer.	S-1	333-179287	10.9	February 8, 2012	
10.10+	Offer Letter, dated August 25, 2014, between Registrant and David M. Wehner.					X
10.11+	Offer Letter, dated October 6, 2014, between Registrant and Jan Koum.	10-Q	001-35551	10.1	October 30, 2014	
10.12+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and David A. Ebersman.	S-1	333-179287	10.8	February 8, 2012	
10.13†	Lease, dated February 7, 2011, between Registrant and Wilson Menlo Park Campus, LLC.	S-1	333-179287	10.11	February 8, 2012	
10.14	Credit Agreement, dated August 15, 2013, between Registrant, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	001-35551	10.1	August 15, 2013	
21.1	List of subsidiaries.					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
31.1	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of David M. Wehner, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1#	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	Certification of David M. Wehner, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

+ Indicates a management contract or compensatory plan.

† Portions of exhibit have been granted confidential treatment by the SEC.

This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

DIRECTORS

Mark Zuckerberg
Chairman and Chief Executive Officer, Facebook

Sheryl K. Sandberg
Chief Operating Officer, Facebook

Marc L. Andreessen
Co-founder and General Partner, Andreessen Horowitz

Erskine B. Bowles
President Emeritus, University of North Carolina
(UNC)

Susan D. Desmond-Hellmann
CEO, Bill & Melinda Gates Foundation

Donald E. Graham*
Chief Executive Officer and Chairman of the Board of
Directors, Graham Holdings Company (formerly, The
Washington Post Company)

Reed Hastings
Chief Executive Officer and Chairman of the Board of
Directors, Netflix, Inc.

Jan Koum
Co-founder and Chief Executive Officer, WhatsApp

Peter A. Thiel
President, Thiel Capital
President, Clarium Capital
Managing Partner, Founders Fund

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Please read the section of our Annual Report on Form 10-K entitled “Note About Forward Looking Statements” for a discussion of the limitations and risks regarding forward-looking statements made in this Annual Report. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K included herein and these may cause actual results to differ materially from those contained in any forward-looking statements we may make. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

STOCKHOLDER INFORMATION

Investor Relations

Facebook, Inc.
1601 Willow Road
Menlo Park, California 94025
investor@fb.com

Investor Relations Website

<http://investor.fb.com>

Facebook’s Class A common stock trades on NASDAQ under the ticker symbol “FB”

Transfer Agent

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
1 (855) 879-3967 (U.S.)
1 (781) 575-4340 (non-U.S.)
<http://www.computershare.com/investor>

Independent Registered Public Accounting Firm

Ernst & Young LLP

Annual Stockholder Meeting

Facebook’s Annual Stockholder Meeting will be held on June 11, 2015 at 11:00am PT.

Please refer to <http://investor.fb.com/annual-proxy.cfm> for important information regarding attending the Annual Stockholder Meeting.

Facebook, the Facebook logo, FB, the Like button, Instagram, Oculus, WhatsApp, and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report are the property of their respective owners.

* In accordance with our corporate governance guidelines, Mr. Graham will have reached the mandatory retirement age of 70 by the time of the Annual Stockholder Meeting and therefore is not being nominated for reelection to our board of directors at the Annual Stockholder Meeting.



EXHIBIT 71

facebook
Annual Report 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-35551

FACEBOOK, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-1665019

(I.R.S. Employer Identification Number)

1601 Willow Road, Menlo Park, California 94025

(Address of principal executive offices and Zip Code)

(650) 543-4800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.000006 par value

(Title of each class)

The NASDAQ Stock Market LLC

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was \$198 billion based upon the closing price reported for such date on the NASDAQ Global Select Market.

On January 25, 2016, the registrant had 2,294,939,865 shares of Class A common stock and 551,340,611 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2015.

FACEBOOK, INC.
FORM 10-K
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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms "Facebook," "company," "we," "us," and "our" in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term "Facebook" may also refer to our products, regardless of the manner in which they are accessed. For references to accessing Facebook on the "web" or via a "website," such terms refer to accessing Facebook on personal computers. For references to accessing Facebook on "mobile," such term refers to accessing Facebook via a mobile application or via a mobile-optimized version of our website such as m.facebook.com, whether on a mobile phone or tablet.

LIMITATIONS OF KEY METRICS AND OTHER DATA

The numbers for our key metrics, which include our daily active users (DAUs), mobile DAUs, monthly active users (MAUs), mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world.

For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented less than 5% of our worldwide MAUs in 2015. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2015, for example, we estimate user-misclassified and undesirable accounts may have represented less than 2% of our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

Some of our metrics have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The impact of this automatic activity on our metrics varies by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

The numbers of DAUs, mobile DAUs, MAUs, mobile MAUs, mobile-only DAUs and mobile-only MAUs discussed in this Annual Report on Form 10-K, as well as ARPU, do not include users of Instagram or WhatsApp unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook. In addition, other user engagement metrics included herein do not include Instagram or WhatsApp unless otherwise specifically stated.

PART I

Item 1. Business

Overview

Our mission is to give people the power to share and make the world more open and connected.

Our top priority is to build useful and engaging products that enable people to connect and share through mobile devices and personal computers. We also help people discover and learn about what is going on in the world around them, enable people to share their opinions, ideas, photos and videos, and other activities with audiences ranging from their closest friends to the public at large, and stay connected everywhere by accessing our products, including:

- **Facebook.** Facebook is a mobile application and website that enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers. We had 1.04 billion daily active users (DAUs) on average in December 2015, an increase of 17% compared to December 2014. We had 934 million DAUs who accessed Facebook from a mobile device on average in December 2015, an increase of 25% compared to December 2014. There are a number of different ways to engage with people on Facebook, the most important of which is News Feed which displays an algorithmically-ranked series of stories and advertisements individualized for each person.
- **Instagram.** Instagram is a mobile application that enables people to take photos or videos, customize them with filter effects, and share them with friends and followers in a photo feed or send them directly to friends.
- **Messenger.** Messenger is a messaging application available for mobile and web on a variety of platforms and devices. Messenger enables people to reach others instantly and simply, and also enables businesses to engage with customers seamlessly and securely.
- **WhatsApp.** WhatsApp Messenger is a fast, simple and reliable mobile messaging application that is used by people around the world and is available on a variety of mobile platforms.
- **Oculus.** Our Oculus virtual reality technology and content platform power products that allow people to enter a completely immersive and interactive environment to play games, consume content, and connect with others.

We generate substantially all of our revenue from selling advertising placements to marketers. Our ads let marketers reach people based on a variety of factors including age, gender, location, interests, and behaviors. Marketers purchase ads that can appear in multiple places including on Facebook, Instagram, and third-party applications and websites.

Competition

Our business is characterized by innovation, rapid change, and disruptive technologies. We face significant competition in every aspect of our business, including from companies that provide tools to facilitate communications and the sharing of information, companies that enable marketers to display advertising, and companies that provide development platforms for application developers. We compete to attract, engage, and retain people who use our products, to attract and retain marketers, and to attract and retain developers to build compelling mobile and web applications that integrate with our products.

We compete with the following:

- Companies that offer products that replicate the full range of capabilities we provide. For example, Google has integrated social functionality into a number of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries.
- Companies that develop applications, particularly mobile applications, that provide social or other communications functionality, such as messaging, photo- and video-sharing, and micro-blogging.
- Companies that provide web- and mobile-based information and entertainment products and services that are designed to engage people and capture time spent on mobile devices and online.
- Traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

As we introduce or acquire new products, as our existing products evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Technology

Our product development philosophy is centered on continuous innovation in creating and improving products that are social by design, which means that our products are designed to place people and their social interactions at the core of the product experience. As our user base grows, and the level of engagement from the people who use our products continues to increase, including on mobile devices, our computing needs continue to expand. We make significant investments in technology both to improve our existing products and services and to develop new ones, as well as for our marketers and developers.

We are also investing in a number of longer-term initiatives, such as connectivity efforts, artificial intelligence research, and virtual reality, to develop technologies that we believe will help us better serve our communities and pursue our mission to make the world more open and connected.

Our research and development expenses were \$4.82 billion, \$2.67 billion, and \$1.42 billion in 2015, 2014, and 2013, respectively. For information about our research and development expenses, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Research and development" of this Annual Report on Form 10-K.

Sales and Operations

The majority of our marketers use our self-service ad platform to establish accounts and to launch and manage their advertising campaigns. We also have a global sales force that is focused on attracting and retaining marketers and providing support to them throughout the stages of the advertising campaign cycle from pre-purchase decision-making to real-time optimizations to post-campaign analytics. We work directly with marketers, through traditional advertising agencies, and with an ecosystem of specialized agencies and partners. We currently operate five support offices and more than 35 sales offices around the globe. We also invest in and rely on self-service tools to provide direct customer support to our users and partners.

We own and lease data centers in various locations throughout the United States, and also own a data center facility in Sweden.

Marketing

To date, our communities have grown organically with people inviting their friends to connect with them, supported by internal efforts to stimulate awareness and interest. In addition, we have invested and will continue to invest in marketing our products and services to build our brand, grow our user base, and increase engagement around the world. We leverage the utility of our products and our social distribution channels as our most effective marketing tools.

Intellectual Property

To establish and protect our proprietary rights, we rely on a combination of patents, patent applications, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights. In addition, to further protect our proprietary rights, from time to time we have purchased patents and patent applications from third parties. We do not believe that our proprietary technology is dependent on any single patent or copyright or groups of related patents or copyrights. We believe the duration of our patents is adequate relative to the expected lives of our products.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that affect companies conducting business on the Internet. Many of these laws and regulations are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment services. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. In addition, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly-evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. There are also a number of legislative proposals pending before federal, state, and foreign legislative and regulatory bodies, including a data protection regulation that is pending final approval by the European legislature that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that will include significant penalties for non-compliance. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

We are currently, and may in the future, be subject to regulatory orders or consent decrees. Violation of existing or future regulatory orders or consent decrees could subject us to substantial monetary fines and other penalties that could negatively affect our financial condition and results of operations.

Various laws and regulations in the United States and abroad, such as the U.S. Bank Secrecy Act, the Dodd-Frank Act, the USA PATRIOT Act, and the Credit CARD Act, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. Under these laws and regulations, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers, and sellers or issuers of stored value or prepaid access products. Requirements imposed on financial institutions under these laws include customer identification and verification programs, record retention policies and procedures, and transaction reporting. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and are applying for certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws relating to money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, charitable fundraising, counter-terrorist financing, gambling, banking and lending, financial privacy and data security, and import and export restrictions.

Employees

As of December 31, 2015, we had 12,691 employees.

Corporate Information

We were incorporated in Delaware in July 2004. We completed our initial public offering in May 2012 and our Class A common stock is listed on The NASDAQ Global Select Market under the symbol "FB." Our principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025, and our telephone number is (650) 543-4800.

Facebook, the Facebook logo, FB, the Like button, Instagram, Oculus, WhatsApp, and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of their respective owners.

Information about Segment and Geographic Revenue

Information about segment and geographic revenue is set forth in Notes 1 and 14 of our Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Available Information

Our website address is www.facebook.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at investor.fb.com when such reports are available on the SEC's website. We use our investor.fb.com website and Mark Zuckerberg's Facebook Page (<https://www.facebook.com/zuck>) as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD.

The public may read and copy any materials filed by Facebook with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.

The size of our user base and our users' level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging active users. We anticipate that our active user growth rate will continue to decline over time as the size of our active user base increases, and as we achieve higher market penetration rates. If people do not perceive our products to be useful, reliable, and trustworthy, we may not be able to attract or retain users or otherwise maintain or increase the frequency and duration of their engagement. A number of other social networking companies that achieved early popularity have since seen their active user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement levels. Our user engagement patterns have changed over time, and user engagement can be difficult to measure, particularly as we introduce new and different products and services. Any number of factors could potentially negatively affect user retention, growth, and engagement, including if:

- users increasingly engage with other products or services;
- we fail to introduce new products or services that users find engaging or if we introduce new products or services that are not favorably received;
- users feel that their experience is diminished as a result of the decisions we make with respect to the frequency, prominence, format, size, and quality of ads that we display;
- users have difficulty installing, updating, or otherwise accessing our products on mobile devices as a result of actions by us or third parties that we rely on to distribute our products and deliver our services;
- user behavior on any of our products changes, including decreases in the quality and frequency of content shared on our products and services;
- we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- there are decreases in user sentiment about the quality or usefulness of our products or concerns related to privacy and sharing, safety, security, or other factors;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- we are unable to obtain or attract engaging third-party content;
- users adopt new technologies where our products may be displaced in favor of other products or services, or may not be featured or otherwise available;
- there are adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent us from delivering our products in a rapid and reliable manner or otherwise affect the user experience, such as security breaches or failure to prevent or limit spam or similar content;
- we adopt terms, policies, or procedures related to areas such as sharing or user data that are perceived negatively by our users or the general public;

- we elect to focus our user growth and engagement efforts more on longer-term initiatives, or if initiatives designed to attract and retain users and engagement are unsuccessful or discontinued, whether as a result of actions by us, third parties, or otherwise;
- we fail to provide adequate customer service to users, marketers, or developers;
- we, developers whose products are integrated with our products, or other companies in our industry are the subject of adverse media reports or other negative publicity; or
- our current or future products, such as our development tools and application programming interfaces that enable developers to build, grow, and monetize mobile and web applications, reduce user activity on our products by making it easier for our users to interact and share on third-party mobile and web applications.

If we are unable to maintain or increase our user base and user engagement, our revenue and financial results may be adversely affected. Any decrease in user retention, growth, or engagement could render our products less attractive to users, marketers, and developers, which is likely to have a material and adverse impact on our revenue, business, financial condition, and results of operations. If our active user growth rate continues to slow, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and monetization in order to drive revenue growth.

We generate substantially all of our revenue from advertising. The loss of marketers, or reduction in spending by marketers, could seriously harm our business.

Substantially all of our revenue is currently generated from third parties advertising on Facebook. For 2015, 2014, and 2013, advertising accounted for 95%, 92% and 89%, respectively, of our revenue. In addition, we have recently introduced advertising on Instagram. As is common in the industry, our marketers do not have long-term advertising commitments with us. Many of our marketers spend only a relatively small portion of their overall advertising budget with us. We expect our ability to grow advertising revenue will continue to be dependent on our ability to generate revenue from ads displayed on mobile devices. In addition, marketers may view some of our products as experimental and unproven. Marketers will not continue to do business with us, or they will reduce the prices they are willing to pay to advertise with us or the budgets they are willing to commit to us, if we do not deliver ads in an effective manner, or if they do not believe that their investment in advertising with us will generate a competitive return relative to other alternatives.

Our advertising revenue could also be adversely affected by a number of other factors, including:

- decreases in user engagement, including time spent on our products;
- our inability to continue to increase user access to and engagement with our mobile products;
- product changes or inventory management decisions we may make that change the size, format, frequency, or relative prominence of ads displayed on our products or of other unpaid content shared by marketers on our products;
- our inability to maintain or increase marketer demand, the pricing of our ads, or both;
- our inability to maintain or increase the quantity or quality of ads shown to users;
- changes to third-party policies that limit our ability to deliver or target advertising on mobile devices;
- the availability, accuracy, and utility of analytics and measurement solutions offered by us or third parties that demonstrate the value of our ads to marketers, or our ability to further improve such tools;
- loss of advertising market share to our competitors, including if prices for purchasing ads on Facebook increase or if competitors offer lower priced or more integrated products;
- adverse legal developments relating to advertising, including legislative and regulatory developments and developments in litigation;
- decisions by marketers to reduce their advertising as a result of adverse media reports or other negative publicity involving us, content on our products, developers with mobile and web applications that are integrated with our products, or other companies in our industry;
- the degree to which users opt out of certain types of ad targeting;
- the degree to which users cease or reduce the number of times they click on our ads;

- changes in the way advertising on mobile devices or on personal computers is measured or priced; and
- the impact of macroeconomic conditions, whether in the advertising industry in general, or among specific types of marketers or within particular geographies.

The occurrence of any of these or other factors could result in a reduction in demand for our ads, which may reduce the prices we receive for our ads, or cause marketers to stop advertising with us altogether, either of which would negatively affect our revenue and financial results.

Our user growth, engagement, and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control.

There is no guarantee that popular mobile devices will continue to feature Facebook or our other products, or that mobile device users will continue to use our products rather than competing products. We are dependent on the interoperability of Facebook and our other products with popular mobile operating systems, networks, and standards that we do not control, such as the Android and iOS operating systems. Any changes in such systems, or changes in our relationships with mobile operating system partners, handset manufacturers, or mobile carriers, or in their terms of service or policies that degrade our products' functionality, reduce or eliminate our ability to distribute our products, give preferential treatment to competitive products, limit our ability to deliver, target, or measure the effectiveness of ads, or charge fees related to the distribution of our products or our delivery of ads could adversely affect the usage of Facebook or our other products and monetization on mobile devices. Additionally, in order to deliver high quality mobile products, it is important that our products work well with a range of mobile technologies, systems, networks, and standards that we do not control, and that we have good relationships with handset manufacturers and mobile carriers. We may not be successful in maintaining or developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that it is more difficult for our users to access and use Facebook or our other products on their mobile devices, or if our users choose not to access or use Facebook or our other products on their mobile devices or use mobile products that do not offer access to Facebook or our other products, our user growth and user engagement could be harmed. From time to time, we may also take actions regarding the distribution of our products or the operation of our business based on what we believe to be in our long-term best interests. Such actions may adversely affect our users and our relationships with the operators of mobile operating systems, handset manufacturers, mobile carriers, or other business partners, and there is no assurance that these actions will result in the anticipated long-term benefits. In the event that our users are adversely affected by these actions or if our relationships with such third parties deteriorate, our user growth, engagement, and monetization could be adversely affected and our business could be harmed.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We face significant competition in every aspect of our business, including from companies that provide tools to facilitate communication and the sharing of information, companies that enable marketers to display advertising and companies that provide development platforms for applications developers. We compete with companies that offer products that replicate the full range of capabilities we provide. For example, Google has integrated social functionality into a number of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries. We also compete with companies that develop applications, particularly mobile applications, that provide social or other communications functionality, such as messaging, photo- and video-sharing, and micro-blogging, and companies that provide web- and mobile-based information and entertainment products and services that are designed to engage users and capture time spent on mobile devices and online. In addition, we face competition from traditional, online, and mobile businesses that provide media for marketers to reach their audiences and/or develop tools and systems for managing and optimizing advertising campaigns.

Some of our current and potential competitors may have significantly greater resources or better competitive positions in certain product segments, geographic regions or user demographics than we do. These factors may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions. We believe that some of our users, particularly our younger users, are aware of and actively engaging with other products and services similar to, or as a substitute for, Facebook products and services, and we believe that some of our users have reduced their engagement with Facebook in favor of increased engagement with these other products and services. In the event that our users increasingly engage with other products and services, we may experience a decline in user engagement in key user demographics or more broadly, in which case our business would likely be harmed.

Our competitors may develop products, features, or services that are similar to ours or that achieve greater acceptance, may undertake more far-reaching and successful product development efforts or marketing campaigns, or may adopt more aggressive pricing policies. In addition, developers whose mobile and web applications are integrated with Facebook may use information shared by our users through Facebook in order to develop products or features that compete with us. Certain competitors, including Google, could use strong or dominant positions in one or more markets to gain competitive advantage against us in areas where we operate, including: by integrating competing platforms, applications, or features into products they control such as mobile device operating

systems, search engines, or web browsers; by making acquisitions; by limiting or denying our access to advertising measurement or delivery systems; by limiting our ability to deliver, target, or measure the effectiveness of ads; by imposing fees or other charges related to our delivery of ads; by making access to our products more difficult; or by making it more difficult to communicate with our users. As a result, our competitors may acquire and engage users or generate advertising or other revenue at the expense of our own efforts, which may negatively affect our business and financial results. In addition, from time to time, we may take actions in response to competitive threats, but we cannot assure you that these actions will be successful or that they will not negatively affect our business and financial results.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance, and reliability of our products compared to our competitors' products, particularly with respect to mobile products;
- the size and composition of our user base;
- the engagement of our users with our products and competing products;
- the timing and market acceptance of products, including developments and enhancements to our or our competitors' products;
- our ability to distribute our products to new and existing users;
- our ability to monetize our products;
- the frequency, size, format, quality, and relative prominence of the ads displayed by us or our competitors;
- customer service and support efforts;
- marketing and selling efforts, including our ability to measure the effectiveness of our ads and to provide marketers with a compelling return on their investments;
- our ability to establish and maintain developers' interest in building mobile and web applications that integrate with Facebook and our other products;
- our ability to establish and maintain publisher interest in integrating their content with Facebook and our other products;
- changes mandated by legislation, regulatory authorities, or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to attract, retain, and motivate talented employees, particularly software engineers, designers, and product managers;
- our ability to cost-effectively manage and grow our operations; and
- our reputation and brand strength relative to those of our competitors.

If we are not able to compete effectively, our user base and level of user engagement may decrease, we may become less attractive to developers and marketers, and our revenue and results of operations may be materially and adversely affected.

Action by governments to restrict access to Facebook or our other products in their countries could substantially harm our business and financial results.

It is possible that governments of one or more countries may seek to censor content available on Facebook or our other products in their country, restrict access to our products from their country entirely, or impose other restrictions that may affect the accessibility of our products in their country for an extended period of time or indefinitely. For example, access to Facebook has been or is currently restricted in whole or in part in China, Iran, and North Korea. In addition, government authorities in other countries may seek to restrict access to our products if they consider us to be in violation of their laws. In the event that content shown on Facebook or our other products is subject to censorship, access to our products is restricted, in whole or in part, in one or more countries, or other restrictions are imposed on our products, or our competitors are able to successfully penetrate new geographic markets or capture a greater share of existing geographic markets that we cannot access or where we face other restrictions, our ability to retain or increase our user base and user engagement may be adversely affected, we may not be able to maintain or grow our revenue as anticipated, and our financial results could be adversely affected.

Our new products and changes to existing products could fail to attract or retain users or generate revenue and profits.

Our ability to retain, increase, and engage our user base and to increase our revenue depends heavily on our ability to create successful new products, both independently and in conjunction with developers or other third parties. We may introduce significant changes to our existing products, or acquire or introduce new and unproven products, including using technologies with which we have little or no prior development or operating experience. For example, in July 2014 we acquired Oculus VR, Inc. (Oculus), a company developing virtual reality technology. We do not have prior experience with consumer hardware products or virtual reality technology, which may adversely affect our ability to successfully develop and market Oculus' products or technology, and we will incur increased costs in connection with the development and marketing of such products and technology. In addition, in October 2014, we acquired WhatsApp Inc. (WhatsApp), and we have also invested significant resources in growing Messenger. We have historically monetized messaging in only a very limited fashion, and we may not be successful in our efforts to generate meaningful revenue from messaging over the long term. If these or other new or enhanced products fail to engage users, marketers, or developers, or if we are unsuccessful in our monetization efforts, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, and our business may be adversely affected.

We make product and investment decisions that may not prioritize short-term financial results.

We frequently make product and investment decisions that may not prioritize short-term financial results if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. For example, from time to time we may change the size, frequency, or relative prominence of ads in order to improve ad quality and overall user experience. Similarly, from time to time we update our News Feed ranking algorithm to deliver the most relevant content to our users, which may adversely affect the distribution of content of marketers and developers and could reduce their incentive to invest in their development and marketing efforts on Facebook. We also may introduce changes to existing products, or introduce new stand-alone products, that direct users away from properties where we have a proven means of monetization. For example, we have taken action to redirect users who send messages from within the Facebook application to our stand-alone Messenger application, although we do not monetize the stand-alone Messenger application in any significant manner. In addition, we plan to continue focusing on growing the user base for WhatsApp and potentially other stand-alone applications that may have limited or no near-term monetization, and it is possible that these efforts may reduce engagement with the core Facebook application. We also may take steps that result in limiting distribution of mobile products and services in the short term in order to attempt to ensure the availability of our products and services to users over the long term. These decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with marketers and developers, and our business and results of operations could be harmed.

If we are not able to maintain and enhance our brands, or if events occur that damage our reputation and brands, our ability to expand our base of users, marketers, and developers may be impaired, and our business and financial results may be harmed.

We believe that our brands have significantly contributed to the success of our business. We also believe that maintaining and enhancing our brands is critical to expanding our base of users, marketers, and developers. Many of our new users are referred by existing users. Maintaining and enhancing our brands will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products, which we may not do successfully. We may introduce new products or terms of service or policies that users do not like, which may negatively affect our brands. Additionally, the actions of our developers may affect our brands if users do not have a positive experience using third-party mobile and web applications integrated with Facebook. We will also continue to experience media, legislative, or regulatory scrutiny of our decisions regarding user privacy and other issues, which may adversely affect our reputation and brands. We also may fail to provide adequate customer service, which could erode confidence in our brands. Our brands may also be negatively affected by the actions of users that are deemed to be hostile or inappropriate to other users, or by users acting under false or inauthentic identities, by perceived or actual efforts by governments to obtain access to user information for security-related purposes, or by the use of our products or services for illicit, objectionable, or illegal ends. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. Certain of our past actions have eroded confidence in our brands, and if we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business and financial results may be adversely affected.

Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.

Our industry is prone to cyber attacks, with third parties seeking unauthorized access to our data or users' data. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, and hacking and phishing attacks by third parties have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. As a result of our prominence, we believe that we are a particularly attractive target for such breaches and attacks. Such attacks may cause interruptions to the services we provide, degrade the user experience,

cause users to lose confidence in our products, or result in financial harm to us. Our efforts to protect our company data or the information we receive may also be unsuccessful due to software bugs or other technical malfunctions, employee error or malfeasance, government surveillance, or other factors. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Although we have developed systems and processes that are designed to protect our data and user data and to prevent data loss and other security breaches, we cannot assure you that such measures will provide absolute security.

In addition, some of our developers or other partners, such as those that help us measure the effectiveness of ads, may receive or store information provided by us or by our users through mobile or web applications integrated with Facebook. We provide limited information to such third parties based on the scope of services provided to us. However, if these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used, or disclosed.

Affected users or government authorities could initiate legal or regulatory actions against us in connection with any security breaches or improper disclosure of data, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

Unfavorable media coverage could negatively affect our business.

We receive a high degree of media coverage around the world. Unfavorable publicity regarding, for example, our privacy practices, terms of service, product changes, product quality, litigation or regulatory activity, government surveillance, the actions of our developers whose products are integrated with our products, the use of our products or services for illicit, objectionable, or illegal ends, the actions of our users, or the actions of other companies that provide similar services to us, could adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could adversely affect our business and financial results.

Our financial results will fluctuate from quarter to quarter and are difficult to predict.

Our quarterly financial results have fluctuated in the past and will fluctuate in the future. Additionally, we have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. As a result, you should not rely upon our past quarterly financial results as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving markets. Our financial results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to maintain and grow our user base and user engagement;
- our ability to attract and retain marketers in a particular period;
- fluctuations in spending by our marketers due to seasonality, such as historically strong spending in the fourth quarter of each year, or other factors;
- the frequency, prominence, size, format, and quality of ads shown to users;
- the pricing of our ads and other products;
- our ability to maintain or increase Payments and other fees revenue;
- the diversification and growth of revenue sources beyond advertising on Facebook;
- the development and introduction of new products or services by us or our competitors;
- increases in marketing, sales, and other operating expenses that we will incur to grow and expand our operations and to remain competitive;
- our ability to maintain gross margins and operating margins;
- costs related to acquisitions, including costs associated with amortization and additional investments to develop the acquired technologies;
- charges associated with impairment of any assets on our balance sheet;
- our ability to obtain equipment and components for our data centers and other technical infrastructure in a timely and

cost-effective manner;

- system failures or outages, which could prevent us from serving ads for any period of time;
- breaches of security or privacy, and the costs associated with any such breaches and remediation;
- changes in the manner in which we distribute our products or inaccessibility of our products due to third-party actions;
- fees paid to third parties for content or the distribution of our products;
- share-based compensation expense, including acquisition-related expense;
- adverse litigation judgments, settlements, or other litigation-related costs;
- changes in the legislative or regulatory environment, including with respect to privacy and data protection, or enforcement by government regulators, including fines, orders, or consent decrees;
- the overall tax rate for our business, which may be affected by a number of factors, including the financial results of our international subsidiaries and the timing, size, and integration of acquisitions we may make from time to time;
- tax obligations that may arise from changes in laws or resolutions of tax examinations that materially differ from the amounts we have anticipated;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- fluctuations in the market values of our portfolio investments and in interest rates;
- changes in U.S. generally accepted accounting principles; and
- changes in global business or macroeconomic conditions.

We expect our rates of growth to decline in the future.

We expect that our user growth and revenue growth rates will decline over time as the size of our active user base increases and as we achieve greater market penetration. For example, the growth rate of our revenue declined from 58% from 2013 to 2014, to 44% from 2014 to 2015. We expect our revenue growth rate will generally decline over time as our revenue increases to higher levels. As our growth rates decline, investors' perceptions of our business may be adversely affected and the trading price of our Class A common stock could decline.

Our costs are continuing to grow, which could harm our business and profitability.

Operating our business is costly, and we expect our expenses to continue to increase in the future as we broaden our user base, as users increase the amount of content they consume and the data they share with us, as we develop and implement new products, and as we continue to hire additional employees to support our expanding operations. We expect to continue to invest in our global connectivity efforts, which may not have a clear path to monetization. We may also be subject to increased costs in order to obtain and attract third-party content or to facilitate the distribution of our products. In addition, we will incur increased costs in connection with the development and marketing of our Oculus products. Any such investments may not be successful, and any such increases in our costs may adversely affect our business and profitability.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, securities law compliance, and online payment services. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States.

These U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For example, regulatory or legislative actions affecting the manner in which we display content to our users could adversely affect user growth and engagement. Such actions could affect the manner in which we provide our services or adversely affect our financial results.

We are also subject to laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and/or receive transnational data that is critical to our operations, including data relating to users, customers, or partners outside the United States, and those laws and regulations are uncertain and subject to change. For example, in October 2015, the European Court of Justice invalidated the European Commission's 2000 Safe Harbour Decision as a legitimate basis on which Facebook could rely for the transfer of data from the European Union to the United States. In addition, the other bases on which Facebook relies are likely to be subject to regulatory or judicial scrutiny. If Facebook is unable to transfer data between and among countries and regions in which it operates, it could affect the manner in which we provide our services or adversely affect our financial results.

Proposed legislation and regulations could also significantly affect our business. There currently are a number of proposals pending before federal, state, and foreign legislative and regulatory bodies, including a data protection regulation that is pending final approval by the European legislature that may include operational requirements for companies that receive or process personal data that are different than those currently in place in the European Union, and that will include significant penalties for non-compliance. Similarly, there are a number of legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business, such as liability for copyright infringement by third parties. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

These existing and proposed laws and regulations, as well as any associated inquiries, investigations, or actions, can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

We have been subject to regulatory investigations and settlements and we expect to continue to be subject to such proceedings and other inquiries in the future, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

From time to time, we receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. We are and expect to continue to be the subject of investigations, inquiries, actions, and audits in the United States, Europe, and around the world, particularly in the areas of consumer and data protection, as we continue to grow and expand our operations. For example, several data protection authorities in Europe have initiated actions seeking to assert jurisdiction over Facebook Inc. and our subsidiaries and to restrict the ways in which we collect and use information, and other data protection authorities may do the same. Orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), or require us to change our business practices in a manner materially adverse to our business.

If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of confidentiality, assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold a number of issued patents in multiple jurisdictions and have acquired patents and patent applications from third parties. In addition, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have generally taken measures to protect our proprietary rights, there can be no assurance that others will not offer products or concepts that are substantially similar to ours and compete with our business. In addition, we regularly contribute software source code under open source licenses and have made other technology we developed available under other open licenses, and we include open source software in our products. For example, we have contributed certain specifications and designs related to our data center equipment to the Open Compute Project Foundation, a non-profit entity that shares and develops such information with the technology community, under the Open Web Foundation License. As a result of our open source contributions and the use of open source in our products, we may license or be required to license or disclose code and/or innovations that turn out to be material to our business and may also be exposed to increased litigation risk. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our products, services, and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We are currently, and expect to be in the future, party to patent lawsuits and other intellectual property rights claims that are expensive and time consuming, and, if resolved adversely, could have a significant impact on our business, financial condition, or results of operations.

Companies in the Internet, technology, and media industries own large numbers of patents, copyrights, trademarks, and trade secrets, and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. In addition, various "non-practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

From time to time, we receive notice letters from patent holders alleging that certain of our products and services infringe their patent rights. We presently are involved in a number of intellectual property lawsuits, and as we face increasing competition and gain an increasingly high profile, we expect the number of patent and other intellectual property claims against us to grow. Defending patent and other intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative non-infringing technology or practices could require significant effort and expense or may not be feasible. Our business, financial condition, and results of operations could be adversely affected as a result of an unfavorable resolution of the disputes and litigation referred to above.

We are involved in numerous class action lawsuits and other litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.

In addition to intellectual property claims, we are also involved in numerous other lawsuits, including putative class action lawsuits, many of which claim statutory damages and/or seek significant changes to our business operations, and we anticipate that we will continue to be a target for numerous lawsuits in the future. Because of the scale of our user base, the plaintiffs in class action cases filed against us typically claim enormous monetary damages even if the alleged per-user harm is small or non-existent. In addition, we may be subject to additional class action lawsuits based on product performance or other claims related to the use of consumer hardware and software, as well as virtual reality technology and products, which are new and unproven. Any negative

outcome from any such lawsuits could result in payments of substantial monetary damages or fines, or undesirable changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected. Although the results of such lawsuits and claims cannot be predicted with certainty, we do not believe that the final outcome of those matters relating to our products that we currently face will have a material adverse effect on our business, financial condition, or results of operations. In addition, we are currently the subject of stockholder class action suits in connection with our IPO. We believe these lawsuits are without merit and are vigorously defending these lawsuits.

There can be no assurances that a favorable final outcome will be obtained in all our cases, and defending any lawsuit is costly and can impose a significant burden on management and employees. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which could adversely affect our business, financial conditions, or results of operations.

We may incur liability as a result of information retrieved from or transmitted over the Internet or published using our products or as a result of claims related to our products.

We have faced, currently face, and will continue to face claims relating to information that is published or made available on our products. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, and personal injury torts. This risk is enhanced in certain jurisdictions outside the United States where our protection from liability for third-party actions may be unclear and where we may be less protected under local laws than we are in the United States. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. If any of these events occur, our business and financial results could be adversely affected.

Our CEO has control over key decision making as a result of his control of a majority of our voting stock.

Mark Zuckerberg, our founder, Chairman, and CEO, is able to exercise voting rights with respect to a majority of the voting power of our outstanding capital stock and therefore has the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. This concentrated control could delay, defer, or prevent a change of control, merger, consolidation, or sale of all or substantially all of our assets that our other stockholders support, or conversely this concentrated control could result in the consummation of such a transaction that our other stockholders do not support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the trading price of our Class A common stock. In addition, Mr. Zuckerberg has the ability to control the management and major strategic investments of our company as a result of his position as our CEO and his ability to control the election or replacement of our directors. In the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he has designated. As a board member and officer, Mr. Zuckerberg owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Zuckerberg is entitled to vote his shares, and shares over which he has voting control as governed by a voting agreement, in his own interests, which may not always be in the interests of our stockholders generally.

We plan to continue to make acquisitions, which could harm our financial condition or results of operations and may adversely affect the price of our common stock.

As part of our business strategy, we have made and intend to continue to make acquisitions to add specialized employees and complementary companies, products, or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. In some cases, the costs of such acquisitions may be substantial. For example, in 2014 we paid approximately \$4.6 billion in cash and issued 178 million shares of our Class A common stock in connection with our acquisition of WhatsApp, and we paid approximately \$400 million in cash and issued 23 million shares of our Class B common stock in connection with our acquisition of Oculus. We also issued a substantial number of RSUs to help retain the employees of these companies. There is no assurance that we will receive a favorable return on investment for these or other acquisitions.

In the future, we may pay substantial amounts of cash or incur debt to pay for acquisitions, which could adversely affect our liquidity. The incurrence of indebtedness would also result in increased fixed obligations, increased interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. We may also issue equity securities to pay for acquisitions and we regularly grant RSUs to retain the employees of acquired companies, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, any acquisitions we announce could be viewed negatively by users, marketers, developers, or investors, which may adversely affect our business or the price of our common stock.

We may also discover liabilities or deficiencies associated with the companies or assets we acquire that were not identified in advance, which may result in significant unanticipated costs. The effectiveness of our due diligence review and our ability to evaluate the results of such due diligence are dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives, as well as the limited amount of time in which acquisitions are executed. In addition, we may fail to accurately forecast the financial impact of an acquisition transaction, including tax and accounting charges. Acquisitions may also result in our recording of significant additional expenses to our results of operations and recording of substantial finite-lived intangible assets on our balance sheet upon closing. Any of these factors may adversely affect our financial condition or results of operations.

We may not be able to successfully integrate our acquisitions, and we may incur significant costs to integrate and support the companies we acquire.

The integration of acquisitions requires significant time and resources, and we may not manage these processes successfully. Our ability to successfully integrate complex acquisitions is unproven, particularly with respect to companies that have significant operations or that develop products where we do not have prior experience. For example, Oculus and WhatsApp are larger and more complex than companies we have historically acquired. In particular, Oculus builds technology and products that are new to Facebook and with which we did not have significant experience or structure in place to support prior to the acquisition. We are making substantial investments of resources to support these acquisitions, which will result in significant ongoing operating expenses and may divert resources and management attention from other areas of our business. We cannot assure you that these investments will be successful. If we fail to successfully integrate the companies we acquire, we may not realize the benefits expected from the transaction and our business may be harmed.

If our goodwill or finite-lived intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our finite-lived intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at least annually. If such goodwill or finite-lived intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or finite-lived intangible assets is determined, which would negatively affect our results of operations.

Our business is dependent on our ability to maintain and scale our technical infrastructure, and any significant disruption in our service could damage our reputation, result in a potential loss of users and engagement, and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve our users is dependent upon the reliable performance of our products and our underlying technical infrastructure. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our products are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not use our products as often in the future, or at all, and our ability to serve ads may be disrupted. As our user base and engagement continue to grow, and the amount and types of information shared on Facebook and our other products continue to grow and evolve, such as increased engagement with video, we will need an increasing amount of technical infrastructure, including network capacity and computing power, to continue to satisfy the needs of our users. It is possible that we may fail to effectively scale and grow our technical infrastructure to accommodate these increased demands. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, or other catastrophic events. If such an event were to occur, users may be subject to service disruptions or outages and we may not be able to recover our technical infrastructure and user data in a timely manner to restart or provide our services, which may adversely affect our financial results.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

We could experience unforeseen difficulties in building and operating key portions of our technical infrastructure.

We have designed and built our own data centers and key portions of our technical infrastructure through which we serve our products, and we plan to continue to significantly expand the size of our infrastructure primarily through data centers and other projects. The infrastructure expansion we are undertaking is complex, and unanticipated delays in the completion of these projects or availability of components may lead to increased project costs, operational inefficiencies, or interruptions in the delivery or degradation of the quality of our products. In addition, there may be issues related to this infrastructure that are not identified during the testing phases of design and implementation, which may only become evident after we have started to fully utilize the underlying equipment, that could further degrade the user experience or increase our costs.

Our products and internal systems rely on software that is highly technical, and if it contains undetected errors or vulnerabilities, our business could be adversely affected.

Our products and internal systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors, vulnerabilities, or other design defects within the software on which we rely may result in a negative experience for users and marketers who use our products, delay product introductions or enhancements, result in measurement or billing errors, compromise our ability to protect the data of our users and/or our intellectual property or lead to reductions in our ability to provide some or all of our services. For example, social games on Facebook rely on Adobe Flash, which games are currently responsible for substantially all of our Payments revenue. In July 2015, certain vulnerabilities discovered in Flash led to temporary interruption of support for Flash by popular web browsers. If similar interruptions occur in the future and disrupt our ability to provide social games to some or all of our users, our ability to generate Payments revenue would be harmed. Any errors, bugs, vulnerabilities, or defects discovered in the software on which we rely, and any associated degradations or interruptions of service, could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

Technologies have been developed that can block the display of our ads, which could adversely affect our financial results.

Technologies have been developed, and will likely continue to be developed, that can block the display of our ads, particularly advertising displayed on personal computers. We generate substantially all of our revenue from advertising, including revenue resulting from the display of ads on personal computers. Revenue generated from the display of ads on personal computers has been impacted by these technologies from time to time. As a result, these technologies have had an adverse effect on our financial results and, if such technologies continue to proliferate, in particular with respect to mobile platforms, our future financial results may be harmed.

Certain of our user metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers for our key metrics, which include our DAUs, mobile DAUs, MAUs, mobile MAUs, and average revenue per user (ARPU), as well as certain other metrics such as mobile-only DAUs and mobile-only MAUs, are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world.

For example, there may be individuals who maintain one or more Facebook accounts in violation of our terms of service. We estimate, for example, that "duplicate" accounts (an account that a user maintains in addition to his or her principal account) may have represented less than 5% of our worldwide MAUs in 2015. We also seek to identify "false" accounts, which we divide into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. In 2015, for example, we estimate that such user-misclassified and undesirable accounts may have represented less than 2% our worldwide MAUs. We believe the percentage of accounts that are duplicate or false is meaningfully lower in developed markets such as the United States or United Kingdom and higher in developing markets such as India and Turkey. However, these estimates are based on an internal review of a limited sample of accounts and we apply significant judgment in making this determination, such as identifying names that appear to be fake or other behavior that appears inauthentic to the reviewers. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. We are continually seeking to improve our ability to identify duplicate or false accounts and estimate the total number of such accounts, and such estimates may change due to improvements or changes in our methodology.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

Some of our metrics have also been affected by applications on certain mobile devices that automatically contact our servers for regular updates with no user action involved, and this activity can cause our system to count the user associated with such a device as an active user on the day such contact occurs. The impact of this automatic activity on our metrics varied by geography because mobile usage varies in different regions of the world. In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a mobile-only user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be

susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors. We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology. For example, some third parties are not able to accurately measure mobile users or do not count mobile users for certain user groups or at all in their analyses.

If marketers, developers, or investors do not perceive our user metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and marketers and developers may be less willing to allocate their budgets or resources to Facebook, which could negatively affect our business and financial results.

We cannot assure you that we will effectively manage our growth.

Our employee headcount and the scope and complexity of our business have increased significantly, with the number of employees increasing to 12,691 as of December 31, 2015 from 9,199 as of December 31, 2014, and we expect headcount growth to continue for the foreseeable future. The growth and expansion of our business and products create significant challenges for our management, operational, and financial resources, including managing multiple relations with users, marketers, developers, and other third parties. In the event of continued growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. To effectively manage our growth, we must continue to improve our operational, financial, and management processes and systems and to effectively expand, train, and manage our employee base. As our organization continues to grow, and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. This could negatively affect our business performance.

The loss of one or more of our key personnel, or our failure to attract and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of our key personnel, including Mark Zuckerberg and Sheryl K. Sandberg. Although we have entered into employment agreements with Mr. Zuckerberg and Ms. Sandberg, the agreements have no specific duration and constitute at-will employment. In addition, many of our key technologies and systems are custom-made for our business by our personnel. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have an adverse effect on our business.

As we continue to grow, we cannot guarantee we will continue to attract the personnel we need to maintain our competitive position. In particular, we intend to continue to hire a significant number of technical personnel in the foreseeable future, and we expect to face significant competition from other companies in hiring such personnel, particularly in the San Francisco Bay Area, where our headquarters are located and where the cost of living is high. As we mature, the incentives to attract, retain, and motivate employees provided by our equity awards or by future arrangements may not be as effective as in the past, and if we issue significant equity to attract additional employees, the ownership of our existing stockholders may be further diluted. Our ability to attract, retain, and motivate employees may also be adversely affected by stock price volatility. Additionally, we have a number of current employees whose equity ownership in our company has provided them a substantial amount of personal wealth, which could affect their decisions about whether or not to continue to work for us. As a result of these factors, it may be difficult for us to continue to retain and motivate our employees. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We may not be able to continue to successfully grow usage of and engagement with mobile and web applications that integrate with Facebook and our other products.

We have made and are continuing to make investments to enable developers to build, grow, and monetize mobile and web applications that integrate with Facebook and our other products. Such existing and prospective developers may not be successful in building, growing, or monetizing mobile and/or web applications that create and maintain user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties, rather than building products that integrate with Facebook and our other products. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. For example, from time to time, we have taken actions to reduce the volume of communications from these developers to users on Facebook and our other products with the objective of enhancing the user experience, and such actions have reduced distribution from, user engagement with, and our monetization opportunities from, mobile and web applications integrated with our products. In some instances, these actions, as well as other actions to enforce our policies applicable to developers, have adversely affected our relationships with such developers. If we are not successful in our efforts to continue to grow the number of developers that choose to build products that integrate with Facebook and our other products or if we are unable to continue to build and maintain good relations with such developers, our user growth and user engagement and our financial results may be adversely affected.

We currently generate all of our Payments revenue from developers that use Facebook on personal computers, and we expect that our Payments revenue will continue to decline in the future as usage of Facebook on personal computers continues to decline.

We currently generate all of our Payments revenue from developers that use Facebook on personal computers. Specifically, applications built by developers of social games are currently responsible for substantially all of our revenue derived from Payments, and the majority of the revenue from these applications has historically been generated by a limited number of the most popular games. We have experienced and expect to see the continued decline in usage of Facebook on personal computers for the foreseeable future, which we expect will result in a continuing decline in Payments revenue. In addition, a relatively small percentage of our users have transacted with Facebook Payments. If the Facebook-integrated applications fail to grow or maintain their users and engagement, whether as a result of the continued decline in the usage of Facebook on personal computers or otherwise, if developers do not continue to introduce new applications that attract users and create engagement on Facebook, or if Facebook-integrated applications outside of social games do not gain popularity and generate significant revenue for us, our financial performance could be adversely affected.

Payment transactions may subject us to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Our users can purchase virtual and digital goods from developers that offer applications using our Payments infrastructure on the Facebook website. In addition, certain of our users can use our Payments infrastructure for other activities, such as sending money to other users and making donations to certain charitable organizations. We are subject to a variety of laws and regulations in the United States, Europe, and elsewhere, including those governing anti-money laundering and counter-terrorist financing, money transmission, gift cards and other prepaid access instruments, electronic funds transfer, charitable fundraising, and import and export restrictions. Depending on how our Payments product evolves, we may also be subject to other laws and regulations including those governing gambling, banking, and lending. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. To increase flexibility in how our use of Payments may evolve and to mitigate regulatory uncertainty, we have received certain money transmitter licenses in the United States and are applying for certain regulatory licenses in Europe, which will generally require us to demonstrate compliance with many domestic and foreign laws in these areas. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make product changes, any of which could have an adverse effect on our business and financial results.

In addition, we may be subject to a variety of additional risks as a result of Payments transactions, including:

- increased costs and diversion of management time and effort and other resources to deal with bad transactions or customer disputes;
- potential fraudulent or otherwise illegal activity by users, developers, employees, or third parties;
- restrictions on the investment of consumer funds used to transact Payments; and
- additional disclosure and reporting requirements.

We have significant international operations and plan to continue expanding our operations abroad where we have limited operating experience, and this may subject us to increased business and economic risks that could affect our financial results.

We have significant international operations and plan to continue the international expansion of our business operations and the translation of our products. We currently make Facebook available in more than 90 different languages, and we have offices or data centers in more than 30 different countries. We may enter new international markets where we have limited or no experience in marketing, selling, and deploying our products. Our products are generally available globally through the web and on mobile, but some or all of our products or functionality may not be available in certain markets due to legal and regulatory complexities. For example, Facebook is not generally available in China. We also outsource certain operational functions to third-party vendors globally. If we fail to deploy, manage, or oversee our international operations successfully, our business may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- political, social, or economic instability;
- risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, tax, law enforcement, content, trade compliance, intellectual property, and terrestrial infrastructure matters;
- potential damage to our brand and reputation due to compliance with local laws, including potential censorship or requirements to provide user information to local authorities;
- fluctuations in currency exchange rates and compliance with currency controls;
- foreign exchange controls and tax regulations that might prevent us from repatriating cash earned in countries outside the United States or otherwise limit our ability to move cash freely, and impede our ability to invest such cash efficiently;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- burdens of complying with a variety of foreign laws;
- reduced protection for intellectual property rights in some countries;
- difficulties in staffing, managing, and overseeing global operations and the increased travel, infrastructure, and legal compliance costs associated with multiple international locations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar laws in other jurisdictions; and
- compliance with statutory equity requirements and management of tax consequences.

If we are unable to expand internationally and manage the complexity of our global operations successfully, our financial results could be adversely affected.

We face design, manufacturing, and supply chain risks that, if not properly managed, could adversely impact our financial results.

We face a number of risks related to design, manufacturing, and supply chain management with respect to our Oculus products. For example, the Oculus products we sell may have quality issues resulting from the design or manufacture of the products, or from the software used in the products. Sometimes, these issues may be caused by components we purchase from other manufacturers or suppliers. If the quality of our Oculus products does not meet our customers' expectations or such products are found to be defective, then our financial results could be adversely affected.

We rely on third parties to manufacture our Oculus products. We may experience supply shortages or other supply chain disruptions in the future that could negatively impact our operations. We could be negatively affected if we are not able to engage third parties with the necessary capabilities or capacity on reasonable terms, or if those we engage with fail to meet their obligations (whether due to financial difficulties or other reasons), or make adverse changes in the pricing or other material terms of such arrangements with them.

We also require the suppliers and business partners of our Oculus products to comply with law and certain company policies regarding sourcing practices, but we do not control them or their practices. If any of them violates laws or implements practices regarded as unethical, we could experience supply chain disruptions, canceled orders, terminations of or damage to our reputation.

In addition, the Securities and Exchange Commission's conflict minerals rule requires disclosure by public companies of the origin, source and chain of custody of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. We may incur significant costs associated with complying with the rule, such as costs related to the determination of the origin, source and chain of custody of the minerals used in Oculus products, the adoption of conflict minerals-related governance policies, processes and controls, and possible changes to products or sources of supply as a result of such activities.

We may face inventory risk with respect to our Oculus products.

We may be exposed to inventory risks with respect to our Oculus products as a result of rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand and consumer spending patterns, changes in consumer tastes with respect to Oculus products, and other factors. We endeavor to accurately predict these trends and avoid overstocking or understocking products Oculus may sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when we begin selling or manufacturing a new Oculus product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead-time and prepayment and they may not be returnable. Any one of these factors may adversely affect our operating results.

We may incur a substantial amount of indebtedness, which could adversely affect our financial condition.

In August 2013, we entered into a five-year senior unsecured revolving credit facility under which we may borrow up to \$6.5 billion to fund working capital and general corporate purposes. As of December 31, 2015, no amounts were outstanding under this facility. If we draw down on this facility in the future, our interest expense and principal repayment requirements will increase significantly, which could have an adverse effect on our financial results.

We may require additional capital to support our business growth, and this capital may not be available on acceptable terms, if at all.

We may require additional capital to support our business growth or to respond to business opportunities, challenges or unforeseen circumstances. Our ability to obtain additional capital, if and when required, will depend on our business plans, investor demand, our operating performance, the condition of the capital markets, and other factors. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances could be adversely affected, and our business may be harmed.

We may have exposure to greater than anticipated tax liabilities.

Our income tax obligations are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we operate our business, develop, value, manage, protect, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from companies such as Facebook. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and results of operations. We are subject to regular review and audit by U.S. federal and state and foreign tax authorities. Tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Our provision for income taxes is also determined by the manner in which we operate our business, and any changes to such operations or laws applicable to such operations may affect our effective tax rate. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles. For example, we have previously incurred losses in certain international subsidiaries that resulted in an effective tax rate that is significantly higher than the statutory tax rate in the United States and this could continue to happen in the future.

Changes in tax laws or tax rulings could materially affect our financial position and results of operations.

The tax regimes we are subject to or operate under are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position and results of operations. Many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. For example, in 2015 the United Kingdom enacted the Diverted Profits Tax and Australia passed The Tax Integrity Multinational Anti-avoidance Law, both of which could increase our tax obligations. The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Sharing Project, and has issued in 2015, and is expected to continue to issue, guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules. These investigations may result in changes to the tax treatment of our foreign operations. In addition, the current U.S. administration and key members of Congress have made public statements indicating that tax reform is a priority. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the United States until those earnings are repatriated to the United States, could affect the tax treatment of our foreign earnings. Due to the large and expanding scale of our international business activities, many of these types of changes to the taxation of our activities could increase our worldwide effective tax rate and harm our financial position and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock has been and will likely continue to be volatile.

The trading price of our Class A common stock has been, and is likely to continue to be, volatile. Since shares of our Class A common stock were sold in our IPO in May 2012 at a price of \$38.00 per share, our stock price has ranged from \$17.55 to \$110.65 through December 31, 2015. In addition to the factors discussed in this Annual Report on Form 10-K, the trading price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- additional shares of our Class A common stock being sold into the market by us, our existing stockholders, or in connection with acquisitions, including shares sold by our employees to cover tax liabilities in connection with RSU vesting events, or the anticipation of such sales;
- investor sentiment with respect to our competitors, our business partners, and our industry in general;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us or estimates by third parties of actual or anticipated changes in the size of our user base, the level of user engagement, or the effectiveness of our ad products;
- changes in operating performance and stock market valuations of technology companies in our industry, including our developers and competitors;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the inclusion or deletion of our Class A common stock from any trading indices, such as the S&P 500 Index;
- media coverage of our business and financial performance;
- lawsuits threatened or filed against us;
- developments in anticipated or new legislation and pending lawsuits or regulatory actions, including interim or final rulings by tax, judicial, or regulatory bodies; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. We are currently subject to securities litigation in connection with our IPO. We may experience more such litigation following future periods of volatility. Any securities litigation could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A common stock if the trading price of our Class A common stock increases. In addition, our credit facility contains restrictions on our ability to pay dividends.

The dual class structure of our common stock and a voting agreement between certain stockholders have the effect of concentrating voting control with our CEO and certain other holders of our Class B common stock; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including certain of our executive officers, employees, and directors and their affiliates, together hold a substantial majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Zuckerberg retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

We have elected to take advantage of the "controlled company" exemption to the corporate governance rules for NASDAQ-listed companies, which could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Because we qualify as a "controlled company" under the corporate governance rules for NASDAQ-listed companies, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, our board of directors determined not to have an independent nominating function and chose to have the full board of directors be directly responsible for nominating members of our board, and in the future we could elect not to have a majority of our board of directors be independent or not to have a compensation committee. Accordingly, should the interests of our controlling stockholder differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance rules for NASDAQ-listed companies. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Delaware law and provisions in our restated certificate of incorporation and bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- until the first date on which the outstanding shares of our Class B common stock represent less than 35% of the combined voting power of our common stock, any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- we have a dual class common stock structure, which provides Mr. Zuckerberg with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding

Class A and Class B common stock;

- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, certain amendments to our restated certificate of incorporation or bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- only our chairman, our chief executive officer, our president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval; and
- certain litigation against us can only be brought in Delaware.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Menlo Park, California. As of December 31, 2015, we owned and leased approximately two million square feet for our corporate headquarters and 114 acres of land to accommodate anticipated future growth.

In addition, we leased office and data center facilities around the world totaling three million square feet. We also own data centers in various locations throughout the United States, and a data center facility in Sweden.

During 2015, we entered into an agreement to lease an entire office building in London, United Kingdom, that is currently under construction. As a result of our involvement during the construction period, we are considered for accounting purposes to be the owner of the construction project. As such, we have excluded the square footage from the total leased space and owned properties, disclosed above.

We believe that our facilities are adequate for our current needs.

Item 3. Legal Proceedings

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our initial public offering (IPO) and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. The vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the U.S. District Court for the Southern District of New York. In a series of rulings in 2013 and 2014, the court denied our motion to dismiss the consolidated securities class action and granted our motions to dismiss the derivative actions against our directors and certain of our officers. On July 24, 2015, the court of appeals affirmed the dismissal of the derivative actions. On December 11, 2015, the court granted plaintiffs' motion for class certification in the consolidated securities action. In addition, the events surrounding our IPO became the subject of various state and federal government inquiries. In May 2014, the Securities and Exchange Commission (SEC) notified us that it had terminated its inquiry and that no enforcement action had been recommended by the SEC.

In addition, we are also currently parties to multiple other lawsuits related to our products, including intellectual property lawsuits as well as class action lawsuits brought by users and marketers, and we may in the future be subject to additional lawsuits and disputes. We are also involved in other claims, government and regulatory investigations, and proceedings arising from the ordinary course of our business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our Class A common stock has been listed on the NASDAQ Global Select Market under the symbol "FB" since May 18, 2012. Prior to that time, there was no public market for our stock. The following table sets forth for the indicated periods the high and low intra-day sales prices per share for our Class A common stock on the NASDAQ Global Select Market.

	2015		2014	
	High	Low	High	Low
First Quarter	\$ 86.07	\$ 73.45	\$ 72.59	\$ 51.85
Second Quarter	\$ 89.40	\$ 76.79	\$ 68.00	\$ 54.66
Third Quarter	\$ 99.24	\$ 72.00	\$ 79.71	\$ 62.21
Fourth Quarter	\$ 110.65	\$ 88.36	\$ 82.17	\$ 70.32

Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of December 31, 2015, there were 5,086 stockholders of record of our Class A common stock, and the closing price of our Class A common stock was \$104.66 per share as reported on the NASDAQ Global Select Market. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. As of December 31, 2015, there were 46 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid any cash dividend on our common stock. We intend to retain any future earnings and do not expect to pay dividends in the foreseeable future. In addition, our credit facility contains restrictions on our ability to pay dividends.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below provides information with respect to repurchases of unvested shares of our Class A common stock.

Period	Total Number of Shares Purchased ⁽¹⁾	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2015	1,132	\$ 1.09	—	—
November 1 – November 30, 2015	—	—	—	—
December 1 – December 31, 2015	—	—	—	—

(1) Unvested acquisition shares are subject to a right of repurchase by us in the event the recipient of such unvested acquisition shares is no longer employed by us. All shares in the above table were shares repurchased as a result of us exercising this right and not pursuant to a publicly announced plan or program.

Recent Sale of Unregistered Securities and Use of Proceeds

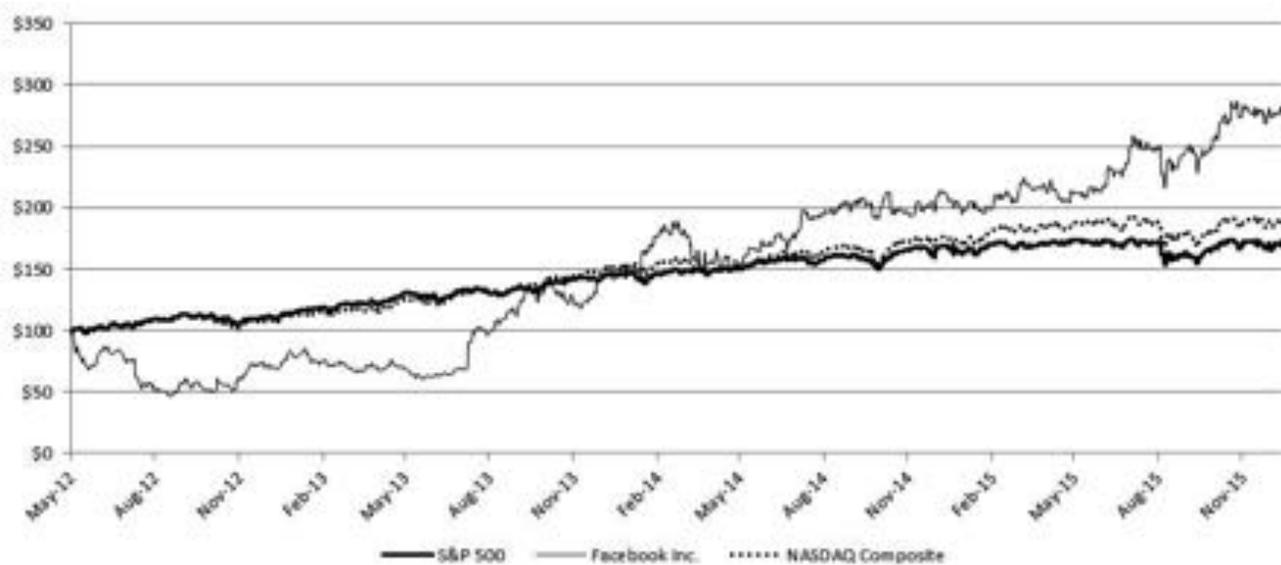
Recent Sale of Unregistered Securities

None.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Facebook, Inc. under the Securities Act or the Exchange Act.

The following graph shows a comparison from May 18, 2012 (the date our Class A common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2015 of the cumulative total return for our Class A common stock, the Standard & Poor's 500 Stock Index (S&P 500 Index) and the Nasdaq Composite Index (NASDAQ Composite). The graph assumes that \$100 was invested at the market close on May 18, 2012 in the Class A common stock of Facebook, Inc., the S&P 500 Index and the NASDAQ Composite and data for the S&P 500 Index and the NASDAQ Composite assumes reinvestments of gross dividends. The stock price performance of the following graph is not necessarily indicative of future stock price performance.



Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended December 31, 2015.

Item 6. Selected Financial Data.

You should read the following selected consolidated financial data in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The consolidated statements of income data for each of the years ended December 31, 2015, 2014, and 2013 and the consolidated balance sheets data as of December 31, 2015 and 2014 are derived from our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. The consolidated statements of income data for the years ended December 31, 2012 and 2011 and the consolidated balance sheets data as of December 31, 2013, 2012, and 2011 are derived from our audited consolidated financial statements, except as otherwise noted, that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions, except per share data)				
Consolidated Statements of Income Data:					
Revenue	\$ 17,928	\$ 12,466	\$ 7,872	\$ 5,089	\$ 3,711
Total costs and expenses ⁽¹⁾	11,703	7,472	5,068	4,551	1,955
Income from operations	6,225	4,994	2,804	538	1,756
Income before provision for income taxes	6,194	4,910	2,754	494	1,695
Net income	3,688	2,940	1,500	53	1,000
Net income attributable to Class A and Class B common stockholders	3,669	2,925	1,491	32	668
Earnings per share attributable to Class A and Class B common stockholders ⁽²⁾ :					
Basic	\$ 1.31	\$ 1.12	\$ 0.62	\$ 0.02	\$ 0.52
Diluted	\$ 1.29	\$ 1.10	\$ 0.60	\$ 0.01	\$ 0.46

(1) Total costs and expenses include \$2.97 billion, \$1.84 billion, \$906 million, \$1.57 billion, and \$217 million of share-based compensation for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

(2) See Note 3 of the accompanying notes to our consolidated financial statements for a description of our computation of basic and diluted earnings per share attributable to Class A and Class B common stockholders.

	As of December 31,				
	2015	2014	2013	2012	2011
	(in millions)				
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and marketable securities	\$ 18,434	\$ 11,199	\$ 11,449	\$ 9,626	\$ 3,908
Working capital ⁽¹⁾	19,727	11,966	11,801	9,939	3,679
Property and equipment, net	5,687	3,967	2,882	2,391	1,475
Total assets ⁽¹⁾	49,407	39,966	17,858	14,982	6,331
Capital lease obligations	114	233	476	856	677
Long-term debt	—	—	—	1,500	—
Total liabilities ⁽¹⁾	5,189	3,870	2,388	3,227	1,432
Additional paid-in capital	34,886	30,225	12,297	10,094	2,684
Total stockholders' equity	44,218	36,096	15,470	11,755	4,899

(1) In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. We early adopted this standard retrospectively and reclassified all of our current deferred tax assets to noncurrent deferred tax assets on our consolidated balance sheets data for all periods presented. As a result of the reclassifications, certain noncurrent deferred tax liabilities as of December 31, 2014, 2013, and 2012 were netted with noncurrent deferred tax assets.

Free Cash Flow

In addition to other financial measures presented in accordance with U.S. generally accepted accounting principles (GAAP), we monitor free cash flow (FCF) as a non-GAAP measure to manage our business, make planning decisions, evaluate our performance, and allocate resources. We define FCF as net cash provided by operating activities reduced by purchases of property and equipment and property and equipment acquired under capital leases.

We believe that FCF is one of the key financial indicators of our business performance over the long term and provides useful information regarding how cash provided by operating activities compares to the property and equipment investments required to maintain and grow our business. We have chosen to subtract both purchases of property and equipment and property and equipment acquired under capital leases in our calculation of FCF because we believe that these two items collectively represent the amount of property and equipment we need to procure to support our business, regardless of whether we finance such property or equipment with a capital lease. The market for financing servers and other technical equipment is dynamic and we expect our use of capital leases could vary significantly from year to year.

We have chosen our definition for FCF because we believe that this methodology can provide useful supplemental information to help investors better understand underlying trends in our business. We use FCF in discussions with our senior management and board of directors.

FCF has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are:

- FCF does not reflect our future contractual commitments; and
- other companies in our industry present similarly titled measures differently than we do, limiting their usefulness as comparative measures.

Management compensates for the inherent limitations associated with using the FCF measure through disclosure of such limitations, presentation of our financial statements in accordance with GAAP, and reconciliation of FCF to the most directly comparable GAAP measure, net cash provided by operating activities, as presented below.

The following is a reconciliation of FCF to the most comparable GAAP measure, net cash provided by operating activities:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions)				
Net cash provided by operating activities ⁽¹⁾	\$ 8,599	\$ 5,457	\$ 4,222	\$ 1,612	\$ 1,549
Purchases of property and equipment	(2,523)	(1,831)	(1,362)	(1,235)	(606)
Property and equipment acquired under capital leases	—	—	(11)	(340)	(473)
Free cash flow	<u>\$ 6,076</u>	<u>\$ 3,626</u>	<u>\$ 2,849</u>	<u>\$ 37</u>	<u>\$ 470</u>

- (1) For the year ended December 31, 2012, net cash provided by operating activities was reduced by \$451 million of income tax refundable from income tax loss carrybacks due to the recognition of tax benefits related to share-based compensation from restricted stock units granted prior to January 1, 2011. We received substantially all of this refund in 2013 which increased our net cash provided by operating activities and FCF for the year ended December 31, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to our historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A, "Risk Factors." For a discussion of limitations in the measurement of certain of our user metrics, see the section entitled "Limitations of Key Metrics and Other Data" in this Annual Report on Form 10-K.

Certain revenue information in the sections entitled "Executive Overview of Full Year 2015 Results" and "—Revenue—Foreign Exchange Impact on Revenue" is presented on a constant currency basis. This information is a non-GAAP financial measure. To calculate revenue on a constant currency basis, we translated revenue for the fourth quarter of and full year 2015 using 2014 monthly exchange rates for our settlement currencies other than the U.S. dollar. This non-GAAP financial measure is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. This measure may be different from non-GAAP financial measures used by other companies, limiting its usefulness for comparison purposes. Moreover, presentation of revenue on a constant currency basis is provided for year-over-year comparison purposes, and investors should be cautioned that the effect of changing foreign currency exchange rates has an actual effect on our operating results. We believe this non-GAAP financial measure provides investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allows for greater transparency with respect to key metrics used by management in operating our business.

Executive Overview of Full Year 2015 Results

Our key user metrics and financial results for 2015 are as follows:

User growth:

- Daily active users (DAUs) were 1.04 billion on average for December 2015, an increase of 17% year-over-year.
- Mobile DAUs were 934 million on average for December 2015, an increase of 25% year-over-year.
- Monthly active users (MAUs) were 1.59 billion as of December 31, 2015, an increase of 14% year-over-year.
- Mobile MAUs were 1.44 billion as of December 31, 2015, an increase of 21% year-over-year.

Financial results:

- Revenue was \$17.93 billion, up 44% year-over-year (or 53% year-over-year on a constant currency basis), and ad revenue was \$17.08 billion, up 49% year-over-year (or 59% year-over-year on a constant currency basis).
- Total costs and expenses were \$11.70 billion.
- Income from operations was \$6.23 billion.
- Net income was \$3.69 billion with diluted earnings per share of \$1.29.
- Capital expenditures were \$2.52 billion.
- Effective tax rate was 40%.
- Cash and cash equivalents, and marketable securities were \$18.43 billion as of December 31, 2015.
- Headcount was 12,691 as of December 31, 2015.

In 2015, we continued to make progress on our three main revenue growth priorities: (i) continuing to capitalize on the shift to mobile, (ii) growing the number of marketers using our ad products, and (iii) making our ads more relevant and effective through continued adoption of newer ad formats and tools for marketers.

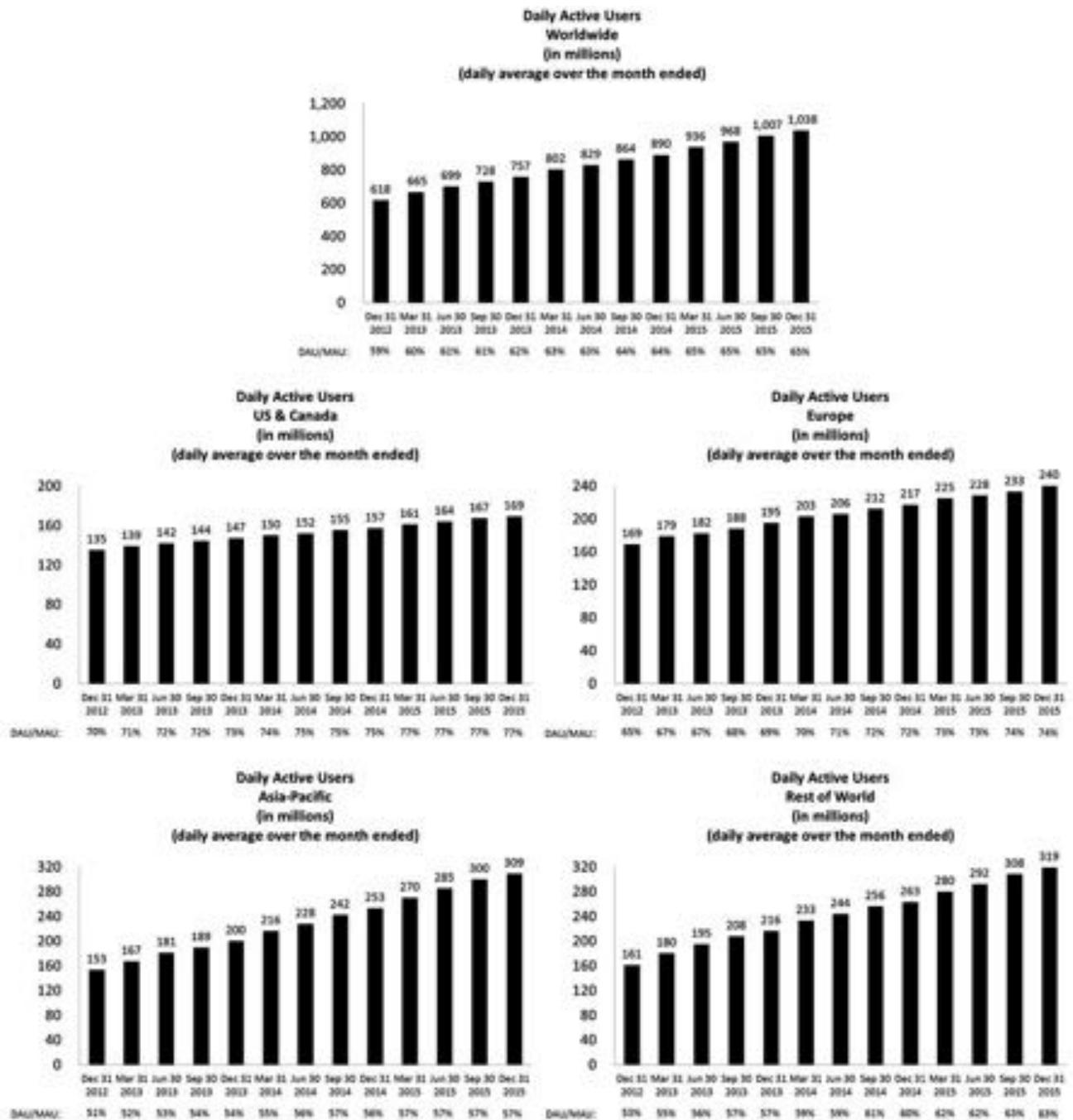
In addition, we invested, and will continue to invest, across three priorities: (i) our core products and services to better serve our existing communities and businesses, (ii) our next generation of services, such as Instagram, Messenger and WhatsApp, and (iii) our long-term innovation efforts, such as connectivity efforts, virtual reality, and artificial intelligence research. We expect these investments will continue to drive significant overall year-over-year expense growth compared to 2015.

Trends in Our User Metrics

The numbers for our key metrics, our daily active users (DAUs), mobile DAUs, MAUs, mobile MAUs, and average revenue per user (ARPU), and certain other metrics such as mobile-only DAUs and mobile-only MAUs, do not include Instagram or WhatsApp users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook. In addition, other user engagement metrics do not include Instagram or WhatsApp unless otherwise specifically stated.

Trends in the number of users affect our revenue and financial results by influencing the number of ads we are able to show, the value of our ads to marketers, the volume of Payments transactions, as well as our expenses and capital expenditures.

- Daily Active Users (DAUs).** We define a daily active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, or used our Messenger application (and is also a registered Facebook user), on a given day. We view DAUs, and DAUs as a percentage of MAUs, as measures of user engagement.

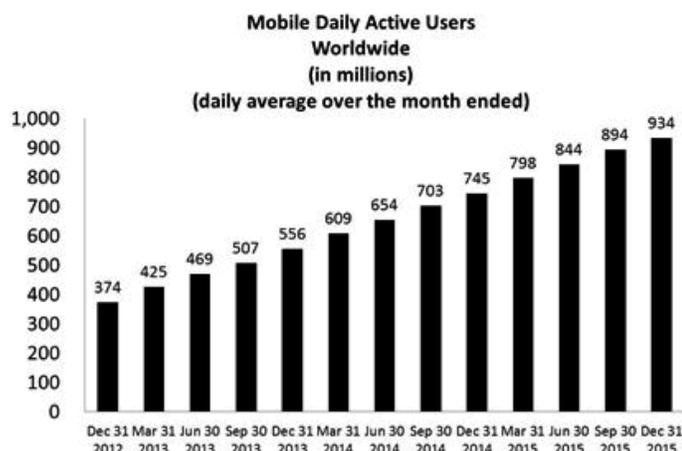


Note: For purposes of reporting DAUs, MAUs, and ARPU by geographic region, Europe includes all users in Russia and Turkey and Rest of World includes all users in Africa, Latin America, and the Middle East.

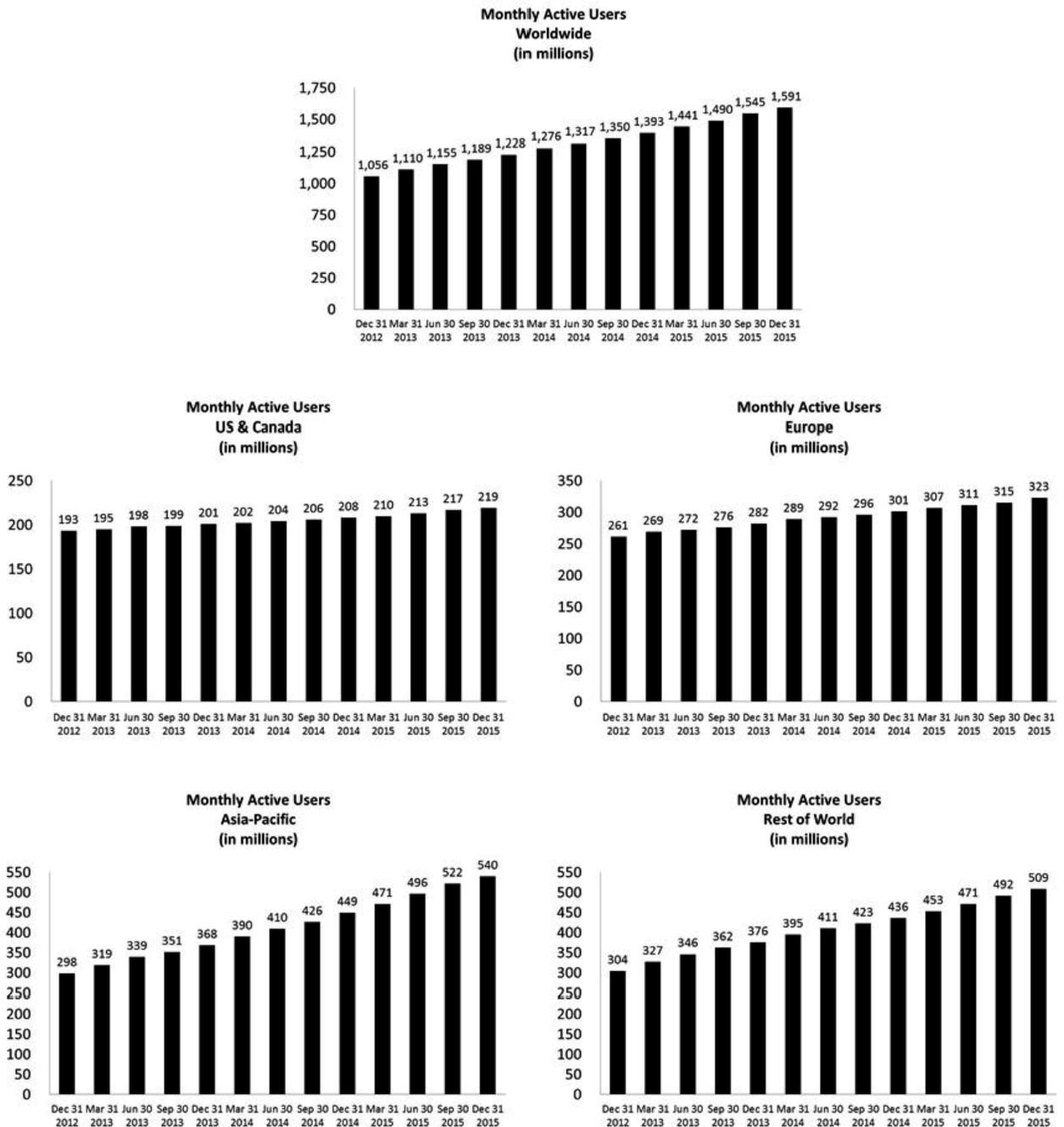
Worldwide DAUs increased 17% to 1.04 billion on average during December 2015 from 890 million during December 2014. We experienced growth in DAUs across major markets, including India, the United States, and Brazil. Overall growth in DAUs was driven by increased mobile usage of Facebook, and the number of DAUs accessing Facebook on personal computers decreased in December 2015, compared to the same period in 2014. We believe that use of Facebook through personal computers will continue to decline in all regions.

- **Mobile DAUs.** We define a mobile DAU as a user who accessed Facebook via a mobile application or via mobile versions of our website such as m.facebook.com, whether on a mobile phone or tablet, or used our Messenger application (and is also a registered Facebook user) on a given day. We define a mobile-only DAU as a user who accessed Facebook solely through mobile applications or mobile versions of our website on a given day, whereas a mobile DAU may have also accessed Facebook on a personal computer on that day.

Worldwide mobile DAUs increased 25% to 934 million on average during December 2015 from 745 million during December 2014. In all regions, an increasing number of our DAUs accessed Facebook through mobile devices on average during December 2015, as compared to the same period during 2014, with users in India, Brazil, and the United States representing key sources of mobile DAU growth on average during December 2015. On average during December 2015, there were 789 million mobile-only DAUs, increasing 34% from 589 million mobile-only DAUs during the same period in 2014. The remaining mobile DAUs accessed Facebook from both mobile devices and personal computers. We anticipate that growth in mobile users will continue to be the driver of our user growth for the foreseeable future.



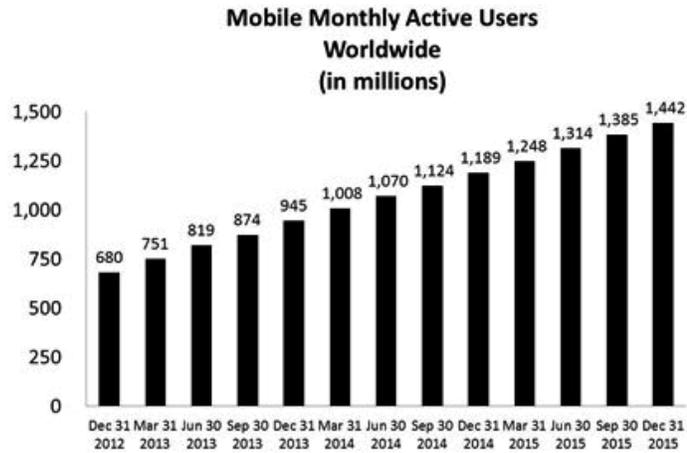
- Monthly Active Users (MAUs).** We define a monthly active user as a registered Facebook user who logged in and visited Facebook through our website or a mobile device, or used our Messenger application (and is also a registered Facebook user), in the last 30 days as of the date of measurement. MAUs are a measure of the size of our global active user community.



As of December 31, 2015, we had 1.59 billion MAUs, an increase of 14% from December 31, 2014. Users in India, the United States, and Brazil represented key sources of growth in 2015. Overall growth in MAUs was driven by increased mobile usage of Facebook, and the number of MAUs accessing Facebook on personal computers decreased in December 2015, compared to the same period in 2014. We believe that use of Facebook through personal computers will continue to decline in all regions.

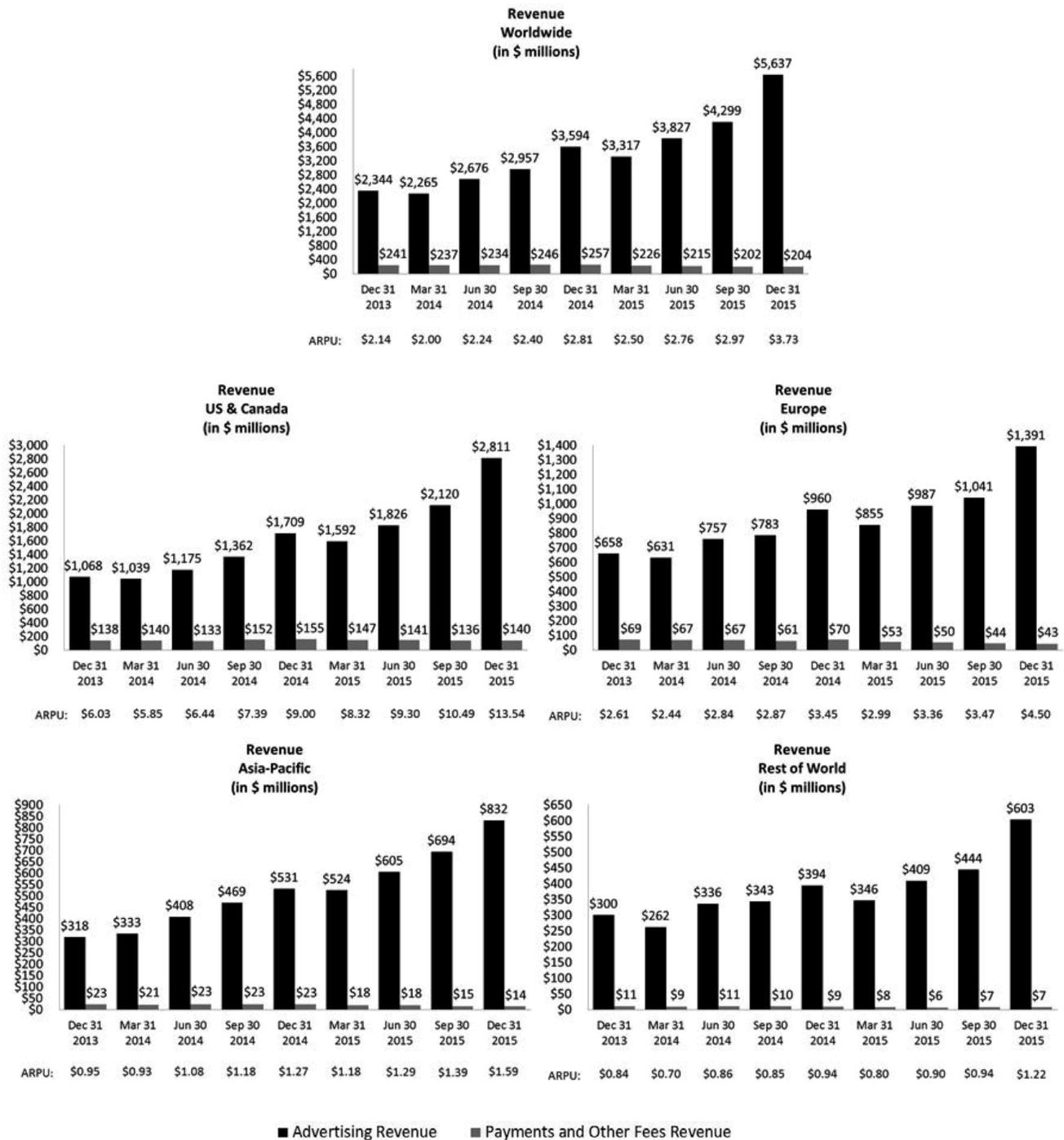
- Mobile MAUs.** We define a mobile MAU as a user who accessed Facebook via a mobile application or via mobile versions of our website such as m.facebook.com, whether on a mobile phone or tablet, or used our Messenger application (and is also a registered Facebook user) during the period of measurement. We define a mobile-only MAU as a user who accessed Facebook solely through mobile applications or mobile versions of our website during the period of measurement, whereas a mobile MAU may have also accessed Facebook on a personal computer during the period of measurement.

Worldwide mobile MAUs increased 21% to 1.44 billion as of December 31, 2015 from 1.19 billion as of December 31, 2014. In all regions, an increasing number of our MAUs accessed Facebook through mobile devices in 2015, as compared to the same period in 2014, with users in India, Brazil, and the United States representing key sources of mobile MAU growth in 2015. There were 823 million mobile-only MAUs as of December 31, 2015, increasing 56% from 526 million mobile-only MAUs during the same period in 2014. The remaining 619 million mobile MAUs accessed Facebook from both mobile devices and personal computers during December 2015. We anticipate that growth in mobile users will continue to be the driver of our user growth for the foreseeable future.



Trends in Our Monetization by User Geography

We calculate our revenue by user geography based on our estimate of the geography in which ad impressions are delivered or virtual and digital goods are purchased. We define ARPU as our total revenue in a given geography during a given quarter, divided by the average of the number of MAUs in the geography at the beginning and end of the quarter. While ARPU includes all sources of revenue, the number of MAUs used in this calculation only includes users of Facebook and Messenger as described in the definition of MAU above. The geography of our users affects our revenue and financial results because we currently monetize users in different geographies at different average rates. Our revenue and ARPU in regions such as United States & Canada and Europe are relatively higher primarily due to the size and maturity of those online and mobile advertising markets. For example, ARPU in 2015 in the United States & Canada region was more than seven times higher than in the Asia-Pacific region.



Note: Our revenue by user geography in the charts above is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

For 2015, worldwide ARPU was \$11.96, an increase of 27% from 2014. Over this period, ARPU increased by 45% in United States & Canada, 23% in Europe, 22% in Asia-Pacific, and 15% in Rest of World. The general strengthening of the U.S. dollar relative to certain foreign currencies from 2014 to 2015 had an unfavorable impact on the growth rate of our ARPU outside the United States and Canada region. In addition, user growth was more rapid in geographies with relatively lower ARPU, such as Asia-Pacific and Rest of World. We expect that user growth in the future will be primarily concentrated in those regions where ARPU is relatively lower, such as Asia-Pacific and Rest of World, such that worldwide ARPU may continue to increase at a slower rate relative to ARPU in any geographic region, or potentially decrease even if ARPU increases in each geographic region.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe that the assumptions and estimates associated with revenue recognition for payments and other fees, income taxes, share-based compensation, loss contingencies, and business combinations and valuation of goodwill and other acquired intangible assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 1 of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Revenue Recognition for Payments and Other Fees

We enable Payments from people to purchase virtual and digital goods from developers. People can make payments on Facebook by using debit and credit cards, PayPal, mobile phone payments, gift cards, or other methods. We receive a fee from developers when a person engages in a payment transaction for the purchase of a virtual or digital good on the Facebook website. The price of the virtual or digital good is a price that is solely determined by the developer. We remit to the developer an amount that is based on the total amount of transaction less the processing fee that we charge the developer for the service performed. Our revenue is the net amount of the transaction representing our processing fee for the transaction. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the person. Under GAAP guidance related to reporting revenue gross as a principal versus net as an agent, the indicators used to determine whether an entity is a principal or an agent to a transaction are subject to judgment. We consider ourselves the agent to these transactions when we apply the indicators to our facts. Should material subsequent changes in the substance or nature of the transactions with developers result in us being considered the principal in such sales, we would reflect the virtual and digital goods sale as revenue and the amounts paid to the developers as an associated cost.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any reserves that we believe are appropriate, as well as the related net interest and penalties.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such is recorded for only those share-based awards that we expect to vest. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

Loss Contingencies

We are involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

We believe that the amount or estimable range of reasonably possible loss, will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows with respect to loss contingencies for legal and other contingencies as of December 31, 2015. However, the outcome of litigation is inherently uncertain. Therefore, if one or more of these legal matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period, could be materially adversely affected.

Business Combinations and Valuation of Goodwill and Other Acquired Intangible Assets

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. We evaluate indefinite-lived intangible assets for impairment annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. As of December 31, 2015, no impairment of goodwill or indefinite-lived intangible assets has been identified.

Acquired finite-lived intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges during the years presented.

In addition to the recoverability assessment, we routinely review the remaining estimated useful lives of our finite-lived intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized over the revised estimated useful life.

Components of Results of Operations

Revenue

Advertising. We generate substantially all of our revenue from advertising. Our advertising revenue is generated by displaying ad products on Facebook properties, including our mobile applications, and third-party affiliated websites or mobile applications. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of clicks made by people, the number of actions taken by people, or the number of impressions delivered. We recognize revenue from the delivery of click-based ads in the period in which a person clicks on the content, and action-based ads in the period in which a person takes the action the marketer contracted for. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to people. The number of ads we show is subject to methodological changes as we continue to evolve our ads business and the structure of our ads products. We calculate price per ad as total ad revenue divided by the number of ads delivered, representing the effective price paid per impression by a marketer regardless of their desired objective such as impression, click, or action. For advertising revenue arrangements where we are not the primary obligor, we recognize revenue on a net basis.

Payments and other fees. We enable Payments from people to purchase virtual and digital goods from our developers. People can transact and make payments on the Facebook website by using debit and credit cards, PayPal, mobile phone payments, gift cards, or other methods. We receive a fee from developers when people make purchases in these applications using our Payments infrastructure. We recognize revenue net of amounts remitted to our developers. We have mandated the use of our Payments infrastructure for game applications on Facebook, and fees related to Payments are generated almost exclusively from games. Our other fees revenue, which has not been significant in recent periods, consists primarily of revenue from our ad serving and measurement products and the delivery of virtual reality platform devices.

Cost of Revenue and Operating Expenses

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers, such as facility and server equipment depreciation, energy and bandwidth costs, and salaries, benefits, and share-based compensation for employees on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions, amortization of intangible assets, costs associated with data partner arrangements, and cost of virtual reality platform device inventory sold.

Research and development. Research and development expenses consist primarily of share-based compensation, salaries, and benefits for employees on our engineering and technical teams who are responsible for building new products as well as improving existing products. We expense all of our research and development costs as they are incurred.

Marketing and sales. Our marketing and sales expenses consist of salaries, benefits, and share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include marketing and promotional expenditures, as well as amortization of intangible assets.

General and administrative. Our general and administrative expenses consist primarily of salaries, benefits, and share-based compensation for certain of our executives as well as our legal, finance, human resources, corporate communications and policy, and other administrative employees. In addition, general and administrative expenses include professional and legal services. General and administrative expenses also include depreciation of property and equipment and amortization of intangible assets we have acquired.

Results of Operations

The following tables set forth our consolidated statements of income data:

	Year Ended December 31,		
	2015	2014	2013
	(in millions)		
Consolidated Statements of Income Data:			
Revenue	\$ 17,928	\$ 12,466	\$ 7,872
Costs and expenses:			
Cost of revenue	2,867	2,153	1,875
Research and development	4,816	2,666	1,415
Marketing and sales	2,725	1,680	997
General and administrative	1,295	973	781
Total costs and expenses	11,703	7,472	5,068
Income from operations	6,225	4,994	2,804
Interest and other income/(expense), net	(31)	(84)	(50)
Income before provision for income taxes	6,194	4,910	2,754
Provision for income taxes	2,506	1,970	1,254
Net income	\$ 3,688	\$ 2,940	\$ 1,500

Share-based compensation expense included in costs and expenses:

	Year Ended December 31,		
	2015	2014	2013
	(in millions)		
Cost of revenue	\$ 81	\$ 62	\$ 42
Research and development	2,350	1,328	604
Marketing and sales	320	249	133
General and administrative	218	198	127
Total share-based compensation expense	\$ 2,969	\$ 1,837	\$ 906

The following tables set forth our consolidated statements of income data (as a percentage of revenue):

	Year Ended December 31,		
	2015	2014	2013
	(in millions)		
Consolidated Statements of Income Data:			
Revenue	100%	100%	100%
Costs and expenses:			
Cost of revenue	16	17	24
Research and development	27	21	18
Marketing and sales	15	13	13
General and administrative	7	8	10
Total costs and expenses	65	60	64
Income from operations	35	40	36
Interest and other income/(expense), net	—	(1)	(1)
Income before provision for income taxes	35	39	35
Provision for income taxes	14	16	16
Net income	21%	24%	19%

Share-based compensation expense included in costs and expenses (as a percentage of revenue):

	Year Ended December 31,		
	2015	2014	2013
Cost of revenue	—%	—%	1%
Research and development	13	11	8
Marketing and sales	2	2	2
General and administrative	1	2	2
Total share-based compensation expense	17%	15%	12%

Revenue

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(in millions)				
Advertising	\$ 17,079	\$ 11,492	\$ 6,986	49 %	65%
Payments and other fees	849	974	886	(13)%	10%
Total revenue	\$ 17,928	\$ 12,466	\$ 7,872	44 %	58%

2015 Compared to 2014. Revenue in 2015 increased \$5.46 billion, or 44% compared to 2014. The increase was primarily due to an increase in advertising revenue.

The most important factor driving advertising revenue growth was an increase in revenue from ads in News Feed on mobile devices. In 2015, we estimate that mobile advertising revenue represented approximately 77% of total advertising revenue, as compared with approximately 65% in 2014. Factors that influenced our mobile advertising revenue growth in 2015 included (i) an increase in demand for our ad inventory, in part driven by an increase in the number of marketers actively advertising on Facebook, (ii) an increase in mobile user growth and engagement, and (iii) an increase in the number and frequency of ads displayed in News Feed, as well as the quality, relevance, and performance of those ads.

In 2015 compared to 2014, the average price per ad increased by 140% and the number of ads delivered decreased by 38%. The increase in average price per ad was driven by a product change related to certain non-News Feed ads during the third quarter of 2014, which decreased the number of ads displayed but increased the prominence of each ad. Average price per ad was also driven by a mix shift towards a greater percentage of our ads being shown in News Feed. The reduction in ads delivered was driven by factors including the product change described above as well as the shift in usage towards mobile devices where people are shown fewer ads as compared to personal computers.

Advertising revenue in the fourth quarter of 2015 increased 57% compared to the same period in 2014. The increase in advertising revenue in the fourth quarter of 2015 was driven by the same factors that drove 2015 annual advertising revenue growth, primarily an increase in revenue from ads in News Feed on mobile devices. For the fourth quarter of 2015, we estimate that mobile advertising revenue represented approximately 80% of total advertising revenue, as compared with 69% in the same period in 2014.

Advertising spending is traditionally seasonally strong in the fourth quarter of each year. We believe that this seasonality in advertising spending affects our quarterly results, which generally reflect significant growth in advertising revenue between the third and fourth quarters and a decline in advertising spending between the fourth and subsequent first quarters. For instance, our advertising revenue increased 31%, 22%, and 30% between the third and fourth quarters of 2015, 2014, and 2013, respectively, while advertising revenue for the first quarters of 2015 and 2014 declined 8% and 3% compared to the fourth quarters of 2014 and 2013, respectively.

Payments and other fees revenue in 2015 decreased \$125 million, or 13%, compared to 2014. The decrease in Payments and other fees revenue was a result of decreased Payments revenue from games played on personal computers, partially offset by an increase in other fees revenue related to acquisitions closed in the second half of 2014.

Payments and other fees revenue in the fourth quarter of 2015 decreased \$53 million, or 21%, compared to the same period in 2014.

Payments and other fees revenue is currently based predominantly on Payments revenue from games played on personal computers. As users shift their usage to mobile devices, Facebook usage on personal computers has been declining and will continue to decline in the future, resulting in a decline in our Payments revenue.

2014 Compared to 2013. Revenue in 2014 increased \$4.59 billion, or 58% compared to 2013. The increase was due primarily to a 65% increase in advertising revenue during 2014 as compared to 2013.

The most important factor driving advertising revenue growth was an increase in revenue from ads in News Feed on both mobile devices and personal computers. News Feed ads are displayed more prominently, have significantly higher levels of engagement and a higher price per ad relative to our other ad placements. In 2014, we estimate that mobile advertising revenue represented approximately 65% of total advertising revenue, as compared with 45% in 2013. Other factors that influenced our advertising revenue growth in 2014 included (i) an increase in the number of marketers actively advertising on Facebook, which we believe increased demand for our ad inventory, (ii) other product changes to increase the value and performance of our ads, and (iii) an increase in user growth and engagement.

In 2014 compared to 2013, the average price per ad increased by 173% and the number of ads delivered decreased by 40%. The increase in average price per ad was driven by a product change related to certain non-News Feed ads during the third quarter of 2014, which decreased the number of ads displayed but increased the prominence of each ad. Average price per ad was also driven by a mix shift towards a greater percentage of our ads being shown in News Feed. The reduction in ads delivered was driven by factors including the product change described above as well as the shift in usage towards mobile devices where people are shown fewer ads as compared to personal computers.

Payments and other fees revenue in 2014 increased \$88 million, or 10%, compared to 2013. The increase in Payments and other fees revenue is a result of increased revenue from our ad serving and measurement products and the delivery of virtual reality platform devices.

No customer represented 10% or more of total revenue during the years ended December 31, 2015, 2014, and 2013.

Foreign Exchange Impact on Revenue

The general strengthening of the U.S. dollar relative to certain foreign currencies (primarily the Euro) from the fourth quarter of and full year 2014 to the same periods in 2015 had an unfavorable impact on our revenue. If we had translated revenue for the fourth quarter of and full year 2015 using 2014 monthly exchange rates for our settlement currencies other than the U.S. dollar, our total revenue would have been \$6.16 billion and \$19.11 billion, respectively, and our advertising revenue would have been \$5.96 billion and \$18.26 billion, respectively. Using these constant rates, both revenue and advertising revenue would have been \$322 million and \$1.19 billion higher than actual revenue and advertising revenue for the fourth quarter of and full year 2015, respectively.

There were no material foreign exchange impacts on our revenue and advertising revenue from the full year 2013 to the same period in 2014.

Cost of revenue

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(dollars in millions)				
Cost of revenue	\$ 2,867	\$ 2,153	\$ 1,875	33%	15%
Percentage of revenue	16%	17%	24%		

2015 Compared to 2014. Cost of revenue in 2015 increased \$714 million, or 33%, compared to 2014. The increase was primarily due to an increase in operational expenses related to our data centers and technical infrastructure of \$480 million, compared to 2014. Amortization of our intangible assets in 2015 also increased \$100 million compared to 2014, mostly due to the full year impact of acquisitions completed in the second half of 2014.

2014 Compared to 2013. Cost of revenue in 2014 increased \$278 million, or 15%, compared to 2013. The increase was primarily due to operational expenses related to our data center and technical infrastructure and increased amortization of our intangible assets. These increases were partially offset by items related to data center lease abandonment: we reversed \$34 million of lease abandonment expense in 2014 due to our decision to re-occupy and utilize a previously exited data center, compared to a recognition of \$117 million of lease abandonment expense in 2013.

In 2016, we anticipate that the cost of revenue will increase as we expand our data center capacity and technical infrastructure to support user growth, increased user engagement, and the delivery of new products and services.

Research and development

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(dollars in millions)				
Research and development	\$ 4,816	\$ 2,666	\$ 1,415	81%	88%
Percentage of revenue	27%	21%	18%		

2015 Compared to 2014. Research and development expenses in 2015 increased \$2.15 billion, or 81%, compared to 2014. The majority of the increase was due to an increase in share-based compensation expense of \$1.02 billion compared to 2014, which reflected the full year impact of share-based compensation related to the acquisitions completed in the second half of 2014. In addition, other payroll and benefits expense increased as a result of a 43% growth in employee headcount from December 31, 2014 to December 31, 2015 in engineering and other technical functions.

2014 Compared to 2013. Research and development expenses in 2014 increased \$1.25 billion, or 88%, compared to 2013. The increase was primarily due to an increase of \$724 million in share-based compensation expense compared to 2013, and an increase in other payroll and benefits expense resulting from a 48% growth in employee headcount from December 31, 2013 to December 31, 2014 in engineering and other technical functions. Share-based compensation expense also increased due to the acquisitions we completed in 2014.

In 2016, we plan to continue hiring software engineers and other technical employees and increasing our investment to support our research and development initiatives.

Marketing and sales

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(dollars in millions)				
Marketing and sales	\$ 2,725	\$ 1,680	\$ 997	62%	69%
Percentage of revenue	15%	13%	13%		

2015 Compared to 2014. Marketing and sales expenses in 2015 increased \$1.05 billion, or 62%, compared to 2014. The majority of the increase was due to increases in amortization of our intangible assets of \$305 million due to the full year impact of acquisitions completed in the second half of 2014, and in payroll and benefits expenses as a result of a 32% increase in employee headcount from December 31, 2014 to December 31, 2015 in our marketing and sales functions. Additionally, our marketing expenses increased \$258 million in 2015, compared to 2014.

2014 Compared to 2013. Marketing and sales expenses in 2014 increased \$683 million, or 69%, compared to 2013. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 44% increase in employee headcount from December 31, 2013 to December 31, 2014 in our marketing and sales functions. Our marketing expenses also increased \$150 million in 2014, compared to 2013. Additionally, share-based compensation expense also increased \$116 million compared to 2013.

In 2016, we plan to continue to increase our investment and hire marketing and sales employees to support our marketing efforts.

General and administrative

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(dollars in millions)				
General and administrative	\$ 1,295	\$ 973	\$ 781	33%	25%
Percentage of revenue	7%	8%	10%		

2015 Compared to 2014. General and administrative expenses in 2015 increased \$322 million, or 33%, compared to 2014. The increase was primarily due to an increase in payroll and benefits expenses as a result of a 36% increase in employee headcount from December 31, 2014 to December 31, 2015 in general and administrative functions, including an increase of \$20 million in share-based compensation expense in 2015, and to a lesser extent, higher legal and other professional services fees.

2014 Compared to 2013. General and administrative expenses in 2014 increased \$192 million, or 25%, compared to 2013. The increase was primarily due to an increase in payroll and benefits expenses resulting from a 55% increase in employee headcount in general and administrative functions. Share-based compensation expense also increased \$71 million compared to 2013. Additionally, professional services expense in 2014 also increased \$58 million primarily due to higher consulting and other professional service fees.

In 2016, we plan to increase general and administrative employee headcount to support overall company growth.

Interest and other income/(expense), net

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(in millions)				
Interest income/(expense), net	\$ 29	\$ 4	\$ (37)	625%	111 %
Other income/(expense), net	(60)	(88)	(13)	32%	(577)%
Interest and other income/(expense), net	<u>\$ (31)</u>	<u>\$ (84)</u>	<u>\$ (50)</u>	63%	(68)%

2015 Compared to 2014. Interest and other income/(expense), net in 2015 increased \$53 million, or 63%, compared to 2014. Other income/(expense), net increased primarily due to a decrease in foreign exchange losses resulting from the periodic re-measurement of our foreign currency balances. In addition, interest income/(expense), net increased due to higher invested cash balances and interest rates.

2014 Compared to 2013. Interest and other income/(expense), net in 2014 decreased \$34 million, or 68%, compared to 2013. Other income/(expense), net decreased primarily due to \$87 million in foreign exchange losses resulting from the periodic re-measurement of our foreign currency balances. The decrease in other income/(expense), net was partially offset by a decrease in interest expense due to the repayment of our long-term debt in August 2013 and lower capital lease payments.

Provision for income taxes

	Year Ended December 31,			2015 vs 2014 % Change	2014 vs 2013 % Change
	2015	2014	2013		
	(dollars in millions)				
Provision for income taxes	\$ 2,506	\$ 1,970	\$ 1,254	27%	57%
Effective tax rate	40%	40%	46%		

2015 Compared to 2014. Our provision for income taxes in 2015 increased \$536 million, or 27%, compared to 2014, primarily due to an increase in income before provision for income taxes. Our effective tax rate in 2015 remained flat, compared to 2014.

Our effective tax rate differs from the U.S. statutory rate primarily because of the impact of acquiring intellectual property and integrating it into our business, non-deductible share-based compensation, operations in jurisdictions with tax rates lower than the U.S., and tax research credits. Our effective tax rate in the future will depend on the portion of our profits earned within and outside the United States, which will also be affected by our methodologies for valuing our intellectual property and intercompany transactions. Our future effective tax rate will also be affected by the timing, size, and integration of any acquisitions we make.

On July 27, 2015, the United States Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to the treatment of share-based compensation expense in an intercompany cost-sharing arrangement. This opinion concluded that related parties in a cost-sharing arrangement are not required to share share-based compensation. A final decision was issued by the Tax Court, however, this decision may be appealed by the Commissioner. The impact of the conclusions stated by the Tax Court in its opinion was not material to our consolidated financial statements.

2014 Compared to 2013. Our provision for income taxes in 2014 increased \$716 million, or 57%, compared to 2013, primarily due to an increase in income before provision for income taxes. Our effective tax rate differs from the statutory rate due to non-

deductible share-based compensation, operations in jurisdictions with tax rates lower than the U.S., and tax research credits. Our effective tax rate decreased primarily due to a change in our geographic mix of pre-tax income.

Quarterly Results of Operations Data

The following tables set forth our unaudited quarterly consolidated statements of income data in dollars and as a percentage of total revenue for each of the eight quarters in the period ended December 31, 2015. We have prepared the quarterly consolidated statements of income data on a basis consistent with the audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included in Part II, Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results of operations for any future period.

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in millions)							
Consolidated Statements of Income Data:								
Revenue:								
Advertising	\$ 5,637	\$ 4,299	\$ 3,827	\$ 3,317	\$ 3,594	\$ 2,957	\$ 2,676	\$ 2,265
Payments and other fees	204	202	215	226	257	246	234	237
Total revenue	5,841	4,501	4,042	3,543	3,851	3,203	2,910	2,502
Costs and expenses:								
Cost of revenue	824	720	668	654	653	565	473	462
Research and development	1,314	1,271	1,170	1,062	1,111	608	492	455
Marketing and sales	772	706	626	620	624	374	358	323
General and administrative	371	345	305	274	330	259	197	187
Total costs and expenses ⁽¹⁾	3,281	3,042	2,769	2,610	2,718	1,806	1,520	1,427
Income from operations	2,560	1,459	1,273	933	1,133	1,397	1,390	1,075
Interest and other income/(expense), net	(3)	(27)	—	(1)	(19)	(61)	(4)	—
Income before provision for income taxes	2,557	1,432	1,273	932	1,114	1,336	1,386	1,075
Provision for income taxes	995	536	554	420	413	530	595	433
Net income	\$ 1,562	\$ 896	\$ 719	\$ 512	\$ 701	\$ 806	\$ 791	\$ 642
Less: Net income attributable to participating securities	7	5	4	3	5	4	3	3
Net income attributable to Class A and Class B common stockholders	\$ 1,555	\$ 891	\$ 715	\$ 509	\$ 696	\$ 802	\$ 788	\$ 639
Earnings per share attributable to Class A and Class B common stockholders:								
Basic	\$ 0.55	\$ 0.32	\$ 0.26	\$ 0.18	\$ 0.25	\$ 0.31	\$ 0.31	\$ 0.25
Diluted	\$ 0.54	\$ 0.31	\$ 0.25	\$ 0.18	\$ 0.25	\$ 0.30	\$ 0.30	\$ 0.25

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(in millions)							
Cost of revenue	\$ 22	\$ 21	\$ 21	\$ 17	\$ 18	\$ 16	\$ 16	\$ 12
Research and development	583	598	603	566	685	243	219	181
Marketing and sales	84	82	82	72	103	53	50	43
General and administrative	57	56	57	48	90	41	29	38
Total share-based compensation expense	<u>\$ 746</u>	<u>\$ 757</u>	<u>\$ 763</u>	<u>\$ 703</u>	<u>\$ 896</u>	<u>\$ 353</u>	<u>\$ 314</u>	<u>\$ 274</u>

- (1) Total costs and expenses increased in the fourth quarter of 2014 compared to the third quarter of 2014, primarily due to increases in share-based compensation expense and amortization of intangible assets related to our acquisitions.

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(as a percentage of total revenue)							

Consolidated Statements of Income Data:

Revenue:								
Advertising	97%	96%	95%	94%	93%	92%	92%	91%
Payments and other fees	3	4	5	6	7	8	8	9
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	14	16	17	18	17	18	16	18
Research and development	22	28	29	30	29	19	17	18
Marketing and sales	13	16	15	17	16	12	12	13
General and administrative	6	8	8	8	9	8	7	7
Total costs and expenses	56	68	69	74	71	56	52	57
Income from operations	44	32	31	26	29	44	48	43
Interest and other income/(expense), net	—	(1)	—	—	—	(2)	—	—
Income before provision for income taxes	44	32	31	26	29	42	48	43
Provision for income taxes	17	12	14	12	11	17	20	17
Net income	27%	20%	18%	14%	18%	25%	27%	26%
Less: Net income attributable to participating securities	—	—	—	—	—	—	—	—
Net income attributable to Class A and Class B common stockholders	<u>27%</u>	<u>20%</u>	<u>18%</u>	<u>14%</u>	<u>18%</u>	<u>25%</u>	<u>27%</u>	<u>26%</u>

Share-based compensation expense included in costs and expenses:

	Three Months Ended							
	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
	(as a percentage of total revenue)							
Cost of revenue	—%	—%	1%	—%	—%	—%	1%	—%
Research and development	10	13	15	16	18	8	8	7
Marketing and sales	1	2	2	2	3	2	2	2
General and administrative	1	1	1	1	2	1	1	2
Total share-based compensation expense	13%	17%	19%	20%	23%	11%	11%	11%

Liquidity and Capital Resources

	Year Ended December 31,		
	2015	2014	2013
	(in millions)		

Consolidated Statements of Cash Flows Data:

Net cash provided by operating activities	\$ 8,599	\$ 5,457	\$ 4,222
Net cash used in investing activities	(9,434)	(5,913)	(2,624)
Net cash provided by (used in) financing activities	1,582	1,571	(667)
Purchases of property and equipment	(2,523)	(1,831)	(1,362)
Depreciation and amortization	1,945	1,243	1,011
Share-based compensation	2,960	1,786	906

Our principal sources of liquidity are our cash and cash equivalents, marketable securities, and cash generated from operations. Cash and cash equivalents, and marketable securities consist primarily of cash on deposit with banks, investments in money market funds, and investments in U.S. government securities, U.S. government agency securities, and corporate debt securities. Cash and cash equivalents, and marketable securities were \$18.43 billion as of December 31, 2015, an increase of \$7.24 billion from December 31, 2014, primarily due to \$8.60 billion of cash generated from operations and \$1.72 billion in excess tax benefits from share-based award activity, partially offset by \$2.52 billion for purchases of property and equipment and \$313 million for acquisitions of businesses and other assets.

Cash paid for income taxes (net of refunds) was \$270 million for the year ended December 31, 2015. As of December 31, 2015, our federal net operating loss carryforward was \$2.70 billion, although we anticipate only a relatively small portion of this will be available to offset our federal taxable income in 2016. As of December 31, 2015, we had \$1.08 billion of federal tax credits, substantially all of which will be available to offset our federal tax liabilities in 2016. We expect that the amount of cash paid for income taxes to significantly increase in 2016.

In August 2013, we entered into a five-year senior unsecured revolving credit facility (2013 Revolving Credit Facility) that allows us to borrow up to \$6.5 billion to fund working capital and general corporate purposes with interest payable on the borrowed amounts set at LIBOR plus 1.0%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. We paid origination fees at closing of the 2013 Revolving Credit Facility, which fees are being amortized over the term of the facility. Any amounts outstanding under this facility will be due and payable on August 15, 2018. As of December 31, 2015, no amounts had been drawn down and we were in compliance with the covenants under this credit facility.

As of December 31, 2015, \$1.90 billion of the \$18.43 billion in cash and cash equivalents, and marketable securities was held by our foreign subsidiaries. Substantially all of these funds are in jurisdictions for which we are indefinitely reinvesting the earnings of the local subsidiary. We have provided residual taxes in jurisdictions where we do not intend to indefinitely reinvest the earnings of the local subsidiary, however the amount of taxes provided has been insignificant.

We currently anticipate that our available funds, credit facility, and cash flow from operations will be sufficient to meet our operational cash needs for the foreseeable future.

Cash Provided by Operating Activities

Cash flow from operating activities during 2015, mostly consisted of net income, adjusted for certain non-cash items, such as share-based compensation expense of \$2.96 billion and total depreciation and amortization of \$1.95 billion. The increase in cash flow from operating activities during 2015 compared to 2014, was primarily due to an increase in net income, as adjusted for share-based compensation expense, and higher income tax payable as of December 31, 2015 compared to 2014.

Cash flow from operating activities during 2014, primarily consisted of net income, adjusted for certain non-cash items, such as share-based compensation expense of \$1.79 billion and total depreciation and amortization of \$1.24 billion. The cash flow from operating activities during 2014 compared to 2013 increased mainly due to an increase in net income of \$1.44 billion, as adjusted for certain non-cash items described above, partially offset by a decrease in income tax refunds of \$415 million.

Cash flow from operating activities during 2013, primarily consisted of net income, adjusted for certain non-cash items, such as depreciation and amortization of \$1.01 billion and share-based compensation expense of \$906 million, and an increase in other liabilities related to uncertain tax positions. The cash flow from operating activities during 2013 compared to 2012 increased mainly due to an increase in net income of \$1.45 billion and uncertain tax position of \$786 million. In addition, we received income tax refunds of \$421 million in 2013.

Cash Used in Investing Activities

Cash used in investing activities was \$9.43 billion during 2015, primarily due to \$6.70 billion for net purchases of marketable securities and \$2.52 billion for capital expenditures as we continued to invest in servers, data centers, network infrastructure, and office buildings. The increase in cash used in investing activities during 2015 compared to 2014 was mainly due to increases in net purchases of marketable securities, partially offset by a decrease in acquisitions of businesses and purchases of intangible assets.

Cash used in investing activities during 2014 primarily resulted from \$4.98 billion for the acquisition of businesses and \$1.83 billion for capital expenditures related to network infrastructure and the construction of data centers and office buildings, partially offset by \$1.24 billion for the net sales and maturities of marketable securities. The increase in cash used in investing activities during 2014 compared to 2013 was mainly due to increases in acquisitions of businesses and purchases of intangible assets, and capital expenditures, partially offset by net sales of marketable securities.

Cash used in investing activities during 2013 primarily resulted from \$1.36 billion for capital expenditures related to the purchase of servers, network infrastructure, and the construction of data centers, as well as \$882 million for the net purchase of marketable securities and \$368 million for the acquisition of businesses and other assets, such as patents. The decrease in cash used in investing activities during 2013 compared to 2012 was mainly due to decreases in the purchase of marketable securities and the acquisitions of businesses and purchases of intangible assets.

We anticipate making capital expenditures in 2016 of approximately \$4.0 billion to \$4.5 billion.

Cash Provided by (Used in) Financing Activities

Cash flow from financing activities during 2015, mostly consisted of excess tax benefit from share-based award activity and principal payments on capital lease obligations. The increase in cash provided by financing activities was mostly due to lower principal payments related to our capital lease transactions and lower tax payments related to the net share settlement, partially offset by a decrease of excess tax benefit from share-based award activity.

Cash provided by financing activities during 2014 was \$1.57 billion, which primarily resulted from \$1.87 billion of excess tax benefit from share-based award activity, partially offset by \$243 million of payments related to our capital lease transactions, and \$73 million of tax payments related to net share settlement resulting mainly from the vested merger consideration of an acquisition.

Cash used in financing activities during 2013 was \$667 million, which primarily resulted from \$1.50 billion for repayment of debt and \$889 million of tax payments related to the net share settlement, partially offset by \$1.48 billion in net proceeds from the completion of our follow-on equity offering in December 2013.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2015.

Contractual Obligations

Our principal commitments consist of obligations under operating and capital leases for equipment, office, and data center facilities. The following table summarizes our commitments to settle contractual obligations in cash as of December 31, 2015 (in millions):

	Total	Payment Due by Period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	\$ 1,452	\$ 209	\$ 446	\$ 359	\$ 438
Capital lease obligations	174	16	31	33	94
Financing obligation - building in progress - leased facility ⁽¹⁾	337	—	—	38	299
Other contractual commitments ⁽²⁾	1,222	752	86	73	311
Total contractual obligations	\$ 3,185	\$ 977	\$ 563	\$ 503	\$ 1,142

- (1) Financing obligation - building in progress - leased facility represents our commitment to lease an entire office building in London, United Kingdom, that is currently under construction. As of December 31, 2015, \$62 million of the total obligation was recorded as a liability and is included in other liabilities on our consolidated balance sheets. See Note 10 of the accompanying notes to our consolidated financial statements for additional information related to this financing obligation.
- (2) Other contractual commitments primarily relate to network infrastructure for our data center operations and, to a lesser extent, construction commitments related to our data center sites.

In addition, our other liabilities include \$2.46 billion related to uncertain tax positions as of December 31, 2015. Due to uncertainties in the timing of the completion of tax audits, the timing of the resolution of these positions is uncertain and we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months. As a result, this amount is not included in the above contractual obligations table.

Contingencies

We are involved in claims, lawsuits, government investigations, and other legal proceedings. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and that the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

See Note 10 of the accompanying notes to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" and Part I, Item 3, "Legal Proceedings" of this Annual Report on Form 10-K for additional information regarding these contingencies.

Recently Issued and Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. As such, the updated standard will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We are still evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The updated standard is effective for us beginning on January 1, 2017 with early application permitted as of the beginning of any interim or annual reporting period. We early adopted this standard retrospectively, and reclassified our current deferred tax assets to noncurrent deferred tax assets for all periods presented. As a result of the reclassifications, certain noncurrent deferred tax liabilities were netted with noncurrent deferred tax assets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks, including changes to foreign currency exchange rates, interest rates, and inflation.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Euro. In general, we are a net receiver of currencies other than the U.S. dollar. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, have negatively affected our revenue and other operating results as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. At this time we have not entered into, but in the future we may enter into, derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the effect hedging activities would have on our results of operations. We recognized foreign currency losses of \$66 million, \$87 million, and \$14 million in 2015, 2014, and 2013, respectively.

Interest Rate Sensitivity

Our exposure to changes in interest rates relates primarily to interest earned and market value on our cash and cash equivalents, and marketable securities.

Our cash and cash equivalents, and marketable securities consist of cash, certificates of deposit, time deposits, money market funds, U.S. government securities, U.S. government agency securities, and corporate debt securities. Our investment policy and strategy are focused on preservation of capital and supporting our liquidity requirements. Changes in U.S. interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the market value of those securities. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease of \$173 million and \$63 million in the market value of our available-for-sale debt securities as of December 31, 2015 and December 31, 2014, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Item 8. Financial Statements and Supplementary Data

FACEBOOK, INC.

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations Data," which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Facebook, Inc.

We have audited the accompanying consolidated balance sheets of Facebook, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Facebook, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Facebook, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 28, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

January 28, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Facebook, Inc.

We have audited Facebook, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Facebook, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Facebook, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2015 consolidated financial statements of Facebook, Inc. and our report dated January 28, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California

January 28, 2016

FACEBOOK, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for number of shares and par value)

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,907	\$ 4,315
Marketable securities	13,527	6,884
Accounts receivable, net of allowances for doubtful accounts of \$68 and \$39 as of December 31, 2015 and December 31, 2014, respectively	2,559	1,678
Prepaid expenses and other current assets	659	513
Total current assets	21,652	13,390
Property and equipment, net	5,687	3,967
Intangible assets, net	3,246	3,929
Goodwill	18,026	17,981
Other assets	796	699
Total assets	\$ 49,407	\$ 39,966
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 196	\$ 176
Partners payable	217	202
Accrued expenses and other current liabilities	1,449	866
Deferred revenue and deposits	56	66
Current portion of capital lease obligations	7	114
Total current liabilities	1,925	1,424
Capital lease obligations, less current portion	107	119
Other liabilities	3,157	2,327
Total liabilities	5,189	3,870
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.000006 par value; 5,000 million Class A shares authorized, 2,293 million and 2,234 million shares issued and outstanding, including 8 million and 13 million outstanding shares subject to repurchase, as of December 31, 2015 and December 31, 2014, respectively; 4,141 million Class B shares authorized, 552 million and 563 million shares issued and outstanding, including 3 million and 6 million outstanding shares subject to repurchase, as of December 31, 2015 and December 31, 2014, respectively	—	—
Additional paid-in capital	34,886	30,225
Accumulated other comprehensive loss	(455)	(228)
Retained earnings	9,787	6,099
Total stockholders' equity	44,218	36,096
Total liabilities and stockholders' equity	\$ 49,407	\$ 39,966

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Year Ended December 31,		
	2015	2014	2013
Revenue	\$ 17,928	\$ 12,466	\$ 7,872
Costs and expenses:			
Cost of revenue	2,867	2,153	1,875
Research and development	4,816	2,666	1,415
Marketing and sales	2,725	1,680	997
General and administrative	1,295	973	781
Total costs and expenses	<u>11,703</u>	<u>7,472</u>	<u>5,068</u>
Income from operations	6,225	4,994	2,804
Interest and other income/(expense), net	(31)	(84)	(50)
Income before provision for income taxes	6,194	4,910	2,754
Provision for income taxes	2,506	1,970	1,254
Net income	\$ 3,688	\$ 2,940	\$ 1,500
Less: Net income attributable to participating securities	19	15	9
Net income attributable to Class A and Class B common stockholders	<u>\$ 3,669</u>	<u>\$ 2,925</u>	<u>\$ 1,491</u>
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	<u>\$ 1.31</u>	<u>\$ 1.12</u>	<u>\$ 0.62</u>
Diluted	<u>\$ 1.29</u>	<u>\$ 1.10</u>	<u>\$ 0.60</u>
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	<u>2,803</u>	<u>2,614</u>	<u>2,420</u>
Diluted	<u>2,853</u>	<u>2,664</u>	<u>2,517</u>
Share-based compensation expense included in costs and expenses:			
Cost of revenue	\$ 81	\$ 62	\$ 42
Research and development	2,350	1,328	604
Marketing and sales	320	249	133
General and administrative	218	198	127
Total share-based compensation expense	<u>\$ 2,969</u>	<u>\$ 1,837</u>	<u>\$ 906</u>

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2015	2014	2013
Net income	\$ 3,688	\$ 2,940	\$ 1,500
Other comprehensive income (loss):			
Change in foreign currency translation adjustment, net of tax	(202)	(239)	11
Change in unrealized gain/loss on available-for-sale investments and other, net of tax	(25)	(3)	1
Comprehensive income	<u>\$ 3,461</u>	<u>\$ 2,698</u>	<u>\$ 1,512</u>

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	
	Shares	Par Value					
Balances at December 31, 2012	2,372	\$	10,094	\$	2	\$	11,755
Issuance of common stock, net of issuance costs	27		1,478				1,478
Issuance of common stock for cash upon exercise of stock options	101		26				26
Issuance of common stock to nonemployees for past services	—		3				3
Issuance of common stock related to acquisitions	9		77				77
Issuance of common stock for settlement of RSUs	65		—				—
Shares withheld related to net share settlement	(27)		(889)				(889)
Share-based compensation, related to employee share-based awards	—		906				906
Tax benefit from share-based award activity	—		602				602
Other comprehensive income	—		—	12			12
Net income	—		—	—	1,500		1,500
Balances at December 31, 2013	2,547		12,297	14	3,159		15,470
Issuance of common stock for cash upon exercise of stock options	9		18				18
Issuance of common stock related to acquisitions	201		14,344				14,344
Issuance of common stock for settlement of RSUs	41		—				—
Shares withheld related to net share settlement	(1)		(73)				(73)
Share-based compensation, related to employee share-based awards	—		1,786				1,786
Tax benefit from share-based award activity	—		1,853				1,853
Other comprehensive loss	—		—	(242)			(242)
Net income	—		—	—	2,940		2,940
Balances at December 31, 2014	2,797		30,225	(228)	6,099		36,096
Issuance of common stock for cash upon exercise of stock options	4		—				—
Issuance of common stock for settlement of RSUs	44		—				—
Shares withheld related to net share settlement	—		(20)				(20)
Share-based compensation, related to employee share-based awards	—		2,960				2,960
Tax benefit from share-based award activity	—		1,721				1,721
Other comprehensive loss	—		—	(227)			(227)
Net income	—		—	—	3,688		3,688
Balances at December 31, 2015	2,845	\$	34,886	\$	(455)	\$	44,218

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	\$ 3,688	\$ 2,940	\$ 1,500
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,945	1,243	1,011
Lease abandonment	—	(31)	117
Share-based compensation	2,960	1,786	906
Deferred income taxes	(795)	(210)	(37)
Tax benefit from share-based award activity	1,721	1,853	602
Excess tax benefit from share-based award activity	(1,721)	(1,869)	(609)
Other	17	7	56
Changes in assets and liabilities:			
Accounts receivable	(973)	(610)	(378)
Prepaid expenses and other current assets	(144)	(123)	355
Other assets	(3)	(216)	(142)
Accounts payable	18	31	26
Partners payable	17	(28)	12
Accrued expenses and other current liabilities	513	328	(38)
Deferred revenue and deposits	(9)	10	8
Other liabilities	1,365	346	833
Net cash provided by operating activities	8,599	5,457	4,222
Cash flows from investing activities			
Purchases of property and equipment	(2,523)	(1,831)	(1,362)
Purchases of marketable securities	(15,938)	(9,104)	(7,433)
Sales of marketable securities	6,928	8,438	2,988
Maturities of marketable securities	2,310	1,909	3,563
Acquisitions of businesses, net of cash acquired, and purchases of intangible assets	(313)	(4,975)	(368)
Change in restricted cash and deposits	102	(348)	(11)
Other investing activities, net	—	(2)	(1)
Net cash used in investing activities	(9,434)	(5,913)	(2,624)
Cash flows from financing activities			
Net proceeds from issuance of common stock	—	—	1,478
Taxes paid related to net share settlement	(20)	(73)	(889)
Proceeds from exercise of stock options	—	18	26
Repayment of long-term debt	—	—	(1,500)
Principal payments on capital lease obligations	(119)	(243)	(391)
Excess tax benefit from share-based award activity	1,721	1,869	609
Net cash provided by (used in) financing activities	1,582	1,571	(667)
Effect of exchange rate changes on cash and cash equivalents	(155)	(123)	8
Net increase in cash and cash equivalents	592	992	939
Cash and cash equivalents at beginning of period	4,315	3,323	2,384
Cash and cash equivalents at end of period	\$ 4,907	\$ 4,315	\$ 3,323

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2015	2014	2013
Supplemental cash flow data			
Cash paid during the period for:			
Interest	\$ 10	\$ 14	\$ 38
Income taxes	\$ 273	\$ 184	\$ 82
Cash received during the period for:			
Income taxes	\$ 3	\$ 6	\$ 421
Non-cash investing and financing activities:			
Net change in accounts payable, accrued expenses and other current liabilities, and other liabilities related to property and equipment additions	\$ 88	\$ 91	\$ 53
Property and equipment acquired under capital leases	\$ —	\$ —	\$ 11
Fair value of shares issued related to acquisitions of businesses	\$ —	\$ 14,344	\$ 77
Promissory note payable issued in connection with an acquisition	\$ 198	\$ —	\$ —

See Accompanying Notes to Consolidated Financial Statements.

FACEBOOK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization and Description of Business

Facebook was incorporated in Delaware in July 2004. Our mission is to give people the power to share and make the world more open and connected. We generate substantially all of our revenue from advertising.

Basis of Presentation

We prepared the consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of Facebook, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

Conformity with GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. GAAP requires us to make estimates and judgments in several areas, including, but not limited to, those related to revenue recognition, collectability of accounts receivable, contingent liabilities, fair value of financial instruments, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, and income taxes. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. Actual results could differ materially from those estimates.

Revenue Recognition

We recognize revenue once all of the following criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery of our obligations to our customer has occurred;
- the price is fixed or determinable; and
- collectability of the related receivable is reasonably assured.

Revenue for the years ended December 31, 2015, 2014, and 2013 consists of the following (in millions):

	Year Ended December 31,		
	2015	2014	2013
Advertising	\$ 17,079	\$ 11,492	\$ 6,986
Payments and other fees	849	974	886
Total revenue	\$ 17,928	\$ 12,466	\$ 7,872

Advertising

Advertising revenue is generated by displaying ad products on the Facebook properties, including our mobile applications, and third-party affiliated websites or mobile applications. The arrangements are evidenced by either online acceptance of terms and conditions or contracts that stipulate the types of advertising to be delivered, the timing and the pricing. Marketers pay for ad products either directly or through their relationships with advertising agencies, based on the number of clicks made by our users, the number of actions taken by our users, or the number of impressions delivered. The typical term of an advertising arrangement is less than one month with billing generally occurring after the delivery of the advertisement.

We recognize revenue from the delivery of click-based ads in the period in which a user clicks on the content, and action-based ads in the period in which a user takes the action the marketer contracted for. We recognize revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

Payments and Other Fees

We enable Payments from people to purchase virtual and digital goods from our developers. People can transact and make payments on the Facebook website by using debit cards and credit cards, PayPal, mobile phone payments, gift cards, or other methods.

When a person engages in a payment transaction for the purchase of a virtual or digital good from a developer, we remit to the developer an amount that is based on the total amount of the transaction less the processing fee that we charge the developer. The price of the purchase is an amount that is solely determined by the developer. Our revenue is the net amount of the transaction, representing our processing fee for the service performed. We record revenue on a net basis as we do not consider ourselves to be the principal in the sale of the virtual or digital good to the person. Additionally, we record all Payments revenue at the time of the purchase of the related virtual goods, net of estimated refunds or chargebacks.

Other fees, which includes our ad serving and measurement products and the delivery of virtual reality platform devices, were not material in all periods presented in our financial statements.

Revenue is recognized net of applicable sales and other taxes.

Cost of Revenue

Our cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers, such as facility and server equipment depreciation, energy and bandwidth costs, and salaries, benefits, and share-based compensation for employees on our operations teams. Cost of revenue also includes credit card and other transaction fees related to processing customer transactions, amortization of intangible assets, costs associated with data partner arrangements, and cost of virtual reality platform device inventory sold.

Share-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions of GAAP. Those provisions require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis in our consolidated statements of income over the period during which the employee is required to perform service in exchange for the award. The majority of our awards are earned over a service period of four years.

Share-based compensation expense is recorded net of estimated forfeitures in our consolidated statements of income and as such, only those share-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. We will revise our estimated forfeiture rate if actual forfeitures differ from our initial estimates.

We have historically issued unvested restricted shares to employee stockholders of certain acquired companies. As these awards are generally subject to continued post-acquisition employment, we have accounted for them as post-acquisition share-based compensation expense. We recognize compensation expense equal to the grant date fair value of the common stock on a straight-line basis over the period during which the employee is required to perform service in exchange for the award.

During the years ended December 31, 2015, 2014, and 2013, we realized tax benefits from share-based award activity of \$1.72 billion, \$1.85 billion, and \$602 million, respectively. These amounts reflect the extent that the total reduction to our income tax liability from share-based award activity was greater than the amount of the deferred tax assets that we had previously recorded in anticipation of these benefits. These amounts are the aggregate of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that we recorded, reduced by any individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded. These net amounts were recorded as an adjustment to stockholders' equity in each period, as an increase to cash flows from operating activities, and were not recognized in our consolidated statements of income.

In addition, we reported excess tax benefits that decreased our cash flows from operating activities and increased our cash flows from financing activities for the years ended December 31, 2015, 2014, and 2013, by \$1.72 billion, \$1.87 billion, and \$609 million, respectively. The amounts of these excess tax benefits reflect the total of the individual transactions in which the reduction to our income tax liability was greater than the deferred tax assets that were recorded, but were not reduced by any of the individual transactions in which the reduction to our income tax liability was less than the deferred tax assets that were recorded.

Income Taxes

We recognize income taxes under the asset and liability method. We recognize deferred income tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences

are expected to reverse. We recognize the effect on deferred income taxes of a change in tax rates in income in the period that includes the enactment date.

We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of any reserves that are considered appropriate, as well as the related net interest and penalties.

Advertising Expense

Advertising costs are expensed when incurred and are included in marketing and sales expenses in the accompanying consolidated statements of income. We incurred advertising expenses of \$281 million, \$135 million, and \$117 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Cash and Cash Equivalents, and Marketable Securities

Cash and cash equivalents primarily consist of cash on deposit with banks and investments in money market funds with maturities of 90 days or less from the date of purchase.

We hold investments in marketable securities, consisting of U.S. government securities, U.S. government agency securities, and corporate debt securities. We classify our marketable securities as available-for-sale investments in our current assets because they represent investments of cash available for current operations. Our available-for-sale investments are carried at estimated fair value with any unrealized gains and losses, net of taxes, included in accumulated other comprehensive (loss) income in stockholders' equity. Unrealized losses are charged against interest and other income/(expense), net when a decline in fair value is determined to be other-than-temporary. We have not recorded any such impairment charge in the periods presented. We determine realized gains or losses on sale of marketable securities on a specific identification method, and record such gains or losses as interest and other income/(expense), net.

We classify certain restricted cash balances within prepaid expenses and other current assets and other assets on the accompanying consolidated balance sheets based upon the term of the remaining restrictions.

Fair Value of Financial Instruments

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1-Quoted prices in active markets for identical assets or liabilities.

Level 2-Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3-Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Our valuation techniques used to measure the fair value of money market funds and marketable debt securities were derived from quoted market prices or alternative pricing sources and models utilizing market observable inputs. Our valuation technique used to measure the fair value of our contingent consideration liability was based on the present value of probability-weighted future cash flows related to the contingent earn-out criteria and the fair value of our common stock on each reporting date.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. We make estimates for the allowance for doubtful accounts based upon our assessment of various factors, including historical

experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, and other factors that may affect customers' ability to pay.

Property and Equipment

Property and equipment, which includes amounts recorded under capital leases, are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the remaining lease term, in the case of a capital lease, whichever is shorter.

The estimated useful lives of property and equipment are described below:

Property and Equipment	Useful Life
Network equipment	Three to five years
Buildings	Three to 30 years
Computer software, office equipment and other	Three to five years
Leased equipment and leasehold improvements	Lesser of estimated useful life or remaining lease term

Land and assets held within construction in progress are not depreciated. Construction in progress is related to the construction or development of property and equipment that have not yet been placed in service for their intended use.

The cost of maintenance and repairs is expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in income from operations.

Lease Obligations

We lease office space, data centers, and equipment under non-cancelable capital and operating leases with various expiration dates through 2032. Certain of the operating lease agreements contain rent holidays, rent escalation provisions, and purchase options. Rent holidays and rent escalation provisions are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the leased property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease inception.

We record assets and liabilities for the estimated construction costs incurred by third parties under build-to-suit lease arrangements to the extent that we are involved in the construction of structural improvements or bear construction risk prior to commencement of a lease.

Loss Contingencies

We are involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. We review these provisions at least quarterly and adjust these provisions accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If

such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any significant impairment charges during the years presented.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. We evaluate indefinite-lived intangible assets for impairment annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. As of December 31, 2015, no impairment of goodwill or indefinite-lived intangible assets has been identified.

Acquired indefinite-lived intangible assets related to our in-process research and development (IPR&D) are capitalized and subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project, we will make a separate determination of useful life of the acquired indefinite-lived intangible assets and the related amortization will be recorded as an expense over the estimated useful life of the specific projects.

Acquired finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. We routinely review the remaining estimated useful lives of property and equipment and finite-lived intangible assets. If we reduce the estimated useful life assumption for any asset, the remaining unamortized balance would be amortized or depreciated over the revised estimated useful life.

Deferred Revenue and Deposits

Deferred revenue consists of billings in advance of revenue recognition. Deposits relate to unused balances held on behalf of our users. Once this balance is utilized by a user, approximately 70% of this amount would then be payable to the developer and the balance would be recognized as revenue.

Deferred revenue and deposits consists of the following (in millions):

	December 31,	
	2015	2014
Deferred revenue	\$ 28	\$ 38
Deposits	28	28
Total deferred revenue and deposits	<u>\$ 56</u>	<u>\$ 66</u>

Foreign Currency

Generally the functional currency of our international subsidiaries is the local currency. We translate the financial statements of these subsidiaries to U.S. dollars using month-end rates of exchange for assets and liabilities, and average rates of exchange for revenue, costs, and expenses. Translation gains and losses are recorded in accumulated other comprehensive (loss) income as a component of stockholders' equity. As of December 31, 2015 and 2014, we had a cumulative translation loss, net of tax of \$430 million and \$227 million, respectively. Net losses resulting from foreign exchange transactions were \$66 million, \$87 million, and \$14 million for the years ended December 31, 2015, 2014, and 2013, respectively. These losses were recorded as interest and other income/(expense), net in our consolidated statements of income.

Credit Risk and Concentration

Our financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities, and accounts receivable. Cash equivalents consist of short-term money market funds, which are managed by reputable financial institutions. Marketable securities consist of investments in U.S. government securities, U.S. government agency securities, and corporate debt securities. Our investment policy limits investment instruments to U.S. government securities, U.S. government agency securities, and corporate debt securities with the main objective of preserving capital and maintaining liquidity.

Accounts receivable are typically unsecured and are derived from revenue earned from customers across different industries and countries. We generated 47%, 45%, and 46% of our revenue for the years ended December 31, 2015, 2014, and 2013, respectively, from marketers and developers based in the United States, with the majority of revenue outside of the United States coming from customers located in western Europe, China, Brazil, Canada, and Australia.

We perform ongoing credit evaluations of our customers, and generally do not require collateral. We maintain an allowance for estimated credit losses. During the years ended December 31, 2015, 2014, and 2013, our bad debt expenses were \$44 million, \$19 million, and \$21 million, respectively. In the event that accounts receivable collection cycles deteriorate, our operating results and financial position could be adversely affected.

No customer represented 10% or more of total revenue during the years ended December 31, 2015, 2014, and 2013.

Segments

Our chief operating decision-maker is our Chief Executive Officer who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. There are no segment managers who are held accountable by the chief operating decision-maker, or anyone else, for operations, operating results, and planning for levels or components below the consolidated unit level. Accordingly, we have determined that we have a single reportable segment and operating unit structure.

Recently Issued and Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. As such, the updated standard will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We are still evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The updated standard is effective for us beginning on January 1, 2017 with early application permitted as of the beginning of any interim or annual reporting period. We early adopted this standard retrospectively, and reclassified \$280 million of our current deferred tax assets to noncurrent deferred tax assets as of December 31, 2014. This resulted in net adjustments of \$62 million increase and \$218 million decrease to our noncurrent deferred tax assets and noncurrent deferred tax liability, respectively, on our December 31, 2014 consolidated balance sheet.

Note 2. Acquisitions

During the year ended December 31, 2015, we completed several business acquisitions for total consideration of \$488 million, primarily related to a business combination involving land and buildings adjacent to our headquarters in Menlo Park. Included in this amount is a \$198 million promissory note payable issued in connection with this particular acquisition. This promissory note payable is classified under accrued expenses and other current liabilities in our consolidated balance sheets. These acquisitions were not material to our consolidated financial statements, either individually or in the aggregate. Accordingly, pro forma historical results of operations related to these business acquisitions during the year ended December 31, 2015 have not been presented. We have included the financial results of these business acquisitions in our consolidated financial statements from their respective dates of acquisition.

The following table summarizes the allocation of the total consideration transferred during the year ended December 31, 2015, including the related estimated useful lives, where applicable:

	<u>(in millions)</u>	<u>Useful lives (in years)</u>
Finite-lived intangible assets:		
Acquired technology	\$ 30	3
Other	5	3
Land acquired	379	
Other net tangible assets acquired	12	
Deferred tax assets, net	17	
Net assets acquired	<u>\$ 443</u>	
Goodwill	45	
Total fair value consideration	<u><u>\$ 488</u></u>	

Goodwill generated from all business acquisitions completed during the year ended December 31, 2015 is primarily attributable to expected synergies from future growth and potential monetization opportunities. The amount of goodwill generated during this period that is deductible for tax purposes is not material.

Note 3. Earnings per Share

We compute earnings per share (EPS) of Class A and Class B common stock using the two-class method required for participating securities. We consider restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares.

Undistributed earnings allocated to participating securities are subtracted from net income in determining net income attributable

to common stockholders. Basic EPS is computed by dividing net income attributable to common stockholders by the weighted-average number of shares of our Class A and Class B common stock outstanding, adjusted for outstanding shares that are subject to repurchase.

For the calculation of diluted EPS, net income attributable to common stockholders for basic EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans and inducement awards under separate non-plan RSU award agreements. In addition, the computation of the diluted EPS of Class A common stock assumes the conversion of our Class B common stock to Class A common stock, while the diluted EPS of Class B common stock does not assume the conversion of those shares to Class A common stock. Diluted EPS attributable to common stockholders is computed by dividing the resulting net income attributable to common stockholders by the weighted-average number of fully diluted common shares outstanding.

Basic and dilutive securities in our basic and diluted EPS calculation for the year ended December 31, 2015 and 2014 do not include contingent earn-out shares. Issuance of these earn-out shares is dependent upon the completion of certain milestones. These milestones have not been met as of December 31, 2015 and accordingly, these shares have been excluded from the effect of basic and dilutive securities.

The RSUs excluded from the EPS calculation because the impact would be anti-dilutive, were not material for the years ended December 31, 2015, 2014, and 2013, respectively.

Basic and diluted EPS are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The numerators and denominators of the basic and diluted EPS computations for our common stock are calculated as follows (in millions, except per share amounts):

	Year Ended December 31,					
	2015		2014		2013	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic EPS:						
Numerator						
Net income	\$ 2,959	\$ 729	\$ 2,308	\$ 632	\$ 1,114	\$ 386
Less: Net income attributable to participating securities	15	4	12	3	7	2
Net income attributable to common stockholders	<u>\$ 2,944</u>	<u>\$ 725</u>	<u>\$ 2,296</u>	<u>\$ 629</u>	<u>\$ 1,107</u>	<u>\$ 384</u>
Denominator						
Weighted average shares outstanding	2,259	559	2,059	568	1,803	631
Less: Shares subject to repurchase	10	5	6	7	5	9
Number of shares used for basic EPS computation	<u>2,249</u>	<u>554</u>	<u>2,053</u>	<u>561</u>	<u>1,798</u>	<u>622</u>
Basic EPS	<u>\$ 1.31</u>	<u>\$ 1.31</u>	<u>\$ 1.12</u>	<u>\$ 1.12</u>	<u>\$ 0.62</u>	<u>\$ 0.62</u>
Diluted EPS:						
Numerator						
Net income attributable to common stockholders	\$ 2,944	\$ 725	\$ 2,296	\$ 629	\$ 1,107	\$ 384
Reallocation of net income attributable to participating securities	19	—	15	—	9	—
Reallocation of net income as a result of conversion of Class B to Class A common stock	725	—	629	—	384	—
Reallocation of net income to Class B common stock	—	15	—	23	—	39
Net income attributable to common stockholders for diluted EPS	<u>\$ 3,688</u>	<u>\$ 740</u>	<u>\$ 2,940</u>	<u>\$ 652</u>	<u>\$ 1,500</u>	<u>\$ 423</u>
Denominator						
Number of shares used for basic EPS computation	2,249	554	2,053	561	1,798	622
Conversion of Class B to Class A common stock	554	—	561	—	622	—
Weighted average effect of dilutive securities:						
Employee stock options	8	8	13	13	65	65
RSUs	37	9	30	13	25	15
Shares subject to repurchase	5	2	7	4	7	7
Number of shares used for diluted EPS computation	<u>2,853</u>	<u>573</u>	<u>2,664</u>	<u>591</u>	<u>2,517</u>	<u>709</u>
Diluted EPS	<u>\$ 1.29</u>	<u>\$ 1.29</u>	<u>\$ 1.10</u>	<u>\$ 1.10</u>	<u>\$ 0.60</u>	<u>\$ 0.60</u>

Note 4. Cash and Cash Equivalents, and Marketable Securities

The following table sets forth the cash and cash equivalents, and marketable securities (in millions):

	December 31,	
	2015	2014
Cash and cash equivalents:		
Cash	\$ 1,703	\$ 2,162
Money market funds	2,409	2,153
U.S. government securities	597	—
U.S. government agency securities	145	—
Corporate debt securities	53	—
Total cash and cash equivalents	4,907	4,315
Marketable securities:		
U.S. government securities	5,948	2,830
U.S. government agency securities	4,475	2,710
Corporate debt securities	3,104	1,344
Total marketable securities	13,527	6,884
Total cash and cash equivalents, and marketable securities	\$ 18,434	\$ 11,199

The gross unrealized gains or losses on our marketable securities as of December 31, 2015 and 2014 were not significant. In addition, the gross unrealized loss that had been in a continuous loss position for 12 months or longer was not significant as of December 31, 2015. There was no such loss as of December 31, 2014. As of December 31, 2015, we considered the decreases in market value on our marketable securities to be temporary in nature and did not consider any of our investments to be other-than-temporarily impaired.

The following table classifies our marketable securities by contractual maturities (in millions):

	December 31,	
	2015	2014
Due in one year	\$ 5,029	\$ 3,422
Due in one to two years	8,498	3,462
Total	\$ 13,527	\$ 6,884

Note 5. Fair Value Measurement

The following table summarizes, for assets or liabilities measured at fair value, the respective fair value and the classification by level of input within the fair value hierarchy (in millions):

Description	December 31, 2015	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 2,409	\$ 2,409	\$ —	\$ —
U.S. government securities	597	597	—	—
U.S. government agency securities	145	145	—	—
Corporate debt securities	53	—	53	—
Marketable securities:				
U.S. government securities	5,948	5,948	—	—
U.S. government agency securities	4,475	4,475	—	—
Corporate debt securities	3,104	—	3,104	—
Total cash equivalents and marketable securities	\$ 16,731	\$ 13,574	\$ 3,157	\$ —
Other liabilities:				
Contingent consideration liability	\$ 260	\$ —	\$ —	\$ 260

Description	December 31, 2014	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents:				
Money market funds	\$ 2,153	\$ 2,153	\$ —	\$ —
Marketable securities:				
U.S. government securities	2,830	2,830	—	—
U.S. government agency securities	2,710	2,710	—	—
Corporate debt securities	1,344	—	1,344	—
Total cash equivalents and marketable securities	\$ 9,037	\$ 7,693	\$ 1,344	\$ —
Other liabilities:				
Contingent consideration liability	\$ 191	\$ —	\$ —	\$ 191

We classify our cash equivalents and marketable securities within Level 1 or Level 2 because we use quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value.

We classify our contingent consideration liability in connection with an acquisition in 2014 within Level 3 as factors used to develop the estimated fair value are unobservable inputs that are not supported by market activity. We estimate the fair value of our contingent consideration liability based on the present value of probability-weighted future cash flows related to the contingent earn-out criteria and the fair value of our common stock on each reporting date. Changes in the fair value of the contingent consideration liability subsequent to the acquisition date, such as changes in the probability assessment and the fair value of our common stock, are recognized in earnings in the period when the change in the estimated fair value occurs. During the year ended December 31, 2015, we recognized an increase in the fair value of our contingent liability of \$69 million, in research and development expense in our consolidated statements of income, primarily due to an increase in the fair value of our common stock.

Note 6. Property and Equipment

Property and equipment consists of the following (in millions):

	December 31,	
	2015	2014
Land	\$ 596	\$ 153
Buildings	2,273	1,420
Leasehold improvements	447	304
Network equipment	3,633	3,020
Computer software, office equipment and other	248	149
Construction in progress	622	738
Total	7,819	5,784
Less: Accumulated depreciation	(2,132)	(1,817)
Property and equipment, net	\$ 5,687	\$ 3,967

Depreciation expense on property and equipment was \$1.22 billion, \$923 million, and \$857 million during 2015, 2014, and 2013, respectively.

Property and equipment at December 31, 2015 and 2014 includes \$287 million and \$700 million, respectively, acquired under capital lease agreements, of which the majority is included in network equipment. Accumulated depreciation of property and equipment acquired under these capital leases was \$71 million and \$425 million at December 31, 2015 and 2014, respectively.

Construction in progress includes costs primarily related to construction of data centers and office buildings, and network equipment infrastructure to support our data centers around the world. The construction of office buildings includes the leased office space in London, United Kingdom for which we are considered to be the owner for accounting purposes. See Note 10 in these notes to the consolidated financial statements for additional information. No interest was capitalized during the years ended December 31, 2015 and 2014. Interest capitalized during the year ended December 31, 2013 was not material.

Note 7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 are as follows (in millions):

Balance as of December 31, 2013	\$ 839
Goodwill acquired	17,150
Effect of currency translation adjustment	(8)
Balance as of December 31, 2014	\$ 17,981
Goodwill acquired	45
Balance as of December 31, 2015	\$ 18,026

Intangible assets consist of the following (in millions):

	Weighted-Average Remaining Useful Lives (in years)	December 31, 2015			December 31, 2014		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:							
Acquired users	5.7	\$ 2,056	\$ (382)	\$ 1,674	\$ 2,056	\$ (85)	\$ 1,971
Acquired technology	3.3	831	(310)	521	813	(144)	669
Acquired patents	6.5	785	(333)	452	773	(239)	534
Trade names	4.1	629	(163)	466	632	(46)	586
Other	3.5	162	(89)	73	164	(55)	109
Total finite-lived intangible assets	5.2	\$ 4,463	\$ (1,277)	\$ 3,186	\$ 4,438	\$ (569)	\$ 3,869
Indefinite-lived intangible assets:							
In-process research and development (IPR&D)		\$ 60	\$ —	\$ 60	\$ 60	\$ —	\$ 60
Total intangible assets		\$ 4,523	\$ (1,277)	\$ 3,246	\$ 4,498	\$ (569)	\$ 3,929

As of December 31, 2015, technological feasibility has not been established for our IPR&D intangible assets. They have no alternative future use and, as such, continue to be accounted for as indefinite-lived intangible assets.

Amortization expense of intangible assets for the years ended December 31, 2015, 2014, and 2013 was \$730 million, \$319 million, and \$145 million, respectively.

As of December 31, 2015, expected amortization expense for the unamortized acquired intangible assets for the next five years and thereafter is as follows (in millions):

2016	\$ 701
2017	658
2018	603
2019	520
2020	357
Thereafter	347
Total	\$ 3,186

Note 8. Liabilities

The components of accrued expenses and other current liabilities are as follows (in millions):

	December 31,	
	2015	2014
Accrued compensation and benefits	\$ 473	\$ 322
Accrued property and equipment	192	164
Promissory note payable ⁽¹⁾	201	—
Other current liabilities	583	380
Accrued expenses and other current liabilities	\$ 1,449	\$ 866

(1) See Note 2 in these notes to the consolidated financial statements for additional information related to our promissory note payable.

The components of other liabilities are as follows (in millions):

	December 31,	
	2015	2014
Income tax payable	\$ 2,458	\$ 1,190
Deferred tax liabilities ⁽¹⁾	163	769
Contingent consideration liability	267	193
Other liabilities	269	175
Other liabilities	\$ 3,157	\$ 2,327

(1) In November 2015, the FASB issued ASU 2015-17, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. We early adopted this standard retrospectively, and as a result of the reclassifications, certain noncurrent deferred tax liabilities were netted with noncurrent deferred tax assets. See Note 1 in these notes to the consolidated financial statements for additional information.

Note 9. Long-term Debt

In August 2013, we entered into a five-year senior unsecured revolving credit facility (2013 Revolving Credit Facility) that allows us to borrow up to \$6.5 billion to fund working capital and general corporate purposes with interest payable on the borrowed amounts set at LIBOR plus 1.0%, as well as an annual commitment fee of 0.10% on the daily undrawn balance of the facility. We paid origination fees at closing of the 2013 Revolving Credit Facility, which fees are being amortized over the term of the facility. Any amounts outstanding under this facility will be due and payable on August 15, 2018. As of December 31, 2015, no amounts had been drawn down and we were in compliance with the covenants under this facility.

Note 10. Commitments and Contingencies

Commitments

Leases

We entered into various capital lease arrangements to obtain property and equipment for our operations. Additionally, on occasion we have purchased property and equipment for which we have subsequently obtained capital financing under sale-leaseback transactions. These agreements are typically for three years, except for a building lease which is for 15 years, with interest rates ranging from 1% to 13%. The leases are secured by the underlying leased buildings, leasehold improvements, and equipment. We have also entered into various non-cancelable operating lease agreements for certain of our offices, equipment, land, and data centers with original lease periods expiring between 2016 and 2032. We are committed to pay a portion of the related actual operating expenses under certain of these lease agreements. Certain of these arrangements have free rent periods or escalating rent payment provisions, and we recognize rent expense under such arrangements on a straight-line basis.

The following is a schedule, by years, of the future minimum lease payments required under non-cancelable capital and operating leases as of December 31, 2015 (in millions):

	Capital Leases	Operating Leases	Financing obligation, building in progress - leased facility ⁽¹⁾
2016	\$ 16	\$ 209	\$ —
2017	15	230	—
2018	16	216	—
2019	16	200	13
2020	17	159	25
Thereafter	94	438	299
Total minimum lease payments	\$ 174	\$ 1,452	\$ 337
Less: amount representing interest and taxes	(60)		
Less: current portion of the present value of minimum lease payments	(7)		
Capital lease obligations, net of current portion	\$ 107		

(1) In 2015, we entered into an agreement to lease an entire office building in London, United Kingdom, that is currently under construction. As a result of our involvement during the construction period, we are considered to be the owner of the construction project for accounting purposes. The above financing obligation, building in progress - leased facility represents the total expected financing and lease obligation associated with this lease and will be settled through monthly

lease payments to the landlord when we occupy the office space upon completion. This amount includes \$62 million that is included in property and equipment, net and other liabilities on our consolidated balance sheets as of December 31, 2015.

Operating lease expense was \$181 million, \$125 million, and \$130 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Other contractual commitments

We also have \$1.22 billion of non-cancelable contractual commitments as of December 31, 2015, primarily related to network infrastructure for our data center operations and, to a lesser extent, construction of our data center sites. The majority of these commitments are due within five years.

Contingencies

Legal Matters

Beginning on May 22, 2012, multiple putative class actions, derivative actions, and individual actions were filed in state and federal courts in the United States and in other jurisdictions against us, our directors, and/or certain of our officers alleging violation of securities laws or breach of fiduciary duties in connection with our initial public offering (IPO) and seeking unspecified damages. We believe these lawsuits are without merit, and we intend to continue to vigorously defend them. The vast majority of the cases in the United States, along with multiple cases filed against The NASDAQ OMX Group, Inc. and The Nasdaq Stock Market LLC (collectively referred to herein as NASDAQ) alleging technical and other trading-related errors by NASDAQ in connection with our IPO, were ordered centralized for coordinated or consolidated pre-trial proceedings in the U.S. District Court for the Southern District of New York. In a series of rulings in 2013 and 2014, the court denied our motion to dismiss the consolidated securities class action and granted our motions to dismiss the derivative actions against our directors and certain of our officers. On July 24, 2015, the court of appeals affirmed the dismissal of the derivative actions. On December 11, 2015, the court granted plaintiffs' motion for class certification in the consolidated securities action. In addition, the events surrounding our IPO became the subject of various state and federal government inquiries. In May 2014, the Securities and Exchange Commission (SEC) notified us that it had terminated its inquiry and that no enforcement action had been recommended by the SEC.

We are also party to various legal proceedings and claims that arise in the ordinary course of business. With respect to our outstanding legal matters, we believe that the amount or estimable range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of litigation is inherently uncertain. Therefore, if one or more of these legal matters were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period, could be materially adversely affected.

Indemnifications

In the normal course of business, to facilitate transactions of services and products, we have agreed to indemnify certain parties with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers, directors, and certain employees, and our certificate of incorporation and bylaws contain similar indemnification obligations.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements have not had a material impact on our consolidated financial position, results of operations or cash flows. In our opinion, as of December 31, 2015, there was not at least a reasonable possibility we had incurred a material loss with respect to indemnification of such parties. We have not recorded any liability for costs related to indemnification through December 31, 2015.

Note 11. Stockholders' Equity

Follow-on Offering

In December 2013, we completed a follow-on offering in which we issued and sold 27 million shares of Class A common stock at a public offering price of \$55.05 per share and the selling stockholders sold 43 million shares of Class A common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. The total net proceeds received from the follow-on offering were \$1.48 billion after deducting underwriting discounts and commissions of \$7 million and other offering expenses of approximately \$1 million.

Common Stock

Our certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. As of December 31, 2015, we are authorized to issue 5,000 million shares of Class A common stock and 4,141 million shares of Class B common stock, each with a par value of \$0.000006 per share. Holders of our Class A common stock and Class B common stock are entitled to dividends when, as and if, declared by our board of directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, 2015, we did not declare any dividends and our credit facility contains restrictions on our ability to pay dividends. The holder of each share of Class A common stock is entitled to one vote, while the holder of each share of Class B common stock is entitled to ten votes. Shares of our Class B common stock are convertible into an equivalent number of shares of our Class A common stock and generally convert into shares of our Class A common stock upon transfer. Class A common stock and Class B common stock are referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

As of December 31, 2015, there were 2,293 million shares and 552 million shares of Class A common stock and Class B common stock, respectively, issued and outstanding.

Share-based Compensation Plans

We maintain two share-based employee compensation plans: the 2012 Equity Incentive Plan (2012 Plan) and the 2005 Stock Plan (collectively, Stock Plans). Our 2012 Plan serves as the successor to our 2005 Stock Plan and provides for the issuance of incentive and nonstatutory stock options, restricted stock awards, stock appreciation rights, RSUs, performance shares and stock bonuses to qualified employees, directors and consultants. Outstanding awards under the 2005 Stock Plan continue to be subject to the terms and conditions of the 2005 Stock Plan.

We initially reserved 25 million shares of our Class A common stock for issuance under our 2012 Plan. The number of shares reserved for issuance under our 2012 Plan increases automatically on the first day of January of each of 2013 through 2022 by a number of shares of Class A common stock equal to the lesser of (i) 2.5% of the total outstanding shares of our common stock as of the immediately preceding December 31st or (ii) a number of shares determined by the board of directors. Our board of directors elected not to increase the number of shares reserved for issuance in 2015 and 2014. In addition, shares available for grant under the 2005 Stock Plan, which were reserved but not issued, forfeited or repurchased at their original issue price, or subject to outstanding awards under the 2005 Stock Plan as of the effective date of our IPO, were added to the reserves of the 2012 Plan and shares that are withheld in connection with the net settlement of RSUs are also added to the reserves of the 2012 Plan. In January 2014, we began requiring that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required withholding taxes, rather than our previous approach of net share settlement. The maximum term for stock options granted under the 2012 Plan may not exceed ten years from the date of grant. Our 2012 Plan will terminate ten years from the date of approval unless it is terminated earlier by our board of directors or a committee thereof.

In connection with an acquisition in 2014, we granted inducement awards covering an aggregate of 37 million RSUs earned over a service period of four years. These awards are excluded from the Stock Plans and are subject to the terms, restrictions, and conditions of separate non-plan RSU award agreements.

The following table summarizes the activities of stock option awards under the Stock Plans for the year ended December 31, 2015:

	Shares Subject to Options Outstanding			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾
	(in thousands)		(in years)	(in millions)
Balance as of December 31, 2014	12,984	\$ 4.78		
Stock options exercised	(4,541)	0.48		
Balance as of December 31, 2015	8,443	\$ 7.10	3.7	\$ 824
Stock options vested and expected to vest as of December 31, 2015	8,441	\$ 7.10	3.7	\$ 824
Stock options exercisable as of December 31, 2015	6,250	\$ 5.19	3.3	\$ 622

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the official closing price of our Class A common stock, as reported on the NASDAQ Global Select Market, of \$104.66 on December 31, 2015.

There were no options granted, forfeited, or canceled for the year ended December 31, 2015. The aggregate intrinsic value of the options exercised in the years ended December 31, 2015, 2014, and 2013 was \$403 million, \$624 million, and \$4.58 billion, respectively. The total grant date fair value of stock options vested during the years ended December 31, 2015, 2014, and 2013 was \$5 million, \$7 million, and \$7 million, respectively.

The following table summarizes additional information regarding outstanding and exercisable options under the Stock Plans at December 31, 2015:

Exercise Price (Range)	Options Outstanding			Options Exercisable		
	Number of Shares (in thousands)	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price	Number of Shares (in thousands)	Weighted Average Exercise Price	
\$0.10 - 0.18	446	0.6	\$ 0.11	446	\$ 0.11	
0.29 - 0.33	1,182	1.5	0.32	1,182	0.32	
1.85	968	3.0	1.85	968	1.85	
2.95	1,147	3.6	2.95	1,147	2.95	
10.39	3,500	4.6	10.39	2,334	10.39	
15.00	1,200	4.8	15.00	173	15.00	
	<u>8,443</u>	3.7	\$ 7.10	<u>6,250</u>	\$ 5.19	

The following table summarizes the activities for our unvested RSUs for the year ended December 31, 2015:

	Unvested RSUs ⁽¹⁾	
	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested at December 31, 2014	138,055	\$ 55.89
Granted	31,507	82.15
Vested	(46,434)	49.19
Forfeited	(6,719)	51.19
Unvested at December 31, 2015	<u>116,409</u>	\$ 65.95

(1) Unvested shares include inducement awards issued in connection with an acquisition in 2014 and are subject to the terms, restrictions, and conditions of separate non-plan RSU award agreements.

The fair value as of the respective vesting dates of RSUs that vested during the years ended December 31, 2015, 2014, and 2013 was \$4.23 billion, \$2.77 billion, and \$1.55 billion, respectively.

As of December 31, 2015, there was \$7.23 billion of unrecognized share-based compensation expense, of which \$6.67 billion is related to RSUs and \$559 million is related to restricted shares, shares with performance conditions related to our contingent consideration, and stock options. This unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately three years.

Note 12. Interest and other income/(expense), net

The following table presents the detail of interest and other income/(expense), net, for the periods presented (in millions):

	Year Ended December 31,		
	2015	2014	2013
Interest expense	\$ (23)	\$ (23)	\$ (56)
Interest income	52	27	19
Foreign currency exchange losses, net	(66)	(87)	(14)
Other	6	(1)	1
Interest and other income/(expense), net	<u>\$ (31)</u>	<u>\$ (84)</u>	<u>\$ (50)</u>

Note 13. Income Taxes

The components of income before provision for income taxes for the years ended December 31, 2015, 2014, and 2013 are as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
Domestic	\$ 2,802	\$ 4,918	\$ 3,197
Foreign	3,392	(8)	(443)
Income before provision for income taxes	<u>\$ 6,194</u>	<u>\$ 4,910</u>	<u>\$ 2,754</u>

The provision for income taxes consisted of the following (in millions):

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	\$ 3,012	\$ 1,999	\$ 1,154
State	183	130	69
Foreign	123	96	68
Total current tax expense	<u>3,318</u>	<u>2,225</u>	<u>1,291</u>
Deferred:			
Federal	(800)	(240)	(28)
State	(17)	(14)	(7)
Foreign	5	(1)	(2)
Total deferred tax benefit	<u>(812)</u>	<u>(255)</u>	<u>(37)</u>
Provision for income taxes	<u>\$ 2,506</u>	<u>\$ 1,970</u>	<u>\$ 1,254</u>

A reconciliation of the U.S. federal statutory income tax rate of 35.0% to our effective tax rate is as follows (in percentages):

	Year Ended December 31,		
	2015	2014	2013
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.0	1.4	1.6
Research tax credits	(1.4)	(1.1)	(4.7)
Share-based compensation	2.2	6.5	5.2
Effect of non-U.S. operations	(0.9)	(3.6)	6.8
Other	3.5	1.9	1.6
Effective tax rate	<u>40.4%</u>	<u>40.1%</u>	<u>45.5%</u>

Excess tax benefits associated with stock option exercises and other equity awards are credited to stockholders' equity. The income tax benefits resulting from stock awards that were credited to stockholders' equity were \$1.72 billion, \$1.85 billion and \$602 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Our deferred tax assets (liabilities) are as follows (in millions):

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryforward	\$ 476	\$ 130
Tax credit carryforward	297	190
Share-based compensation	529	225
Accrued expenses and other liabilities	239	136
Other	34	21
Total deferred tax assets	1,575	702
Less: valuation allowance	(205)	(101)
Deferred tax assets, net of valuation allowance	1,370	601
Deferred tax liabilities:		
Depreciation and amortization	(270)	(101)
Purchased intangible assets	(934)	(1,190)
Deferred foreign taxes	(15)	—
Total deferred tax liabilities	(1,219)	(1,291)
Net deferred tax assets (liabilities)	\$ 151	\$ (690)

The valuation allowance was approximately \$205 million and \$101 million as of December 31, 2015 and 2014, respectively, primarily related to state tax credits that we do not believe will ultimately be realized.

As of December 31, 2015, the U.S. federal and state net operating loss carryforwards were \$2.70 billion and \$3.31 billion, which will begin to expire in 2032 and 2023, respectively, if not utilized. If realized, the impact of the net operating loss carryforwards will be recognized as a benefit of \$655 million through additional paid in capital. We have federal and state tax credit carryforwards of \$1.08 billion and \$905 million, respectively, which will begin to expire in 2030 and 2032, respectively, if not utilized.

Utilization of our net operating loss and tax credit carryforwards may be subject to substantial annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expiration of the net operating loss and tax credit carryforwards before their utilization. The events that may cause ownership changes include, but are not limited to, a cumulative stock ownership change of greater than 50% over a three-year period.

Our net foreign pretax income includes jurisdictions with both pretax earnings and pretax losses. Our consolidated financial statements provide taxes for all related tax liabilities that would arise upon repatriation of earnings in the foreign jurisdictions where we do not intend to indefinitely reinvest those earnings outside the United States, and the amount of taxes provided for has been insignificant.

The following table reflects changes in the gross unrecognized tax benefits (in millions):

	Year Ended December 31,		
	2015	2014	2013
Gross unrecognized tax benefits-beginning of period	\$ 1,682	\$ 1,316	\$ 164
Increases related to prior year tax positions	322	24	425
Decreases related to prior year tax positions	(52)	—	(13)
Increases related to current year tax positions	1,066	346	740
Decreases related to settlements of prior year tax positions	(1)	(4)	—
Gross unrecognized tax benefits-end of period	\$ 3,017	\$ 1,682	\$ 1,316

During all years presented, we recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of income. The amount of interest and penalties accrued as of December 31, 2015 and 2014 was not material.

If the balance of gross unrecognized tax benefits of \$3.02 billion as of December 31, 2015 was realized in a future period, this would result in a tax benefit of \$2.40 billion within our provision of income taxes at such time.

On July 27, 2015, the United States Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to the treatment of share-based compensation expense in an intercompany cost-sharing arrangement. This opinion concluded that related parties in a cost-sharing arrangement are not required to share share-based compensation. A final decision was issued by the Tax Court, however, this decision may be appealed by the Commissioner. The impact of the conclusions stated by the Tax Court in its opinion was not material to our consolidated financial statements.

We are subject to taxation in the United States and various other state and foreign jurisdictions. The material jurisdictions in which we are subject to potential examination include the United States and Ireland. We are under examination by the Internal Revenue Service (IRS) for our 2008 through 2010 tax years. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations, and we do not anticipate a significant impact to our gross unrecognized tax benefits within the next 12 months related to these years. Our 2011 and future years remain open to examination by the IRS. Our 2011 and future years remain open to examination in Ireland.

Although the timing of the resolution, settlement, and closure of any audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. However, given the number of years remaining that are subject to examination, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits.

Note 14. Geographical Information

Revenue by geography is based on the billing address of the marketer or developer. The following tables set forth revenue and property and equipment, net by geographic area (in millions):

	Year Ended December 31,		
	2015	2014	2013
Revenue:			
United States	\$ 8,513	\$ 5,649	\$ 3,613
Rest of the world ⁽¹⁾	9,415	6,817	4,259
Total revenue	<u>\$ 17,928</u>	<u>\$ 12,466</u>	<u>\$ 7,872</u>

(1) No individual country, other than disclosed above, exceeded 10% of our total revenue for any period presented

	December 31,	
	2015	2014
Property and equipment, net:		
United States	\$ 4,498	\$ 3,256
Sweden	713	514
Rest of the world	476	197
Total property and equipment, net	<u>\$ 5,687</u>	<u>\$ 3,967</u>

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer (CEO) and chief financial officer (CFO), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2015, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (SEC) within 120 days of the fiscal year ended December 31, 2015.

Our board of directors has adopted a Code of Conduct applicable to all officers, directors and employees, which is available on our website (investor.fb.com) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Conduct and by posting such information on the website address and location specified above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

PART IV

Item 15. Exhibits, Financial Statement Schedules

We have filed the following documents as part of this Form 10-K:

1. Consolidated Financial Statements:

	<u>Page No.</u>
Reports of Independent Registered Public Accounting Firm	54
Consolidated Balance Sheets	56
Consolidated Statements of Income	57
Consolidated Statements of Comprehensive Income	58
Consolidated Statements of Stockholders' Equity	59
Consolidated Statements of Cash Flows	60
Notes to Consolidated Financial Statements	62

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Menlo Park, State of California, on this 28th day of January 2016.

FACEBOOK, INC.

Date: January 28, 2016

/s/ David M. Wehner

David M. Wehner
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David M. Wehner and Colin S. Stretch, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ Mark Zuckerberg</u> Mark Zuckerberg	Chairman and Chief Executive Officer <i>(Principal Executive Officer)</i>	January 28, 2016
<u>/s/ David M. Wehner</u> David M. Wehner	Chief Financial Officer <i>(Principal Financial Officer)</i>	January 28, 2016
<u>/s/ Jas Athwal</u> Jas Athwal	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	January 28, 2016
<u>/s/ Marc L. Andreessen</u> Marc L. Andreessen	Director	January 25, 2016
<u>/s/ Erskine B. Bowles</u> Erskine B. Bowles	Director	January 27, 2016
<u>/s/ Susan D. Desmond-Hellmann</u> Susan D. Desmond-Hellmann	Director	January 27, 2016
<u>/s/ Reed Hastings</u> Reed Hastings	Director	January 26, 2016
<u>/s/ Jan Koum</u> Jan Koum	Director	January 28, 2016
<u>/s/ Sheryl K. Sandberg</u> Sheryl K. Sandberg	Director	January 28, 2016
<u>/s/ Peter A. Thiel</u> Peter A. Thiel	Director	January 28, 2016

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation.	10-Q	001-35551	3.1	July 31, 2012	
3.2	Amended and Restated Bylaws.	10-Q	001-35551	3.2	July 31, 2012	
4.1	Form of Class A Common Stock Certificate.	S-1	333-179287	4.1	February 8, 2012	
4.2	Form of Class B Common Stock Certificate.	S-8	333-181566	4.4	May 21, 2012	
4.3	Sixth Amended and Restated Investors' Rights Agreement, dated December 27, 2010, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2	February 8, 2012	
4.4	Amendment No. 1 to Sixth Amended and Restated Investors' Rights Agreement, dated May 1, 2012, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2A	May 3, 2012	
4.5	Form of "Type 1" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.3	February 8, 2012	
10.1+	Form of Indemnification Agreement.	S-1	333-179287	10.1	February 8, 2012	
10.2(A)+	2005 Stock Plan, as amended.	10-K	001-35551	10.2(A)	February 1, 2013	
10.2(B)+	2005 Stock Plan forms of award agreements.	S-1	333-179287	10.2	February 8, 2012	
10.3(A)+	2012 Equity Incentive Plan, as amended.	10-K	001-35551	10.4(A)	February 1, 2013	
10.3(B)+	2012 Equity Incentive Plan forms of award agreements.	10-Q	001-35551	10.2	July 31, 2012	
10.3(C)+	2012 Equity Incentive Plan forms of award agreements (Additional Forms).	10-K	001-35551	10.3(C)	January 29, 2015	
10.4+	Form of Non-Plan Restricted Stock Unit Award Notice and Award Agreement	S-8	333-199172	99.1	October 6, 2014	
10.5+	2015 Bonus Plan.					X
10.6+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mark Zuckerberg.	S-1	333-179287	10.6	February 8, 2012	
10.7+	Amended and Restated Employment Agreement, dated January 27, 2012, between Registrant and Sheryl K. Sandberg.	S-1	333-179287	10.7	February 8, 2012	
10.8+	Amended and Restated Offer Letter, dated May 2, 2014, between Registrant and Christopher Cox.	10-K	001-35551	10.8	January 29, 2015	
10.9+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mike Schroepfer.	S-1	333-179287	10.9	February 8, 2012	
10.10+	Offer Letter, dated August 25, 2014, between Registrant and David M. Wehner.	10-K	001-35551	10.10	January 29, 2015	
10.11+	Offer Letter, dated October 6, 2014, between Registrant and Jan Koum.	10-Q	001-35551	10.1	October 30, 2014	
10.12†	Lease, dated February 7, 2011, between Registrant and Wilson Menlo Park Campus, LLC.	S-1	333-179287	10.11	February 8, 2012	

10.13	Credit Agreement, dated August 15, 2013, between Registrant, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	001-35551	10.1	August 15, 2013	
21.1	List of subsidiaries.					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
31.1	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of David M. Wehner, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1#	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2#	Certification of David M. Wehner, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

+ Indicates a management contract or compensatory plan.

† Portions of exhibit have been granted confidential treatment by the SEC.

This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 10-K/A
Amendment No. 1**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from _____ to _____
Commission File Number: 001-35551**

FACEBOOK, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-1665019
(I.R.S. Employer Identification Number)

1601 Willow Road, Menlo Park, California 94025
(Address of principal executive offices and Zip Code)
(650) 543-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Class A Common Stock, \$0.000006 par value
(Title of each class)

The NASDAQ Stock Market LLC
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was \$198 billion based upon the closing price reported for such date on the NASDAQ Global Select Market.

On January 25, 2016, the registrant had 2,294,939,865 shares of Class A common stock and 551,340,611 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (Amendment No. 1) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (Original Filing), filed with the U.S. Securities and Exchange Commission (SEC) on January 28, 2016 (Original Filing Date). The sole purpose of this Amendment No. 1 is to include the information required by Items 10 through 14 of Part III of Form 10-K. This information was previously omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K, which permits the information in the above referenced items to be incorporated in the Form 10-K by reference from our definitive proxy statement if such statement is filed no later than 120 days after our fiscal year-end. We are filing this Amendment to include Part III information in our Form 10-K because we may not file a definitive proxy statement containing such information within 120 days after the end of the fiscal year covered by the Original Filing. The reference on the cover of the Original Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original Filing is hereby deleted.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (Exchange Act), Part III, Items 10 through 14 and Part IV, Item 15 of the Original Filing are hereby amended and restated in their entirety. This Amendment No. 1 does not amend, modify, or otherwise update any other information in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing. In addition, this Amendment No. 1 does not reflect events that may have occurred subsequent to the Original Filing Date.

Pursuant to Rule 12b-15 under the Exchange Act, this Amendment No. 1 also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are attached hereto. Because no financial statements are included in this Amendment No. 1 and this Amendment No. 1 does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4, and 5 of the certifications have been omitted.

Unless expressly indicated or the context requires otherwise, the terms “Facebook,” “company,” “we,” “us,” and “our” in this document refer to Facebook, Inc., a Delaware corporation, and, where appropriate, its wholly owned subsidiaries. The term “Facebook” may also refer to our products, regardless of the manner in which they are accessed.

FACEBOOK, INC.
FORM 10-K/A
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PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Directors and Executive Officers

The following table provides information regarding our executive officers and directors as of March 31, 2016:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Mark Zuckerberg	31	Chairman and Chief Executive Officer
Sheryl K. Sandberg	46	Chief Operating Officer and Director
David M. Wehner	47	Chief Financial Officer
Christopher K. Cox	33	Chief Product Officer
David B. Fischer	43	Vice President, Business and Marketing Partnerships
Mike Schroepfer	41	Chief Technology Officer
Colin S. Stretch	46	Vice President and General Counsel
Marc L. Andreessen ⁽¹⁾⁽²⁾	44	Director
Erskine B. Bowles ⁽¹⁾	70	Director
Susan D. Desmond-Hellmann ^{*(1)}	58	Director
Reed Hastings ⁽²⁾	55	Director
Jan Koum	40	Director
Peter A. Thiel ⁽²⁾	48	Director

* Lead Independent Director

(1) Member of the audit committee

(2) Member of the compensation & governance committee

Mark Zuckerberg is our founder and has served as our Chief Executive Officer (CEO) and as a member of our board of directors since July 2004. Mr. Zuckerberg has served as Chairman of our board of directors since January 2012. Mr. Zuckerberg attended Harvard University where he studied computer science. We believe that Mr. Zuckerberg should serve as a member of our board of directors due to the perspective and experience he brings as our founder, Chairman, and CEO, and as our largest and controlling stockholder.

Sheryl K. Sandberg has served as our Chief Operating Officer (COO) since March 2008 and as a member of our board of directors since June 2012. From November 2001 to March 2008, Ms. Sandberg served in various positions at Google, Inc., most recently as Vice President, Global Online Sales & Operations. Ms. Sandberg also is a former Chief of Staff of the U.S. Treasury Department and previously served as a consultant with McKinsey & Company, a management consulting company, and as an economist with The World Bank. In addition to serving as our COO, Ms. Sandberg has been a member of the board of directors of the Walt Disney Company since December 2009 and a director of SurveyMonkey since July 2015. Ms. Sandberg previously served as a member of the board of directors of Starbucks Corporation from March 2009 to March 2012. Ms. Sandberg holds an A.B. in economics from Harvard University and an M.B.A. from Harvard Business School. We believe that Ms. Sandberg should serve as a member of our board of directors due to the perspective and experience she brings as our COO.

David M. Wehner has served as our Chief Financial Officer (CFO) since June 2014. Mr. Wehner joined us in November 2012 as our Vice President, Corporate Finance and Business Planning. From August 2010 until November 2012, Mr. Wehner served as Chief Financial Officer at Zynga Inc., a provider of social game services. From February 2001 to July 2010, Mr. Wehner served

in various positions at Allen & Company, an investment bank, including as a Managing Director from November 2006 to July 2010 and as a director from December 2005 to November 2006. Mr. Wehner holds a B.S. in Chemistry from Georgetown University and an M.S. in Applied Physics from Stanford University.

Christopher K. Cox has served in various positions with us since October 2005, most recently as our Chief Product Officer (CPO). Mr. Cox joined us as a software engineer and helped build the first versions of key Facebook features, including News Feed. Mr. Cox holds a B.S. in symbolic systems with a concentration in artificial intelligence from Stanford University.

David B. Fischer has served in various positions with us since April 2010, most recently as our Vice President, Business and Marketing Partnerships. From July 2002 to March 2010, Mr. Fischer served in various positions at Google, including most recently as its Vice President, Global Online Sales & Operations. Prior to joining Google, Mr. Fischer served as Deputy Chief of Staff of the U.S. Treasury Department and was an associate editor at the U.S. News & World Report, L.P., a news magazine company. Mr. Fischer holds a B.A. in government from Cornell University and an M.B.A. from the Stanford University Graduate School of Business.

Mike Schroepfer has served in various positions with us since September 2008, most recently as our Chief Technology Officer (CTO). From December 2005 to August 2008, Mr. Schroepfer served as Vice President of Engineering at Mozilla Corporation, an Internet company. Prior to Mozilla, Mr. Schroepfer served in various positions at Sun Microsystems, Inc., an information technology company, including as Chief Technology Officer of its data center automation division. He also co-founded CenterRun, Inc., a developer of application provisioning software, which was acquired by Sun Microsystems. In addition to serving as our CTO, Mr. Schroepfer previously served as a member of the board of directors of Ancestry.com Inc. from January 2011 to December 2012. Mr. Schroepfer holds a B.S. and an M.S. in computer science from Stanford University.

Colin S. Stretch has served as our Vice President and General Counsel since July 2013 and was our Secretary from July 2013 to February 2016. Mr. Stretch first joined us in February 2010 as Deputy General Counsel. From 2002 to 2010, Mr. Stretch was a partner at Kellogg Huber Hansen Todd Evans & Figel, PLLC, a law firm. Earlier in his career, Mr. Stretch served as a law clerk for U.S. Supreme Court Justice Stephen Breyer and for Judge Laurence Silberman of the U.S. Court of Appeals for the D.C. Circuit. Mr. Stretch holds an A.B. in Government from Dartmouth College and a J.D. from Harvard Law School.

Marc L. Andreessen has served as a member of our board of directors since June 2008. Mr. Andreessen is a co-founder and has been a General Partner of Andreessen Horowitz, a venture capital firm, since July 2009. Previously, Mr. Andreessen co-founded and served as the Chairman of the board of directors of Opsware, Inc. (formerly known as Loudcloud Inc.), a software company. He also served as Chief Technology Officer of America Online, Inc., an Internet services company. Mr. Andreessen was a co-founder of Netscape Communications Corporation, a software company, serving in various positions, including Chief Technology Officer and Executive Vice President of Products. In addition to serving on our board of directors, Mr. Andreessen currently serves as a member of the boards of directors of the Hewlett-Packard Enterprise Company and several private companies. Mr. Andreessen previously served as a member of the boards of directors of eBay Inc. from September 2008 to October 2014 and Hewlett-Packard Company from September 2009 to October 2015. Mr. Andreessen holds a B.S. in computer science from the University of Illinois at Urbana-Champaign. We believe that Mr. Andreessen should serve as a member of our board of directors due to his extensive experience as an Internet entrepreneur, venture capitalist, and technologist.

Erskine B. Bowles has served as a member of our board of directors since September 2011. Mr. Bowles is President Emeritus of the University of North Carolina and served as President from January 2006 through December 2010. Mr. Bowles has also been a Senior Advisor and non-executive vice chairman of BDT Capital Partners, LLC, a private investment firm, since January 2012. From February 2010 until December 2010, he served as Co-Chair of the National Commission on Fiscal Responsibility and Reform. Mr. Bowles was Managing Director of Carousel Capital LLC, a private investment firm, from 1999 to 2001, and was a Senior Advisor for the firm from 2001 to 2015. He was also a partner of Forstmann Little & Co., an investment firm, from 1999 to 2001. Mr. Bowles began his career in corporate finance at Morgan Stanley & Co. LLC and subsequently helped found and ultimately served as Chairman and Chief Executive Officer of Bowles Hollowell Connor & Co., an investment banking firm. He also was a founder of Kitty Hawk Capital, a venture capital firm. Mr. Bowles served as White House Chief of Staff from 1996 to 1998 and Deputy White House Chief

of Staff from 1994 to 1995. In addition to serving on our board of directors, Mr. Bowles currently serves as a member of the boards of directors of Morgan Stanley and Norfolk Southern Corporation. Mr. Bowles also served as a member of the board of directors of General Motors Company from June 2005 to April 2009, Cousins Properties Incorporated from August 2003 to May 2012, and Belk, Inc. from May 2011 to November 2015. Mr. Bowles holds a B.S. in business from the University of North Carolina at Chapel Hill and an M.B.A. from Columbia University Graduate School of Business. We believe that Mr. Bowles should serve as a member of our board of directors due to his extensive experience in the financial services industry and academia as well as his distinguished public service.

Susan D. Desmond-Hellmann has served as a member of our board of directors since March 2013. Dr. Desmond-Hellmann has served as the Chief Executive Officer of the Bill & Melinda Gates Foundation since May 2014. Prior to the Bill & Melinda Gates Foundation, Dr. Desmond-Hellmann was the Chancellor and Arthur and Toni Rembe Rock Distinguished Professor, University of California, San Francisco (UCSF), where she served since August 2009. From 2004 through 2009, Dr. Desmond-Hellmann served as President of Product Development at Genentech, where she was responsible for pre-clinical and clinical development, business development, and product portfolio management. She joined Genentech in 1995. Prior to joining Genentech, Dr. Desmond-Hellmann was associate director of clinical cancer research at Bristol-Myers Squibb Pharmaceutical Research Institute. In addition to serving on our board of directors, Dr. Desmond-Hellmann currently serves as a member of the board of directors of The Procter & Gamble Company. Dr. Desmond-Hellmann holds a B.S. in Pre-Med and an M.D. from the University of Nevada, Reno, and an M.P.H. from the University of California, Berkeley. We believe Dr. Desmond-Hellmann should serve as a member of our board of directors due to her extensive leadership and technology experience.

Reed Hastings has served as a member of our board of directors since June 2011. Mr. Hastings has served as the Chief Executive Officer and Chairman of the board of directors of Netflix, Inc., a provider of an Internet subscription service for movies and television shows, since 1999. Prior to Netflix, Mr. Hastings served as Chief Executive Officer of Technology Network, a political service organization for the technology industry. Mr. Hastings served as Chief Executive Officer of Pure Atria Software, a maker of software development tools, from 1991 until it was acquired by Rational Software Corporation in 1997. Mr. Hastings previously served as a member of the board of directors of Microsoft Corporation from March 2007 to November 2012. Mr. Hastings holds a B.A. in mathematics from Bowdoin College and an M.S.C.S. in computer science from Stanford University. We believe that Mr. Hastings should serve as a member of our board of directors due to his extensive experience with technology companies.

Jan Koum has served as a member of our board of directors since October 2014. Since February 2009, Mr. Koum has served and continues to serve as co-founder and Chief Executive Officer of WhatsApp Inc. (WhatsApp), a cross-platform mobile messaging application company and our wholly-owned subsidiary. Mr. Koum attended San Jose State University where he studied math and computer science. Mr. Koum left San Jose State University before achieving a degree. We believe that Mr. Koum should serve as a member of our board of directors due to the perspective and experience he brings as the co-founder and Chief Executive Officer of WhatsApp.

Peter A. Thiel has served as a member of our board of directors since April 2005. Mr. Thiel has served as President of Thiel Capital, an investment firm, since 2011, a Partner of Founders Fund, a venture capital firm, since 2005, and President of Clarium Capital Management, a global macro investment manager, since 2002. In 1998, Mr. Thiel co-founded PayPal, Inc., an online payment company, where he served as Chief Executive Officer, President, and Chairman of its board of directors from 2000 until its acquisition by eBay in 2002. Mr. Thiel holds a B.A. in Philosophy from Stanford University and a J.D. from Stanford Law School. We believe that Mr. Thiel should serve as a member of our board of directors due to his extensive experience as an entrepreneur and venture capitalist, and as one of our early investors.

Executive Officers

Our executive officers are designated by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Board of Directors

Our board of directors may establish the authorized number of directors from time to time by resolution. The current authorized number of directors is nine. Our current directors, if elected, will continue to serve as directors until the next annual meeting of stockholders and until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal.

Our board of directors held four meetings during 2015. No member of our board of directors attended fewer than 75% of the aggregate of the total number of meetings of the board of directors (held during the period for which he or she was a director) and the total number of meetings held by all committees of the board of directors on which such director served (held during the period that such director served). Members of our board of directors are invited and encouraged to attend each annual meeting of stockholders.

Board Leadership Structure

Mark Zuckerberg, our founder and CEO, serves as Chairman of our board of directors and presides over meetings of the board of directors, and holds such other powers and carries out such other duties as are customarily carried out by the Chairman of our board of directors. Mr. Zuckerberg brings valuable insight to our board of directors due to the perspective and experience he brings as our founder and CEO, and as our largest and controlling stockholder. Dr. Desmond-Hellman currently serves as our Lead Independent Director and presides over portions of regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the Chairman and the independent directors, and performs such additional duties as the board of directors may otherwise determine and delegate. Generally, each regular meeting of our board of directors includes a meeting of our independent directors without management present.

Controlled Company Status

Because Mr. Zuckerberg controls a majority of our outstanding voting power, we are a “controlled company” under the corporate governance rules of the NASDAQ Stock Market LLC (NASDAQ). Therefore, we are not required to have a majority of our board of directors be independent, nor are we required to have a compensation committee or an independent nominating function. In light of our status as a controlled company, our board of directors has determined not to have an independent nominating function and to have the full board of directors be directly responsible for nominating members of our board. Notwithstanding our status as a “controlled company,” we intend to continue to have a compensation & governance committee that is composed entirely of independent directors.

Director Independence

The rules of NASDAQ generally require that a majority of the members of a listed company’s board of directors be independent. In addition, the listing rules generally require that, subject to specified exceptions, each member of a listed company’s audit, compensation, and governance committees be independent. Although we are a “controlled company” under the corporate governance rules of NASDAQ and, therefore, are not required to comply with certain rules requiring director independence, we have nevertheless opted, under our corporate governance guidelines, to have a majority of the members of our board of directors be independent and to have a compensation & governance committee comprised solely of independent directors.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (Exchange Act). In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the rules of NASDAQ. Our board of directors has also determined that Messrs. Andreessen and Bowles,

and Dr. Desmond-Hellmann, who comprise our audit committee, and Messrs. Andreessen, Hastings, and Thiel, who comprise our compensation & governance committee, satisfy the independence standards for those committees established by applicable SEC rules, NASDAQ rules and applicable rules of the Internal Revenue Code of 1986, as amended (Code).

Classified Board

So long as the outstanding shares of our Class B common stock represent a majority of the combined voting power of common stock, we will not have a classified board of directors, and all directors will be elected for annual terms. As of the close of business on April 29, 2016, the outstanding shares of Class B common stock represented a majority of the combined voting power of our common stock.

However, our restated certificate of incorporation and our amended and restated bylaws provide that when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, we will have a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. At such time, our directors will be assigned by the then-current board of directors to a class. Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of stockholders in the year in which that term expires. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the next annual meeting of stockholders and until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal.

In addition, when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of our common stock and we have a classified board, only our board of directors may fill vacancies on our board. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors.

The classification of our board of directors, if implemented, may have the effect of delaying or preventing changes in our control or management.

Board Committees

Our board of directors has established an audit committee and a compensation & governance committee, each of which have the composition and responsibilities described below. Members serve on these committees until their resignations or until otherwise determined by our board of directors. Each of these committees has a written charter. Current copies of the charters of the audit committee and compensation & governance committee are available on our website at <http://investor.fb.com/governance.cfm>.

From time to time, the board of directors may also establish ad hoc committees to address particular matters. In August 2015, our board of directors (with the employee directors abstaining) established a special committee to review a proposal to amend our current restated certificate of incorporation. The Special Committee consists of independent directors Dr. Desmond-Hellman (Chairperson) and Messrs. Andreessen and Bowles.

Audit Committee

Our audit committee is comprised of Messrs. Andreessen and Bowles, and Dr. Desmond-Hellmann. Mr. Bowles is the chairman of our audit committee, is our audit committee financial expert, as that term is defined under SEC rules, and possesses financial sophistication as defined under the rules of NASDAQ. The designation does not impose on Mr. Bowles any duties, obligations or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. Our board of directors has adopted a charter for our audit committee. As more fully described in its charter, our audit committee is directly responsible for, among other things:

- selecting the independent registered public accounting firm to audit our financial statements;

- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- developing procedures to enable submission of anonymous concerns about accounting or auditing matters;
- considering the adequacy of our internal accounting controls and audit procedures;
- reviewing related party transactions;
- reviewing our legal compliance risk exposures and program for promoting and monitoring compliance with applicable legal and regulatory requirements;
- pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm; and
- overseeing our internal audit function.

During 2015, the audit committee met in person or by telephone, or acted by unanimous written consent, eight times.

Compensation & Governance Committee

Our compensation & governance committee is comprised of Messrs. Andreessen, Hastings, and Thiel. Mr. Hastings is the chairman of our compensation & governance committee. Each member of this committee is a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined under Section 162(m) of the Code. Our board of directors has adopted a charter for our compensation & governance committee. As more fully described in its charter, our compensation & governance committee is responsible for, among other things:

- evaluating the performance of our executive officers;
- evaluating, recommending, approving and reviewing executive officer compensation arrangements, plans, policies and programs maintained by us;
- administering our equity-based compensation plans and our annual bonus plan;
- considering and making recommendations regarding non-employee director compensation;
- considering and making recommendations to our board of directors regarding its remaining responsibilities relating to executive compensation;
- developing and recommending corporate governance guidelines and policies;
- overseeing the evaluation process for our board of directors and committees thereof;
- reviewing and granting proposed waivers of the code of conduct for executive officers; and
- advising our board of directors on corporate governance matters and board of director performance matters, including recommendations regarding the structure and composition of our board of directors and committees thereof.

The charter for our compensation & governance committee allows the committee from time to time to delegate its authority to subcommittees and to our officers, as it may be deemed necessary or appropriate. In December 2013, our compensation committee (which was the predecessor to our compensation & governance committee) authorized the formation and delegation of certain authority to an equity subcommittee, which is now a subcommittee of the compensation & governance committee. The current members of the equity subcommittee are Ms. Sandberg and Mr. Wehner, and the members, acting either individually or jointly, have the authority to review and approve restricted stock units (RSUs) to employees and consultants, other than to directors and our executive officers. The compensation & governance committee has not adopted a written charter for the equity subcommittee.

Notwithstanding our status as a “controlled company,” we intend to continue to have a compensation & governance committee that is composed entirely of independent directors.

During 2015, the compensation & governance committee met in person or by telephone, or acted by unanimous written consent, ten times, which includes the separate meetings of the compensation and governance committees before the committees were combined in June 2015.

During 2015, the equity subcommittee of compensation & governance committee met in person or by telephone, or acted by unanimous written consent, fourteen times.

Policy Regarding Nominations

The policy of our board of directors is to encourage the selection of directors who will contribute to our mission to make the world more open and connected. Our board of directors is responsible for identifying and nominating members for election to our board of directors. The board of directors considers recommendations from directors, stockholders, and others as it deems appropriate, including our founder, Chairman, CEO, and controlling stockholder, Mr. Zuckerberg. Our board of directors may review from time to time the appropriate skills and characteristics desired of members of the board of directors, including the appropriate role of diversity. In evaluating potential candidates for nomination, our board of directors considers these factors in the light of the specific needs of the board of directors at that time and shall also consider advice and recommendations from our compensation & governance committee and from Mr. Zuckerberg.

The board of directors does not distinguish between nominees recommended by stockholders and other nominees. However, stockholders desiring to nominate a director candidate at the annual meeting must comply with certain procedures and requirements established by the SEC and our amended and restated bylaws and the stockholder must give timely notice to our Secretary in accordance with our amended and restated bylaws. Our amended and restated bylaws are available on our website at <http://investor.fb.com/governance.cfm>. Such nominations and notice should be submitted to Facebook, Inc., 1601 Willow Road, Menlo Park, California 94025, Attention: Secretary.

Board Role in Risk Oversight

Our board of directors as a whole has responsibility for overseeing our risk management. The board of directors exercises this oversight responsibility directly and through its committees. The oversight responsibility of the board of directors and its committees is informed by reports from our management team and from our internal audit department that are designed to provide visibility to the board of directors about the identification and assessment of key risks and our risk mitigation strategies. The full board of directors has primary responsibility for evaluating strategic and operational risk management, and for CEO succession planning. Our audit committee has the responsibility for overseeing our major financial and accounting risk exposures as well as legal and regulatory risk exposures. Our audit committee also oversees the steps our management has taken to monitor and control these exposures, including policies and procedures for assessing and managing risk and related compliance efforts. Finally, our audit committee oversees our internal audit function. Our compensation & governance committee evaluates risks arising from our compensation policies and practices, as more fully described in Part III, Item 11, “Executive Compensation—Compensation Discussion and Analysis—Compensation Risk Assessment.” The audit committee and the compensation & governance committee provide reports to the full board of directors regarding these and other matters.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the rules of the SEC require our directors, executive officers and persons who own more than 10% of our Class A common stock to file reports of their ownership and changes in ownership of our Class A common stock with the SEC. Based solely on our review of the reports filed during 2015 and questionnaires from our directors and executive officers, we determined that no director, executive officer, or beneficial owner of more than 10% of our Class A common stock failed to file a report on a timely basis during 2015, except for: (i) a late Form 4 filed by Reed Hastings to report vesting of his RSUs and acquisition of shares of Class A common stock dated June 10, 2015 and (ii) a late Form 4 filed by Colin S. Stretch to report the sale of our Class A common stock pursuant to a Rule 10b5-1 trading plan dated November 30, 2015.

Stockholder Communications

Stockholders may contact our board of directors about bona fide issues or questions about Facebook by sending a letter to the following address: c/o Facebook, Inc., 1601 Willow Road, Menlo Park, California, 94025, Attention: Board of Directors. Each communication should specify the applicable addressee or addressees to be contacted, the general topic of the communication, and the class and number of shares of our stock that are owned of record (if a record holder) or beneficially. If a stockholder wishes to contact the independent members of our board of directors, the stockholder should address such communication to the attention of the Lead Independent Director at the address above. Our legal department will initially receive and process communications before forwarding them to the addressee, and generally will not forward a communication that is unrelated to the duties and responsibilities of the board of directors, including communications the legal department determines to be primarily commercial in nature, is related to an improper or irrelevant topic, or is a request for general information about the company, its products, or services. In addition, material that is unduly hostile, threatening, illegal, or similarly unsuitable will be excluded, with the provision that any communication that is filtered out must be made available to any non-management director upon request.

Code of Conduct

We have adopted a Code of Conduct that applies to members of our board of directors, our executive officers, employees, contractors, consultants, and others working on our behalf. The Code of Conduct is available on our website at <http://investor.fb.com/governance.cfm>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Conduct by posting such information on our website at the address specified above.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Overview

This section explains our executive compensation philosophy, objectives, and design; our compensation-setting process; our executive compensation program components; and the decisions made in 2015 with respect to the compensation of each of our named executive officers. Our named executive officers for 2015, which consist of the executive officers who appear in “—2015 Summary Compensation Table” below, are:

- Mark Zuckerberg, our founder, Chairman, and Chief Executive Officer (CEO);
- Sheryl K. Sandberg, our Chief Operating Officer (COO);
- David M. Wehner, our Chief Financial Officer (CFO)
- Christopher K. Cox, our Chief Product Officer (CPO); and
- Mike Schroepfer, our Chief Technology Officer (CTO).

Executive Compensation Philosophy, Objectives and Design

Philosophy. We are focused on our mission to make the world more open and connected. We believe that Facebook is still in the early stages of this journey and that for us to be successful we must hire and retain people who can continue to develop our strategy, quickly innovate and build new products, bolster the growth of our user base and user engagement, and constantly enhance our business model.

To achieve these objectives, we need a highly talented team comprised of engineering, product, sales, and general and administrative professionals. We also expect our executive team to possess and demonstrate strong leadership and management capabilities.

Objectives. Our compensation programs for our named executive officers are built to support the following objectives:

- attract the top talent in our leadership positions and motivate our executives to deliver the highest level of individual and team impact and results;
- encourage our executives to model the important aspects of our culture, which include moving fast, being bold, communicating openly, focusing on impact, and building social value in the world;
- ensure each one of our named executive officers receives a total compensation package that encourages his or her long-term retention;
- reward high levels of performance with commensurate levels of compensation; and
- align the interests of our executives with those of our stockholders in the overall success of Facebook by emphasizing long-term incentives.

Design. Our executive compensation program continues to be heavily weighted towards equity, in particular restricted stock units (RSUs), with cash compensation that is generally below market relative to executive compensation at our peer companies. We believe that equity compensation offers the best vehicle to focus our executive officers on our mission and the achievement of our long-term strategic and financial objectives, and to align our executive officers with the long-term interests of our stockholders.

We typically grant our executive officers an annual equity award with service-based vesting conditions where the commencement of vesting is deferred until a date some years in the future, as discussed further in “—Elements of Executive Compensation—Equity Compensation” below. When combined with the executives' prior equity awards, we believe that these additional grants represent a strong long-term retention tool and provide the executive officers with long-term equity incentives.

We evaluate our executive compensation programs, including our mix of cash and equity compensation, on an annual basis or as circumstances require based on our business objectives and the competitive environment for talent. For the near future, we

anticipate continuing our emphasis on pay-for-performance and long-term incentive compensation for our executive officers while increasing cash compensation in order to move closer to market relative to our peer companies.

Compensation-Setting Process

Role of Our Compensation & Governance Committee. The compensation & governance committee is responsible for overseeing all aspects of our executive compensation programs, including executive salaries, payouts under our bonus plan, the size and structure of equity awards, and any executive perquisites. The compensation & governance committee is solely responsible for determining the compensation of our CEO and reviews and approves compensation of other executive officers. The compensation & governance committee was formed in June 2015 by merging two separate committees of our board of directors, the compensation committee and the governance committee. The compensation & governance committee is the successor to the compensation committee in all respects. We will not distinguish between the compensation committee and the compensation & governance committee and will refer to the compensation & governance committee throughout this document.

Role of Management. In setting compensation for 2015, our CEO, our COO, and our Head of People worked closely with the compensation & governance committee in managing our executive compensation program and attended meetings of the compensation & governance committee. Our CEO and COO made recommendations to the compensation & governance committee regarding compensation for our executive officers other than for themselves because of their daily involvement with our executive team. No executive officer participated directly in the final deliberations or determinations regarding his or her own compensation package, except for our CEO who has requested that his base salary continue to be fixed at \$1 per year.

Our management team and the compensation & governance committee each play a role in evaluating and mitigating any risk that may exist relating to our compensation plans, practices and policies for all employees, including our named executive officers, as further described in “—Compensation Risk Assessment” below.

Role of Compensation Consultant. The compensation & governance committee has the authority to engage its own advisors to assist in carrying out its responsibilities. In 2015, the compensation & governance committee engaged the services of Compensia, Inc. (Compensia), a national compensation consulting firm, to advise the compensation & governance committee regarding the amount and types of compensation that we provide to our executives and how our compensation practices compared to the compensation practices of other companies. Compensia reports directly to the compensation & governance committee. Compensia does not provide any services to us other than the services provided to the compensation & governance committee. The compensation & governance committee believes that Compensia does not have any conflicts of interest in advising the compensation & governance committee under applicable SEC or NASDAQ rules.

Use of Comparative Market Data. We aim to compensate our executive officers at levels that are commensurate with the most competitive levels of compensation for executives in similar positions at a group of publicly-traded peer companies set forth below, with whom we compete for hiring and retaining executive talent (our Peer Group). The compensation & governance committee also considered the scope of responsibility of each executive officer, our current practice of maintaining minimal differentiation between the cash packages of our executive officers, the unvested balances of equity awards for each executive officer, as well as the compensation & governance committee's assessment of each executive officer's performance and impact on the organization. In determining 2015 compensation, we did not use a formula for taking into account these different factors.

We analyze market data for executive compensation at least annually using the most relevant published survey sources, public filings and input from Compensia. Management and Compensia provided the compensation & governance committee with both cash and equity compensation data for our Peer Group, which was selected from companies that meet some or all of the criteria listed below:

- high technology or media company;
- key talent competitor;
- minimum revenue of \$4 billion; and/or
- minimum market capitalization of \$50 billion.

Using this criteria as a baseline, the compensation & governance committee approved the following companies for inclusion in our compensation Peer Group for 2015:

Adobe	Microsoft
Alphabet	Netflix
Amazon.com	Qualcomm
Apple	salesforce.com
Cisco Systems	SAP
eBay	The Walt Disney Company
EMC	Twitter
LinkedIn	VMware
	Yahoo!

In the fourth quarter of 2014, our compensation & governance committee reviewed our executive compensation against this Peer Group to ensure that our executive officer compensation was competitive and sufficient to recruit and retain our executive officers. Compensia provided the compensation & governance committee with total cash compensation data (base salaries and cash bonus awards at target) and total compensation data (total cash compensation and equity compensation) at various percentiles. While the compensation & governance committee considered this data in determining executive officer compensation, we did not seek to benchmark our executive compensation to any particular level. The total compensation for our named executive officers was not determined based on any pre-set “target” percentile of market. Rather, we sought to compensate our executive officers at a level that would allow us to successfully recruit and retain the best possible talent for our executive team. We relied heavily on the knowledge and experience of the compensation & governance committee and our management in determining the appropriate compensation levels for our executive officers. Overall, based on Compensia's analysis of our Peer Group, target total cash compensation for our executive officers was below the 25th percentile of our peers. When equity compensation was factored in, without taking into account the effect of the deferred vesting start dates that are applicable to the equity compensation of our executive officers, total compensation for our named executive officers, other than our CEO, fell between the 50th and 90th percentile relative to the companies in the Peer Group. In the second quarter of 2015, the compensation & governance committee reviewed the selection criteria and the companies in the Peer Group. Following that review, the compensation & governance committee decided not to make any changes to the composition of the Peer Group. Accordingly, we plan to use the following list of companies in our Peer Group for the 2016 executive compensation process:

Adobe	Microsoft
Alphabet	Netflix
Amazon.com	Qualcomm
Apple	salesforce.com
Cisco Systems	SAP
eBay	The Walt Disney Company
EMC	Twitter
LinkedIn	VMware
	Yahoo!

The compensation & governance committee expects to periodically review and update this Peer Group and the underlying criteria as our business and market environment continue to evolve.

Elements of Executive Compensation

Our executive officer compensation packages generally include:

- base salary;
- performance-based cash incentives; and
- equity-based compensation in the form of RSUs.

We believe that our compensation mix supports our objective of focusing on at-risk compensation having significant financial upside based on company and individual performance. We expect to continue to emphasize equity awards because of the direct link that equity compensation provides between stockholder interests and the interests of our executive officers, thereby motivating our executive officers to focus on increasing our value over the long term.

Base Salary. The compensation & governance committee believes base salaries are a necessary element of compensation in order to attract and retain highly qualified executive officers. The compensation & governance committee reviews base salaries for our executive officers at least annually and may adjust them from time to time, if needed, to reflect changes in market conditions or other factors. Historically, our executive officers have received base salaries within a very narrow range that was established when we were a smaller company with cash constraints, and based on our desire to maintain internal pay equity between executive officers and also relative to other key employees. As we have grown, we have increased base salaries for our executive officers (other than our CEO) with the goal of bringing salaries closer to market over time.

In the first quarter of 2015, the compensation & governance committee decided to increase the base salaries of our executive officers, other than our CEO, in order to continue to bring their salaries closer to those paid by our Peer Group companies for similar positions. Accordingly, our compensation & governance committee increased the base salary of Ms. Sandberg by \$60,000 and Messrs. Wehner, Cox, and Schroepfer by \$50,000. Following these 2015 salary increases, as noted above, these executive officer salaries fell between the 25th and 50th percentile of the salaries provided by our Peer Group companies for executives in similar positions. Mr. Zuckerberg has previously requested to receive a base salary of \$1 per year.

Named Executive Officer	2015 Base Salary
Mark Zuckerberg	\$ 1
Sheryl K. Sandberg	\$ 700,000
David M. Wehner	\$ 650,000
Christopher K. Cox	\$ 625,000
Mike Schroepfer	\$ 625,000

Cash Bonuses. Our 2015 Bonus Plan (Bonus Plan) provides variable cash incentives, payable semi-annually, that are designed to motivate our executive officers to focus on company-wide priorities and to reward them for individual results and achievements. In 2015, the individual target bonus percentage for each named executive officer was unchanged from 2014 at 75% of such executive's base salary. After the 2015 base salary increases noted above, target total cash compensation (base salary plus target bonus) for executive officers other than our CEO, was at approximately the 25th percentile of our Peer Group companies for executives in similar positions. All of our executive officers, except our CEO, participated in the Bonus Plan in 2015.

For 2015, there were two six-month performance periods under our Bonus Plan, which we refer to as First Half 2015 and Second Half 2015. For each performance period in 2015, the compensation & governance committee approved a set of company-wide priorities in order to focus our executive officers on key areas of performance for the period in question. The First Half 2015 and Second Half 2015 company priorities reflect operational and non-operational objectives established by our compensation & governance committee, in consultation with our CEO and CFO. The company-wide priorities do not have specific targets associated

with them for purposes of determining performance under the Bonus Plan, and our compensation & governance committee has complete discretion to determine the level of bonus payout for each performance period.

2015 Priorities and Company Performance Percentage. Our First Half 2015 company-wide priorities were as follows: grow our user base across all our products, increase sharing and engagement, continue to achieve revenue growth and significant savings from efficiency, improve product quality, improve our brand, and make progress toward our long-term investments. None of these priorities were assigned any specific weighting or dollar amount of the total bonus. The compensation & governance committee applied discretion in determining the company performance percentage on a qualitative basis, taking into account our delivery of results in the areas identified by the company-wide priorities approved by the compensation & governance committee, as well as our overall business, engineering, and product development achievements. The compensation & governance committee also did not determine any pre-set ranges for the company performance percentage. The First Half 2015 company performance percentage approved by the compensation & governance committee was 110%. The compensation & governance committee focused on our performance across all of the areas identified by the company-wide priorities.

Our Second Half 2015 company-wide priorities were as follows: grow our user base across all of our products, increase sharing, engagement, and utility, continue to achieve revenue growth and significant savings from efficiency, improve product quality, improve our brand and make progress toward our long-term investments. None of these priorities were assigned any specific weighting or dollar amount of the total bonus. The compensation & governance committee applied discretion in determining the company performance percentage on a qualitative basis, taking into account our delivery of results in the areas identified by the company-wide priorities approved by the compensation & governance committee, as well as our overall business, engineering, and product development achievements. The compensation & governance committee also did not determine any pre-set ranges for the company performance percentage. The Second Half 2015 company performance percentage approved by the compensation & governance committee was 125%. The compensation & governance committee focused on our performance across all of the areas identified by the company-wide priorities, particularly the strength of our user growth and engagement and our continued strong revenue growth.

Bonus Plan Payouts. We calculate Bonus Plan payouts to each participant using the following formula:

$$\text{Base Eligible Earnings (\$)} \times \text{Individual Bonus Target Percentage (\%)} \times \text{Individual Performance Percentage (\%)} \times \text{Company Performance Percentage (\%)} = \text{Individual Bonus Payout (\$)}$$

Individual Performance Percentage. The individual performance percentage is based upon each executive's individual performance assessment for the performance period under consideration. In line with our pay-for-performance philosophy, a higher performance assessment drives a higher individual percentage (and vice-versa) such that it is possible for an executive with a low assessment to get less than their target bonus payout, or no bonus payout whatsoever. In 2015, potential individual performance percentages under our Bonus Plan were 0%, 85%, 100%, 125%, 200%, or 300%. An executive meeting our expected high level of performance expectations would receive an individual performance percentage of 100%.

Individual performance assessments for each executive officer were determined at the discretion of the compensation & governance committee in close consultation with our CEO and our COO (except in each case when their own performance assessment was being determined). The performance assessment determinations were based on an overall subjective assessment of each officer's performance and no single factor was determinative in setting bonus levels, nor was the impact of any individual factor on the bonus quantifiable. We operate in a rapidly evolving and highly competitive industry and we set a high bar for performance expectations for each one of our executive officers. The compensation & governance committee evaluates our executive officers based on their overall performance, impact, and results, as well as their demonstration of strong leadership, long-term vision, effective execution, and management capabilities. First Half 2015 and Second Half 2015 payout levels and achievements and considerations for each executive were as follows:

Mark Zuckerberg. Mr. Zuckerberg did not participate in the Bonus Plan in 2015. Although Mr. Zuckerberg did not participate in the Bonus Plan, the compensation & governance committee separately assessed his performance as our CEO.

Sheryl K. Sandberg. Ms. Sandberg received \$558,462 for the First Half 2015 bonus, which reflected her overall leadership and execution on business priorities, her contribution to growing revenue, including the continued growth in mobile ad revenue, and her leadership in key policy matters. Ms. Sandberg received \$706,731 for the Second Half 2015 bonus, which reflected her role in growing our revenue year over year, her strategic guidance in various business matters, and the strong growth in the number of advertisers on our platform.

David M. Wehner. Mr. Wehner received \$325,240 for the First Half 2015 bonus, which reflected his overall leadership of our finance organization and, in particular, driving long range planning for the company. Mr. Wehner received \$328,125 for the Second Half 2015 bonus, which reflected his effective communication with our investors, strategic facilities planning for our growing workforce and his contributions to the strong financial performance of the company, as well as the overall performance of the finance function.

Christopher K. Cox. Mr. Cox received \$499,760 for the First Half 2015 bonus, which reflected his overall leadership of the product organization, improvements in the quality of News Feed and his contributions to increases in user growth and engagement. Mr. Cox received \$394,381 for the Second Half 2015 bonus, which reflected his leadership and innovations in the areas of product design and engagement such as Reactions, progress in our brand efforts, and continued growth in time spent with our products.

Mike Schroepfer. Mr. Schroepfer received \$312,350 for the First Half 2015 bonus, which reflected his leadership and execution on our engineering priorities, recruitment of engineering leadership talent and the continued development of a sustainable and cost-effective engineering infrastructure. Mr. Schroepfer received \$631,010 for the Second Half 2015 bonus, which reflected his strong leadership of the engineering team, successful launch of Gear VR, and continued progress on other long-term investments.

The following table summarizes the calculations that were used in determining the cash bonus paid to each of our named executive officers:

	Performance Period	Base Eligible Earnings (\$)⁽¹⁾	Individual Bonus Percentage (target bonus) (%)	Individual Performance Percentage (%)	Company Performance Percentage (%)	Individual Bonus Payout (\$)
Sheryl K. Sandberg	First Half 2015	338,462	75	200	110	558,462
	Second Half 2015	376,923	75	200	125	706,731
	Total	715,385				1,265,193
David M. Wehner	First Half 2015	315,385	75	125	110	325,240
	Second Half 2015	350,000	75	100	125	328,125
	Total	665,385				653,365
Christopher K. Cox	First Half 2015	302,885	75	200	110	499,760
	Second Half 2015	336,538	75	125	125	394,381
	Total	639,423				894,141
Mike Schroepfer	First Half 2015	302,885	75	125	110	312,350
	Second Half 2015	336,538	75	200	125	631,010
	Total	639,423				943,360

(1) Reflects actual earnings for 2015, which may differ from approved 2015 base salaries due to the effective dates of salary increases and the number of pay dates in the calendar year.

Equity Compensation. Most of our executive officers' compensation is delivered through equity awards. We use equity compensation to align our executive officers' financial interests with those of our stockholders, to attract industry leaders of the highest caliber, and to retain them for the long term. In addition to the initial equity grant that each executive receives as part of his or her new hire package, the compensation & governance committee typically grants our executives additional equity awards each year as part of our company-wide equity refresher program. Additional equity grants for each of our executive officers are determined on a discretionary basis taking into account the following factors:

- delivering equity values that are highly competitive when compared against those our Peer Group would grant to executives with similar responsibility;
- each executive officer's individual performance assessment, the results and contributions delivered during the year, as well as the anticipated potential future impact of each individual executive;
- the size and vesting schedule of existing equity grants in order to maximize the long-term retentive power of all additional grants; and
- the size of each executive officer's total cash compensation (base salary plus cash bonus awards at target), which is generally lower than the cash compensation for executives with similar responsibilities at our Peer Group.

Based on the foregoing factors, in 2015, our compensation & governance committee awarded each of our executive officers, other than our CEO, a grant of RSUs with a specific “initial equity value” based on an estimated total value for each grant before taking into account the deferred vesting considerations described below. The compensation & governance committee applied discretion in determining the specific individual equity values, vesting schedules and vesting start dates. Based on these qualitative decisions, the compensation & governance committee then calculated the number of RSUs to be granted by dividing this initial equity value by \$75.72 per share, which was the average closing price for the seven trading days following the announcement of our earnings for the fourth quarter of 2014 and the same price that was used for 2015 refresher grants to all other employees.

Vesting of 2015 RSU Grants. Due to our desire to provide incentives for our executive officers to focus on long-term strategic and financial objectives, the compensation & governance committee deferred the vesting start dates of all 2015 RSU grants made to our executive officers, other than our CFO, to a future date determined individually for each executive. As a result, the 2015 RSU grants generally will not begin to vest unless the recipient remains continuously employed by us through future dates as described in the following paragraphs and in “—2015 Grants of Plan-Based Awards Table” below. The compensation & governance committee reviewed the size and vesting schedule for the remaining unvested portion of the outstanding equity award holdings of each of our executive officers and agreed with the recommendation of our CEO and COO (except that our COO did not participate in discussions regarding her own equity compensation) that the existing equity awards appropriately satisfied our retention and incentive goals for the immediate future for each of our executive officers. Accordingly, the additional equity awards granted to our executive officers in 2015, other than our CFO, start vesting only after a significant portion of each executive's outstanding equity awards have vested. The compensation & governance committee believes that these deferred vesting schedules make the equity awards more valuable to us in retaining our executive officers and reflect our emphasis on our long-term success. In the case of our CFO, the compensation & governance committee determined that it was appropriate not to defer the vesting start date for Mr. Wehner’s 2015 RSU grant in order to increase his total compensation to a level appropriate for his new role as CFO. Typically the RSU grants for our executive officers vest over four years following the vesting start date. The compensation and governance committee determined that it was appropriate to shorten the vesting schedule for Ms. Sandberg and lengthen the vesting for Mr. Wehner based on individual circumstances described below. For more information relating to the vesting schedules of these RSU grants, see “—2015 Grants of Plan-Based Awards Table” below.

2015 Equity Grants. Mr. Zuckerberg did not receive any additional equity grants in 2015 because our compensation & governance committee believed that his existing equity ownership position sufficiently aligns his interests with those of our stockholders.

Our other named executive officers received the following RSU grants in 2015:

Sheryl K. Sandberg. Ms. Sandberg received an equity grant in the amount of 198,100 RSUs. This grant had an initial equity value of \$15.0 million. These RSUs are subject to three-year quarterly vesting based on continued employment from and after a deferred vesting start date of November 15, 2017. The compensation & governance committee determined that it was appropriate for this RSU grant to vest over three years in order to deliver competitive compensation in future years.

David M. Wehner. Mr. Wehner received an equity grant in the amount of 198,100 RSUs. This grant had an initial equity value of \$15.0 million. These RSUs are subject to five-year vesting with a one-year cliff based on continued employment from and after a vesting start date of February 15, 2015, such that one-fifth of the shares shall vest on February 15, 2016 and the remainder

of the shares shall vest quarterly thereafter. The compensation & governance committee determined that it was appropriate for this RSU grant to vest over five years to increase the retentive power of this grant.

Christopher K. Cox. Mr. Cox received an equity grant in the amount of 132,070 RSUs. This grant had an initial equity value of \$10.0 million. These RSUs are subject to four-year quarterly vesting based on continued employment from and after a deferred vesting start date of February 15, 2017.

Mike Schroepfer. Mr. Schroepfer received an equity grant in the amount of 132,070 RSUs. This grant had an initial equity value of \$10.0 million. These RSUs are subject to four-year quarterly vesting based on continued employment from and after a deferred vesting start date of February 15, 2017.

Following the grants of these equity awards, the total compensation for our named executive officers, other than our CEO, was between the 50th and 90th percentiles relative to the companies in our Peer Group.

Compensation Governance

The compensation & governance committee seeks to ensure sound executive compensation practices to adhere to our pay-for-performance philosophy while appropriately managing risk and aligning our compensation programs with long-term stockholder interests. The following practices were in effect during 2015:

- the compensation & governance committee is comprised solely of independent directors;
- the compensation & governance committee conducts an annual review and approval of our compensation strategy with assistance from its independent compensation consultant, Compensia, including a review of our compensation-related risk profile to ensure that our compensation-related risks are not reasonably likely to have a material adverse effect on our company;
- the compensation & governance committee retains discretion on bonus payouts to enable it to respond to unforeseen events and adjust bonus payouts as appropriate;
- we do not offer post-employment benefits; and
- our compensation philosophy and related governance features are complemented by several specific practices that are designed to align our executive compensation with long-term stockholder interests, including the following:
 - our executives are subject to company-wide policies that prohibit hedging activities, the pledging of our securities as collateral for loans, and the shorting of our securities;
 - we offer limited perquisites that are for business-related purposes or necessary for the security of our CEO and COO; and
 - our executives participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees.

Perquisites and Other Benefits

Consistent with the practices of many companies in our Peer Group, we provide certain perquisites to our named executive officers for the reasons described below.

Because of the high visibility of our company, our compensation & governance committee has authorized an “overall security program” for Mr. Zuckerberg to address safety concerns due to specific threats to his safety arising directly as a result of his position as our founder, Chairman, and CEO. We require these security measures for the company's benefit because of the importance of Mr. Zuckerberg to Facebook, and we believe that the costs of this overall security program are appropriate and necessary. We paid for the initial procurement, installation, and maintenance of security measures for Mr. Zuckerberg's personal residences, and we pay for the annual costs of security personnel. In addition, Mr. Zuckerberg uses private aircraft for personal travel in connection with his overall security program. On certain occasions, Mr. Zuckerberg may be accompanied by guests when using private aircraft. Although we do not consider Mr. Zuckerberg's overall security program to be a perquisite for his benefit for the

reasons described above, the costs related to personal security for Mr. Zuckerberg at his residence and during personal travel, as well as the costs of private aircraft for personal travel, pursuant to Mr. Zuckerberg's overall security program are reported as other compensation to Mr. Zuckerberg in the "All Other Compensation" column in "—2015 Summary Compensation Table" below.

Our compensation & governance committee has also authorized a security program for Ms. Sandberg, including certain personal security measures, to address safety concerns resulting from her position as our COO. We require these security measures for the company's benefit because of the importance of Ms. Sandberg to Facebook, and we believe the costs are appropriate and necessary. The costs related to personal security for Ms. Sandberg are reported as other compensation to Ms. Sandberg in the "All Other Compensation" column in "—2015 Summary Compensation Table" below.

2013 Say on Pay Vote

We held a non-binding advisory stockholder vote on the compensation program for our named executive officers, commonly referred to as a "say on pay" vote, at our 2013 Annual Meeting of Stockholders. Over 90% of the voting power of shares voted at the 2013 Annual Meeting of Stockholders were cast in favor of our say on pay proposal. Our then compensation committee considered the result of this advisory vote to be an endorsement of our compensation program, policies, practices and philosophy for our named executive officers. Our compensation & governance committee has considered and will continue to consider the outcome of our say on pay votes and our stockholder views when making compensation decisions for our named executive officers.

Based on the results of a separate non-binding advisory stockholder vote on the frequency of future stockholder advisory votes regarding the compensation program of our named executive officers, commonly referred to as a "say on frequency" vote, held at our 2013 Annual Meeting of Stockholders, our board of directors determined that we will hold our say on pay vote every three years until the next required say on frequency vote, which will occur no later than 2019.

We value the opinions of our stockholders and will continue to consider the outcome of future say on pay votes when we make compensation decisions for the members of our executive team, including the named executive officers. The next say on pay vote will take place at our 2016 Annual Meeting of Stockholders.

162(m) Tax Deductibility

Section 162(m) of the Internal Revenue Code of 1986, as amended (Code), limits the amount that we may deduct from our federal income taxes for remuneration paid to our named executive officers (other than our CFO) to \$1 million dollars per executive officer per year, unless certain requirements are met. Section 162(m) provides an exception from this deduction limitation for certain forms of "performance-based compensation," as well as for the gain recognized by covered executive officers upon the exercise of qualifying compensatory stock options. In addition, "grandfather" provisions may apply to certain compensation arrangements that were entered into by a corporation before it was publicly held and through April 1, 2015. While our compensation & governance committee is mindful of the benefit to us of the full deductibility of compensation, our compensation & governance committee believes that it should not be constrained by the requirements of Section 162(m) where those requirements would impair flexibility in compensating our executive officers in a manner that can best promote our corporate objectives. Therefore, our compensation & governance committee has not adopted a policy that requires that all compensation be deductible and, accordingly, gain recognized from RSUs granted after April 1, 2015 may be non-deductible. Our compensation & governance committee intends to continue to compensate our executive officers in a manner consistent with the best interests of our company and our stockholders. In addition, because of the fact-based nature of the performance-based compensation exception under Section 162(m) and the limited availability of formal guidance thereunder, we cannot guarantee that any compensation arrangements intended to qualify for exemption under Section 162(m) will actually receive this treatment.

Compensation Risk Assessment

Our management team and the compensation & governance committee each play a role in evaluating and mitigating any risk that may exist relating to our compensation plans, practices, and policies for all employees, including our named executive

officers. In early 2016, Compensia, the compensation & governance committee's independent compensation consultant, performed an assessment, in conjunction with management, of our compensation plans and practices and concluded that our compensation program does not create risks that are reasonably likely to have a material adverse effect on the company. The compensation & governance committee has reviewed this report and agreed with the conclusion. The objective of the assessment was to identify any compensation plans or practices that may encourage employees to take unnecessary risk that could threaten the company. No such plans or practices were identified. The risk assessment process included, among other things, a review of our cash and equity incentive-based compensation plans to ensure that they are aligned with our company performance goals and the overall compensation to ensure an appropriate balance between fixed and variable pay components and between short and long-term incentives.

Report of the Compensation & Governance Committee

This report of the compensation & governance committee is required by the Securities and Exchange Commission (SEC) and, in accordance with the SEC's rules, will not be deemed to be part of or incorporated by reference by any general statement incorporating by reference our annual report on Form 10-K for the fiscal year ended December 31, 2015 into any filing under the Securities Act of 1933, as amended (Securities Act), or under the Securities Exchange Act of 1934, as amended (Exchange Act), except to the extent that we specifically incorporate this information by reference, and will not otherwise be deemed "soliciting material" or "filed" under either the Securities Act or the Exchange Act.

Our compensation & governance committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and based on such review and discussions, the compensation & governance committee recommended to our board of directors that the Compensation Discussion and Analysis be included in our annual report on Form 10-K for the fiscal year ended December 31, 2015.

THE COMPENSATION & GOVERNANCE COMMITTEE

Reed Hastings (Chair)

Marc L. Andreessen

Peter A. Thiel

2015 Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to, earned by, or paid to each of the named executive officers for services rendered to us for the years ended December 31, 2015, 2014, and 2013.

Name and Principal Position	Fiscal Year	Salary (\$) ⁽¹⁾	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾	All Other Compensation (\$)	Total (\$)
Mark Zuckerberg	2015	1	—	—	5,037,840 ⁽⁴⁾	5,037,841
<i>CEO</i>	2014	1	—	—	6,213,106 ⁽⁴⁾	6,213,107
	2013	1	—	—	3,300,452 ⁽⁴⁾	3,300,453
Sheryl K. Sandberg	2015	715,385	1,265,193	15,465,667	1,252,724 ⁽⁵⁾	18,698,969
<i>COO</i>	2014	592,885	624,204	14,332,313	—	15,549,402
	2013	384,423	603,967	15,158,758	—	16,147,148
David M. Wehner ⁽⁶⁾	2015	665,385	653,365	15,465,667	9,000	16,793,417
<i>CFO</i>	2014	418,051	535,077	11,024,750	9905	11,987,783
Christopher K. Cox ⁽⁷⁾	2015	639,423	894,141	10,310,705	9,500	11,853,769
<i>CPO</i>	2014	533,654	898,991	11,024,750	12750	12,470,145
Mike Schroepfer	2015	639,423	943,360	10,310,705	9,140	11,902,628
<i>CTO</i>	2014	535,577	979,021	11,024,750	9,164	12,548,512
	2013	352,060	358,764	11,842,776	4,683	12,558,283

- (1) Reflects actual earnings for 2015, 2014, and 2013, which may differ from approved 2015, 2014, and 2013 base salaries due to the effective dates of salary increases.
- (2) The amounts reported in the bonus column represent discretionary bonuses earned pursuant to our Bonus Plan. For more information about our executive officers' discretionary bonuses, see “—Compensation Discussion and Analysis—Elements of Executive Compensation—Cash Bonuses” above.
- (3) Amounts reflect the aggregate grant date fair value of the RSUs of \$78.07, \$68.75, and \$27.57 per share for 2015, 2014, and 2013, respectively, without regard to forfeitures, computed in accordance with ASC 718. This amount does not reflect the actual economic value realized by the named executive officer. The RSUs granted to Ms. Sandberg during 2015 provide for quarterly vesting based on continued employment over three years with a deferred vesting start date of November 15, 2017. The RSUs granted to Messrs. Cox and Schroepfer during 2015 provide for quarterly vesting based on continued employment over four years with deferred vesting start dates of February 15, 2017. One-fifth of the RSUs granted to Mr. Wehner during 2015 vested on February 15, 2016 and the remaining shares vest quarterly based on continued employment over four years.
- (4) The amounts reported include approximately \$4,256,004, \$5,602,652, and \$2,647,288 in 2015, 2014, and 2013, respectively, for costs related to personal security for Mr. Zuckerberg at his residences and during personal travel pursuant to Mr. Zuckerberg's overall security program. The amounts reported also include approximately \$775,011, \$610,454 and \$650,164 in 2015, 2014, and 2013, respectively, for costs related to personal usage of private aircraft. For purposes of reporting the value of personal usage of private aircraft in this table, we use costs provided by the applicable charter company, which include passenger fees, fuel, crew and catering costs. For more information regarding Mr. Zuckerberg's overall security program, as well as his personal usage of private aircraft, see “—Executive Compensation—Compensation Discussion and Analysis—Perquisites and Other Benefits.”
- (5) The amounts reported in 2015 reflect costs related to personal security measures for Ms. Sandberg described in “—Executive Compensation—Compensation Discussion and Analysis—Perquisites and Other Benefits.”
- (6) Mr. Wehner was not a named executive officer for 2013.
- (7) Mr. Cox was not a named executive officer for 2013.

2015 Grants of Plan-Based Awards Table

The following table presents, for each of the named executive officers, information concerning each grant of an equity award made during the year ended December 31, 2015. This information supplements the information about these awards set forth in the 2015 Summary Compensation Table.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards (\$) ⁽¹⁾
Mark Zuckerberg	—	—	—
Sheryl K. Sandberg	3/16/2015	198,100 ⁽²⁾	15,465,667
David M. Wehner	3/16/2015	198,100 ⁽³⁾	15,465,667
Christopher K. Cox	3/16/2015	132,070 ⁽⁴⁾	10,310,705
Mike Schroepfer	3/16/2015	132,070 ⁽⁴⁾	10,310,705

- (1) Amounts reflect the grant date fair value of the RSUs of \$78.07 per share without regard to forfeitures, computed in accordance with ASC 718. This amount does not reflect the actual economic value realized by the named executive officer.
- (2) The vesting condition will be satisfied as to 1/12th of the total shares underlying the RSUs on February 15, 2018. The remaining shares underlying the RSUs vest at a rate of 1/12th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (3) The vesting condition was satisfied as to 1/5th of the total shares underlying the RSUs on February 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/20th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (4) The vesting condition will be satisfied as to 1/16th of the total shares underlying the RSUs on May 15, 2017. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.

2015 Outstanding Equity Awards at Year-End Table

The following table presents, for each of the named executive officers, information regarding outstanding stock options and RSUs held as of December 31, 2015.

Name	Option Awards					Stock Awards	
	Grant Date ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ⁽²⁾ (\$)	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 ⁽³⁾ (\$)
Mark Zuckerberg	—	—	—	—	—	—	—
Sheryl K. Sandberg	7/23/2010	2,333,333	1,166,667 ⁽⁴⁾	10.39	7/22/2020	—	—
	10/18/2010	173,333	1,026,667 ⁽⁵⁾	15.00 ⁽⁶⁾	10/17/2020	—	—
	3/25/2011	—	—	—	—	599,521 ⁽⁷⁾	62,745,868
	5/3/2012	—	—	—	—	345,543 ⁽⁸⁾	36,164,530
	5/6/2013	—	—	—	—	549,828 ⁽⁹⁾	57,544,998
	3/17/2014	—	—	—	—	208,470 ⁽¹⁰⁾	21,818,470
	3/16/2015	—	—	—	—	198,100 ⁽¹¹⁾	20,733,146
David M. Wehner	1/15/2013	—	—	—	—	75,000 ⁽¹²⁾	7,849,500
	5/6/2013	—	—	—	—	42,960 ⁽¹³⁾	4,496,194
	3/17/2014	—	—	—	—	160,360 ⁽¹⁴⁾	16,783,278
	3/16/2015	—	—	—	—	198,100 ⁽¹⁵⁾	20,733,146
Christopher K. Cox	8/26/2009	—	—	—	—	227,412 ⁽¹⁶⁾	23,800,940
	8/26/2010	—	—	—	—	519,505 ⁽¹⁷⁾	54,371,393
	3/25/2011	—	—	—	—	599,521 ⁽¹⁸⁾	62,745,868
	5/3/2012	—	—	—	—	545,957 ⁽¹⁹⁾	57,139,860
	5/6/2013	—	—	—	—	429,553 ⁽²⁰⁾	44,957,017
	3/17/2014	—	—	—	—	160,360 ⁽²¹⁾	16,783,278
	3/16/2015	—	—	—	—	132,070 ⁽²²⁾	13,822,446
Mike Schroepfer	1/12/2009 ⁽²³⁾	968,425	—	1.85	1/11/2019	—	—
	8/19/2009	1,091,148	—	2.95	8/18/2019	—	—
	8/26/2010	—	—	—	—	865,845 ⁽²⁴⁾	90,619,338
	3/25/2011	—	—	—	—	479,617 ⁽²⁵⁾	50,196,715
	5/3/2012	—	—	—	—	375,346 ⁽²⁶⁾	39,283,712
	5/6/2013	—	—	—	—	429,553 ⁽²⁷⁾	44,957,017
	3/17/2014	—	—	—	—	160,360 ⁽²⁸⁾	16,783,278
	3/16/2015	—	—	—	—	132,070 ⁽²⁹⁾	13,822,446

(1) All of the outstanding equity awards described in the footnotes below were granted under our 2005 Stock Plan or 2012 Equity Incentive Plan.

(2) With the exception of the stock option granted to Ms. Sandberg described in footnote (6) below, this column represents the fair value of a share of Class B common stock on the date of grant.

- (3) Represents the market value of the shares underlying the RSUs as of December 31, 2015, based on the official closing price of our Class A common stock, as reported on the NASDAQ Global Select Market, of \$104.66 per share on December 31, 2015. This value assumes that the fair market value of the Class B common stock underlying the RSUs, which is not listed or approved for trading on or with any securities exchange or association, is equal to the fair market value of our Class A common stock. Each share of Class B common stock is convertible into one share of Class A common stock at any time at the option of the holder or upon certain transfers of such shares.
- (4) 1/48th of the total number of shares subject to the original option grant vested on May 1, 2013. The remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to continued service to us through each vesting date.
- (5) 260,000 of the total number of shares subject to the original option grant vest in equal monthly installments for a period of 48 months beginning on May 1, 2013, and, thereafter, the remaining shares subject to the option vest in equal monthly installments for a period of 12 months, subject to continued service to us through each vesting date.
- (6) The compensation committee set the option exercise price for this grant at \$15.00 per share, a premium to the fair market value of a share of Class B common stock on the date of grant which was determined by our compensation committee to be \$12.56 per share.
- (7) 1/16th of the total shares underlying the original RSU grant vested on January 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (8) 1/16th of the total shares underlying the original RSU grant vested on February 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (9) 1/16th of the total shares underlying the RSUs will vest on February 15, 2018. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (10) 1/16th of the total shares underlying the RSUs will vest on May 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (11) 1/12th of the total shares underlying the RSUs will vest on February 15, 2018. The remaining shares underlying the RSUs vest at a rate of 1/12th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (12) 1/4th of the total shares underlying the original RSU grant vested on November 15, 2013. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares subject to the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (13) 1/16th of the total shares underlying the original RSU grant vested on February 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares subject to the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (14) 1/16th of the total shares underlying the RSUs will vest on May 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (15) 1/5th of the total shares underlying the original RSU grant vested on February 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/20th of the total number of shares subject to the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (16) 1/48th of the total number of shares subject to the original option grant vested on September 1, 2013. The remaining shares subject to the option vest at a rate of 1/48th of the total number of shares subject to the option each month thereafter, subject to continued service to us through each vesting date.
- (17) 1/16th of the total shares underlying the original RSU grant vested on August 15, 2013. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.

- (18) 1/16th of the total shares underlying the original RSU grant vested on July 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (19) 1/16th of the total shares underlying the RSUs will vest on February 15, 2017. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (20) 1/16th of the total shares underlying the RSUs will vest on August 15, 2017. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (21) 1/16th of the total shares underlying the RSUs will vest on May 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (22) 1/16th of the total shares underlying the RSUs will vest on May 15, 2017. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (23) In connection with certain estate planning transfers, options to purchase an aggregate of 763,000 shares of Class B common stock were held by Michael Schroepfer and Erin Hoffman, Co-Trustees of the HS Trust u/a/d 9/28/11 and Michael T. Schroepfer and Erin Hoffman, Co-Trustees of the Clover Irrevocable, Non-Exempt Trust u/a/d 6/27/11 as of December 31, 2015.
- (24) 1/16th of the total shares underlying the original RSU grant vested on August 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (25) 1/16th of the total shares underlying the original RSU grant vested on January 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (26) 1/16th of the total shares underlying the original RSU grant vested on November 15, 2014. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (27) 1/16th of the total shares underlying the RSUs will vest on February 15, 2018. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (28) 1/16th of the total shares underlying the RSUs will vest on May 15, 2016. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.
- (29) 1/16th of the total shares underlying the RSUs will vest on May 15, 2017. The remaining shares underlying the RSUs vest at a rate of 1/16th of the total number of shares underlying the RSUs each quarter thereafter, subject to continued service to us through each vesting date.

On March 6, 2016, our compensation & governance committee approved RSU grants to our named executive officers. These RSUs were granted on March 15, 2016 as follows: Sheryl K. Sandberg—179,890; David M. Wehner—134,920; Christopher K. Cox—134,920; and Mike Schroepfer—134,920. These RSUs will vest quarterly based on continued employment over four years with deferred vesting start dates of February 15, 2020 for Mr. Cox, November 15, 2019 for Mr. Schroepfer, May 15, 2019 for Ms. Sandberg, and November 15, 2016 for Mr. Wehner.

2015 Option Exercises and Stock Vested

The following table presents, for each of the named executive officers, the number of shares of our common stock acquired upon the exercise of stock options and the vesting and settlement of RSUs during 2015 and the aggregate value realized upon the exercise of stock options and the vesting and settlement of RSUs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾⁽²⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾⁽³⁾
Mark Zuckerberg	—	—	—	—
Sheryl K. Sandberg	—	—	472,531	41,004,637
David M. Wehner	—	—	96,480	8,504,184
Christopher K. Cox	—	—	722,600	63,114,036
Mike Schroepfer	637,000 ⁽⁴⁾	53,987,472	722,637	63,185,223

- (1) These values assume that the fair market value of the Class B common stock underlying certain of the RSUs and options, which is not listed or approved for trading on or with any securities exchange or association, is equal to the fair market value of our Class A common stock. Each share of Class B common stock is convertible into one share of Class A common stock at any time at the option of the holder or upon certain transfers of such shares.
- (2) The aggregate value realized upon the exercise of an option represents the difference between the aggregate market price of the shares of our Class B common stock, assumed to be equal to our Class A common stock as described in footnote (1) above, on the date of exercise and the aggregate exercise price of the option.
- (3) The aggregate value realized upon the vesting and settlement of an RSU represents the aggregate market price of the shares of our Class A common stock or Class B common stock (which is assumed to be equal to our Class A common stock as described in footnote (1) above) on the date of settlement.
- (4) Consists of 600,000 shares of Class B common stock issued upon exercise of stock options held by Mr. Schroepfer and 37,000 shares of Class B common stock issued upon exercise of stock options held by Mr. Schroepfer and Erin Hoffman, Co-Trustees of the Clover Irrevocable, Non-Exempt Trust u/a/d 6/27/11 as of December 31, 2015.

Employment Agreements and Offer Letters

We have entered into employment agreements or offer letters with each of the named executive officers. These agreements provide for at-will employment and generally include the named executive officer's initial base salary, and an indication of eligibility for an annual cash incentive award opportunity. In addition, each of our named executive officers has executed a form of our standard confidential information and invention assignment agreement.

Mark Zuckerberg

We entered into an amended and restated offer letter with Mr. Zuckerberg, our founder, Chairman, and CEO, in January 2012. This offer letter agreement has no specific term and constitutes at-will employment. Mr. Zuckerberg's annual base salary as of December 31, 2015 was \$1, and he is not eligible to receive bonus compensation under our Bonus Plan.

Sheryl K. Sandberg

We entered into an amended and restated employment agreement with Ms. Sandberg, our COO and a member of our board of directors, in January 2012. The employment agreement has no specific term and constitutes at-will employment. Ms. Sandberg's annual base salary as of December 31, 2015 was \$700,000, and she is eligible to receive semi-annual bonus compensation under our Bonus Plan.

David M. Wehner

We entered into an amended and restated offer letter with Mr. Wehner, our CFO, in August 2014. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Wehner's annual base salary as of December 31, 2015 was \$650,000, and he is eligible to receive semi-annual bonus compensation under our Bonus Plan.

Christopher K. Cox

We entered into an amended and restated offer letter with Mr. Cox, our CPO, in May 2014. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Cox's annual base salary as of December 31, 2015 was \$625,000, and he is eligible to receive semi-annual bonus compensation under our Bonus Plan.

Mike Schroepfer

We entered into an amended and restated offer letter with Mr. Schroepfer, our CTO, in January 2012. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Schroepfer's annual base salary as of December 31, 2015 was \$625,000, and he is eligible to receive semi-annual bonus compensation under our Bonus Plan.

Potential Payments upon Termination or Change in Control

None of our named executive officers are entitled to payments or acceleration of vesting with respect to equity awards held by such named executive officers in connection with a termination or a change in control.

Limitations on Liability and Indemnification Matters

Our restated certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and amended and restated bylaws require us to indemnify our directors, executive officers, and other key employees made or threatened to be made a party to an action or proceeding, by reason of the fact that he or she serves or served in such capacity at our request to the maximum extent not prohibited by the Delaware General Corporation Law or any other applicable law and allow us to indemnify other officers, employees, and other agents as set forth in the Delaware General Corporation Law or any other applicable law.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, executive officers, and other key employees, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, require us to indemnify our directors, executive officers, and other key employees for certain expenses, including attorneys' fees, judgments, penalties fines, and settlement amounts actually and reasonably incurred by a director or executive officer in any action or proceeding arising out of their services as one of our directors or executive officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request, including liability arising out of negligence or active or passive wrongdoing by the officer or director. We believe that these charter provisions and indemnification agreements are necessary to attract and retain qualified persons such as directors, officers and key employees. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (Securities Act), may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Rule 10b5-1 Sales Plans

Certain of our directors and executive officers have adopted written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. The director or executive officer may amend or terminate the plan in specified circumstances. Our executive officers and directors are required to conduct all purchase or sale transactions under a Rule 10b5-1 plan.

Director Compensation

Non-Employee Director Compensation Arrangements

Each non-employee member of our board of directors receives an annual retainer fee of \$50,000. Members of our audit committee (other than the chair) receive an annual retainer fee of \$20,000, and the chair of our audit committee receives an annual retainer fee of \$50,000.

Each of our non-employee directors who is an existing member of our board of directors as of the date of our annual stockholder meeting for each such year also will be eligible to receive an annual grant of RSUs equal to \$300,000 divided by the average daily closing price of our Class A common stock in May of such year. These awards will be approved each year automatically on the later of June 1 or the date of our annual meeting of stockholders for the particular year. These awards will vest fully on the earlier of (i) May 15 of the following year or (ii) the date of our annual meeting of stockholders of the following year if the director does not stand for re-election or is not re-elected at such annual meeting, so long as the recipient is a director on such date.

In 2015, annual grants of 3,778 RSUs were made to each non-employee director, which is equal to \$300,000 divided by the average daily closing price of our Class A common stock in May 2015. These RSUs vest on May 15, 2016, so long as the non-employee director is a member of our board of directors on such date.

New non-employee directors also will be eligible to receive a grant of RSUs in an amount and on terms to be approved by our board of directors at the time of appointment.

2015 Director Compensation

The following table presents the total compensation for each person who served as a member of our board of directors during 2015. Other than as set forth in the table and described more fully below, in 2015 we did not pay any fees to, make any equity awards to, or pay any other compensation to the members of our board of directors who served as members during 2015. Mr. Zuckerberg, Ms. Sandberg, and Mr. Koum do not receive compensation for their service as directors. Total compensation for Mr. Zuckerberg and Ms. Sandberg for services as employees is presented in “—2015 Summary Compensation Table” above.

Director Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)⁽¹⁾	All Other Compensation (\$)	Total (\$)
Marc L. Andreessen ⁽²⁾	70,000	304,922	—	374,922
Erskine B. Bowles ⁽³⁾	100,000	304,922	—	404,922
Donald E. Graham ⁽⁴⁾	25,000	—	—	25,000
Reed Hastings ⁽⁵⁾	50,000	304,922	—	354,922
Susan Desmond-Hellmann ⁽⁶⁾	70,000	304,922	—	374,922
Jan Koum ⁽⁷⁾	—	—	1	1
Peter A. Thiel ⁽⁸⁾	50,000	304,922	—	354,922

(1) Amounts reflect the aggregate grant date fair value of the RSUs without regard to forfeitures, computed in accordance with ASC 718. This amount does not reflect the actual economic value realized by the director.

(2) As of December 31, 2015, Mr. Andreessen held 3,778 RSUs, which will vest on May 15, 2016 so long as Mr. Andreessen is a member of our board of directors on such date.

(3) As of December 31, 2015, Mr. Bowles held 3,778 RSUs, which will vest on May 15, 2016 so long as Mr. Bowles is a member of our board of directors on such date.

(4) Mr. Graham ceased service as a member of our board of directors on June 11, 2015.

- (5) As of December 31, 2015, Mr. Hastings held 3,778 RSUs, which will vest on May 15, 2016 so long as Mr. Hastings is a member of the board of directors on such date.
- (6) As of December 31, 2015, Dr. Desmond-Hellmann held 10,445 RSUs. Of these RSUs, 6,250 will vest in quarterly installments until February 15, 2017 and 417 RSUs will vest on May 15, 2017, subject to continued service to us through each vesting date, and the remaining 3,778 RSUs will vest on May 15, 2016 so long as Dr. Desmond-Hellmann is a member of our board of directors on such date.
- (7) Represents annual salary of \$1 for service as an employee. As of December 31, 2015, Mr. Koum held 19,468,550 RSUs, all of which were granted to Mr. Koum in his capacity as an employee in connection with our acquisition of WhatsApp. Of these RSUs, 9,941,387 RSUs will vest in equal quarterly installments until November 15, 2017, 7,456,040 RSUs will vest in equal quarterly installments from November 15, 2017 until August 15, 2018, and the remaining 2,071,123 RSUs will vest on November 15, 2018, subject to continued service to us through each vesting date. Mr. Koum's grant will accelerate in full if he is involuntarily terminated without cause or resigns for good reason. Mr. Koum did not receive any compensation for his service as a director in 2015.
- (8) As of December 31, 2015, Mr. Thiel held 3,778 RSUs, which will vest on May 15, 2016 so long as Mr. Thiel is a member of our board of directors on such date.

Compensation & Governance Committee Interlocks and Insider Participation

During 2015, our compensation & governance committee consisted of Messrs. Andreessen, Hastings, and Thiel. None of them has at any time in the last fiscal year been one of our officers or employees. Moreover, none of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board of directors or compensation & governance committee during 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2016, for:

- each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of Class A common stock or Class B common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission (SEC). Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the following table have sole voting and investment power with respect to all shares of Class A common stock or Class B common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 2,311,052,873 shares of Class A common stock and 548,638,840 shares of Class B common stock outstanding at March 31, 2016. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, restricted stock units (RSUs) or other convertible securities held by that person or entity that are currently exercisable or releasable or that will become exercisable or releasable within 60 days of March 31, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner listed in the following table is c/o Facebook, Inc., 1601 Willow Road, Menlo Park, California 94025.

Name of Beneficial Owner	Shares Beneficially Owned				% of Total Voting Power ⁽¹⁾
	Class A		Class B		
	Shares	%	Shares	%	
Named Executive Officers and Directors:					
Mark Zuckerberg ⁽²⁾	3,999,241	*	418,981,071	76.4	53.8
Shares subject to voting proxy ⁽³⁾	—	—	48,892,913	8.9	6.3
Total ⁽²⁾⁽³⁾	3,999,241	*	467,873,984	85.3	60.1
Sheryl K. Sandberg ⁽⁴⁾	5,014,553	*	2,859,253	*	*
David M. Wehner ⁽⁵⁾	99,878	*	—	—	*
Christopher K. Cox ⁽⁶⁾	499,793	*	169,278	*	*
Mike Schroepfer ⁽⁷⁾	478,702	*	2,180,233	*	*
Marc L. Andreessen ⁽⁸⁾	171,646	*	379,429	*	*
Erskine B. Bowles ⁽⁹⁾	36,513	*	—	—	*
Susan D. Desmond-Hellmann ⁽¹⁰⁾	25,680	*	—	—	*
Reed Hastings ⁽¹¹⁾	130,921	*	—	—	*
Jan Koum ⁽¹²⁾	60,239,391	2.6	—	—	*
Peter A. Thiel ⁽¹³⁾	1,075,811	*	54,995	*	*
All executive officers and directors as a group (13 persons) ⁽¹⁴⁾	72,165,123	3.1	473,558,630	85.5	61.2
Other 5% Stockholders:					
Dustin Moskovitz ⁽¹⁵⁾	N/A ⁽¹⁵⁾	N/A ⁽¹⁵⁾	48,892,913	8.9	6.3
Eduardo Saverin ⁽¹⁶⁾	5,900,000	*	47,233,360	8.6	6.1
Entities affiliated with BlackRock ⁽¹⁷⁾	126,420,664	5.5	—	—	1.6
Entities affiliated with Fidelity ⁽¹⁸⁾	150,655,575	6.5	—	—	1.9
Entities affiliated with Vanguard ⁽¹⁹⁾	130,370,552	5.6	—	—	1.7

* Less than 1%.

- (1) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class. The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share.
- (2) Consists of (i) 4,857,323 shares of Class B common stock held of record by Mark Zuckerberg, Trustee of The Mark Zuckerberg Trust dated July 7, 2006 (2006 Trust); (ii) 3 shares of Class B common stock held of record by Mark Zuckerberg, Trustee of the Openness Trust, dated April 2, 2012; (iii) 1,050,117 shares of Class A common stock held of record by Mark Zuckerberg, Trustee of The Mark Zuckerberg 2014 GRAT No. 1 dated May 8, 2014; (iv) 1,224,587 shares of Class A common stock held of record by Mark Zuckerberg, Trustee of The Mark Zuckerberg 2014 GRAT No. 2 dated May 8, 2014; (v) 1,278,591 shares of Class A common stock held of record by Mark Zuckerberg, Trustee of The Mark Zuckerberg 2014 GRAT No. 3 dated May 8, 2014; and (vi) 445,946 shares of Class A common stock and 414,123,745 shares of Class B common stock held of record by Chan Zuckerberg Initiative, LLC (CZI). The 2006 Trust is the sole member of CZI. Mr. Zuckerberg is the sole trustee of the 2006 Trust and, therefore, is deemed to have sole voting and investment power over the securities held by CZI.
- (3) Consists of shares of our Class B common stock beneficially owned by Mr. Moskovitz over which, except under limited circumstances, Mr. Zuckerberg holds an irrevocable proxy, pursuant to a voting agreement between Mr. Zuckerberg, us, and Mr. Moskovitz with respect to certain matters, as indicated in footnote (15) below. We do not believe that the parties to the voting agreement constitute a “group” under Section 13 of the Securities Exchange Act of 1934, as amended, as Mr. Zuckerberg exercises voting control over these shares.
- (4) Consists of (i) 4,977,700 shares of Class A common stock held of record by Ms. Sandberg; (ii) 23,824 shares of Class A common stock held of record by Sheryl K. Sandberg, Trustee of the Sandberg-Goldberg Family Trust dated September 3, 2004; (iii) 2,741,120 shares of Class B common stock issuable upon exercise of options exercisable within 60 days of March 31, 2016;

and (iv) 13,029 shares of Class A common stock and 118,133 shares of Class B common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.

- (5) Consists of (i) 55,831 shares of Class A common stock held of record by Mr. Wehner and (ii) 44,047 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (6) Consists of (i) 384,010 shares of Class A common stock held of record by Mr. Cox; (ii) 76,945 shares of Class A common stock held of record by Christopher Cox, Trustee of the Christopher K. Cox Revocable Trust; (iii) 28,816 shares of Class A common stock held of record by the Remainder Interest Trust Created Under the Christopher K. Cox 2009 Annuity Trust dated 5/29/2009; and (iv) 10,022 shares of Class A common stock and 169,278 shares of Class B common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (7) Consists of (i) 468,680 shares of Class A common stock held of record by Mr. Schroepfer; (ii) 26,940 shares of Class B common stock held by Mr. Schroepfer and Erin Hoffmann as Co-Trustees of The Clover Irrevocable Nonexempt Trust u/a/d 6/27/11 which are issuable upon exercise of options exercisable within 60 days of March 31, 2016; (iii) 676,060 shares of Class B common stock held by Mr. Schroepfer and Erin Hoffmann as Co-Trustees of the HS Trust u/a/d 9/28/11 which are issuable upon exercise of options exercisable within 60 days of March 31, 2016; (iv) 1,296,573 shares of Class B common stock issuable upon exercise of options exercisable within 60 days of March 31, 2016; and (v) 10,022 shares of Class A common stock and 180,660 shares of Class B common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (8) Consists of (i) 167,868 shares of Class A common stock held of record by The Andreessen 1996 Living Trust (Andreessen Living Trust); (ii) 3,778 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016; (iii) 224,239 shares of Class B common stock to be received by Andreessen Horowitz Fund III, L.P., as nominee (AH Fund), in connection with our acquisition of Oculus VR, Inc. (Oculus); and (iv) 155,190 shares of Class B common stock to be received by AH Parallel Fund III, L.P., as nominee (AHPF), in connection with our acquisition of Oculus. The shares to be received by AH Fund and AHPF are currently being held in escrow and are subject to forfeiture during the escrow period stated to satisfy claims arising as a result of, among other things, Oculus' breach of any of its representations and warranties or covenants and agreements set forth in the amended and restated agreement and plan of merger dated April 21, 2014. Mr. Andreessen has irrevocably committed to cause all shares of Class B common stock that may be received by AH Fund and AHPF upon release of such escrow into Class A common stock. Mr. Andreessen and JPMorgan Chase Bank, N.A. (successor-in-interest to J.P. Morgan Trust Company, N.A.) are the trustees of the Andreessen Living Trust, and may be deemed to share voting and investment power over the securities held by the Andreessen Living Trust. AH Equity Partners III, L.L.C. (AHEP) is the general partner of AH Fund. Mr. Andreessen is one of the managing members of AHEP and, therefore, may be deemed to share voting and investment power over the securities held by AH Fund. AH Equity Partners III (Parallel), L.L.C. (AHEP Parallel) is the general partner of AHPF. Mr. Andreessen is one of the managing members of AHEP Parallel and, therefore, may be deemed to share voting and investment power over the securities held by AHPF. The address of Andreessen Living Trust, AH Fund, and AHPF is 2865 Sand Hill Road, Suite 101, Menlo Park, California 94025.
- (9) Consists of (i) 32,735 shares of Class A common stock held of record by Mr. Bowles and (ii) 3,778 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (10) Consists of (i) 20,652 shares of Class A common stock held of record by Nicholas S. Hellmann and Susan D. Desmond-Hellmann as the co-trustees of the Hellmann Family Trust and (ii) 5,028 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (11) Consists of (i) 79,297 shares of Class A common stock held of record by Mr. Hastings; (ii) 47,846 shares of Class A common stock held of record by the Hastings-Quillin Family Trust dated 05/13/1996 (Hastings Trust); and (iii) 3,778 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016. Mr. Hastings is one of the trustees of the Hastings Trust.
- (12) Consists of (i) 39,942,725 shares of Class A common stock held of record by Jan Koum, Trustee of the Butterfly Trust U/A/D 1/20/2004; (ii) 141,489 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust I U/A/D 4/29/2014; (iii) 141,489 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust II U/A/D 8/5/2014; (iv) 2,528,672 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust III U/A/D 10/9/2014; (v) 2,242,343 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust IV U/A/D 2/4/2015; (vi) 3,500,000 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust V U/A/D 4/29/2015; (vii) 3,500,000 shares of Class A common stock held of record by Jan Koum, Trustee of the

Jan Koum Trust VI U/A/D 8/5/2015; (viii) 3,500,000 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust VII U/A/D 10/20/2015; (ix) 3,500,000 shares of Class A common stock held of record by Jan Koum, Trustee of the Jan Koum Trust VIII U/A/D 1/29/2016; and (x) 1,242,673 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.

- (13) Consists of (i) 1,072,033 shares of Class A common stock held of record by Rivendell One LLC (Rivendell); (ii) 3,778 shares of Class A common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016; (iii) 41,631 shares of Class B common stock to be received by The Founders Fund IV, LP (FF) in connection with our acquisition of Oculus; and (iv) 13,364 shares of Class B common stock to be received by The Founders Fund IV Principals Fund, LP (FFPF) in connection with our acquisition of Oculus. The shares to be received by FF and FFPF are currently being held in escrow and are subject to forfeiture during the escrow period stated to satisfy claims arising as a result of, among other things, Oculus' breach of any of its representations and warranties or covenants and agreements set forth in the amended and restated agreement and plan of merger dated April 21, 2014. Mr. Thiel is the beneficial owner of Rivendell and has voting and investment power over the securities held by Rivendell. Mr. Thiel is one of the managers of the general partner of each of FF and FFPF, and, therefore, may be deemed to have voting and investment power over the securities held by these entities.
- (14) Consists of (i) 70,784,225 shares of Class A common stock; (ii) 468,308,408 shares of Class B common stock; (iii) 4,740,693 shares of Class B common stock issuable upon exercise of options exercisable within 60 days of March 31, 2016; and (iv) 1,380,898 shares of Class A common stock and 509,529 shares of Class B common stock issuable upon the settlement of RSUs releasable within 60 days of March 31, 2016.
- (15) Consists of 42,062,058 shares of Class B common stock held of record by Dustin A. Moskowitz, Trustee of The Dustin A. Moskowitz Trust dated December 27, 2005 (Moskovitz 2005 Trust) and 6,830,855 shares of Class B common stock held of record by Dustin Moskowitz, Trustee of The Dustin Moskowitz 2008 Annuity Trust dated March 10, 2008 (Moskovitz 2008 Trust). Mr. Moskowitz is trustee, co-trustee or beneficiary of the Moskowitz 2005 Trust and the Moskowitz 2008 Trust. The address of Mr. Moskowitz is 224 Jackson Street, Suite 300, San Francisco, California 94111. All of the shares held by the Moskowitz 2005 Trust and the Moskowitz 2008 Trust are subject to a voting agreement in favor of Mr. Zuckerberg referred to in footnote (3) above. Mr. Moskowitz did not respond to our request for ownership information with respect to our Class A common stock in connection with the preparation of this disclosure and we are not affiliated with Mr. Moskowitz or any other person that has access to such ownership information, so this disclosure is based on information obtained from our transfer agent and other information available to us as of March 31, 2016.
- (16) Consists of 5,900,000 shares of Class A common stock and 47,233,360 shares of Class B common stock held of record by Eduardo Saverin. The address of Mr. Saverin is c/o 9 Raffles Place, #42-02 Republic Plaza, Singapore 048619.
- (17) Based on information reported by BlackRock, Inc. on Schedule 13G filed with the SEC on January 26, 2016. Of the shares of Class A common stock beneficially owned, BlackRock, Inc. reported that it has sole dispositive power with respect to 126,331,177 shares, shared dispositive power with respect to 89,487 shares, sole voting power with respect to 109,415,876 shares, and shared voting power with respect to 89,487 shares. BlackRock, Inc. listed its address as 55 East 52nd Street, New York, New York 10055.
- (18) Based on information reported by FMR LLC on Schedule 13G/A filed with the SEC on February 12, 2016. Of the shares of Class A common stock beneficially owned, FMR LLC reported that it has sole dispositive power with respect to all of the shares and sole voting power with respect to 13,411,812 shares. FMR LLC listed its address as 245 Summer Street, Boston, Massachusetts 02210.
- (19) Based on information reported by The Vanguard Group on Schedule 13G filed with the SEC on February 10, 2016. Of the shares of Class A common stock beneficially owned, The Vanguard Group reported that it has sole dispositive power with respect to 125,954,634 shares, shared dispositive power with respect to 4,415,918 shares, sole voting power with respect to 4,177,030 shares, and shared voting power with respect to 212,800 shares. The Vanguard Group listed its address as 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes compensation plans under which our equity securities are authorized for issuance as of December 31, 2015.

Plan Category	(a) Total Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-average Exercise Price Of Outstanding Options, Warrants and Rights(\$) ⁽¹⁾	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders ⁽²⁾	95,497,130	7.10	98,465,884
Equity compensation plans not approved by security holders ⁽³⁾	29,355,630	N/A	N/A

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- (1) The weighted-average exercise price does not reflect the shares that will be issued in connection with the settlement of RSUs, since RSUs have no exercise price.
- (2) Prior to our initial public offering, we granted awards under our 2005 Stock Plan. Following our initial public offering, we granted awards under our 2012 Equity Incentive Plan.
- (3) Consists of shares of Class A common stock issuable upon the settlement of non-plan RSU awards made pursuant to Section 5635 (c)(4) of the NASDAQ rules to two employees in connection with the commencement of their service to us following our acquisition of WhatsApp.

Item 13. Certain Relationship and Related Transactions, and Director Independence

Since January 1, 2015, aside from the executive officer and director compensation arrangements discussed in Part III, Item 11, “Executive Compensation” above, we did not have any transactions to which we have been a participant, in which the amount involved in the transaction exceeds or will exceed \$120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest. Notwithstanding the foregoing, in 2015, related entities of certain of our directors and executive officers, or their immediate family members, purchased and received credits to purchase advertising from us in the ordinary course of business pursuant to our standard terms and conditions.

Review, Approval or Ratification of Transactions with Related Parties

We have adopted a related-party transactions policy to comply with Section 404 of the Securities Exchange Act of 1934, as amended, under which our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related-party transaction with us without the consent of our audit committee. If the related party is, or is associated with, a member of our audit committee, the transaction must be reviewed and approved by our compensation & governance committee. Any request for us to enter into a transaction with a related party must first be presented to our legal department for review. Our legal department then refers any transaction with a related party in which the amount involved exceeds \$120,000 and such party would have a direct or indirect material interest to our audit committee for review, consideration and approval. If advance approval of a transaction between a related party and our company was not feasible or was not obtained, the transaction must be submitted to the legal department for review as soon as reasonably practicable for determination of whether the transaction constituted a related-party transaction. The legal department then refers such transaction to the audit committee, at which time the audit committee considers whether to ratify and continue, amend and ratify, or terminate or rescind such related-party transaction. All of the transactions described above, including transactions in which the related party did not have a material interest, were reviewed and considered by, and were entered into with the approval of, or ratification by, our audit committee.

Board Independence

The rules of NASDAQ generally require that a majority of the members of a listed company’s board of directors be independent. Although we are a “controlled company” under the corporate governance rules of NASDAQ and, therefore, are not required to comply with certain rules requiring director independence, we have nevertheless opted, under our corporate governance guidelines, to have a majority of the members of our board of directors be independent and to have a compensation & governance committee comprised solely of independent directors. Our board of directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the rules of NASDAQ.

Item 14. Principal Accounting Fees and Services

The following table sets forth the aggregate fees for audit and other services provided by our independent registered public accounting firm, Ernst & Young LLP, for the years ended December 31, 2015 and 2014 (in thousands):

	2015	2014
Audit fees ⁽¹⁾	\$ 6,774	\$ 6,206
Audit-related fees ⁽²⁾	257	80
Tax fees ⁽³⁾	4,989	5,326
All other fees ⁽⁴⁾	132	66
Total fees	<u>\$ 12,152</u>	<u>\$ 11,678</u>

- (1) Audit fees consist of the aggregate fees billed for professional services rendered for (i) the audit of our annual financial statements included in our Annual Report on Form 10-K and a review of financial statements included in our Quarterly Reports on Form 10-Q, (ii) the filing of our registration statements, including our Registration Statements on Form S-3 in October 2014, (iii) services that are normally provided in connection with statutory and regulatory filings or engagements for those years, and (iv) accounting consultations.
- (2) Audit-related fees consist of service organization control examinations. Prior period has been reclassified to conform to current year presentation.
- (3) Tax fees in 2015 include \$2.7 million for tax compliance projects and \$2.3 million for tax advisory projects. Tax fees in 2014 include \$1.7 million for tax compliance projects and \$3.6 million for tax advisory projects.
- (4) All other fees consist of fees for services other than the services reported in audit fees, audit-related fees, and tax fees.

The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent accountants. These services may include audit services, audit-related services, tax services, and other services. The audit committee generally pre-approves particular services or categories of services on a case-by-case basis. The independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with these pre-approvals, and the fees for the services performed to date.

All of the services of Ernst & Young LLP for 2015 and 2014 described above were pre-approved by the audit committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules

We have filed the following documents as part of this report:

1. Consolidated Financial Statements:

Reports of Independent Registered Public Accounting Firm*

Consolidated Balance Sheets*

Consolidated Statements of Income*

Consolidated Statements of Comprehensive Income*

Consolidated Statements of Stockholders' Equity*

Consolidated Statements of Cash Flows*

Notes to Consolidated Financial Statements*

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

3. Exhibits

See the Exhibit Index immediately following the signature page of this report.

* Previously filed with our Annual Report on Form 10-K filed with the SEC on January 28, 2016, which is being amended hereby.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused Amendment No. 1 to this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FACEBOOK, INC.

Date: April 27, 2016

/s/ David M. Wehner

David M. Wehner
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation.	10-Q	001-35551	3.1	July 31, 2012	
3.2	Amended and Restated Bylaws.	10-Q	001-35551	3.2	July 31, 2012	
4.1	Form of Class A Common Stock Certificate.	S-1	333-179287	4.1	February 8, 2012	
4.2	Form of Class B Common Stock Certificate.	S-8	333-181566	4.4	May 21, 2012	
4.3	Sixth Amended and Restated Investors' Rights Agreement, dated December 27, 2010, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2	February 8, 2012	
4.4	Amendment No. 1 to Sixth Amended and Restated Investors' Rights Agreement, dated May 1, 2012, by and among Registrant and certain security holders of Registrant.	S-1	333-179287	4.2A	May 3, 2012	
4.5	Form of "Type 1" Holder Voting Agreement, between Registrant, Mark Zuckerberg, and certain parties thereto.	S-1	333-179287	4.3	February 8, 2012	
10.1+	Form of Indemnification Agreement.	S-1	333-179287	10.1	February 8, 2012	
10.2(A)+	2005 Stock Plan, as amended.	10-K	001-35551	10.2 (A)	February 1, 2013	
10.2(B)+	2005 Stock Plan forms of award agreements.	S-1	333-179287	10.2	February 8, 2012	
10.3(A)+	2012 Equity Incentive Plan, as amended.	10-K	001-35551	10.4 (A)	February 1, 2013	
10.3(B)+	2012 Equity Incentive Plan forms of award agreements.	10-Q	001-35551	10.2	July 31, 2012	
10.3(C)+	2012 Equity Incentive Plan forms of award agreements (Additional Forms).	10-K	001-35551	10.3 (C)	January 29, 2015	
10.4+	Form of Non-Plan Restricted Stock Unit Award Notice and Award Agreement	S-8	333-199172	99.1	October 6, 2014	
10.5+*	2015 Bonus Plan.					
10.6+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mark Zuckerberg.	S-1	333-179287	10.6	February 8, 2012	
10.7+	Amended and Restated Employment Agreement, dated January 27, 2012, between Registrant and Sheryl K. Sandberg.	S-1	333-179287	10.7	February 8, 2012	
10.8+	Amended and Restated Offer Letter, dated May 2, 2014, between Registrant and Christopher Cox.	10-K	001-35551	10.8	January 29, 2015	
10.9+	Amended and Restated Offer Letter, dated January 27, 2012, between Registrant and Mike Schroepfer.	S-1	333-179287	10.9	February 8, 2012	
10.10+	Offer Letter, dated August 25, 2014, between Registrant and David M. Wehner.	10-K	001-35551	10.10	January 29, 2015	
10.11+	Offer Letter, dated October 6, 2014, between Registrant and Jan Koum.	10-Q	001-35551	10.1	October 30, 2014	

10.12†	Lease, dated February 7, 2011, between Registrant and Wilson Menlo Park Campus, LLC.	S-1	333-179287	10.11	February 8, 2012	
10.13	Credit Agreement, dated August 15, 2013, between Registrant, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	001-35551	10.1	August 15, 2013	
21.1*	List of subsidiaries.					
23.1*	Consent of Independent Registered Public Accounting Firm.					
31.1*	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14 (a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					
31.2*	Certification of David M. Wehner, Chief Financial Officer, pursuant to Rule 13a-14 (a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					
31.3	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to Rule 13a-14 (a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.4	Certification of David M. Wehner, Chief Financial Officer, pursuant to Rule 13a-14 (a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1**	Certification of Mark Zuckerberg, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
32.2**	Certification of David M. Wehner, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					
101.INS*	XBRL Instance Document.					
101.SCH*	XBRL Taxonomy Extension Schema Document.					
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.					
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.					

+ Indicates a management contract or compensatory plan.

† Portions of exhibit have been granted confidential treatment by the SEC.

* Previously filed with our Annual Report on Form 10-K filed with the SEC on January 28, 2016.

** Previously furnished with our Annual Report on Form 10-K filed with the SEC on January 28, 2016.

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DIRECTORS

Mark Zuckerberg
Founder, Chairman and Chief Executive Officer,
Facebook

Sheryl K. Sandberg
Chief Operating Officer, Facebook

Marc L. Andreessen
Co-founder and General Partner, Andreessen Horowitz

Erskine B. Bowles
President Emeritus, University of North Carolina
(UNC)

Susan D. Desmond-Hellmann M.D., M.P.H
Chief Executive Officer, Bill & Melinda Gates Foundation

Reed Hastings
Chief Executive Officer and Chairman of the Board of
Directors, Netflix, Inc.

Jan Koum
Co-founder and Chief Executive Officer, WhatsApp

Peter A. Thiel
President, Thiel Capital
President, Clarium Capital
Managing Partner, Founders Fund

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Please read the section of our Annual Report on Form 10-K entitled “Note About Forward Looking Statements” for a discussion of the limitations and risks regarding forward-looking statements made in this Annual Report. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K included herein and these may cause actual results to differ materially from those contained in any forward-looking statements we may make. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

STOCKHOLDER INFORMATION

Investor Relations

Facebook, Inc.
1601 Willow Road
Menlo Park, California 94025
investor@fb.com

Investor Relations Website

<http://investor.fb.com>

Facebook’s Class A common stock trades on NASDAQ under the ticker symbol “FB”

Transfer Agent

Computershare Trust Company, N.A.
250 Royall Street
Canton, Massachusetts 02021
1 (855) 879-3967 (U.S.)
1 (781) 575-4340 (non-U.S.)
<http://www.computershare.com/investor>

Independent Registered Public Accounting Firm

Ernst & Young LLP

Annual Stockholder Meeting

Facebook’s Annual Stockholder Meeting will be held on June 20, 2016 at 11:00 am PT.

Please refer to <http://investor.fb.com/annual-proxy.cfm> for important information regarding attending the Annual Stockholder Meeting.

Facebook, the Facebook logo, FB, the Like button, Instagram, Oculus, WhatsApp, and our other registered or common law trademarks, service marks, or trade names appearing in this Annual Report on Form 10-K are the property of Facebook, Inc. or its affiliates. Other trademarks, service marks, or trade names appearing in this Annual Report are the property of their respective owners.



EXHIBIT 72

<http://www.adweek.com/digital/facebook-formalizes-reciprocity-policy-and-clearly-prohibits-replicating-core-features/>

Facebook formalizes reciprocity policy and clearly prohibits replicating core features

By [Brittany Darwell](#)

January 25, 2013



Facebook today [amended](#) its platform policy to formalize its stance toward which types of apps can use its data and when. The company clarified two key points: developers may not use its platform if they replicate core functionality of Facebook or if they offer social experiences but do not enable people to share their activity back with people on Facebook.

The update comes in response to a number of situations in the past week where Facebook restricted developers' access to certain data. Facebook previously had policies against "competing social networks" exporting its data, but the definition of social network could be up for debate, for instance in the case of Voxer, a voice messaging app that claims not to be a social network but was blocked from using Facebook's friend finder feature [last week](#).

At the time, Facebook spokespeople told the press that the company didn't want developers duplicating their functionality and taking data out of Facebook but not sharing any back. We critiqued the social network for regulating its platform this way without making this position explicit in its policies. Now Facebook has put this in writing in [section I.10](#):

Reciprocity and Replicating core functionality: (a) Reciprocity: Facebook Platform enables developers to build personalized, social experiences via the Graph API and related APIs. If you use any Facebook APIs to build personalized or social experiences, you must also enable people to easily share their experiences back with people on Facebook. (b) Replicating core

functionality: You may not use Facebook Platform to promote, or to export user data to, a product or service that replicates a core Facebook product or service without our permission.

This replaces the previous language:

Competing social networks: (a) You may not use Facebook Platform to export user data into a competing social network without our permission; (b) Apps on Facebook may not integrate, link to, promote, distribute, or redirect to any app on any other competing social network.

In general, the change benefits developers by being more specific. However, it does not fully explain Facebook's [decision](#) to restrict friend-finding access for Twitter's video sharing app Vine. The ban was more understandable under the policy against "competing social networks" but doesn't hold up as "replicating core functionality," especially because Vine does allow users to share their six-second videos to Facebook. It even does so using Facebook's Open Graph protocol, which makes the data it shares back to Facebook more structured.

In a blog post, Facebook Director of Platform Partnerships and Operations Justin Osofsky said that most developers should "keep doing what you're doing," noting that games, music, fitness, news and general lifestyle apps have been successfully using the platform to "create personalized and social experiences, and easily share what they're doing in your apps with people on Facebook."

When it comes to social networks, communication apps and other self-expression type services, however, Facebook is not willing to let its data be used without getting anything in return. Osofsky calls out apps that "replicate our functionality or bootstrap their growth in a way that creates little value for people on Facebook, such as not providing users an easy way to share back to Facebook."

This applies to Yandex's mobile search app Wonder, which had its data access blocked shortly after it launched [Thursday](#). Not only does the app replicate aspects of Graph Search, it violates an existing policy stating, "You must not include data obtained from us in any search engine or directory without our written permission."

The danger for many developers, though, is that Facebook is notorious for incorporating features that initially gained popularity as third-party apps: voice messaging, ephemeral messaging, Q&A, check-ins and others. The idea that a developer could build a new experience integrating Facebook and then have that component suddenly taken away when the social network decides to get into that business could be a major deterrent for building on the platform.

EXHIBIT 73

techcrunch.com

Facebook Launches Facebook Platform; They are the Anti-MySpace

Michael Arrington@arrington / May 24, 2007comment Comment

3-4 minutes



[Facebook](#) is holding a massive press/developer event today in San Francisco to officially launch [Facebook](#) Platform. 750 or so people are here.

A number of third party applications will also be announced, including Microsoft, Amazon, Slide, RockYou, Box.net, Red Bull, Washington Post, Project Agape, Prosper, Snapvine, iLike, PicksPal, Digg, Plum and others. Seventy companies in total are currently developing applicaitons. Mark Zuckerberg goes on stage at 3 pm to make the official announcement, and I'll be blogging live from here.

Facebook is giving an unprecedented amount of access to developers. The API would allow, for example, a third party to recreate Facebook Photos, the most used photo application on the web. Users could then remove the default Facebook Photos and install the third party version instead.

Applications can serve their own ads and/or conduct transactions

with users. Ads can basically be shown anywhere that Microsoft ads are not currently shown.

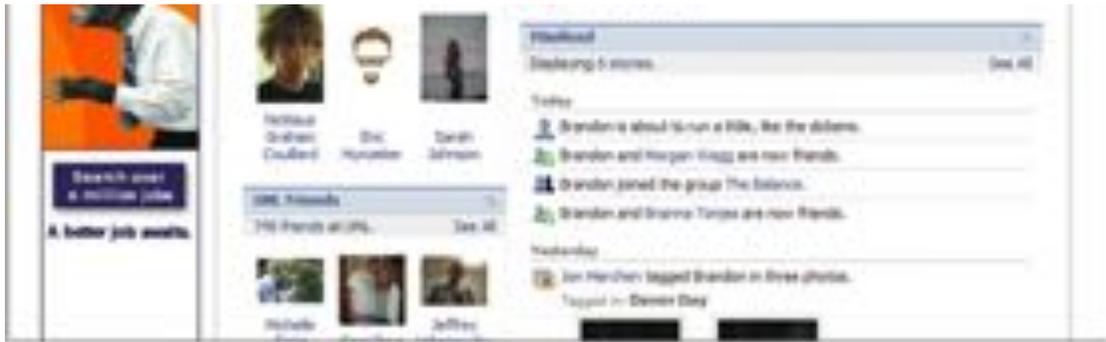
There will be a special applications area on Facebook where users can browse and add third party apps. But there is also a crucial viral component – when a friend adds an application, it is noted in their news stream on their profile. Clicking on the item brings you to the app, where you can add and/or interact with it yourself.

Users will also be adding applications to their site, where others can click and add it to their own profile. The apps will essentially look like any other Facebook application.

The payoff is two way. Not only do developers get deep access to Facebook’s twenty million users, Facebook also becomes a rich platform for third party applications.

Facebook’s strategy is almost the polar opposite from MySpace. While MySpace frets over third party widgets, alternatively shutting them down or acquiring them, Facebook is now opening up its core functions to all outside developers.





Notes from Zuckerberg Keynote:

Facebook is growing 3% per week, which is 100,000 new users per day.

The fastest growing demographic is the 25 and up age group.

50% of registered users come back to the site every day.

Talking about how Facebook opened up registrations last year, and launched News Feed.

Facebook is generating more than 40 billion page views per month. That's 50 pages per user every day.

6th most trafficked site in the U.S.

More page views than eBay. Says they are targeting Google next.

Applications: photos, groups, events. Plug into profiles. Use all the real connections people have

Their photos app is by far the number one photo site on the internet.

Events: similar story. 3x more people invited to events thru facebook than evite.

Says these apps work so well because of the "social graph" – a network of connections through which people share information

with friends.

The news feed feature in particular allows information to be pushed out through the social network to more people, faster than any time in history.

Deep intergation, significant freedom to monetize via ads and transactions.

Dan Lewin, Microsoft VP, on stage talking about integration of Popfly into Facebook.

Amazon exec on stage

Max Levchin, CEO Slide on stage.

EXHIBIT 74

mashable.com

The History of Facebook's Developer Platform [INFOGRAPHIC]

Stephanie Buck

2-3 minutes

Just to let you know, if you buy something featured here, Mashable might earn an affiliate commission.



If you didn't have weekend plans yet, you do now.

Image: samsung/cbs/mashable photo composite



By [Leah Stodart](#) Mashable Deals 2018-04-10 15:26:20

UTC

CBS All-Access is offering a [one-month free trial](#) instead of its usual one-week trial, and we are pumped. If you're one of those people who responds, "Yes, I've been here for the past six hours" when Netflix asks you if you're still there, you should keep reading.

SEE ALSO: [Hey Trekkies, you're gonna want this 'Star Trek' Bluetooth communicator](#)

Stream your local live broadcast station to watch sports, special events, and to make sure you don't miss the new episode of your current show. (Goodbye, Twitter spoilers.) You can also stream tons of classics like *Criminal Minds*, *Twin Peaks*, *The Big Bang Theory*, and the most binge-able show of all time: *CSI*.

A one-week trial isn't much time to get through all of these, but with a whole month, you can really do some damage.

Oh, and almost every season of *Star Trek* ever created is in there. *The Animated Series*, *The Next Generation*, *Deep Space Nine*, *Voyager*, *Enterprise*, and the new *Star Trek: Discovery* are all available. Binge long and prosper.

CBS All-Access usually costs \$5.99 or \$9.99 per month, depending on whether you want ads or not. Like [Netflix](#) or [Hulu](#), the [CBS All-Access app](#) can be accessed across all of your devices, including Apple TV, Chromecast, or Alexa and Fire TV. Coincidentally, the Amazon Fire TV Stick is on sale right now for [\\$10 off its original price](#) at just \$29.99. Looks like your weekend plans are set.

You will need a credit card to set it up, but you can cancel at any time — I'm sure we've all mastered the art of using free trials by

now. Learn more [here](#).

EXHIBIT 75

Newly Enhanced App

Introducing the new WSJ iPhone app for iOS. With an enhanced data center, easier navigation save and share functionality and more, the new WSJ app keeps you moving.

DOWNLOAD NOW

DOW JONES, A NEWS CORP COMPANY

Nikkei **22085.90** -0.34% ▼

Hang Seng **30213.80** -0.67% ▼

U.S. 10 Yr **-2/32 Yield 2.968%** ▼

Crude Oil **68.23** -0.25% ▼

Yen **107.81** 0.15% ▲

THE WALL STREET JOURNAL.

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<https://www.wsj.com/articles/SB10001424127887324392804578363033497647670>

APPS

Tensions Rise Between Facebook, Developers

The Social Network Steps Up Efforts to Curb Spam, But Developers Say It Is Blocking Competing Apps



MessageMe launched its messaging service on March 7, but co-founder Arjun Sethi says Facebook blocked his app last week from accessing users' friends lists, citing a policy that restricts apps from copying a core product or service. ANNIE TRITT FOR THE WALL STREET JOURNAL

By *Evelyn M. Rusli*

Updated March 19, 2013 1:39 p.m. ET

Last month in Paris, developer Antoine Morcos received an unexpected email: Facebook Inc. **FB -1.08%** ▼ said it was cutting ties with his photo-sharing application, Vintage Camera.

Mr. Morcos, 31 years old, instantly lost nearly half a million registered users who only accessed Vintage Camera through the social-networking site. Facebook, without being specific, said too many users had complained about Vintage Camera, said Mr. Morcos. He appealed, arguing his app fielded less than three complaints for every 1,000 photos shared, but Facebook didn't budge.

"I was really shocked," Mr. Morcos said. "Users were sharing as much as 6,000 photos per day on Facebook; now access is blocked."

Vintage Camera, which competes with Facebook's Instagram app, is one of a growing number of third-party apps that have been blocked by the social network recently.

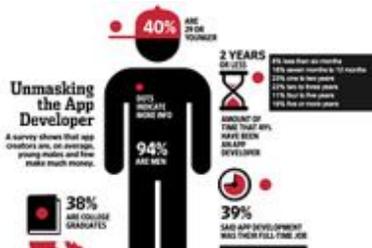
Facebook has long had a complex relationship with developers as it balances a complicated set of interests. The company says it is stepping up efforts to police the network by curbing spam and restricting apps that aren't adding sufficient value to the network.

Developers say the crackdown is an attempt to stifle applications that compete with Facebook-owned services or part of an effort to get developers to pay for ads on Facebook.

Apart from Vintage Camera, the social network also recently blocked messaging app Voxer, Yandex NV's Wonder social-discovery app, and Twitter Inc.'s Vine video app.

UNMASKING THE APP DEVELOPER

A survey shows that app creators are, on average, young males and few make much money.



On Friday, Facebook blocked MessageMe Inc., a messaging service that had just launched days earlier, from accessing users' friends list. Arjun Sethi, a MessageMe co-founder, said Facebook cited a section of its policy that addressed restricting apps that copied a core Facebook product or service.

According to people familiar with the matter, the fledgling service had recently rebuffed takeover interest from the social networking company.

Facebook declined to comment.

Doug Purdy, Facebook's director of developer products, declined to discuss the recent shutdowns of specific developers on the social network. "We enforce our policies for a variety of reasons, ranging from preventing spam and protecting the experience people have on Facebook, to the rare case when a developer is using our platform to replicate our core functionality without enabling people to share back to Facebook," he said.

Mr. Purdy added that most of the 10 million apps and websites hooked into Facebook seem satisfied. At Facebook's headquarters, desks on Mr. Purdy's floor have blue signs that proclaim that "developers are people too."

Developers are critical to Facebook because their content makes up a large share of posts that populate the social network, helping to attract new members and keep users engaged. Zynga Inc.'s social games on Facebook, for instance, drew tens of millions of people during Facebook's earlier years and kept users clicking.

But as Facebook becomes a bigger business, it is struggling to balance developers, advertisers and its own new products—such as its stand-alone messaging apps and voice calling—that may

FAVORITE APPS

Business leaders, athletes and entertainers share their smartphone and tablet apps for work and play. Tell us your favorites at #favoriteapp

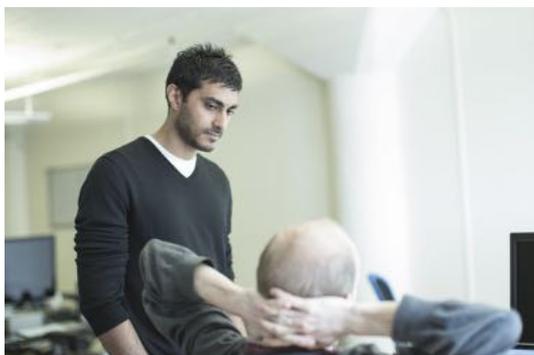


RELATED: THE BUSINESS OF APPS

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- The Evolving Economics of the App
- The Accelerators: Making Money on Apps
- App Economy | Live Stream

RELATED VIDEO

compete with those of third-party developers.



Arjun Sethi said his company had developed several apps for Facebook. ANNIE TRITT FOR THE WALL STREET JOURNAL

Several developers say Facebook has chipped

away at resources that they have relied on to capture new users on the social network.

Facebook recently clamped down on developers' ability to automatically post items on a user's wall and customize messages for people, and ran a test that limited how some developers can send alerts to members. All of this essentially reduced developers' ability to catch the attention of Facebook users.

In one email sent by a Facebook executive to several developers in January that was reviewed by The Wall Street Journal, the executive acknowledged that the ecosystem had changed and the company was prodding developers to "pay" for distribution.

In part, Facebook says some of the tension comes from its efforts to curb spam.

Every day, an internal system called "Stripe" monitors posts published by apps. If too many users report spam from an app, Facebook will restrict its distribution. Since last year—when Facebook began a major push to squash spam—complaints about spam have dropped 90%. Publishers and advertisers contend Facebook was suppressing their content.

"On the one hand, we have too much spam and on the other hand, there are publishers who say they want users to see every post," said Chris Cox, Facebook's vice president of product. He said the conflicting interests are at times "irreconcilable."

Some developers brush off the challenges of working with Facebook, arguing the value of the social network still outweighs the negatives. Will Harbin, CEO of online gaming company Kixeye Inc., said Facebook has "a great ecosystem." All the changes with how Facebook works with developers can be "a little frustrating, but if you take it from a high-level view, Facebook's very fair," he said.

Fair or not, Facebook's moves risk alienating developers, leading some to build applications that are less integrated with the site. A trend in this direction would mean less content and data for Facebook, potentially hampering its ability to serve ads.

Path Inc., a social networking app with millions of users, removed the option to create an account through Facebook in its latest version, which was released earlier this month.

The frustration, according to many developers, is the sense that Facebook's rules are always shifting. Popularity, for example, is largely dictated by a constantly changing algorithm that determines what posts a user sees in his or her Facebook feed, which developers and others have dubbed EdgeRank. EdgeRank surfaces just a fraction of the content available.

If the algorithm favors a certain type of post, apps can take off. That was the case for video-sharing companies like Viddy Inc., which peaked in early 2012 with tens of millions of registered users.

At its height, Viddy signed on about one million users a day through Facebook, said Brian O'Malley, a general partner at Battery Ventures and Viddy board member. During the first quarter of 2012, Viddy spoke with Facebook on numerous occasions, as the social network prepped for its initial public offering and looked to promote new content like video to boost activity on its site, Mr. O'Malley said.

But once Facebook went public, "they had to start thinking much more about becoming a business, and as a business, a higher percentage of the feed had to be about ads," Mr. O'Malley said. Viddy's monthly active users have dropped to 447,000 from 24.6 million last June, according to AppData.

Facebook is also aggressively expanding into new verticals—and squashing developers who compete in those areas, said some developers.

Messaging app Voxer, which has a walkie-talkie feature, was blocked from accessing users' friends lists by Facebook in January. Facebook told Voxer it was violating a section of its terms of service related to "competing" social networks, said Voxer Chief Executive Tom Katis.

That same month, Facebook added voice notes to its own messenger application. "They clearly had us in their cross hairs," said Mr. Katis. "Facebook can arbitrarily revoke access."

In January, Facebook also blocked Vine's access to users' friends list. Afterward, Facebook wrote on its developer blog that it has policies against startups that "either replicate our

functionality or bootstrap their growth in a way that creates little value for people on Facebook." A Twitter spokeswoman declined to comment.

MessageMe's Mr. Sethi said he was caught off guard by Facebook's block. Before launching MessageMe earlier this month, his co-founding team had collectively built more than two dozen applications for Facebook.

"Can you build a long term sustainable product through their platform?" Mr. Sethi said. "I think for some companies it's becoming harder."

Write to Evelyn M. Rusli at evelyn.rusli@wsj.com

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EXHIBIT 76

techcrunch.com

Early Studies Show Facebook Mobile App Install Ads Perform Well For Devs, Indicating Big Revenue Potential

Ingrid Lunden@ingridlunden / Jan 4, 2013comment Comment

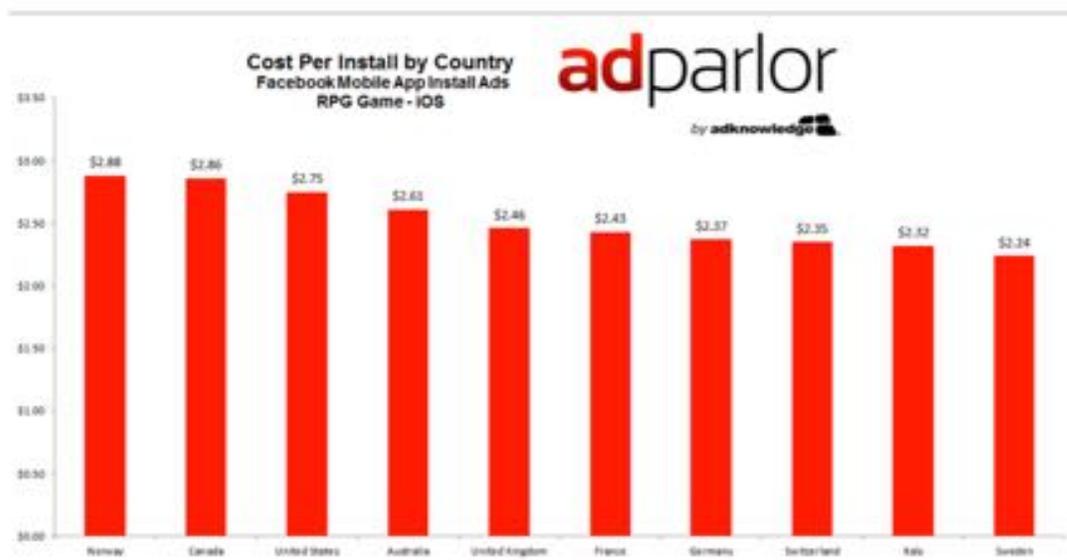
5-6 minutes

Chances are you may have seen one yourself, but just how well are [Facebook](#) mobile ads promoting app installs performing? [AdParlor](#), one of Facebook's advertising and marketing partners, has provided us with some data to show that the answer is rather well, although the experience of another developer points to some of those good gains possibly being short-lived. The gains of a strong app install model are potentially not just good news for developers — who need more than app store rankings these days to get their apps seen, installed and used — but also investors — who need to keep seeing evidence of solid business models in Facebook's business.

AdParlor recently ran a four-week campaign with a large global gaming company (it doesn't say which one), with app install ads placed in the mobile news feed. AdParlor found News Feed ads to be one of the most engaging and effective ad placements on Facebook's platform at the moment, with average click-through-

rates of 0.5% (ie, how many people click on the ads) and sometimes higher depending on the vertical.

AdParlor, the division of online advertising network Adknowledge that handles Facebook advertising for hundreds of companies like Groupon, L’Oreal, American Express, Coca Cola, LG, OMD, Mindshare, Starcom, says that this particular campaign was for a role-playing game, with the aim being (as it is with many Facebook ads) to drive more players to the game’s iOS app. The ad delivered 10 million mobile impressions and drove thousands of iOS installs over four weeks. Tracked and optimized for the most effective cost-per-install by country, this is how different countries broke down for cost-per-install:



What these numbers, all under \$3, show is that the cost-per-install — meaning the amount of money it is costing developers to get users to act on their ads — is still remaining relatively low. In other words, a lot of users are clicking on the ads and downloading.

That’s something Kate Smillie, a product director at app

developers Miso, [has also noted](#), with even more cost-effective results: Miso recently decided to buy mobile ad units on Facebook's mobile platform to promote a new app, Quips, along with ad units on two other networks, mDotm and Tapjoy.

Their conclusion: Facebook far and away had the best results, with \$0.45 Average cost-per-click (CPC) (not install); a 26% conversion rate of installs (actions) to clicks, with the average cost per user at \$1.73.

“As Facebook mobile app install ads evolve, we've seen very encouraging numbers across the board,” writes Hussein Fazal, CEO at AdParlor. “We believe budgets will continue to shift towards mobile, and expect Facebook mobile app install ads to be a key component of the marketing mix for all mobile application developers.” And viral installs, as they would be noted in the mobile ad, of friends downloading apps can be a good way of further driving growth of a new app. But that may not always remain the case. Smillie notes a couple of other important points:

- People may become more inured to mobile news stream ads the more they become accustomed to them. “When I first ran these campaigns I had never even seen a mobile install ad in my Newsfeed despite my best efforts to find one,” she writes. “Now it seems like I see one every time I open Facebook on iPhone.” And, as has been the case with a lot of other ad units, users will “see” (read: register) these ads as they become more and more prevalent.

- She also notes that cost-per-click bids are going up to over \$1.00 in some cases, while the range used by Miso was more like \$0.20 to \$0.50. “Bids change depending on the target

audience, so it's not surprising to see higher demand for socially active college grads with iPhones," she writes.

— But, in keeping with the the decreasing effectiveness with more maturity theory, she notes: "I've also seen the number of impressions served in our campaign slow down recently, despite continuing to raise our bid to stay within the suggested range... My gut tells me that these ads are performing well because they are still new to users, and I expect to see click-through-rates (CTRs) fall over time."

Two possible morals for the story for now: if you're a developer wanting to tap this ad unit for your own app, best do it *tout suite*. But with Facebook [last quarter making 15% of all its revenues](#), \$150 million, from mobile ads, expect the social network to introduce more ad units into mobile to counterbalance some of the relatively older ones performing less well.

If Facebook mobile app install ads continue to perform well once users acclimate to them, Facebook could have another big revenue stream on its hands. The app economy continues to heat up as every company and game developer goes mobile. But discovery through the App Stores is tough until you reach the top of the charts. So Facebook could position itself as the best way to buy legitimate installs, making it a core part of marketing spend for all developers.

And this is also why app install ad performance is important to everyone, not just developers. Facebook has to keep piling up solid revenue streams to make it worth betting on for investors.

Additional reporting: Josh Constine

EXHIBIT 77

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TECH

Facebook to Target Ads Based on App Usage

By *Shayndi Raice*

Updated July 6, 2012 3:12 p.m. ET

Facebook Inc. **FB -1.08%** ▼ is launching a new type of mobile advertising that targets consumers based on the apps they use, pushing the limits of how companies track what people do on their phones.

The social network is tracking the apps that people use through its popular Facebook Connect feature, which lets users log into millions of websites and apps as varied as Amazon.com, LinkedIn and Yelp with their Facebook identity. The company then targets ads based on that data, said people familiar with the company's plans.

FACEBOOK'S AD PLAN

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Facebook may also track what people do on the apps, though it hasn't made a final decision, said one of the people.

The new ads could stoke privacy concerns because they let Facebook go a step further than mobile-ad networks, which track what ads people have clicked on through a phone's Web browser.

Those networks aren't aware of all the apps that a user has on their phone.

Companies like Apple Inc. and Google Inc. track users' mobile apps but they approach ad targeting differently. Apple discloses to users in its privacy policy that it can target ads based on apps the person has downloaded from its App Store and iTunes. Google, however, doesn't target ads based on that data, though in theory it could. Neither Google nor Apple track what people do in their apps to target ads.

Facebook's new mobile ads for apps are potentially highly lucrative. Facebook would charge advertisers every time an app is installed on a users' smartphone, one of the people familiar with the plans said. Facebook can charge significantly more for an app installation than it can for the traditional cost of every one thousand people who have viewed an ad.



A picture taken on May 14, 2012 in Paris, shows an illustration made with a figurine set up in front of Facebook's homepage. AGENCE FRANCE-PRESSE/GETTY IMAGES

The ads, slated to be announced next month, will appear on mobile devices in Facebook's News Feed, a stream of updates from friends on the home page.

In what would be a typical scenario with the new ads, if someone is a frequent player of social game maker Zynga Inc.'s "Words with Friends" game, ads for other Zynga games will then show

up in that user's News Feed on their mobile device, said these people.

The new mobile advertising is a departure for Facebook on several fronts. Up until now, the Menlo Park, Calif., company has only pushed ads to people if they have effectively given permission to see the ad because they have "liked" a brand or company on the social network. With the new mobile ads, Facebook will target certain ads without getting that permission.

Privacy advocates said Facebook should provide ways for users to opt out of the mobile ad targeting.

Justin Brookman, director of the Center for Democracy and Technology's project on consumer privacy, said Facebook would ideally allow people to log in via Facebook Connect and then not track what they do.

But "if they are going to do it, they should be transparent about it," Mr. Brookman said. "Once you're signed in, are you really expecting that Facebook is going to be watching you while you're on there?"

A Facebook spokesman declined comment on privacy issues.

Facebook, which went public in May amid much hype, is under pressure to ramp up its revenue—especially through mobile devices. While the company has 900 million users globally and more than half access Facebook on a mobile phone, the company has offered advertisers only limited ways to pay to reach those users. In recent months, Facebook has become more aggressive about attracting mobile users and finding ways for advertisers to reach them.

BIA Kelsey analyst Jed Williams said the new ad product signals the beginning of more ways to make money off Facebook Connect. "Hundreds of millions of consumers are entrusting their online identity to Facebook so what are the possibilities for Facebook to monetize that?" he said. "Here's one experiment."

Facebook is mulling launching the new mobile ad product on July 16, said one of the people. But given the privacy concerns, there's a possibility Chief Operating Officer Sheryl Sandberg may mention the new ad product in Facebook's first earnings call with analysts on July 26 and then launch the product on July 30, this person said.

Write to Shayndi Raice at shayndi.raice@wsj.com

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EXHIBIT 78

BUSINESS

How Facebook Decides Which Apps Get To Take Your Data

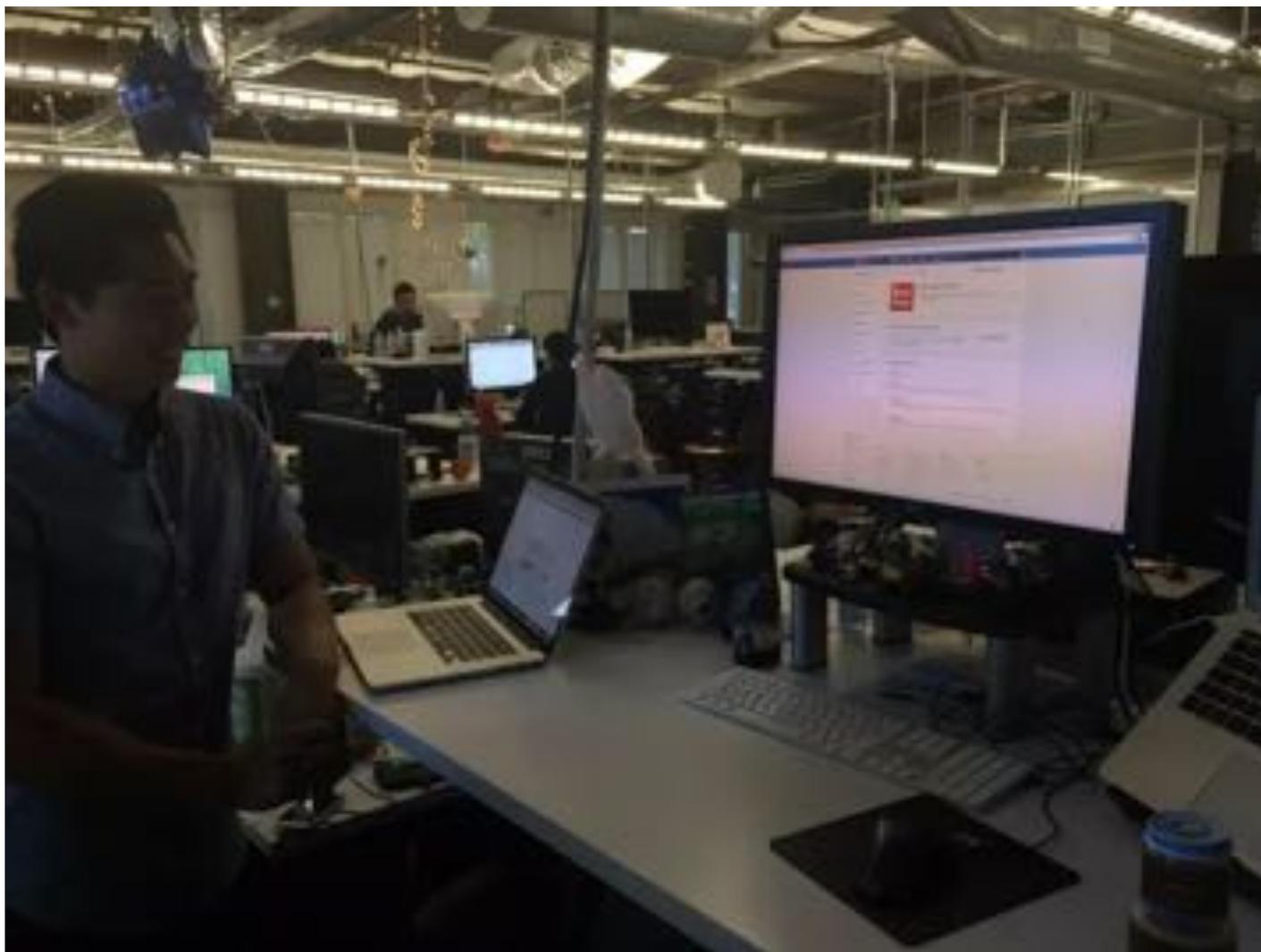
Earlier this year, Facebook implemented a review of apps that use Facebook login. Here are the results.

Posted on November 11, 2014, at 12:00 p.m.



Matthew Lynley

BuzzFeed News Reporter



BuzzFeed / Matthew Lynley

Earlier this year, [Facebook implemented a review system for applications](#) that access a user's Facebook data when they log in, as part of a crackdown on rogue apps that were asking for too much personal information.

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at about 25,000 apps since it implemented the review process, and though that number is still increasing, Product Manager Sean Leow said most applications are able to be reviewed in about a day.

One benefit of this tighter policing of how much data apps ask for: People become more likely to use them. "You just feel lighter going into the app," Leow said. "Anecdotally we see with many apps the actual install rate, if you're seeing less things you need you're gonna install that app more."

Facebook's developer operations team mixes technical expertise with a more human understanding of how their product is used. New recruits have to go through technical questions about databases — the team is constantly looking for ways to streamline the process with the data they gather — as well as walking through specific cases of how an application and a user interact.

"We have a couple principles that are, on a high level, what is the spirit of the law and what is the spirit of how people should use things," Leow said. "You run into gray areas or edge cases; those are the ones where we need to sit down as a group and say, 'Hey this doesn't fall into a bucket,' we talk with our team, the people who build it, and then we record it down in an internal wiki so we have reference on how we made a decision. Everything is still evaluated on a case-by-case basis."



Facebook

Facebook says the changes are in the best interest of developers and users. But they also seem to be part of a conscious effort to get users more comfortable with sharing their information, even as privacy concerns and security breaches abound. Each app gets access to three basic permissions: your Facebook profile which includes public information, like your profile photo; your email address; and which friends are using the app you are logging into.

But when developers ask for more permissions — like publishing stories to News Feed — it has to run through the company's new app review process. Some examples include access to sensitive parts of a person's profile that aren't public, permission to manage Facebook pages someone manages, or extended permissions that interact with a user's personal profile like publishing stories to a user's news feed.

Each app is reviewed by a member of Leow's team, rather than just going through an automated system, he said. When an application is submitted that uses Facebook login, the developer operations team flips through it to ensure that the app fulfills some of the best practices that Facebook requests for an application. That includes using permissions in the right way, and also making sure the assets and general quality of the app meets Facebook's standards.

Part of that is ensuring it's obvious when and where people are logging into Facebook, and the other part is ensuring users aren't surprised when an application automatically starts publishing stories on their News Feed, for example. The review process can be stringent, with applications going through an internal review system where a member of a team checks how the application actually uses each single permission an app is seeking to use. Users can also reject certain permissions that apps are asking for when they log into the app.

"It's one of the ways we want to make people feel comfortable, when they press login they feel like that's a good experience," he said. "I'm not scared to push this button, they see the dialogue where the app is looking for two pieces of data, that makes sense, it means I'm gonna have that good experience, versus when you go into some apps they may ask you for 50 things, that doesn't feel great."

Sometimes that results in Facebook bouncing the app back to the developer, but that usually includes

about a day to complete. Still, Facebook is expecting the number of applications asking for permissions to increase over time, especially with a deadline approaching for existing apps using Facebook Login that need to re-submit their apps for review before its next developer conference in 2015.

Facebook

share of that advertising revenue, but it also helps drive Facebook's spectacular growth as it matures into a public company worth hundreds of billions of dollars.

It's a long way from the earliest days of Facebook, where developers like Zynga would create games that relied on viral loops of people publishing stories on their News Feed to gather new friends and progress in the game. The developer operations team has specific relationships with larger developers like Zynga, but part of the push for quality applications has forced Facebook to extend those principles to general app developers. Facebook's Audience Network also didn't exist in the early days, when viral games thrived and developers were still toying with new use cases.

There's one good sign of how successful Facebook's developer outreach has been: Competitors are taking note, and imitating. Twitter recently rolled out its own developer platform that enables applications to use Twitter's login system and serve ads through its mobile advertising network, MoPub.

Twitter also added a new way to log in to applications using phone numbers and text messages to authenticate the login process. It's a reminder that while Twitter CEO Dick Costolo has been pushing analysts away from comparing the company to Facebook, it's still not averse to learning the occasional lesson from the king of the social media hill.

EXHIBIT 79

SOCIAL MEDIA

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Zuckerberg lashes out at 'fearful,' spotlights AI, chatbots

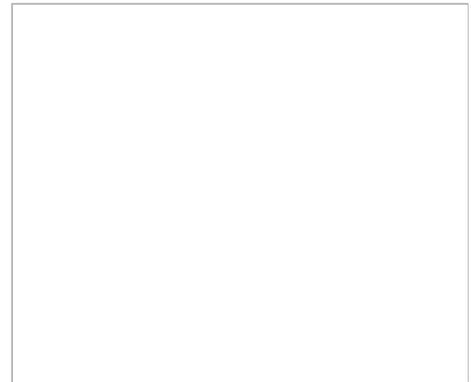
Everett Rosenfeld | @Ev_Rosenfeld

Published 1:15 PM ET Tue, 12 April 2016 | Updated 4:27 AM ET Thu, 14 April 2016



Zuckerberg: 'Instead of building walls, we can help people build bridges'

2:00 PM ET Tue, 12 April 2016 | 00:52



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Zuckerberg: 'Instead of building walls, we can help people build bridges'

2:00 PM ET Tue, 12 April 2016

Zuckerberg delivers keynote address at F8 conference

2:06 PM ET Tue, 12 April 2016

Zuckerberg announces Messenger Platform chatbots

2:12 PM ET Tue, 12 April 2016

Facebook CEO Mark Zuckerberg announced Tuesday the company's new Messenger Platform for developers to build chatbots.

Speaking from the company's annual F8 global developer conference, Zuckerberg laid out his vision for the future of the company, criticizing "fearful voices calling for building walls and distancing people they label as others."

"If the world starts to turn inwards then our community will have to work even harder to bring people together," he said, extolling the virtues of "hope" and "optimism."

"It takes courage to choose hope over fear," he added.



Mark Zuckerberg attacks Trump immigration stance

As for building a global digital community, Zuckerberg revealed Facebook's connectivity initiatives including a solar-paneled plane that will beam down internet.

The future will also heavily feature Facebook's artificial intelligence programs, Zuckerberg said. And while the company already uses AI for photo recognition and more, the Facebook CEO said the platform will be able to achieve greater understanding of the meaning of user content.

The last element of Zuckerberg's vision for the future was virtual and augmented reality, and he highlighted the company's achievements with the Oculus technology, including the milestone of more than 2 million hours of watched video with Gear VR devices.

On the augmented reality front, Zuckerberg said his company is working toward "what looks like normal-looking glasses" that can overlay digital visual elements on top of the real world.

Perhaps the most hotly anticipated Facebook innovation is its work on chatbots — interactive, responsive messaging programs. Reports had indicated Zuckerberg's company plans to roll out ways for users to communicate with automated representatives for brands and businesses within Facebook's platforms.

If successful, Facebook could effectively leapfrog the app economy, and create its own thriving digital ecosystem.

Zuckerberg's Tuesday announcement for Messenger Platform is a beta-stage developer tool powered by artificial intelligence. It will allow programmers to build "natural-language services to communicate directly with people," he explained.

"I've never met anyone who likes calling a business, and no one wants to have to install a new app for every service or business they want to interact with," Zuckerberg explained.

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Analyst: How Facebook can kill the 1-800 number

"What they're doing is building the next platform with messenger," Youssef Squali, Cantor Fitzgerald global head of internet and media research, told CNBC's "Squawk Alley." The next platform that I think will be at scale at taking messenger and building it into the next portal will allow people not to just communicate among each other, but allow them to communicate with businesses, and, probably as importantly, allow them to stay within that platform to do a whole host of things

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which now you have to go out and you have to use particular applications for."

Analysts will be looking beyond the technological innovations to the business implications for chatbots and other business messaging features.

"I'm expecting a lot of exciting product announcements today out of messenger that gives you a clear indication of how they plan to monetize the platform and utilize it over the next several years," Victor Anthony, Axiom Capital Management internet media analyst, told CNBC's "Squawk Alley."



Everett Rosenfeld
Asia Pacific Editor

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Facebook opens Instant Games to developers

Sarah Perez

TechCrunch March 15, 2018

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Facebook's Instant Games are now open to all developers, Facebook announced this week in advance of the Game Developers Conference. First launched in 2016, the platform lets developers build mobile-friendly games using HTML5 that work on both Facebook and Messenger, instead of requiring users to download native apps from Apple or

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Invaders, and Words with Friends. The following year the platform had grown to 50 titles and became globally available. But it wasn't open to all - only select partners.

In addition to getting users to spend more time on Facebook's platform, Instant Games provides Facebook with the potential for new revenue streams now that Facebook is moving into game monetization.

In October, Facebook said it would begin to test interstitial and rewarded video ads, as well as in-app purchases. The tools were only available to select developers on what was then an otherwise closed platform for Facebook's gaming partners.

Now, says Facebook, all developers can build Instant Games as the platform exits its beta testing period.

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Alongside this week's public launch, Facebook introduced a handful of new features to help developers grow, measure and monetize their games.

This includes the launch of the ads API, which was also previously in beta.

In-app purchases, however, are continuing to be tested.

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Developers will also have access to Facebook's Monetization Manager, where they can track managed ads and track how well ad placements are performing as well as a Game Switch API for cross-promoting games across the platform, or creating deep links that work outside Facebook and Messenger.

Facebook says it also updated how its ranking algorithm surfaces games based on users' recent play and interests, and updated its in-game leaderboards among other things.

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Engadget

Soon, Instant Game developers will be able to build ad campaigns in order to acquire new players from Facebook. These new ad units, when clicked, will send players directly into the game where they can begin playing.

Since last year, Facebook Instant Games have grown to nearly 200 titles, but the company isn't talking in depth about their performance from a revenue perspective.

'Firewatch' Developer Joins Creators of 'Life,' Steam

Variety

It did offer one example of a well-performing title, Basketball FRVR, which is on track to make over 7-digits in ad revenue annually, and has been played over 4.2 billion times.

With the public launch, Facebook is offering [Instant Games developer documentation page](#) and a list of [recommended HTML5 game engines](#) to help developers get started. Developers can then build and submit games via [Facebook's App page](#).

- This article originally appeared on [TechCrunch](#).

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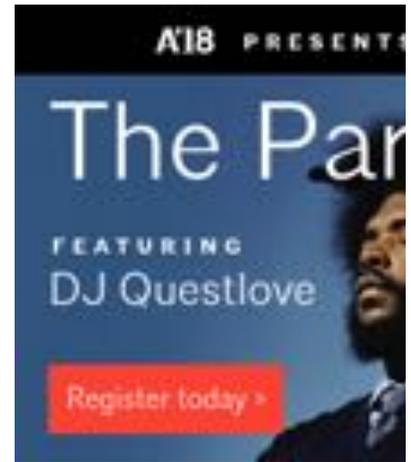


EXHIBIT 81

businessinsider.com

Facebook settles class-action lawsuit over 2012 IPO growth concerns for \$35 million

Jonathan Stempel, Reuters

7-9 minutes



Feb. 26, 2018, 3:08 PM

2,212





Paul Marotta/Getty Images

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- **Facebook and CEO Mark Zuckerberg reached a \$35 million settlement in a class-action lawsuit brought on by shareholders.**
- **The shareholders claimed that Facebook had been hiding concerns about its growth just before the social media company's IPO in May 2012; Facebook shares dipped immediately after, and stayed below the initial \$38 per share for a year before rebounding.**
- **Lawyers for the shareholders called the settlement — which only amounts to a small fraction of Facebook's current market value — "fair, reasonable, and adequate," according to court papers.**

Facebook Inc and Chief Executive Mark Zuckerberg have reached a \$35 million settlement of class-action litigation accusing them of hiding worries about the social media company's growth prior to its May 2012 initial public offering.

The preliminary settlement filed on Monday with the U.S. District Court in Manhattan requires a judge's approval.

It amounts to a small fraction of Facebook's current market value, which was more than \$532 billion on Friday.

Shareholders led by the Arkansas Teacher Retirement System and Fresno County Employees' Retirement Association in

California accused Facebook of concealing internal concerns about how growth in mobile devices might reduce revenue, even as it quietly warned its banks to cut their forecasts.

Unlike in 2012, the Menlo Park, California-based company now generates most of its revenue from mobile devices and has estimated that mobile advertising generated more than 86 percent of its \$40.7 billion total revenue in 2017.

The settlement resolves claims against Facebook, officials including Chief Operating Officer Sheryl Sandberg and director Peter Thiel, and bank underwriters covering a five-day period surrounding the \$16 billion IPO, from May 17 to May 21, 2012.

Facebook made its market debut on May 18 of that year at \$38 per share and saw its share price languish below that level for more than a year before it rebounded.

"Resolving this case is in the best interests of the company and our shareholders," Associate General Counsel Sandeep Solanki said in a statement.

A lawyer for the shareholders did not immediately respond to a request for comment.

The settlement was reached after mediation, and provides an average recovery of about 11 cents per share, or 7 cents per share after possible legal fees and costs, court papers show. Insurers may cover some of the payout.

Lawyers for the shareholders called the settlement "fair, reasonable, and adequate," citing the risk of a loss at trial, according to court papers.

In Monday afternoon trading, Facebook shares were up 93 cents at \$184.22 on the Nasdaq.

The case is In re: Facebook Inc IPO Securities and Derivative Litigation, U.S. District Court, Southern District of New York, No. 12-md-02389.

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EXHIBIT 82

BANKS

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Citi launches a Facebook Messenger 'chatbot'

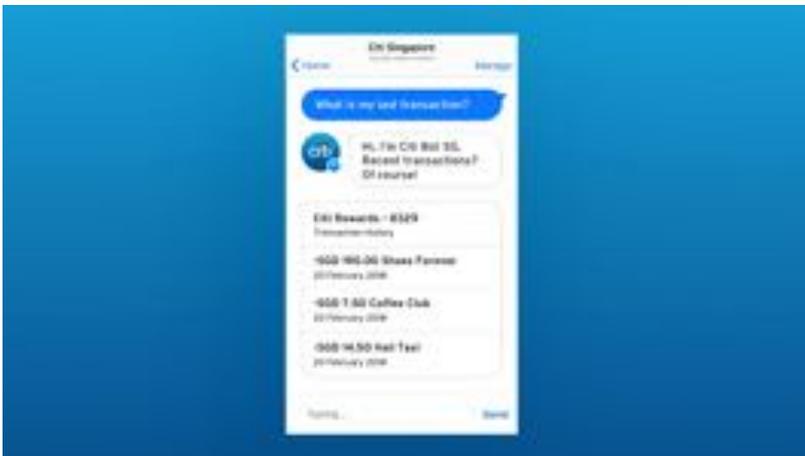
- Citi rolled out a service that allows customers to check certain information through Facebook, the American banking giant told CNBC.
- The service was developed as part of the bank's efforts to reach out to its increasingly digital-savvy customers, especially those in Asia Pacific.

[Yen Nee Lee](#)

Published 2:00 AM ET Thu, 15 March 2018 | Updated 5:13 AM ET Thu, 15 March 2018

Citigroup has rolled out a service that allows customers to check certain banking information through **Facebook** Messenger, the American banking giant revealed to CNBC.

The service, a conversational computer program — or chatbot — is available to Citi's consumer banking clients in **Singapore** beginning Thursday. A spokeswoman said the bank plans to roll out the service in **Hong Kong** and **Australia** later this year before moving onto other markets in which Citi operates.



Source: Citigroup

Citi's chatbot is first available to consumer banking clients in Singapore.

Customers who register for the service can access information such as their account balances and credit card bill summaries by sending a message to the chatbot.

The chatbot was developed as part of the bank's efforts to reach out to its increasingly digital-savvy customers, especially those in Asia Pacific.

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Citi serves more than 16 million clients in the region.

"The rapid adoption of mobile and other digital channels has transformed how Citi's clients bank, sign up for cards or loans, pay their bills or use the bank's wealth management services," the bank said in a statement sent to CNBC.

Facebook CEO Mark Zuckerberg **publicly announced** developer tools for Messenger chatbots in 2016.



Yen Nee Lee
Correspondent

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Developer News



by Ime Archibong

June 1, 2017

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Facebook Introduces Developer Circles

The developer community has played a large role in Facebook's success to-date, and we continue to focus on giving back to startups, entrepreneurs, and developers to help them succeed. Today, at F8 we announced [Developer Circles from Facebook](#), a new program for developers all over the world to connect, learn, and collaborate with other local developers.

Developer Circles from Facebook
Posted by Facebook for Developers
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Driven by Local Communities

Developer Circles is a community-driven program that's free to join and open to any developer. Each Developer Circle is led by members of the local community who act as leads for the circle, organizing events offline and managing a local online Facebook community. Developer Circles are forums to share knowledge, collaborate, build new ideas, and learn about the latest technologies from Facebook and other industry leaders. Whether a member of a circle is a student learning how to code, a developer looking to turn an idea into a reality, or an experienced coder searching for the latest Facebook product and open source tool updates, Developer Circles empowers a diverse range of technical talent to improve their skills and access the information they need. By fostering stronger communities and creating more technical awareness, our goal is to empower developers, similar to existing Facebook programs like [FbStart](#), which for the past several years has focused on helping early-stage startups succeed.

Supported by Facebook

Developer events, conferences, and hackathons take place everywhere. But we often hear that it's hard to maintain the momentum, collaboration and knowledge-sharing in between events. With Developer Circles, in addition to hosting meetups and hackathons, each local circle will have a dedicated [Facebook Group](#) where members can continue the conversation between meetups. In Facebook Groups, developers can share code, links, videos, and anything else they would already share on Facebook. We are piloting Facebook Groups features with our Developer Circles communities, like social learning units comprised of sequential trainings that allow developers to deepen their knowledge on topics like React and Bots in Messenger.

In addition to fostering online and offline community and collaboration, we want to help developers gain new skills. We are partnering with [Udacity](#), one of the largest online training platforms in the world, to launch custom Facebook training programs for our Developer Circles community, which will be available via Developer Circles Facebook Groups, our website, and on [Udacity](#).



Early Feedback

While the Developer Circles program is still in its infancy, we've already seen early potential for the impact it can have on local developer communities.

Victor Hugo, a developer in Mexico City was working on a personal project with Bots in Messenger and was struggling with some technical integration issues. He found a solution to his problem at one of the Developer Circles workshops, and soon became more involved with the community and invited his friends to join. Victor now has a start-up that builds customer service chat bots for companies, and is backed up by a local tech accelerator.



Faten Ghriss, a Developer Circle Lead in Tunis, studied Computer Network and Telecommunication Science in Tunis, but it was a year spent as an exchange student in Minnesota, U.S. that made her realize she wanted to give back to the community. So she went back to Tunisia and co-founded Young Tunisian Coders Academy that teaches children to code. Faten first heard about Developer Circles at a conference she was speaking at and shortly after decided to start her own Circle and hosted her first meetup in March 2017. The meetup, focused on Bots in Messenger, had over 200 registrations, and based on polling the community she is organizing future meetups around virtual reality and machine learning.



Get Involved

People have found new job opportunities, connected to coding bootcamps, and received hands-on support for building with Facebook's developer products. With Developer Circles from Facebook now open to anyone around the world, we can't wait to bring more developer communities together. To join, simply head to: developers.facebook.com/developercircles.

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EXHIBIT 84

Facebook is taking on Tinder with new dating features

The world's largest social network is adding dating app features

By [Nick Statt](#) | [@nickstatt](#) | May 1, 2018, 1:30pm EDT



Facebook is adding a dating layer to its main mobile app, CEO Mark Zuckerberg announced today during the company's F8 developers conference keynote in San Jose, California. The features are a long time coming for the 14-year-old social network, which has allowed users to broadcast whether they're single or in a relationship since it first went live in February 2004.

The move will likely transform Facebook, with its more than 2.2 billion monthly active users, into a major competitor of Match Group, which owns and operates mobile dating app Tinder and popular dating platform OkCupid. Match Group's stock plummeted by more than 17 percent as soon as the news was announced.

“This is going to be for building real, long-term relationships — not just for hookups,” Zuckerberg joked onstage. He added that it’s going to be within the main Facebook app, but it will be completely optional and opt-in only. “We have designed this with privacy and safety in mind from the beginning. Your friends aren’t going to see your profile, and you’re only going to be suggested to people who are not your friends.”

FACEBOOK WILL LIKELY BECOME A MAJOR COMPETITOR TO EXISTING ONLINE DATING SERVICES

Facebook product chief Chris Cox took the stage after Zuckerberg to shed more light on the new dating features and to give the audience a tour of the design. The profiles look similar to other mobile-focused dating apps like Tinder and Bumble, with full-page profile photos. However, Facebook’s take on dating is more community-focused, with integrations for the events and groups you’re a part of on the platform.

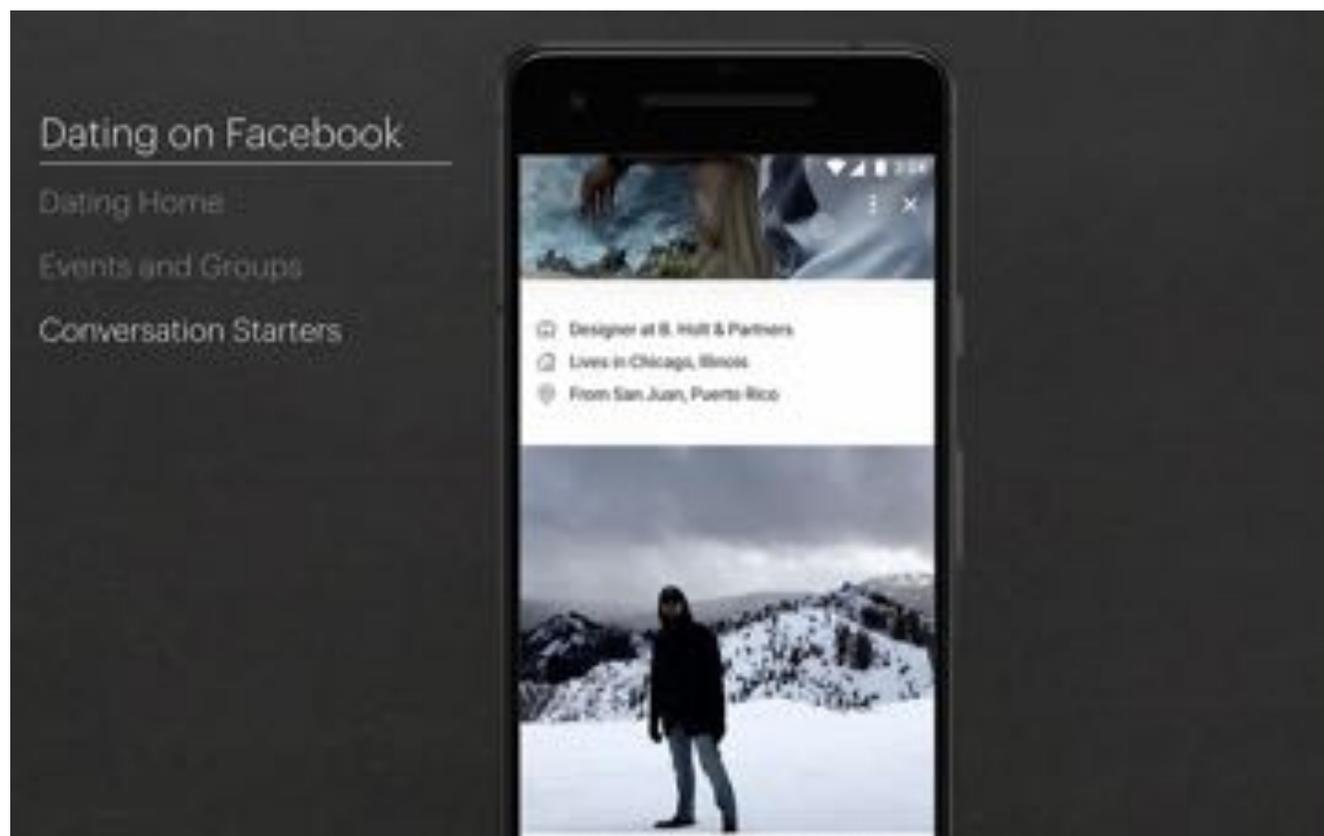




Image: Facebook

Cox also mentioned a feature called “unlocking,” which will let any user of Facebook’s dating platform make his or her profile visible to other attendees of events or members of groups. From there, messaging takes place in distinct chat threads separate from Facebook Messenger. Cox says Facebook will announce more information, including a release date and rollout info for the dating features, later this year.

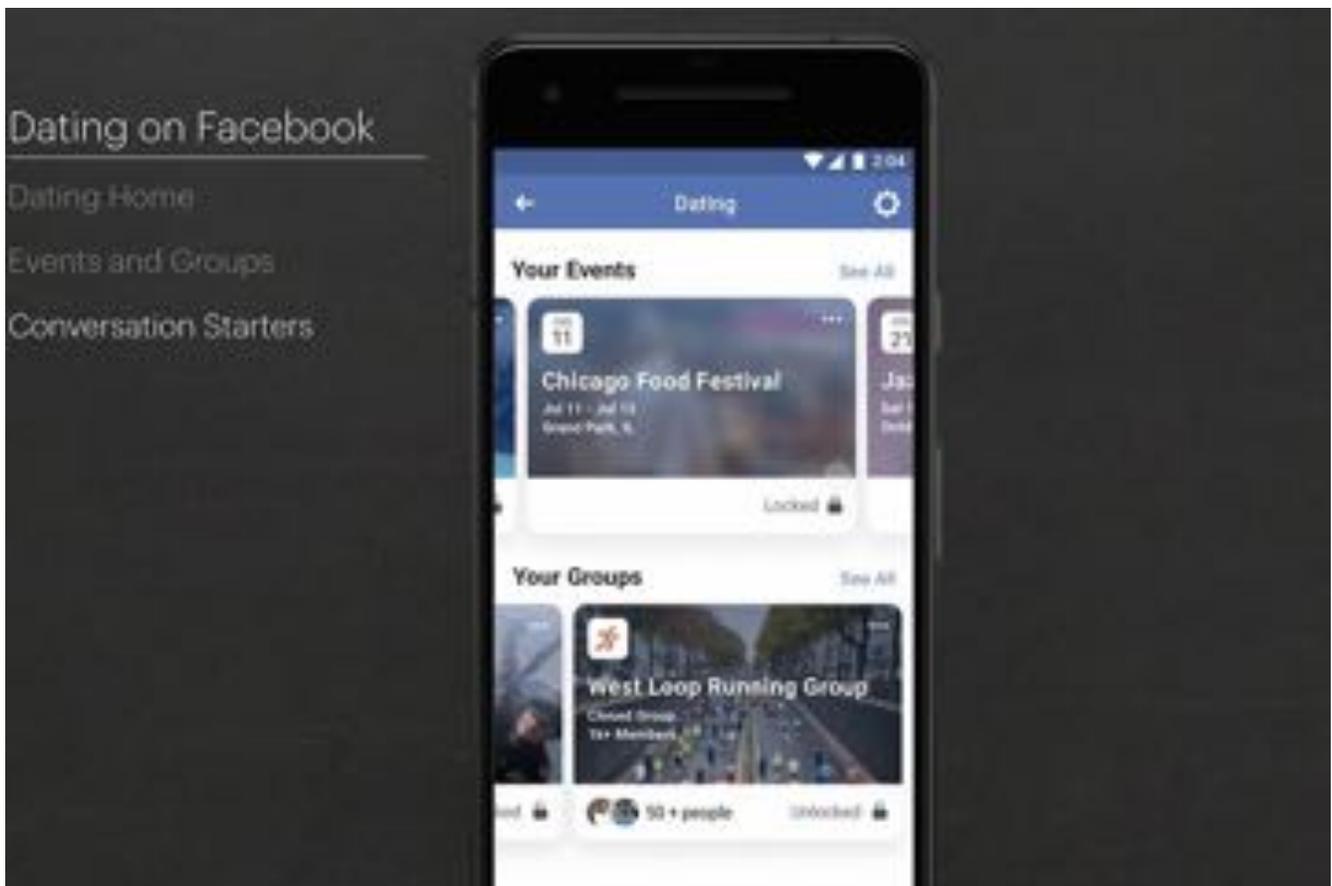


Image: Facebook

In an interesting twist, it appears that Facebook’s dating features may be unavailable to users who list themselves as “in a relationship” or “married,” as Zuckerberg introduced the feature by saying it was designed to appeal to users

who list themselves as “single.” That suggests the app will not be accommodating to open relationships or other forms of non-monogamous dating. We’ve reached out to Facebook for more information, and we’ll update this post when we hear back.



Molly Wood

@mollywood

Replying to @mollywood

The Dating feature will be unavailable to people whose status is "Married" or "In a Relationship." Way to go ahead and be the behavioral enforcer, Facebook. That's definitely your job. (Maybe I just really hate rules.)

11:06 AM - May 1, 2018

84 32 people are talking about this

EXHIBIT 85

TECHNOLOGY

Facebook's Privacy Changes Leave Developers Steaming

By SHEERA FRENKEL APRIL 30, 2018

SAN FRANCISCO — For years, Cubeyou made a business out of personal data on Facebook. The company had unfettered access to Facebook users' information, which it gathered up through quizzes and later sold as reports to clients.

But three weeks ago, Cubeyou's relationship with Facebook soured. The mighty social network, which was dealing with a backlash over how it had not done enough to protect user privacy, cut off Cubeyou after a CNBC report said that the small data analytics company had misled people into believing its quizzes would be used for nonprofit academic research. Instead, the report said, the data was sold to marketers.

Federico Treu, Cubeyou's chief executive, told The New York Times that his company had done nothing wrong, and that it had followed Facebook's rules in disclosing that it was using profile data for both academic and business purposes. He said Cubeyou was just collateral damage as Facebook has overzealously scrambled to show that it cares about data privacy.

"Facebook threw us under the bus," said Mr. Treu, who added that he intended to boycott a Facebook event for developers this week. "Facebook became what it was because of us developers. Now they want to blame us for everything that has happened to them."

Facebook's relationship with its vast community of developers has reached a tense moment once more. Since news broke in late March that the political consulting firm Cambridge Analytica had improperly harvested the information of millions of Facebook users, the social network has made a series of changes to limit how much of its users' information can be obtained by third parties. Those shifts have had an unintended domino effect on many of the companies and programmers that relied on Facebook's spigot of data for their businesses.

Some, like Cubeyou, said they have been unfairly blocked from accessing Facebook users. Tinder, the dating app, discovered that its users were no longer able to log into the app using their Facebook accounts. Pod, a calendar syncing app, found that its users could no longer see Facebook events within their calendars. And Job Fusion, a jobs app that allowed users to see where their Facebook friends worked, announced that it was no longer able to offer its services within Facebook.

The fallout has cast a shadow over Facebook's annual meeting with developers, which was scheduled to start on Tuesday in San Jose, Calif. The event, which includes a speech from Mark Zuckerberg, Facebook's chief executive, is typically a major attraction for developers. But this year, half a dozen developers who had previously attended the conference told The Times that they did not plan to go because they objected to Facebook's policy changes. Others who planned to be there said they intended to challenge Facebook's leaders over the changes.

Facebook said it expected roughly 5,000 people — a record high — to be at the developer conference, which is known as F8. But the company also said it has tweaked the event with an eye toward data privacy. For example, the social network canceled the announcement of a Facebook smart home speaker to challenge Amazon's Echo and Google's Home amid worries that the device would raise more questions about the amount of data the company collects.

(At the event, Mr. Zuckerberg may also have to address the departure of Jan Koum, a founder of the messaging service WhatsApp and a member of the Facebook board, who said on Monday that he was leaving the company.)

Ime Archibong, Facebook's vice president of product partnerships, said developers are "incredible partners" for the company, but also added that it must

“strike the right balance between creating compelling social experiences, protecting people’s data, and supporting an innovative developer ecosystem.”

Bhaskar Chakravorti, senior associate dean at The Fletcher School at Tufts University, said Facebook had to walk a fine line. “They have taken a blunt instrument approach, which is the right thing to do from a public relations standpoint,” he said. “But now they need to reach out to developers and smooth things over.”

For much of its history, Facebook has had a rocky relationship with developers. It has sometimes adopted policies to attract developers, including by opening access to its vast troves of user data. Developers, in turn, created apps that became emblematic of the Facebook experience — apps such as Farmville, a farming simulation game played with friends on the social network, which was made by the gaming company Zynga.

But developers are often at the mercy of any changes that Facebook decides to make. When Facebook clamped down on viral apps several years ago, it became harder for companies like Zynga to spread their games across the social media site. Zynga has since turned toward making mobile games and its fortunes have plummeted.

Facebook announced a series of privacy changes in early April. Under the new measures, developers can only see a Facebook user’s name, profile photo and email address; previously, they could see more information, like users’ Facebook posts. Facebook is also cutting off developers’ access to user accounts if someone has not used their apps for three months or longer. That policy is intended to prevent developers from collecting information in the background for months or years after people stop using their apps.

Facebook also announced that it was investigating apps that had gained access to large amounts of its data in the past, and said it was conducting an audit of any company that it believed has shown suspicious activity.

Cubeyou got caught up in the dragnet in early April. At the time, CNBC reported that the company, which is based in Redwood City, Calif., had collected users’

Facebook information for academic purposes and then sold the data to commercial firms without informing users. Facebook said it was conducting an audit of Cubeyou to determine if there was any wrongdoing.

Mr. Treu said Cubeyou fully complies with Facebook's requirements of disclosing the data it collects and what that data is used for. He added that Cubeyou strips out any personally identifiable information that it gets from Facebook. Cubeyou is simply being singled out as part of "a witch hunt" by Facebook, he said.

"We did everything by the rules, and we are ready to prove that," said Mr. Treu, who said his company has repeatedly reached out to Facebook to talk. "There is no way to talk to them, to find out anything."

Correction: April 30, 2018

An earlier version of this story misstated the given name of CubeYou's chief executive. He is Federico Treu, not Frederico.

Follow Sheera Frenkel on Twitter: @sheeraf

A version of this article appears in print on May 1, 2018, on Page B4 of the New York edition with the headline: Facebook Tightens Privacy Policy, and App Makers Are Feeling the Pinch.

EXHIBIT 86

TECH TRANSFORMERS

TECH MOBILE SOCIAL MEDIA ENTERPRISE CYBERSECURITY TECH GUIDE

Facebook fined \$122 million by EU for giving 'misleading information' about its takeover of WhatsApp

- Facebook has been fined 110 million euros (\$122 million) by the European Commission over its WhatsApp takeover in 2014.
- The Commission said that Facebook provided "misleading information" about the acquisition.
- The Commission's decision to approve the takeover in 2014 will not be affected by the fine.

Arjun Kharpal | @ArjunKharpal

Published 3:02 AM ET May 17, 2017 | Updated 10:26 AM ET Thu, 18 May 2017



Facebook takes a \$122 million hit for giving EU regulators misleading information about WhatsApp

10:40 AM ET Thu, 18 May 2017 | 00:51

Facebook has been fined 110 million euros (\$122 million) by European regulators for providing "misleading information" about its acquisition of messaging service WhatsApp.

The European Commission, the European Union's executive arm, announced the fine on Thursday.

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"Today's decision sends a clear signal to companies that they must comply with all aspects of EU merger rules, including the obligation to provide correct information. And it imposes a proportionate and deterrent fine on Facebook," EU Commissioner Margrethe Vestager said in a statement.

"The Commission must be able to take decisions about mergers' effects on competition in full knowledge of accurate facts."

What is the issue?

Facebook bought WhatsApp in 2014 for \$19 billion. The Commission's issue centers around the U.S. social networking giant linking Facebook accounts to WhatsApp user identities. In 2014, the Commission said that Facebook told it that there was no possibility to establish "reliable automated matching between Facebook users' accounts and WhatsApp users' accounts."



Justin Sullivan | Getty



Facebook CEO Mark Zuckerberg delivers the keynote address at Facebook's F8 Developer Conference on April 18, 2017 at McEnery Convention Center in San Jose, California. The conference will explore Facebook's new technology initiatives and products.

But in 2016, Facebook released an update to its terms of service that raised the possibility of linking accounts from both platforms.

"By coordinating more with Facebook, we'll be able to do things like track basic metrics about how often people use our services and better fight spam on WhatsApp," the messaging firm said [in a blog post at the time](#).

"And by connecting your phone number with Facebook's systems, Facebook can offer better friend suggestions and show you more relevant ads if you have an account with them."

But the Commission said that contrary to Facebook's statements in 2014 saying it wasn't able to link accounts, the U.S. firm was aware that such a possibility existed.

However, the fine will not impact the EU body's previous decision to approve the acquisition.

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"The Commission at the time also carried out an 'even if' assessment that assumed user matching as a possibility. The Commission therefore considers that, albeit relevant, the incorrect or misleading information provided by Facebook did not have an impact on the outcome of the clearance decision," a Commission statement read.

It added that Thursday's fine is unrelated to any ongoing national antitrust or data protection issues that may arise following the update that WhatsApp rolled out in 2016.

Facebook said that to the best of its knowledge, the information it provided was correct.

"We've acted in good faith since our very first interactions with the Commission and we've sought to provide accurate information at every turn. The errors we made in our 2014 filings were not intentional and the Commission has confirmed that they did not impact the outcome of the merger review," a Facebook spokesperson told CNBC by email.

"Today's announcement brings this matter to a close."

How was the fine calculated?

Under European Union rules, a company can be fined up to 1 percent of its aggregated  ver if it intentionally or negligently provides incorrect or misleading information about a merger or acquisition.

The Commission  said that Facebook's infringements "are serious because they  ted it from having all relevant information for the assessment of the transaction."

But the EU body  can say that Facebook co-operated in the investigation into the Whats  takeover and as such, the Commission has taken this into account when setting the fine.

"On the basis of these factors, the Commission has concluded that an overall fine of 110 million euro is both proportionate and deterrent," it said.

The fine is small when taken in the context of Facebook's overall revenue which was \$27.6 billion in 2016, and just over \$8 billion in the first quarter of 2017 alone.

What else is the EU looking at?

It is the first time that the Commission has imposed a fine on a company for incorrect or misleading information since the 2004 Merger Regulation – under which it is fining Facebook – has come into force.

The EU has been aggressively pursuing U.S. technology companies on several fronts from mergers to tax and competition concerns.

[Alphabet](#)-owned Google for example is [under investigation](#) by the Commission over alleged antitrust practices in regard to its Android mobile operating system.

And **Apple** was **forced to pay 13 billion euros** back to Ireland after the Commission deemed that the country offered the U.S. firm "illegal tax benefits".



Arjun Kharpal
Technology Correspondent

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EXHIBIT 87

techcrunch.com

Facebook is speeding up training for visual recognition models

John Mannes@johnmannes / Jun 8, 2017 [comment](#) [Comment](#)

3 minutes

Every minute spent training a deep learning model is a minute not doing something else, and in today's fast-paced world of research, that minute is worth a lot. [Facebook](#) published a paper this morning detailing its personal approach to this problem. The company says it has managed to reduce the training time of a ResNet-50 deep learning model on ImageNet from 29 hours to one.

Facebook managed to reduce training time so dramatically by distributing training in larger "minibatches" across a greater number of GPUs. In the previous benchmark case, batches of 256 images were spread across eight GPUs. But today's work involves batch sizes of 8,192 images distributed across 256 GPUs.

Most people don't have 256 GPUs lying around, but big tech companies and well-funded research groups do. Being able to scale training across so many GPUs to reduce training time, without a dramatic loss in accuracy, is a big deal.

The team slowed down learning rates at the beginning stages of

the training process to overcome some of the difficulties that made large batch sizes previously infeasible. Without getting too lost in the details, stochastic gradient descent is used to train the ResNet-50 model.

One of the key variables in stochastic gradient descent is the learning rate — the degree by which weights change during the training process. The way this variable changes as minibatch size changes is the key to optimizing effectively.

Machine learning developers spend their days dealing with compromises. Greater accuracy often requires larger data sets that demand additional training time and compute resources. In this vein, it would be possible to prioritize accuracy or speed to achieve more impressive results, but training a model with poor accuracy in 20 seconds isn't super valuable.

Unlike most research projects, Facebook's AI Research (FAIR) and Applied Machine Learning (AML) teams worked side by side on increasing minibatch sizes. From here the groups plan to investigate some of the additional questions generated from today's work.

“This work throws out more questions than it answers,” said Pieter Noordhuis, a member of Facebook's AML team. “There's a tipping point beyond 8,000 images where error rates go up again and we don't know why.”

Facebook used Caffe2, its open source deep learning framework, and its Big Basin GPU servers for this experiment. Additional information from Facebook is available [here](#) if you want to dig more deeply into the details.

EXHIBIT 88

techcrunch.com

Phhphoto shuts app and pivots to photobooths, blaming Instagram

Josh Constine@JoshConstine / Jun 20, 2017comment Comment

4 minutes

Animated GIF capture tool and social network [Phhphoto is shutting down](#) its app due to server costs becoming unsustainable after getting slammed with competition by Instagram's copycat Boomerang. [Phhphoto](#) will pivot to focus on its parent company HYPNO's original business — physical photobooths for events.

[Phhphoto launched](#) in July 2014, making it easy to hold down its shutter button and capture a sequence of photos that get turned into a back-and-forth looping GIF that could be shared to the app's feed. But in April 2015, [Instagram cut off Phhphoto](#) from its social graph, then [launched a clone called Boomerang](#) in October that went on to be integrated into the popular [Instagram](#) Stories feature.

“We watched System and his product team quietly using PHHHOTO almost a year before Boomerang was released. So it wasn't a surprise at all,” co-founder Champ Bennett tells TechCrunch about being copied by Instagram. “They even secretly tried to hire [RON](#) — our spiritual leader. You have to give

massive respect to anyone at their scale, but I'm not sure Instagram has a creative bone in their entire body. That's a weakness we tried to exploit."

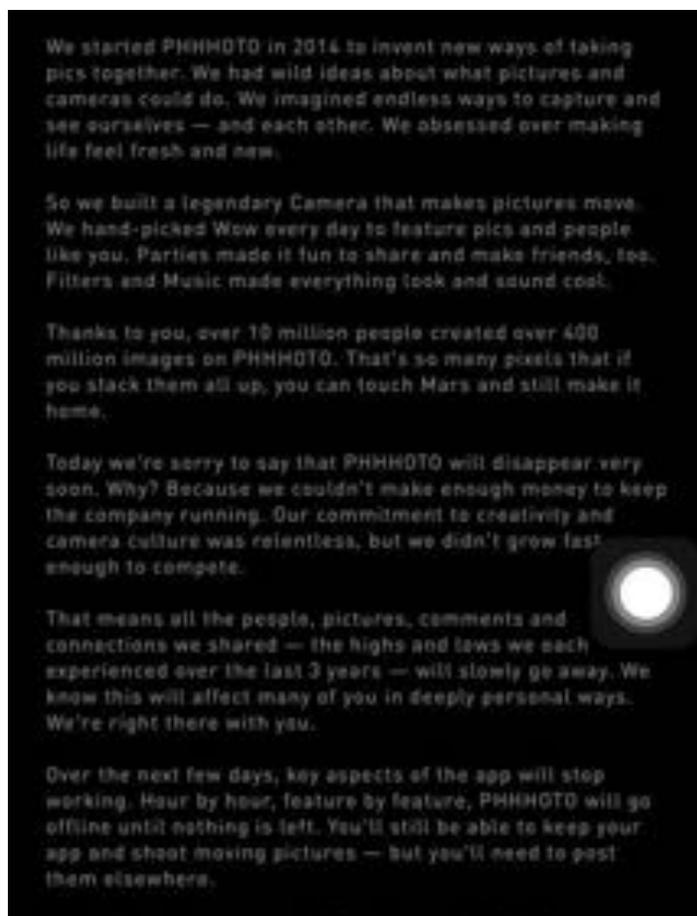


Phhphoto peaked at 10 million registered users, 4 million monthly actives and 1.6 million daily actives who created 400 million images in its GIF camera. It had raised \$1.73 million in total, including a \$1.5 million seed round in 2015 led by Eniac Ventures. With the app shut down, Phhphoto's team will

concentrate on expanding its physical photobooth business, which installs booths at 70 events per month.

Some of the Phhphoto app's features, including the ability to post, will turn off over the next few days, though users can keep the app for shooting GIFs and saving them to post elsewhere. Inside the News section of the app, users will find a Save button so they can download their past posts.

The end of Phhphoto shows just how valuable owning the social graph is for Facebook, Instagram and WhatsApp. Even if another startup comes up with an innovative feature, Facebook's apps have your friends and their attention. It's easier for Facebook to copy a startup's feature than it is for Facebook's users to switch to that app. It's all a grim tale that should put a shiver down Snapchat's spine.





Here's the entirety of Phhphoto's statement to TechCrunch about getting copied and beaten by Instagram, and a screenshot of the message the team left for its users:

tfw when u get copied by Instagram...

"We stepped on their turf – they reacted. That's the game!

We watched Systrom and his product team quietly using PHHHOTO almost a year before Boomerang was released. So it wasn't a surprise at all. They even secretly tried to hire [RON](#) – our spiritual leader. You have to give massive respect to anyone at their scale, but I'm not sure Instagram has a creative bone in their entire body. That's a weakness we tried to exploit.

Over time we added stuff like moving filters, [sound](#), [parties](#), [screenshhots](#), and crazy shit like video profiles that play your favorite music while you're browsing around the app. It'll be sad to see that stuff go.

In the end, we brought our best game and tried to build things no one had seen before. A lot of people liked it, and we made a few million friends a long the way. 100% would do it all over again for the same result.

As one of our investors said...we'll get the next one."

EXHIBIT 89

Facebook now has 2 billion monthly users... and responsibility



Josh Constine

@JoshConstine / Jun 27, 2017



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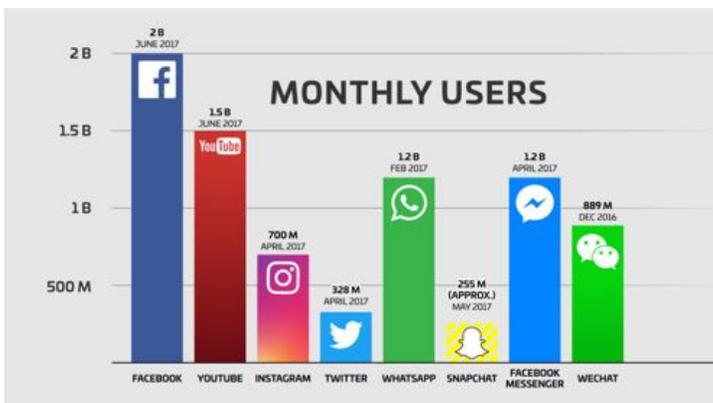
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“We’re getting to a size where it’s worth really taking a careful look at what are all the things that we can do to make social media the most positive force for good possible,” **Facebook** Chief Product Officer Chris Cox told TechCrunch about the company’s new [milestone](#). Thirteen years after launching and less than five years after hitting [1 billion](#), Facebook now has 2 billion monthly active users.

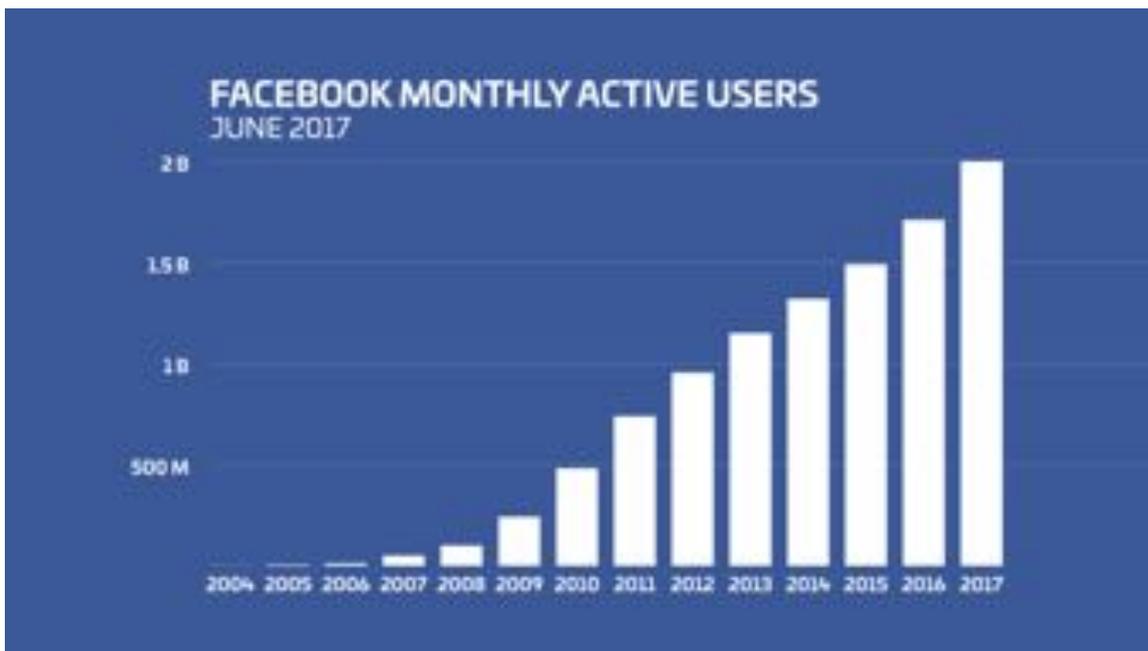
Facebook wants people to celebrate with a personalized [“Good Adds Up” video they can make and share here](#). Meanwhile, Mark Zuckerberg played it cool with this brief [announcement message](#).

[protected-iframe

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million, Twitter's 328 million and Snapchat's estimated 255 million (extrapolated from its December 2015 ratio when it had 110 million daily and 170 million monthly users). Beyond YouTube, only Facebook's other apps have more than 1 billion, including WhatsApp and Facebook Messenger, with 1.2 billion each. Instagram might soon join that club as it recently rocketed past 700 million.

Facebook's growth the last half decade has been fueled by the developing world. The company has relentlessly optimized its app for cheap Android smartphones and low-bandwidth connections. It's added 746 million users in Asia and the Rest of World region since hitting 1 billion users total. Meanwhile, it only added 41 million in the U.S. and Canada.



Despite Facebook's size and age, at 17 percent its user count is growing as fast or faster than any year since 2012. And people aren't using it less either. In fact, 66 percent of Facebook's monthly users return each day now compared to 55 percent when it hit 1 billion. If the teenaged social network isn't as cool to

teenagers any more, it's not showing in the big metrics.

But neither does the colossal impact Facebook has had on society, which it's now trying to bend toward positivity with its [new mission statement to](#) "Give people the power to build community and bring the world closer together."

"There's definitely a deep sense of responsibility in every part of the company," Cox told TechCrunch. "We're getting to the scale where we have to get much better about understanding how the product has been used." That's why he's been traveling around the world doing user research. And it's why Mark Zuckerberg has been crisscrossing the country on a listening tour that many people cynically assume is the start to a run for president, despite the CEO's denials.

Perhaps stewarding a 2-billion-person community is responsibility enough to get out of Silicon Valley and figure out how Facebook impacts people's lives.

There are the big, newsy things like suicides on Facebook Live and fears that fake news got Donald Trump elected. But deeper down, there are even more complex ramifications of a near ubiquitous social network. It can propel internet addiction that alienates people, and facilitate the filter bubbles that polarize society by reinforcing our opinions. Facebook has largely conquered its competitors, giving it the slack to finally address the modern sociological challenges that stem from its popularity.

Cox says an important pattern Facebook is adopting is "When you think about very complex systems that are affecting humanity, just being open about what's happening. And then for

example in the case of something like suicide or bullying, going and working with subject matter experts, getting the research on what's the best possible thing that we can do, and then talking to the world about it." To make the discussion about these tragic moments as accessible and productive as possible, Facebook has taken to publishing transparency reports and explainers about its policies and procedures.

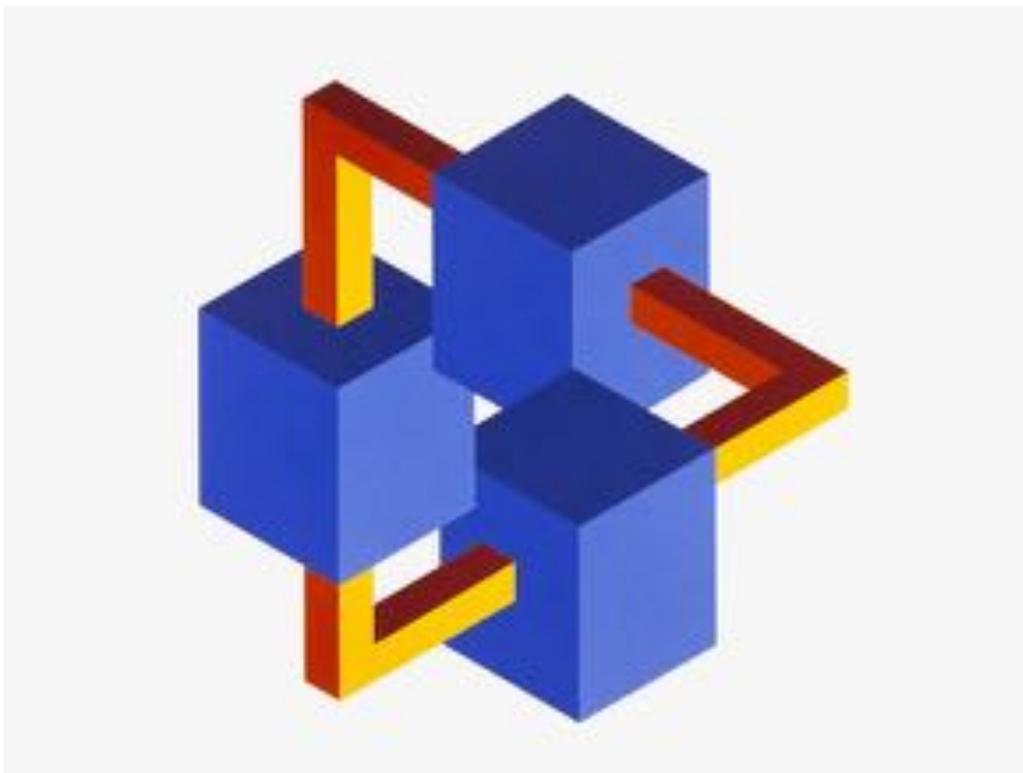
"I live with the constant goal of understanding, for every single thing that we do, how do we maximize all that goodness, and curtail any way that it can be misused or turned into something sad" Cox solemnly concludes.

If getting to 1 billion was about building a product, and getting to 2 billion was about building a user base, Facebook's responsibility is to build empathy between us as it reaches for 3 billion.

EXHIBIT 90

CADE METZ BUSINESS 08.26.15 01:00 PM

FACEBOOK'S HUMAN-POWERED ASSISTANT MAY JUST SUPERCHARGE AI



GETTY IMAGES

FACE IT: SIRI sucks. So often, she has no clue what you're saying. And when she

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technology. But even if the company upgrades Siri to the latest in artificial intelligence, she'll fall well short of an assistant made of flesh, blood, and neurons. As far as artificial intelligence has come in the last few years, it's still a long way from intelligence.

With M, its new virtual assistant, Facebook admits as much.

Built atop Facebook Messenger—the company's instant messaging app—M made its debut this morning, arriving on the phones of a few hundred unsuspecting souls in the San Francisco Bay Area. Yes, it's the company's answer to Siri and similar services like Google Now and Microsoft Cortana. But it tackles a broader range of tasks, at least as Facebook describes it. You can ask M questions along the lines of *Can you make me dinner reservations?* or even *Can you help me plan my next vacation?*—and it will comply.

That's because Facebook designed the tool so that AI technology responds to these questions *in tandem with humans*. "The AI tries to do everything," says Alex Lebrun, the founder of Wit.ai, a startup Facebook acquired to help build this smartphone tool. "But the AI is supervised by the people."

In the larger world of AI-driven personal assistants, M may seem like a regression. And as Facebook tests the tool with the public, it's unclear whether this human-machine partnership can keep pace as the project expands to an ever-larger audience. But in a counterintuitive way, M may actually be a step forward for AI.

The idea is that humans will not only answer queries the AI is incapable of answering but, in the long run, help to improve this AI. Today's artificial intelligence, you see, requires at least some human training. If you want a system to automatically identify cats in YouTube videos, humans must first show it what a cat looks like. They must tag all sorts of feline photos. They must provide *data*. Through the human staff backing M, Facebook is doing this type of thing in unusually complex ways. "This is why we have this big team of people," Lebrun says. "The data we need is nonexistent."

such is the way with AI. Human-level AI is a good philosophical discussion to have," says Dennis Mortensen, the CEO and founder of [x.ai](#), a startup offering an online personal assistant that automatically schedules meetings, "but it's not going to happen anytime soon."

New Old Technology

Part of the irony is that Wit.ai offers pretty old AI. Its technology is based on two algorithms—"conditional random fields" and "maximum entropy classifiers"—that have served the tech world for more than a decade. But it provides a stepping stone as the M project seeks a loftier breed of artificial intelligence.

Lebrun founded Wit.ai in 2013, after creating a digital agent that companies like AT&T used to communicate with their customers. Basically, Wit.ai offered a service that could help software coders build Siri-like systems that could recognize speech and, to a certain extent, understand natural language. Yes, it was based on older algorithms, but it could learn to recognize speech without tapping the enormous collections of voice data available only to the likes of Apple or Google. It required less data, and it worked by pooling voice samples collected by the many developers who used it.

As David Marcus, the Facebook vice president who oversees Messenger, sought ways of expanding Messenger into areas that might generate revenue, he approached Lebrun and company, and in January, Facebook acquired the 10-person startup for an undisclosed sum. Marcus says Facebook nabbed "one of the best teams in the world at human-to-AI interactions." But according to Lebrun, the team wasn't quite sure what human-to-AI stuff they would be building.

About three months later, Marcus, Lebrun, and the rest of this small group settled on the idea of a virtual assistant that would run atop Messenger. But it wouldn't be another Siri. For one, it would communicate primarily by text, not

with something more ambitious, to really give people what they're asking for. This meant the team would need more than AI.

Human Heavy-Lifting

When you ask M a question, the AI works to understand what you're asking and formulates a response. But rather than sending it to you, the system sends this response to human "trainers"—customer-service types who work alongside the Wit.ai team inside Facebook's new building in Menlo Park, California. These trainers then decide what else must be done to provide what you're looking for (see image below).

According to Lebrun, the AI can do most of the work for simpler tasks, like telling a joke. It'll query an Internet joke API—a service that supplies jokes—and a trainer will approve the joke if it's funny. For more complicated tasks, such as making a driving test appointment at the DMV, the humans will do most of the heavy lifting. They'll actually place a call to the DMV.

In doing that heavy-lifting, the humans generate a roadmap for how particular questions should be answered. "Everything the trainers do, we record every step," Lebrun says. This includes what websites they visit, what they say when calling the DMV, what they type in response to M users, and so on. In the future, this data can help drive a more advanced system based on deep learning, a form of AI that masters tasks by analyzing enormous quantities of information across a vast network of machines. Roughly speaking, these networks mimic the web of neurons in the human brain.

FACEBOOK

Such neural nets have already proven enormously effective in identifying images, recognizing speech, targeting ads, even teaching robots to screw on bottle caps. And after hiring an NYU computer science researcher named Yann

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push the technology further still.

'The More You Know, The More You Don't Know'

Why not just build M with neural nets from the beginning? Without the right data, neural nets couldn't provide a service much more powerful than, well, Siri, and Wit.ai'sh can get things started with relatively little data. "This is a good way to bootstrap. With a few thousand data-points, you can start to build a model," Lebrun says. "Then, using this model, you get more data, and once you have about a million data points, you go to Yann and get some deep learning."

As Lebrun describes it, this is a remarkably ambitious play. Even after bringing neural nets into the mix, he says, the company will continue to use human trainers for years on end. As M improves, it will need still more data to continue improving. "The more you know, the more you don't know," Lebrun says. "The more the AI does, the more complex tasks it will be required to do."

At least, that's the plan. M only launched today, and we don't know how well all this will work. As the company expands M to more and more users, it will need more and more trainers. Lebrun expects the number of trainers to grow linearly as the number of users grows exponentially, but the burden could be enormous. Facebook Messenger is used by [more than 700 million people](#). "This is not easy," Lebrun admits.

Meanwhile, even if Facebook can keep the system going, the AI may not evolve as quickly as Lebrun and company expect it to. Dennis Mortensen, of the digital assistant startup x.ai, says that having humans work alongside the AI (as opposed to just training it) may actually slow things down. He offers self-driving cars as an example. One way to build such vehicles is to slowly add automation as humans continue driving. But the system may evolve faster if you let the car drive itself—however ill-equipped it might be. Those small automated tools may not be essential to the end result. They may collect data you don't need.

importance of data to the evolution of AI, and he says that if Facebook plays things right—properly guiding and recording and cataloging the behavior of its trainers—these humans could indeed provide a shortcut. Facebook must focus on how the humans can improve the system in the future, he says, not just in the present. That isn't easy. But it's the sort of thing Facebook does better than most.

Additional reporting by Jessi Hempel.

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EXHIBIT 91

Are Facebook and Google the New Monopolies?: QuickTake Q&A

By **David McLaughlin**

July 12, 2017, 11:01 PM CDT

Updated on July 13, 2017, 8:06 AM CDT

From

The rise of global technology superstars like Amazon, Apple, Facebook and Google are creating new challenges for competition watchdogs. Along with Microsoft Corp., they are the five most valuable companies in the U.S. today, a ranking that only included Microsoft 10 years ago. They dominate their markets, from e-books and smart phones to search advertising and social-media traffic on mobile devices. This is fueling a global debate over whether it's time to rein in such winner-take-all companies. While the U.S. has been largely hands off, the European Union's recent [\\$2.7 billion fine](https://www.bloomberg.com/news/articles/2017-06-27/eu-antitrust-ruling-puts-google-on-parole-for-years-to-come) against Alphabet Inc.'s Google for favoring its shopping-comparison service over rivals' -- and the promise of more such actions to come -- is cheering those who see [pernicious effects](https://promarket.org/google-close-natural-monopoly-bell-system-1956/) from rising concentration. Some officials are even considering novel theories of antitrust, such as privacy issues.

1. Are the tech giants monopolies?

No doubt they're powerful. Google's share of U.S. internet search advertising spending is about 78 percent, according to [eMarketer](https://www.emarketer.com/). Google and Facebook Inc. together control about 56 percent of the U.S. [mobile ad](#) market. Apple Inc. takes more than 60 percent of high-end smartphone sales globally. About 30 percent of all U.S. [e-commerce](#) sales go through Amazon.com Inc. But under modern antitrust enforcement, those percentages alone aren't enough to alarm regulators in the U.S., which long ago stopped equating big with bad.

2. What does worry regulators?

In the U.S., they're primarily focused on the harm to consumers from reduced competition. When two companies want to merge, for example, could the deal result in higher prices? That's not an issue in many high-tech tie-ups because the big firms are often gobbling up smaller rivals or buying companies to enter new markets. And often, in the case of internet search and social media, the services are free and prices therefore aren't relevant. So the debate is shifting to whether increased concentration has resulted in other harmful economic effects, such as [weak private investment](https://www.bloomberg.com/view/articles/2017-06-19/businesses-scale-back-weak-private-investment)

[investment-in-america](#) , [rising wage inequality <https://hbr.org/2017/05/research-the-rise-of-superstar-firms-has-been-better-for-investors-than-for-employees>](https://hbr.org/2017/05/research-the-rise-of-superstar-firms-has-been-better-for-investors-than-for-employees) and [fewer startups <https://www.technologyreview.com/s/601497/why-startups-are-struggling/>](https://www.technologyreview.com/s/601497/why-startups-are-struggling/) .

3. What's a monopoly, anyway?

In the U.S., there is no sharp line, but a market share of at least 50 percent is generally needed before courts and regulators take notice. Think of the early 20th-century trusts that controlled oil, railroads and steel. Standard Oil's market share got as high as [88 percent <http://bit.ly/2sQOIDh>](http://bit.ly/2sQOIDh) . It's not illegal to be big and powerful in the U.S. Gaining a monopoly position from superior products or better management is considered a reward for success in the marketplace. But it's illegal for a monopoly to take predatory steps to stop rivals that might threaten its dominance. Any attempts to illegally maintain a monopoly -- which federal courts ruled Microsoft did in the 1990s -- is fair game for antitrust enforcers and could result in penalties or a forced break-up.

4. Why is the EU tougher on tech companies?

EU law sets a lower bar for finding dominance by a company, so it's easier to run afoul of anti-monopoly law. Google is a case in point: The U.S. chose not to bring charges against Google for the same conduct the EU found illegal. There are also cultural differences. In the U.S., disruption is admired and regulators have largely given the tech giants free rein to grow and innovate. That adulation isn't shared by EU enforcers, who are more wary of big companies, especially those collecting consumers' personal data. The EU is expected to bring more such [cases <https://www.bloomberg.com/news/articles/2017-07-05/google-s-fine-said-to-be-only-the-start-as-eu-probes-progress>](https://www.bloomberg.com/news/articles/2017-07-05/google-s-fine-said-to-be-only-the-start-as-eu-probes-progress) involving Google's Android software for mobile phones and its AdSense [online advertising <https://www.bloomberg.com/news/articles/2016-07-14/google-gets-eu-antitrust-complaints-on-advertising-search-iqm59p2j>](https://www.bloomberg.com/news/articles/2016-07-14/google-gets-eu-antitrust-complaints-on-advertising-search-iqm59p2j) service. Google's rivals can use the EU decision to support compensation claims in national courts. In the U.S., companies that think they've been harmed can sue Google for triple damages but, lacking a finding similar to the EU's, are unlikely to succeed, legal experts say.

5. What about Asia?

Japanese and South Korean antitrust watchdogs are [looking <http://asia.nikkei.com/Politics-Economy/Policy-Politics/South-Korean-antitrust-agency-moving-to-control-Google-Facebook>](http://asia.nikkei.com/Politics-Economy/Policy-Politics/South-Korean-antitrust-agency-moving-to-control-Google-Facebook) at the collection and use of data by Google and Facebook to see if they have a monopoly over consumer web-surfing and online-buying data. In China, censorship and government control over internet access have made it difficult for U.S. tech companies to compete with the likes of Alibaba, Baidu and Tencent [<https://www.bloomberg.com/news/features/2017-06-28/tencent-rules-china-the-problem-is-the-rest-of-the-world>](https://www.bloomberg.com/news/features/2017-06-28/tencent-rules-china-the-problem-is-the-rest-of-the-world) , roughly similar to Amazon, Google and Facebook. The Chinese companies, which also have high market shares, compete fiercely with each other but, with most foreign social networks and search services blocked, their domination is [protected <https://www.bloomberg.com/news/articles/2015-08-23/in-uber-s-quest-to-win-over-china-tencent-blocks-the-way>](https://www.bloomberg.com/news/articles/2015-08-23/in-uber-s-quest-to-win-over-china-tencent-blocks-the-way) from foreign competition.

6. Have U.S. tech giants been predatory?

Tech platforms like Amazon and Facebook are the middlemen for today's essential products and services, giving them leverage over both producers and consumers. Amazon, for example, used its [power](https://www.bloomberg.com/news/articles/2014-06-04/amazon-feud-with-publishers-to-escalate-as-contracts-end) over the book market in 2014 to block pre-orders for some Hachette Book titles during a dispute with the publisher over pricing. The tech giants are also growing by snapping up potential rivals that might threaten market share. Bloomberg data show the big five -- Alphabet, Amazon, Apple, Facebook and Microsoft -- have made 436 acquisitions worth \$131 billion over the last decade. The companies also have control over vast amounts of data about their customers, raising worries about threats to privacy.

7. How is privacy related to antitrust?

Traditionally it hasn't been, but regulators are moving in that direction. Germany's Federal Cartel Office is examining charges that Facebook bullies users into agreeing to its terms and conditions, which allow the company to gather data on users' web-surfing activities in ways they might not understand. Users who don't agree are locked out of Facebook's two billion-strong social media network. One EU antitrust lawyer says the probe essentially [equates privacy concerns with antitrust](https://www.bloomberg.com/news/articles/2017-07-03/facebook-s-small-print-might-be-antitrust-s-next-big-target) concerns.

8. What do the companies say?

They argue that their dominance is hardly durable because barriers to entry are low for new competitors. As Google is fond of saying, competition is just "one click away." The companies also say they are successful because of the quality of their offerings, so why punish success? Consumers appear to agree it's hard to beat Google's suite of free products or Amazon's convenience. Their dominance may not be about predatory practices so much as the nature of competition in the digital marketplace, where tech platforms benefit from network effects: As more people use them, the more useful -- and dominant -- the platforms become. Network effects can give a company scale quickly and create what investor Warren Buffett calls competitive moats.

9. What happened in the Microsoft case?

The U.S. Justice Department under a Democratic president sued Microsoft in 1998, arguing that the company abused its market power in computer operating systems. The government said Microsoft illegally tied its Internet Explorer web browser to its Windows operating system to thwart competition from rival Netscape. The U.S. won

at trial, with a federal judge ruling that Microsoft should be broken up. An appeals court in 2001 upheld the decision that the company engaged in anti-competitive conduct, though it vacated the order breaking up the company. Soon after, a Republican president took office and his Justice Department appointees quickly settled the case.

10. What's happened since then?

The Microsoft lawsuit was the last major monopolization case brought by the U.S. The ensuing 20-year dry spell is often cited by those who argue enforcement has been too timid. The Barack Obama administration vowed to get tough on dominant companies in 2009, but it didn't follow through. The number of monopoly cases brought by the U.S. has dropped https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=2612047 sharply, from an average of 15.7 cases per year from 1970 to 1999 to less than three between 2000 and 2014.

11. Is antitrust thinking outdated?

Some lawyers and economists think it's time to move past conventional antitrust enforcement <https://promarket.org/responsible-declining-labor-share-output-michael-porter/> . They warn of a range of harmful effects from increased concentration, such as lower private investment, weak productivity https://www.brookings.edu/wp-content/uploads/2016/09/wp24_andrews-et-al_final.pdf growth and rising inequality <https://economics.mit.edu/files/12979> . They also point to declining business dynamism <https://www.brookings.edu/research/declining-business-dynamism-in-the-united-states-a-look-at-states-and-metros/> , or the rate at which firms enter and exit markets. Some don't buy this thinking and say the smaller labor forces of the tech giants could explain workers' lower share of national income. Others warn against equating concentration with declining competition. They point to duopolies <https://www.nytimes.com/roomfordebate/2016/11/14/should-the-government-bring-back-trust-busting/> like aircraft manufacturers Boeing and Airbus that compete vigorously.

12. Is this just a high-tech issue?

No. Advancing concentration in markets from airlines and mobile-phone carriers to pay-TV companies and travel-booking services <https://www.bloomberg.com/news/articles/2017-05-05/u-s-hotels-plan-attack-on-the-priceline-expedia-monopoly> has sparked a drumbeat of articles and opinion pieces fueling the antitrust debate. By one estimate https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=2612047 , more than 75 percent of U.S. industries experienced an increase in concentration over the last two decades. A wave of mergers in the airline industry since 2005 has shrunk the number of carriers, leaving the top four controlling 80 percent of the market. That has fueled criticism that consolidation has given the airlines the power to impose spiraling fees while service worsens.

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— *With assistance by Aoife White, and Robert Fenner*

EXHIBIT 92

techcrunch.com

Facebook, Twitter, Google warned over EU consumer rights

Natasha Lomas@riptari / Jul 25, 2017comment Comment

4-5 minutes

U.S. social media giants have been warned by Europe's consumer rights commissioner that she's running out of patience with their failure to comply with the region's consumer protection standards.

"I am becoming very impatient," said commissioner Věra Jourová, speaking at a press briefing today in Brussels. "In our opinion there are in the terms and conditions of these American companies several very unfavorable conditions for the EU consumer. And if they want to make big business using the benefit of operating in the European market they have to be compliant with the EU consumer protection standards and rules."

EU regulators have been investigating complaints about unfair terms and conditions pertaining to platforms operated by Facebook, [Twitter](#) and Google since last year.

In [March](#) the Commission and national consumer protection authorities gave the three tech giants a month to fix the problems they had identified — which included issues such as depriving consumers of their right to take a company to court in their own

country; and requiring consumers waive mandatory rights, such as their right to withdraw from an online purchase.

Late yesterday, [Reuters](#) reported that regulatory pressure is now being cranked up on the three, after the proposals they have submitted so far have not been considered sufficient to bring them into compliance. The Commission requested amended proposals be submitted by July 20, and implemented by the end of September.

Today, Jourová said the September deadline will be the last chance for the companies to satisfy EU regulators — or face enforcement action from Member States' consumer protection authorities. This could include fines.

“We received two answers out of three — one company asked for more time for the response,” noted Jourová today. “What we want them to do is to make their terms and conditions to be in full compliance with the high European standards of consumer protection. That’s why we asked them for concrete proposals, we set a deadline, and we will wait for the last answer and we will assess and analyze whether this is sufficient for us.”

“In case this dialogue does not work we will have to help the national enforcers to launch the co-ordinated action,” she added.

A Facebook spokesperson told us it believes it does already comply with EU law though also recognizes the need to improve its T&Cs to make them easier to understand, adding that it is working to assuage regulators' concerns.

A Twitter spokesman declined to comment, saying the company has nothing to share at this stage.

At the time of writing Google had not responded to a request for comment.

Giving an example of one of the conditions that EU regulators are taking issue with, Jourová said: “I think we can all agree that it’s not acceptable to ask consumers to go to court in California if they have a problem.” (According to [Reuters](#) this is one of the sticking points in the dialogue thus far.)

“Also companies have limited their own liability towards consumers in a way unacceptable under the EU law,” she continued. “And in the future they also need to better protect consumers from illegal commercial practices of traders using their platforms.”

“We are intensively working on making the consumers safer when purchasing from the platforms,” she added. “We want to make sure that everybody understands that what applies offline it also has to apply for online.”

Jourová also said the EC is also looking closely at the shopping experience for consumers on tech platforms — as part of a retesting review it’s undertaking to ensure current consumer protection legislation is up to date with digital developments.

“We need to make sure that when you go to buy something from online platform you know exactly who you buy from — who is the other side of the contract. So we will be looking into the possibility of introducing more transparency for online shopping,” she added.

This story was updated to include responses to requests for comment from Facebook and Twitter

EXHIBIT 93

techcrunch.com

Wit.ai is shutting down Bot Engine as Facebook rolls NLP into its updated Messenger Platform

John Mannes@johnmannes / Jul 27, 2017comment Comment

2 minutes

[Wit.ai announced this morning in a blog post](#) that it would be sunsetting its Bot Engine. The Facebook-owned company builds developer tools for natural language processing to help engineers build speech and text chatbots faster and with less technical experience.

Bot Engine [launched as a beta in April of 2016](#). The tool let developers train their own bots using sample conversations sharing similar structure. These examples could stand in for real conversations and be updated with authentic conversation logs to fine-tune. The goal was to allow for the training of a flexible bot on dozens of conversations, instead of millions.

But the Engine was designed for text-only interactions and the bot ecosystem has matured so quickly that the technology has become outdated. The team notes that Messenger and other platforms have been adding new means of interaction beyond text. All of this is for the better, but it hasn't been kind to the value-add of Bot Engine.

Wit.ai says that more than 100,000 developers use its services. But within that group, 90 percent of API calls are going to Wit's NLP API. Bot Engine and the Stories UI will stay alive until February 1, 2018 to give developers time to [migrate their apps](#).

Coincidentally, [Facebook](#) announced today it is [integrating natural language processing tools into Messenger Platform 2.1](#).

With the update, developers can extract from messages information like date, time, location, amount of money, phone number and email. Wit.ai can then be used to customize the capabilities of the Messenger Platform's NLP integration.

EXHIBIT 94

POLICY —

LinkedIn: It's illegal to scrape our website without permission

A legal scholar calls LinkedIn's position "hugely problematic."

TIMOTHY B. LEE - 7/31/2017, 7:00 AM



Microsoft

SUBSCRIPTIONS  SI

LinkedIn CEO Jeff Weiner (left) and Chairman Reid Hoffman (right) with Microsoft CEO Satya Nadella (center). Microsoft bought LinkedIn last year.

A small company called hiQ is locked in a high-stakes battle over **Web scraping** with LinkedIn. It's a fight that could determine whether an anti-hacking law can be used to curtail the use of scraping tools across the Web.

HiQ scrapes data about thousands of employees from public LinkedIn profiles, then packages the data for sale to employers worried about their employees quitting. LinkedIn, which was **acquired by Microsoft last year**, sent hiQ a cease-and-desist letter warning that this scraping violated the Computer Fraud and Abuse Act, the controversial 1986 law that makes computer hacking a crime. HiQ sued, asking courts to rule that its activities ..

Jar at Cornell Law School, told Ars that the stakes here go well beyond the fate of one little-known company.

"Lots of businesses are built on connecting data from a lot of sources," Grimmelmann said. He argued that scraping is a key way that companies bootstrap themselves into "having the scale to do something interesting with that data." If scraping without consent becomes illegal, startups like hiQ will have a harder time getting off the ground.

But the law may be on the side of LinkedIn—especially in Northern California, where the case is being heard. In a [2016 ruling](#), the 9th Circuit Court of Appeals, which has jurisdiction over California, found that a startup called Power Ventures had violated the CFAA when it continued accessing Facebook's servers despite a cease-and-desist letter from Facebook.

Some details of that case were different—Power Ventures was sending out private messages with the permission and cooperation of Facebook users, while hiQ is scraping data on public webpages. But experts told Ars that the *Power Ventures* precedent is likely to be bad news for hiQ because it suggests that continuing to access a site after being asked to stop is enough to trigger the anti-hacking law.

“Hugely problematic”

LinkedIn's position disturbs Orin Kerr, a legal scholar at George Washington University. "You can't publish to the world and then say 'no, you can't look at it,'" Kerr told Ars.

The CFAA [makes it a crime](#) to "access a computer without authorization or exceed authorized access." Courts have been struggling to figure out what this means ever since Congress passed it more than 30 years ago.

One plausible reading of the law—the one LinkedIn is advocating—is that once a website operator asks you to stop accessing its site, you commit a crime if you don't comply.

That's the interpretation suggested by the 2016 *Power Ventures* decision, which is a binding precedent in California. Power.com was a social network that functioned as a social network aggregator. Through the Power.com website, users could log into other social networks like Facebook, allowing them to access information from multiple social networks simultaneously.

To expand its user base, Power asked users to provide their Facebook credentials and then—with their permission—sent Power.com invitations to their Facebook friends. Facebook, naturally, didn't appreciate this marketing tactic. They sent Power a cease-and-desist letter and also blocked the IP addresses Power was using to communicate with Facebook's servers.

Facebook sued, claiming that its cease-and-desist letter made Power's access unauthorized under the terms of the CFAA. Power disagreed and argued that having permission from Facebook users was good enough—it didn't need separate approval from Facebook itself.

But the 9th Circuit Court of Appeals [sided with Facebook](#) last year.

"Power users arguably gave Power permission to use Facebook's computers to disseminate messages," the court wrote. "But Facebook expressly rescinded that permission when Facebook issued its written cease-and-desist letter." After this point, the court held, "Power knew it no longer had authorization to access Facebook's computers, but continued to do so anyway."

That result bothers Kerr.

For example, he said, imagine if CNN sent out letters to reporters at rival news organizations demanding that their reporters not access cnn.com. Under an expansive reading of the law, Kerr told Ars, it would then "become a federal crime to visit a public website."

Kerr argues sites wanting to limit access to their site should be required to use a technical mechanism like a password to signal that the website is not, in fact, available to the public.

"It's hugely problematic to let the subjective wishes of the website owner and not their objective action" determine what's legal, Kerr told Ars.

The *Power Ventures* case isn't over. Power Ventures [asked the Supreme Court to consider the case](#) in May, and the high court hasn't decided whether to do so yet. And for now, the *Power Ventures* precedent only applies within the 9th Circuit, which covers California and other Western states. Unfortunately for hiQ, the LinkedIn dispute is being heard by California federal courts.

Ultimately, Grimmelmann believes, the text of the CFAA doesn't clearly settle this question. Both Kerr's view that running a public website implicitly gives the public authorization to access it and LinkedIn's view that companies can rescind authorization on a case-by-case basis are plausible interpretations of the law.

But both scholars argue there are good reasons to favor the more permissive reading of the law. The LinkedIn interpretation of the law gives big website operators like LinkedIn plenty of power over how their sites are used. They argue the courts should preserve the rights of small companies, watchdog groups, and others to gather information from the Web using scraping tools.

TIMOTHY B. LEE

Timothy is a senior reporter covering tech policy, blockchain technologies and the future of transportation. He lives in Washington DC.

EXHIBIT 95

businessinsider.com

Mark Zuckerberg texted his now wife about cancelling Facebook's IPO

Shona Ghosh, Business Insider UK

3-4 minutes



Priscilla Chan and Mark Zuckerberg.

Reuters

[Disclaimer](#) Get real-time FB charts here »

Facebook almost cancelled its \$16 billion (£12.3 billion) initial public offering in 2012 because its internal revenue projections

were so bad, according to court testimony in a class-action lawsuit.

In April that year, Mark Zuckerberg had texted Priscilla Chan, then his fiancée and now his wife: "Everything here is going really badly. Our revenue projection has gone down so much we now think we might go public at less than \$50bn if things continue."

The Financial Times [first reported on the court hearing](#), which took place in Manhattan on Wednesday.

At the time, Facebook was struggling to make the switch from desktop to mobile. The company went public in May that year.

The court heard that Zuckerberg went into a "huddle" with some of Facebook's top executives — including David Ebersman, then the chief financial officer, and Sheryl Sandberg, the chief operating officer — in a hotel room in New York to discuss whether to float.

When that was over, he then sent another text to Chan: "IPO is on." She replied, "Yay."

According to the Financial Times report, investors, including the Arkansas Teacher Retirement System, are alleging that Facebook and its underwriters misled investors by failing to disclose that users' switch to mobile was affecting Facebook's revenue. The investors said the risk had been described as only theoretical.

But Facebook's legal representative, Andrew Clubok, said it wasn't possible for the company to have quantified that risk and that Facebook's revenue had begun to rebound by the time of the float.

A Facebook representative told the Financial Times, "We remain confident that our disclosures were complete, accurate, and complied with applicable law."

While Facebook was originally slow to transition to mobile, it quickly evolved into a mobile-first company. By 2013, [half its revenue](#) was coming from mobile advertising. It now [accounts for 85%](#) of the company's ad revenue.

EXHIBIT 96

CHART: The Mindblowing Rise Of Facebook's Mobile Revenue



Jay Yarow

Oct. 30, 2013, 4:30 PM 2,711



FACEBOOK



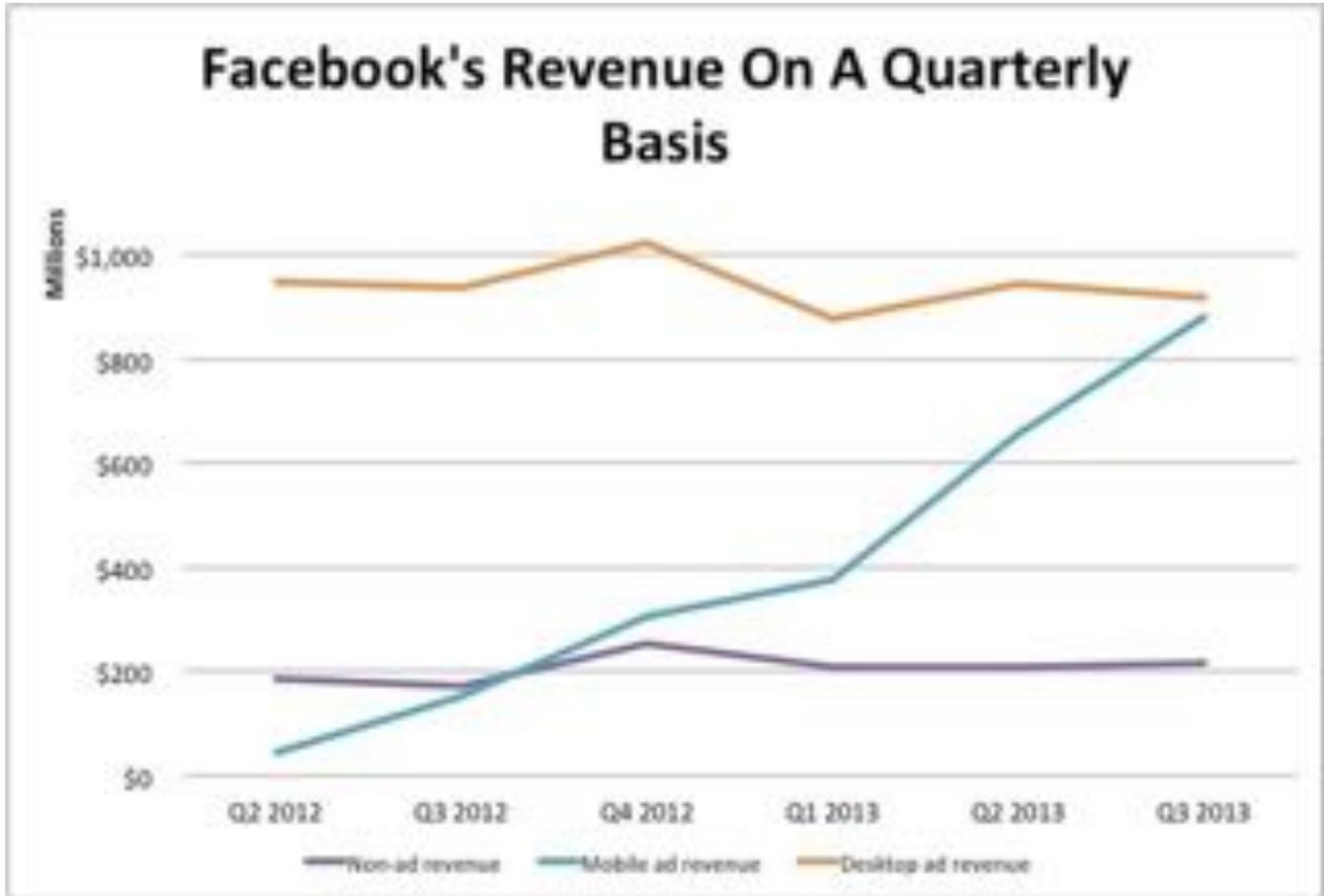
LINKEDIN



TWITTER



When Facebook IPO'd, it made no money from mobile ads. Today, half of its revenue is coming from mobile ads. This chart, tells the incredible story of how this business got to be huge in just a few quarters.



Business Insider

FB Facebook-A

166.28

-1.82 (-1.10 %)

[Get real-time FB charts here »](#)

Disclaimer

[More coverage of Facebook's earnings here >](#)

EXHIBIT 97

techcrunch.com

Facebook beats in Q1 with \$8.03B revenue, faster growth to 1.94B users

Josh Constine@JoshConstine / May 3, 2017comment Comment

7-9 minutes

Facebook had another strong quarter, beating estimates to start 2017. It scored \$8.03 billion in revenue and \$1.04 GAAP actual EPS [in Q1](#) compared to \$0.87 EPS estimate. It earned that from 1.94 billion users, up from 1.86 billion last quarter, growing at a faster 4.3 percent compared to 3.91 percent last quarter.

Steady Growth, Strong Profits

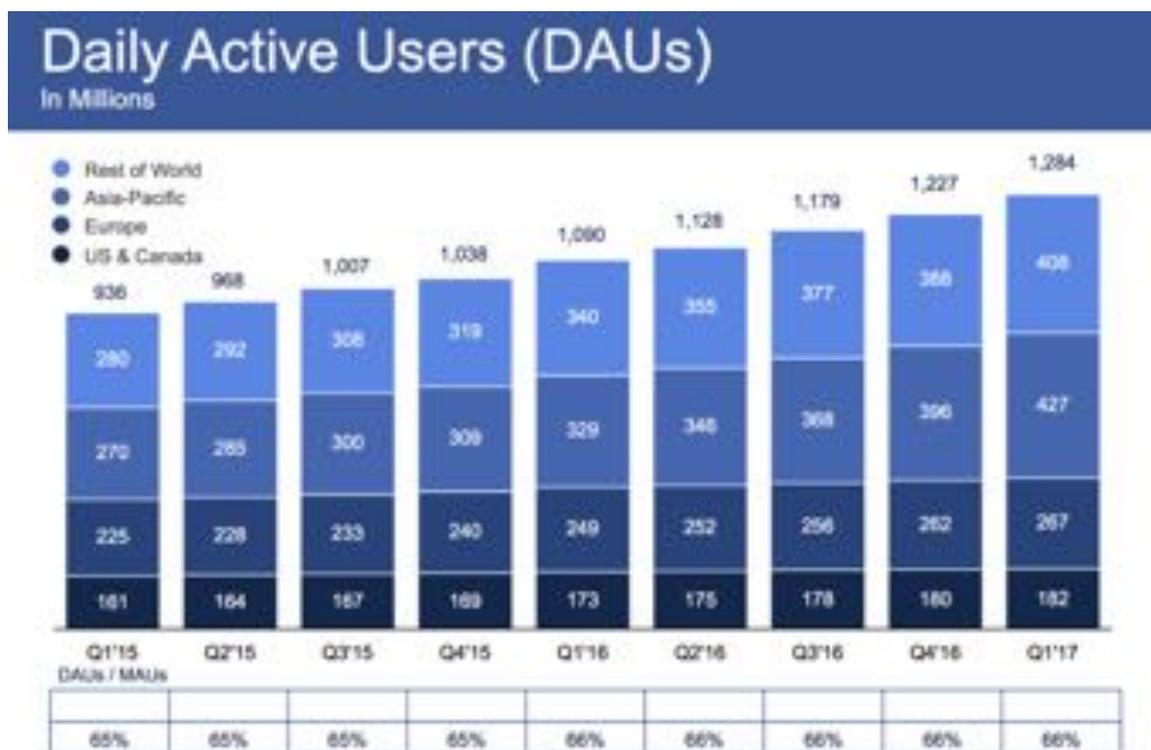
At this rate Facebook should hit 2 billion total users in Q2. Daily active users reached 1.28 billion, up from 1.23 billion last quarter. While fake news, video violence, and copying Snapchat have all been fixtures of the Facebook news cycle, its user growth actually grew during the time period. Facebook added 3 million monthly users in the lucrative but saturated US & Canada market, though the Asia-Pacific region was the big driver, where Facebook added 43 million users.

The company told investors that “Facebook is no longer reporting non-GAAP expenses, income, tax rate, and earnings per share (EPS).” That means it will be more prominently disclosing stock-

based compensation in its expenses, which is important since tech companies like Facebook pay employees lots of stock that vests over time to keep them from leaving.

[Correction: TechCrunch and several other publications wrongly compared the new GAAP actual EPS with the non-GAAP analyst estimate, since Facebook no longer reports non-GAAP financials. Since Facebook's GAAP actual EPS was \$1.04 compared to the analyst estimate of \$0.87, Facebook actually beat the street this quarter, rather than having mixed results as we originally reported.]

Facebook beat analyst estimates on revenue, which were \$7.83 billion. Facebook had closed the market earlier today down 0.68 percent at \$151.80. Shares dropped 2.37 percent in after-hours trading. Today's report shows that running out of News Feed ad space hasn't prevented Facebook from continuing to grow its revenue.



Mobile now counts for 85 percent of Facebook's ad revenue, compared to 84 percent last quarter, accounting for \$6.7 billion in ad revenue. Facebook earned \$3.06 billion in profit in Q1, up 76% year-over-year while revenue grew 49% year-over-year. Facebook managed to slow the decline of its games payments business, with it earning \$175 million in Q1 compared to \$180 million last quarter and \$195 million in Q3. Facebook stopped reporting mobile-only users.

Headcount grew to 18,770 people, up 38 percent YOY. Facebook's total costs were \$4.7 billion, giving it a 41% operating margin, down from 52% margin last quarter.

Facebook's focus on the developing world with apps like the 200 million-user Facebook Lite, recently rolled-out Messenger Lite, and new Instagram offline mode are paying off. Average revenue per user in the Rest Of World region hit \$1.27, up 40% in a year.

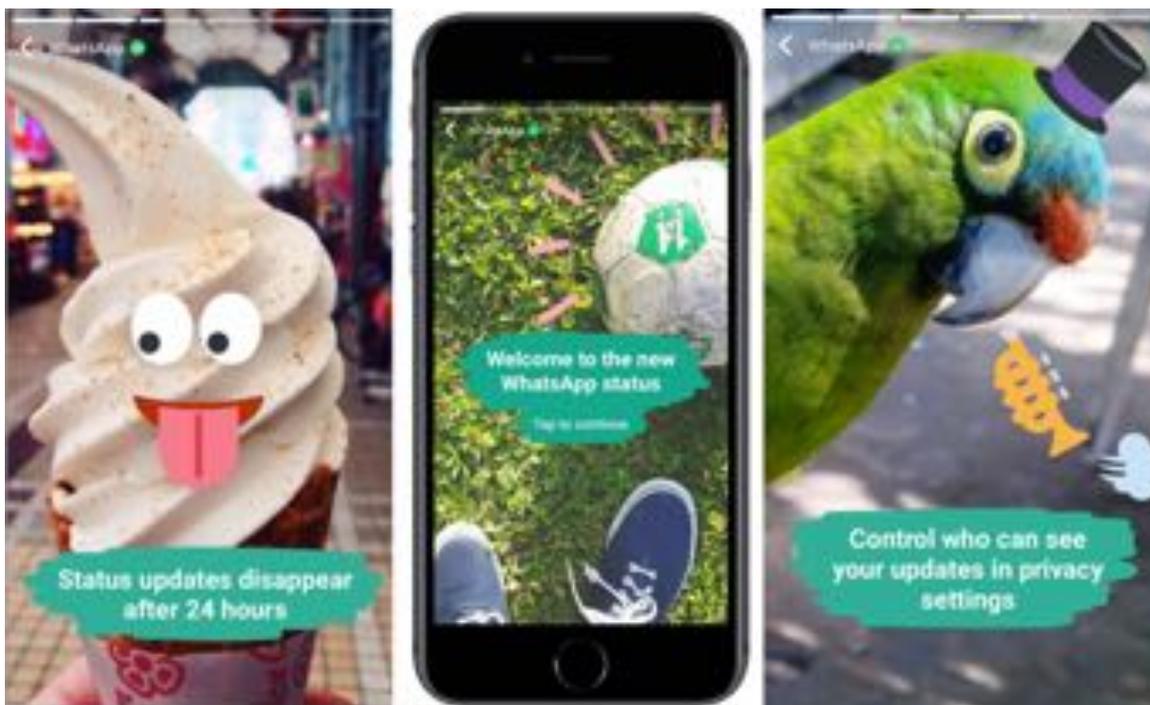
Zuckerberg On Leapfrogging Snapchat

During the earnings call, Mark Zuckerberg gave an overview of Facebook's work on its new mission to "build community" that the CEO described in his [humanitarian manifesto](#) in February.

Progress includes getting people to join community groups, launching Community Help for organizing disaster and crisis relief, and launching Townhall to connect people to their elected representatives.

One important piece of news from the call was the first indication of the performance of WhatsApp Status, the Facebook-owned messaging app's Snapchat Stories clone. Zuckerberg said

[WhatsApp Status now has 175 million daily users](#) just 10 weeks after launch, making it larger than Snapchat as a whole.



But Zuckerberg's most electric comments came when [he characterized Facebook's progress in visual communication and augmented reality versus competitors](#). While he didn't name Snapchat, the comparison was implied when he said (emphasis mine):

"I think we were a little bit late to the trend initially around making cameras the center of how sharing works. But I do think at this point we're pretty much ahead in terms of the technology that we're building, and making an open platform I think is a big step forward. A lot of people are using these products across our family of apps. **And I would expect us to continue leading the way forward on this from this point on.**"

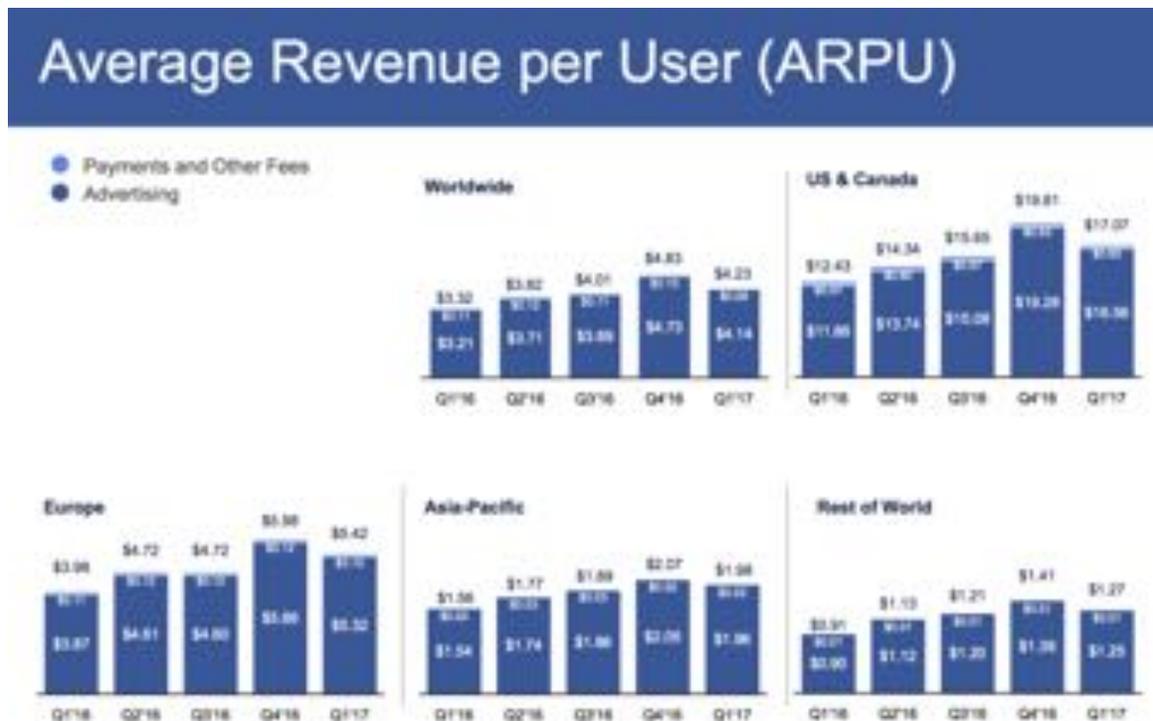
The CEO seems bullish on outside developers helping Facebook to produce a wider range of AR content than Snap can itself. When asked about monetizing AR, Zuckerberg brought up how

object recognition could enable floating Buy buttons on real world things.

Another significant point from the call was Facebook’s growing emphasis on long-form video and purposeful viewing, rather than the short-form video people spontaneously discover in the feed today. [Efforts to thwart ad blockers](#) have also succeeded, with CFO David Wehner saying Facebook served 32% more ad impressions in Q1 2017 versus Q1 2016.

Scandals Don’t Slow Facebook

eMarketer estimates that Facebook will generate \$36.29 billion in net digital ad revenue in 2017, up 35% from last year. That would give it the second largest share of the global online ad market with 16.2%, behind Google’s 33%. 45% of Facebook ad revenue is expected to come from the US. While Facebook doesn’t break out Instagram financials, eMarketer expects it to earn \$3.92 billion in global ad revenue, or 12.3% of Facebook’s ad revenue.

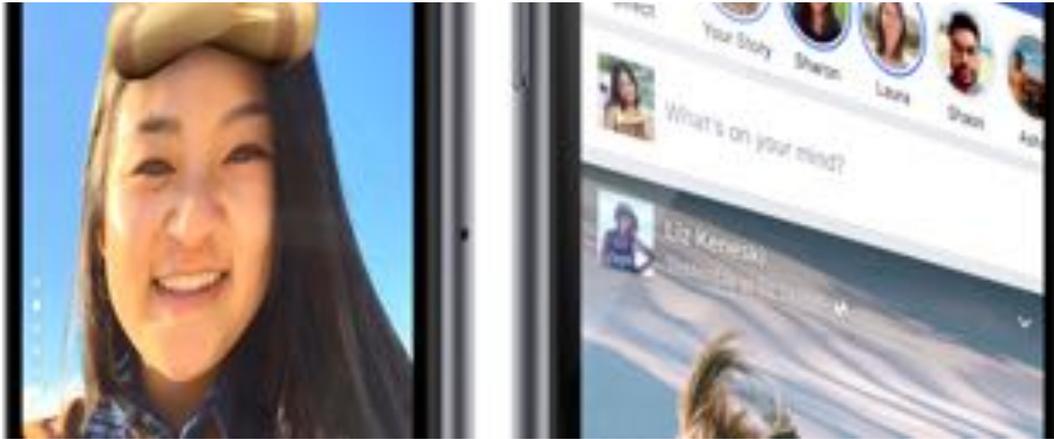


“Advertisers continue to report positive results from their ads on Facebook, but they remain concerned about things like fake news and the measurement glitches that Facebook has revealed” says eMarketer analyst Debra Aho Williamson. “How the company addresses these and other concerns will be a key factor that determines whether revenue growth continues as strongly in the next few quarters and years as it has in the recent past.”

Q1 saw Facebook spin up several new products that could turn into serious money-makers for the social network. Following the success of Instagram Stories, Facebook continued its efforts to clone Snapchat with the launch of [Messenger Day](#), [Facebook Stories](#), and [WhatsApp Status](#). These clones could dampen growth for Snapchat while eventually sucking in marketing dollars from the [ads it will likely insert between Stories](#) as it does on Instagram.

Competing with LinkedIn, [Facebook launched job opening posts](#) that can be turned into ads. [Facebook began testing ad breaks](#) inside of recorded videos as well as Live broadcasts, and will keep 45% of the ad revenue while paying creators 55%.





But Facebook saw trouble with Oculus, paying \$300 million (plus \$200 million from Oculus founders) to Zenimax after losing a lawsuit about stolen intellectual property. Co-founder Palmer Luckey left the company, and Oculus reduced the price of its Rift headset amidst slow sales of tethered VR hardware across the industry.

The biggest story of the quarter was Facebook's on-going struggles to fight fake news and offensive content. It's begun working with outside fact checkers, hired a former New York Times product manager to run news product, made banned content reporting easier, and today announced it will hire 3000 people to speed up vetting of flagged content. Yet even that controversy hasn't seemed to slow down the social juggernaut.

EXHIBIT 98

MARKETS POLITICS FEATURES FBN TV

The New Copycats: How Facebook Squashes -2-

By Betsy Morris and Deepa Seetharaman | Published August 09, 2017 | [Features](#) | Dow Jones Newswires

Tech startups live by the rule that speed is paramount. Houseparty, creator of a hot video app, has an extra reason for urgency.

Continue Reading Below

Facebook Inc., a dominant force in Silicon Valley, is stalking the company, part of the social network's aggressive mimicking of smaller rivals. Facebook is being aided by an internal "early bird" warning system that identifies potential threats, according to people familiar with the technology.

This fall, Facebook plans to launch an app similar to Houseparty, internally called Bonfire, say people familiar with the project. Both apps let groups of people hang out over live video on a smartphone.

"They see we're having traction," says Sima Sistani, co-founder of Houseparty, which is based in San Francisco. "That's why we're pushing so hard."

is getting harder to grow fast enough and big enough to avoid getting either acquired or squashed by one of the behemoths.

For months, Houseparty could see Facebook in the rearview mirror. Last year, Facebook executives approached it for meetings the startup interpreted as exploring an acquisition. Then, two months after Houseparty publicly introduced itself as "the internet's living room" in November, Facebook's Messenger app said it would become a "virtual living room."

Continue Reading Below

Facebook in February launched a study of Houseparty, wooing its teenage users in a post that began: "Hi everyone!! Do you use Houseparty?"

The deep pockets of giants such as Facebook, Alphabet Inc.'s Google, Apple Inc. and Amazon.com Inc. make it increasingly difficult for startups to compete and stay independent. The four firms have a combined market capitalization of almost \$2.5 trillion, a rough equivalent to the annual gross domestic product of France.

Facebook acquired photo-sharing app Instagram in 2012 for \$1 billion and messaging service WhatsApp in 2014 for \$22 billion. Google in 2013 bought Waze, a rival to Google Maps. Amazon in 2010 bought Quidsi, the online retailing company behind diapers.com and other sites, after trying to copy it.

Lately, the titans also appear to be imitating smaller rivals more aggressively. In July, a week after the initial public offering of Blue Apron Holdings Inc., an Amazon subsidiary

platform. Amazon declined to comment. Google didn't respond to requests for comment.

At an all-hands meeting last summer, Facebook Chief Executive Mark Zuckerberg told employees they shouldn't let pride get in the way of serving users, another way of saying they shouldn't be afraid to copy rivals, according to someone who was at the meeting. The message became an informal internal slogan: "Don't be too proud to copy."

Facebook executives have said publicly it is common in tech for companies to build on technologies pioneered by others.

Regulators, politicians and academics are increasingly questioning how tech giants use their considerable clout. In June, the European Union's antitrust regulators fined Google \$2.71 billion, saying its search engine favored its own comparison-shopping service over others. Google has said it disagrees with the conclusions and will consider an appeal.

"If you're an app, are you better off getting acquired or competing against one of the big platforms?" says Scott Stern, management professor at Massachusetts Institute of Technology. While getting acquired can be "a very good win for the founders, that might be at the expense of a more competitive landscape."

Houseparty, formally known as Life on Air Inc., was one of the first startups to go all-in on video chat, with an app that lets small groups of friends drop into a video conversation as if hanging out in a dorm room. It has tapped a coveted audience: teens who love Snapchat but not necessarily Facebook.

The odds are already stacked against it. The average smartphone user has about 89 apps on a device but uses only seven or eight daily, according to Verto Analytics. Facebook, Apple and Google dominate, commanding about 60% of the time and 80% of the ad dollars spent on mobile, the market-research firm says.

Houseparty "is one of the cool new apps -- a good example of somebody who is challenging the status quo and may have success in a certain age group," says Verto

Two of Houseparty's founders -- Ms. Sistani, 38, and Ben Rubin, 29 -- have been on the verge of success before. They previously led one of the first live-video-streaming apps, Meerkat, but its downloads tumbled after Twitter Inc. booted the app off its platform in favor of its own live-streaming app.

Facebook delivered the death blow to Meerkat by deciding to go full force into live video. "We couldn't go head to head," recalls one of Meerkat's investors, Josh Elman, a former Facebook product manager who is a partner at the venture-capital firm Greylock Partners and a Houseparty investor and board member.

Later that summer, Mr. Rubin, Ms. Sistani and several others sequestered themselves for several days to brainstorm. What users loved about Meerkat, they decided, was a feature that let them share the screen for 60 seconds with a friend. That type of video interaction was more private than the live video broadcasts on Meerkat, they concluded, and more spontaneous than a phone call.

Their new app idea: "We want to remind people how nice it is to catch up with your friends. Or how easy it is to say hi to your mom," says Mr. Rubin. "It doesn't need to be this heavy thing."

In February 2016, Mr. Rubin and Ms. Sistani launched Houseparty and began to demo it on college campuses. In May 2016, it briefly became the top social-networking app for the iPhone, according by app-research firm Sensor Tower.

Houseparty downloads went from 10,000 to 100,000 in one day and then crashed, unable to handle the load. The app was down for several hours and then glitchy through July, when the team decided it needed a major overhaul.

When Houseparty was at its most vulnerable, Facebook came knocking. Fidji Simo, head of Facebook's video efforts, contacted Mr. Rubin, according to people familiar with the contact. She wanted to talk about live video, the people say. It was the first sign Facebook was scrutinizing Houseparty.

Mr. Zuckerberg is sensitive to anything that might disrupt Facebook, even the teeniest startup, say current and former executives and employees.

from Facebook's 2016 acquisition of a Tel Aviv-based startup, Onavo, which had built an app that secures users' privacy by routing their traffic through private servers. The app gives Facebook an unusually detailed look at what users collectively do on their phones, these people say.

The tool shaped Facebook's decision to buy WhatsApp and informed its live-video strategy, they say. Facebook used Onavo to build its early-bird tool that tips it off to promising services and that helped Facebook home in on Houseparty.

Houseparty says its growth had been stymied by the app's crash, which slowed its ability to introduce new features and attract new users. The calls from Facebook's Ms.

<https://www.foxbusiness.com/features/2017/08/09/new-copycats-how-houseparty-investor-and-director-in-which-facebook-was-exploring-whether-houseparty-would-be-a-good-fit-for-an-acquisition>

2 captures
10 Aug 2017 - 24 Aug 2017

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Mr. Rubin didn't want to sell but was under pressure from his board to keep Houseparty's options open, Mr. Elman says. "If a company like Facebook or Snapchat needs your team's expertise, that might be a better return for shareholders than the risk of going big," Mr. Elman says he told Mr. Rubin.

Mr. Rubin says in general he isn't against getting acquired as long as the opportunity would allow him "to continue to work on the mission on a larger scale."

Mr. Rubin communicated with Ms. Simo and others over email and phone and then met with Facebook executives at Facebook's offices, says a person familiar with the contacts. Messrs. Rubin and Elman declined to discuss details of the conversations.

Later, Ms. Simo informed Houseparty the talks wouldn't go further, the person says. Facebook said Ms. Simo declined to comment.

In December, Facebook began its group-video-chat offensive. Its Messenger app introduced the feature with the ability to see up to six people into a conversation, compared with the eight-person rooms on Houseparty.

In February, Facebook invited Houseparty users between the ages of 13 and 17 to come to its offices in Menlo Park, Calif., to participate in a study and keep a diary for a

Meanwhile, Houseparty readied for battle with \$50 million in fresh funding in December from a group led by Sequoia Capital, a venture-capital firm that invested in WhatsApp and Instagram. Mike Vernal, a former Facebook executive, a Sequoia partner and Houseparty director, says Facebook's interest in Houseparty and live video chat is to be expected because "Facebook has a mission that is fundamentally about helping people connect with each other." He says he is optimistic about Houseparty's growth potential.

Houseparty rebuilt its app so it could expand reliably without crashing. It added 25 employees, increasing its staff by 30%. Last month, it recruited a vice president of engineering, Kinshuk Mishra, who had helped Spotify AB, the music-streaming service, fend off Apple Music. It introduced a new chat feature called "passing notes" to attract more users.

In Houseparty's office in an unmarked warehouse in San Francisco's trendy Soma neighborhood, the startup's leaders huddled in a tense meeting in May to discuss plans to beef up the app. When Ms. Sistani heard the company's lawyer had delayed some minor changes to the terms of service, the latest in a series of delays, she jumped in and said: "No. No. No. No! Just update the policy."

The pressure increased later that month when Houseparty learned of Bonfire, Facebook's planned live group-chat app. (Tech news site The Verge reported on Bonfire in July.) "I have no problem with the copying," Mr. Rubin says. "It's just business. It's just a distraction."

Houseparty, which has one-million-plus monthly users, compared with Facebook's more than two billion, is determined to beat Bonfire, he says.

Mr. Elman says he is encouraged that Bonfire is a stand-alone app and that Facebook hasn't been particularly successful with those. But, he says, if Facebook figures out how to integrate the power of Houseparty "into a property that I'm already using 10 times a day, that would scare the crap out of me."

Write to Betsy Morris at betsy.morris@wsj.com and Deepa Seetharaman at Deepa.Seetharaman@wsj.com

EXHIBIT 99

DOW JONES, A NEWS CORP COMPANY

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<https://www.wsj.com/articles/facebooks-onavo-gives-social-media-firm-inside-peek-at-rivals-users-1502622003>

TECH

Facebook's Onavo Gives Social-Media Firm Inside Peek at Rivals' Users

Information from data-security app shows company what people do on their phones beyond suite of firm's apps



The Facebook application icon on a phone screen, August 3, 2017. PHOTO: THOMAS WHITE/REUTERS

By *Deepa Seetharaman and Betsy Morris*

Aug. 13, 2017 7:00 a.m. ET

Months before social-media company Snap Inc. publicly disclosed slowing user growth, rival Facebook Inc. [FB -1.08%](#) ▼ already knew.

Late last year, Facebook employees used an internal database of a sampling of mobile users' activity to observe that usage of Snap's flagship app, Snapchat, wasn't growing as quickly as before, people familiar with the matter said. They saw that the shift occurred after Facebook's Instagram app launched Stories, a near-replica of a Snapchat feature of the same name.

RELATED

- Facebook Fined by French Privacy Watchdog Over Data (May 16)
- European Regulators Scrutinize WhatsApp Data-Sharing Plan With Facebook (Aug. 29, 2016)
- WhatsApp to Share User Data With Facebook (Aug. 25, 2016)

In February, just before going public, Snap confirmed that its user base grew more slowly in the last three months of 2016 than the prior

year. Snap's latest financial figures Thursday showed that its growth challenges persist.

Facebook's early insight came thanks to its 2013 acquisition of Israeli mobile-analytics company Onavo, which distributes a data-security app that has been downloaded by millions of users. Data from Onavo's app has been crucial to helping Facebook track rivals and scope out new product categories, The Wall Street Journal reported last week.

Interviews with more than a dozen people familiar with Facebook's use of Onavo data show in detail how the social-media giant employs it to measure what people do on their phones beyond Facebook's own suite of apps. That information shapes Facebook's product and acquisition strategy—furthering its already formidable competitive edge, the people said.

A Facebook spokesman said it is clear when people download Onavo what information it collects and how it is used. "Websites and apps have used market-research services for years," the spokesman said, noting that the company also uses outside services to help it understand the market and improve services.

Alphabet Inc., through its Google Android operating system for smartphones, and Apple Inc. also have the ability to monitor how rivals' apps perform on their mobile platforms, but it isn't clear whether they use that information to shape their product road maps. Apple declined to comment. Alphabet unit Google didn't immediately respond.

Onavo's data comes from Onavo Protect, a free mobile app that bills itself as a way to "keep you and your data safe" by creating a virtual private network, a service used to encrypt internet traffic.

When an Onavo Protect user opens a mobile app or website, Onavo redirects the traffic to Facebook's servers and the action is logged in a database, according to Onavo's website and the people familiar with the system. Facebook's product teams can analyze the aggregated data to get detailed information on things such as which apps people generally are using, how frequently, for how long, and whether more women than men use an app in a specific country. If data inside an app isn't encrypted, the information can be as specific as the number of photos the average user likes or posts in a week.

Onavo Protect has been downloaded an estimated 24 million times, mostly on Android devices, according to app-research firm Sensor Tower. It isn't clear how many people use it regularly.

The app's privacy policy says it may share information with "affiliates" that include its owner, Facebook. "As part of this process, Onavo receives and analyzes information about your mobile data and app use," according to the app's description on Apple's App Store.

"Instead of converting data for the purpose of advertising, they're converting it to competitive intelligence," said Ashkan Soltani, an independent researcher and former chief technologist for the Federal Trade Commission. "Essentially this approach takes data generated by consumers and uses it in ways that directly hurts their interests—for example, to impede competitive innovation."

Facebook's use of Onavo on iPhones could violate its agreement with Apple, said Adam Shevell, an attorney with Wilson Sonsini Goodrich & Rosati who advises startups and large tech companies that publish apps. That is because Facebook is using Onavo to gather information to improve Facebook, he said, whereas Apple's developer agreement allows apps to use data "only to provide a service or function that is directly relevant to the use of the Application, or to serve advertising."

Apple and Facebook declined to comment on this matter.

Within a few months of Facebook's acquisition of the Tel Aviv-based company in 2013, Onavo's data paved the way for the social-media firm's biggest deal, the February 2014 purchase of WhatsApp for what eventually was \$22 billion, the people familiar said.

Onavo showed the messaging app was installed on 99% of all Android phones in Spain—showing WhatsApp was changing how an entire country communicated, the people said. That metric in particular put Facebook on notice, the people said.

'Instead of converting data for the purpose of advertising, they're converting it to competitive intelligence.'

—Independent researcher Ashkan Soltani

Onavo also helped shape Facebook's live-video strategy, other people familiar said. Employees could see usage patterns for live-video apps such as Meerkat and Twitter Inc.'s Periscope, one person said. That helped guide Facebook's decision to add a live-video feature to its main app in early 2016.

With Snapchat, one of Facebook's biggest rivals, Onavo, at one point, revealed information as detailed as how many Snaps were sent every day.

A year ago, Facebook began rolling out disappearing photo and video strings on Instagram called "Stories", similar to the identically named feature on Snapchat, which spurned Facebook's acquisition attempt in 2013.

After seeing Snapchat's growth slow, Facebook rolled out the Stories format across all its major apps: Messenger, WhatsApp and Facebook.

—Tripp Mickle and Jack Nicas contributed to this article.

Write to Deepa Seetharaman at Deepa.Seetharaman@wsj.com and Betsy Morris at betsy.morris@wsj.com

Appeared in the August 14, 2017, print edition as 'Facebook Takes Peek at Rivals.'

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EXHIBIT 100

techcrunch.com

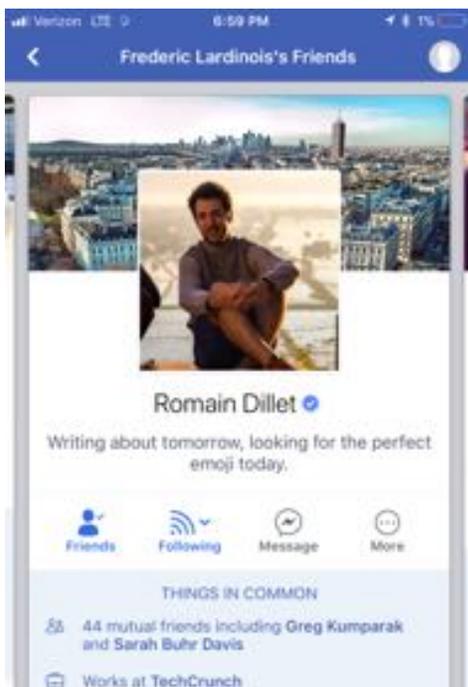
Facebook is testing features to help you make new friends

Lucas Matney Sep 7, 2017 *comment Comment*

3 minutes

[Facebook](#) wants to show you more of what you have in common with potential new friends and make sure you don't forget about your old ones either.

The company is rolling out a feature that allows you to get a closer look at your friend's buddies. It's not only showcasing connections you've yet to make but a lot of current friends as well, which seems a bit odd, but I suppose it helps you orient yourself with friends you haven't interacted with in a bit.





Don't worry, I charged my phone

Once you tap on a button urging you to "get to know [name's] friends" you're cast into a carousel of the connections. Previously, the most prominent way Facebook orients you with potential new friends was by showing you your mutual friends. This option digs deeper, showing you events that you both attended, pages you both like, places you've both worked or lived.

In February, Facebook began rolling out "[Discover People](#)," a feature designed to help you find new connections largely through groups and events. The friend cards are the same here, but this roll out throws them into a more wide feature release.

Facebook is also looking to get you closer to some of the friends you already have in the app. Motherboard [reports](#) that a new feature is bringing some Tinder-like functionality to Messenger, allowing users to connect if they both indicate that they're interested in hanging out. It's also a little reminiscent of some of Snapchat's efforts to get you to interact with friends you haven't traded messages with in a while. Having this functionality inside Messenger is, again, a bit of an odd choice given that you'd have to switch to the main app to view a person's profiles.

There doesn't seem to be any clear "dating app" language present instead it's more focused on friendly encounters, i.e. "Would you like to meet up with [name] this week?" The changes that would need to be taken to transform this feature into a Tinder

or Bumble-like applet don't take any major mental leaps though and dating could be a huge move for the company in the future.

Ultimately, Facebook is better with friends and even if the connection suggestions that Facebook comes up with are already stellar, it's good to see some of the thinking that's being done behind the scenes in terms of common interests.

EXHIBIT 101

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INDUSTRIES & TOPICS

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From the L.A. Biz:

<https://www.bizjournals.com/losangeles/news/2017/09/08/facebook-budgets-for-original-video.html>

Facebook budgets up to \$1 billion for original video

Sep 8, 2017, 11:10am PDT

Facebook Inc. is willing to spend up to \$1 billion on original video for its new Watch initiative.

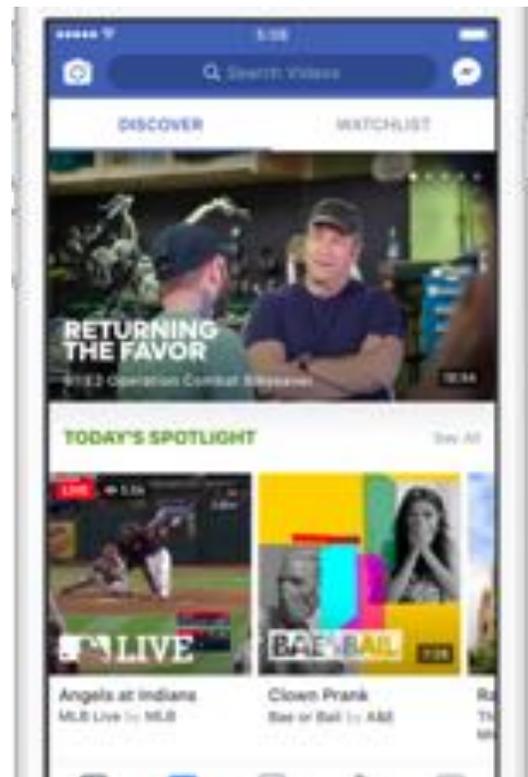
If that 10-digit figure sounds familiar, that's because Apple Inc. (NASDAQ: AAPL) recently announced that it is budgeting the same amount for Hollywood content on its platform.

The Wall Street Journal first reported on Facebook's video ambitions.

Facebook's billion-dollar budget covers spend through next year and could fluctuate based on the success of the original programming.

The figure demonstrates the company's bullish ambitions for video, but it's still a fraction of what others in digital video have budgeted: Netflix is spending \$6 billion on original content this year, and Amazon \$4.5 billion.

Facebook's new video platform Watch launched to all U.S. users this week with shows including "Humans of New York," Tastemade's "Kitchen Little" and one live-streamed Major League Baseball game per week.



FACEBOOK
Facebook's new video platform Watch launched to all U.S. users this week.

The company splits advertising revenues with publishers, giving its partners 55 percent.

Facebook (NASDAQ: FB) aims to become a hub for video where its 2 billion monthly users will not only watch content but discuss it. Chairman and CEO Mark Zuckerberg is willing to pay for video now with the goal that advertising revenue will ultimately pay for programming, the Journal said.

Meanwhile, Apple could buy and produce as many as 10 TV shows after poaching Jamie Erlicht and Zack Van Amburg from Sony Pictures Television, where they served as presidents of programming and production since 2005. The Cupertino, California, computer company created positions for them to lead video programming worldwide from Los Angeles.

[Click here to read more.](#)

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Annlee Ellingson

Staff Writer

L.A. Biz



EXHIBIT 102

techcrunch.com

WhatsApp's first ads appear on Facebook and start convos with businesses

Josh Constine@JoshConstine / Sep 8, 2017comment Comment

3-4 minutes

[WhatsApp](#) is preparing to finally monetize, and its first move follows the same strategy as Facebook Messenger. TechCrunch has discovered code in [Facebook's](#) ad manager that lets businesses buy ads with the call to action "Send WhatsApp Message."

We reached out for comment and a WhatsApp spokesperson told TechCrunch "We're testing a new way for people to start a chat with a business in WhatsApp from a Facebook ad. This makes it easier for people to connect with businesses that they care about on WhatsApp." They clarified that for now, WhatsApp isn't selling ads on its own app, but testing a WhatsApp chat button on Facebook ads that directly opens a conversation with a business in WhatsApp.

The Next Web's [Matt Navarra](#) initially spotted the WhatsApp name in Facebook's ad manager code, in a way that didn't describe how the ads work. Upon further investigation, TechCrunch found this "Send WhatsApp Message" code.

```
l ("class": "whatsapp_message" "text": "Send WhatsApp Message" "objective":
```

```
{ name : WHATSAFF_MESSAGE , text : send whatsapp message , objectives :  
[ ], "value_fields":  
[ "link", "link_description", "link_format", "link_title", "link_caption", "what  
sapp_number", "preinput_text" ] } } , 299 ] , [ "MercuryConfig", [ ],
```

This week [WhatsApp announced its plan to eventually charge businesses](#), stirring worries that businesses might be able to cold-message users with sponsored message ads. But WhatsApp tells TechCrunch that businesses will only be able to contact WhatsApp users that have agreed to be messaged by initiating the conversation. That's the same way [Facebook Messenger-sponsored messages work](#), where businesses can pay to reconnect with people they're already chatting with.

So, a business could use the tested Facebook ads feature to get users to spark conversations with their company, and then have the ability to contact them in the future, potentially through sponsored messages. For example, an e-commerce business could buy Facebook ads that start a conversation with its style consulting service on WhatsApp, then later message that user with promotions for new clothing lines.





Facebook Messenger first monetized with “Click-To-Message” ads that appear on Facebook, and now WhatsApp is doing the same to help businesses get people to start conversations with them

This was the first way [Facebook Messenger began monetizing in 2015 though “Click-To-Message” ads](#) that lived on Facebook proper. Messenger eventually began injecting display ads into the inbox, which WhatsApp could one day allow, too. Alternatively, it could charge large enterprises like banks or airlines for special management of high volumes of messages or e-commerce and customer service transactions.

WhatsApp initially promised not to show ads when it was acquired by Facebook for \$19 billion in 2014. Whether it will stick to that is unclear, considering display ads ended up in Messenger. But with this new test, WhatsApp can start earning its keep and keeping its promise by outsourcing its ad hosting to the Facebook News Feed.

EXHIBIT 103

techcrunch.com

Facebook fined €1.2M for privacy violations in Spain

Natasha Lomas@riptari / Sep 11, 2017comment Comment

7-9 minutes

Another privacy-related fine for [Facebook](#) in Europe: The Spanish data protection regulator has issued a €1.2M (~\$1.4M) fine against the social media behemoth for a series of violations regarding its data-harvesting activities.

Spain's AEPD said an investigation into how Facebook collects, stores and uses data for advertising purposes found it is doing so without obtaining adequate user consent.

It says it identified two serious infringements and one very serious infringement of data protection law — with the total sanction breaking down to €300,000 for each of the first breaches and €600,000 for the second.

The regulator found Facebook collects data on ideology, sex, religious beliefs, personal tastes and navigation — either directly, through users' use of its services or from third party pages — without, in its judgement, “clearly informing the user about the use and purpose”.

Not obtaining express consent of users to process sensitive personal data is classified as a very serious offense under local

DP law.

Facebook's use of web browsing cookies was also found in violation of privacy laws, with the regulator saying it confirmed users are not informed that their information will be processed through the use of cookies when they are browsing non-Facebook pages that contain Facebook's 'Like' button social plug in — noting that while some of the use of this data is declared as being for advertising, other use is “secret”, i.e. not disclosed by the company.

“This situation also occurs when users are not members of the social network but have ever visited one of its pages, as well as when users who are registered on Facebook browse through third party pages, even without logging on to Facebook. In these cases, the platform adds the information collected in said pages to the one associated with your account in the social network. Therefore, the AEPD considers that the information provided by Facebook to users does not comply with data protection regulations,” it noted.

The regulator is also unhappy that Facebook does not delete harvested data once it has finished using it — saying it had been able to verify Facebook does not delete web browsing habits data, but in fact “retains and reuses it later associated with the same user”.

It also found this to be true even when the company had been explicitly requested to delete data by a user.

“Regarding data retention, when a social network user has deleted his account and requests the deletion of the information,

Facebook captures and treats information for more than 17 months through a deleted account cookie. Therefore, the AEPD considers that the personal data of the users are not canceled in full or when they are no longer useful for the purpose for which they were collected or when the user explicitly requests their removal, according to the requirements of the LOPD [local data protection law], which represents a serious infringement,” it said.

The AEPR, which noted it liaised with other DPAs — in Belgium, France, Germany (Hamburg) and the Netherlands, which also have their own separate investigations into these issues, initiated following Facebook’s 2015 T&Cs change — said Facebook’s existing privacy policy was judged to contain “generic and unclear terms”, and to “inaccurately” refer to the use it will make of the data it collects.

The regulator asserted that a Facebook user “with an average knowledge of the new technologies does not become aware of the collection of data, nor of their storage and subsequent treatment, nor of what they will be used”.

It also points out that unregistered Internet users would not be unaware that the social network collects their browsing data — something that has [already got Facebook into trouble](#) with [other European DPAs](#).

Commenting on the regulator’s action, a Facebook spokesperson told us the company intends to appeal the decision, while also noting that its European business is (currently) regulated under Irish data protection rules, where its EU HQ is sited.

It provided the following statement:

We take note of the DPA's decision with which we respectfully disagree. Whilst we value the opportunities we've had to engage with the DPA to reinforce how seriously we take the privacy of people who use Facebook, we intend to appeal this decision. As we made clear to the DPA, users choose which information they want to add to their profile and share with others, such as their religion. However, we do not use this information to target adverts to people.

Facebook has long complied with EU data protection law through our establishment in Ireland. We remain open to continuing to discuss these issues with the DPA, whilst we work with our lead regulator the Irish Data Protection Commissioner as we prepare for the EU's new data protection regulation in 2018.

The size of the AEPR fine is of course a mere pinprick for Facebook whose 2016 revenue was \$27.64BN. So really its appeal against the fine is about the company trying to bat away any perception that it violates privacy by refuting the substance of the violations being asserted here.

But seen through the prism of stricter incoming EU data protection rules, under the new [GDPR regime](#) which comes into force next May, there are certainly serious financial considerations for Facebook's business pertaining to privacy — as the new EU regime includes a far larger stick to beat companies that are judged to have violated data protection rules while also tightening up privacy rules by, for example, expanding the definition of personal data and giving EU citizens the right to ask for their data to be deleted.

Companies will be facing fines of up to 4% of their global annual

turnover for privacy violations under GDPR. So, in Facebook's case, privacy-related fines could start to scale to over a billion dollars. And penalties of that size aren't something the tech giant can too often and too easily sweep under its revenue carpet.

Even as GDPR strengthens the consent requirements for processing personal data, and expands the risk of holding and processing lots of personal data.

In addition, a company like Facebook, which processes data across multiple EU Member States' territories, may find the new regulation creates a situation where it faces more concerted action from other DPAs, i.e. beyond their local data authority where they've established a European base. So, in Facebook's case, it may not so easily be able to claim to be only under the jurisdiction of the Irish DPA. And in Europe, it's fair to say that some DPAs are decided more pro-privacy than others.

Asked about its GDPR preparations, Facebook previously told us it has designated a cross-functional team to "fully analyze the legislation and help us understand what this would mean from a legal, policy and product perspective" — saying this is "the largest cross functional team in the history of the Facebook family".

It is also now looking to recruit a data protection officer — a position mandated under GDPR.

"Ahead of next May we are working with our product, design and engineering teams to enhance existing products and build new products in a way that simultaneously provides an intuitive, user-centric experience and permits us to meet our obligations under

the GDPR,” added Stephen Deadman, Facebook’s deputy chief global privacy officer, in a statement.

EXHIBIT 104

techcrunch.com

Facebook tests Bonfire group video chat as app and in Messenger

Sarah Perez, Josh Constine Sep 13, 2017 [comment](#) [Comment](#)

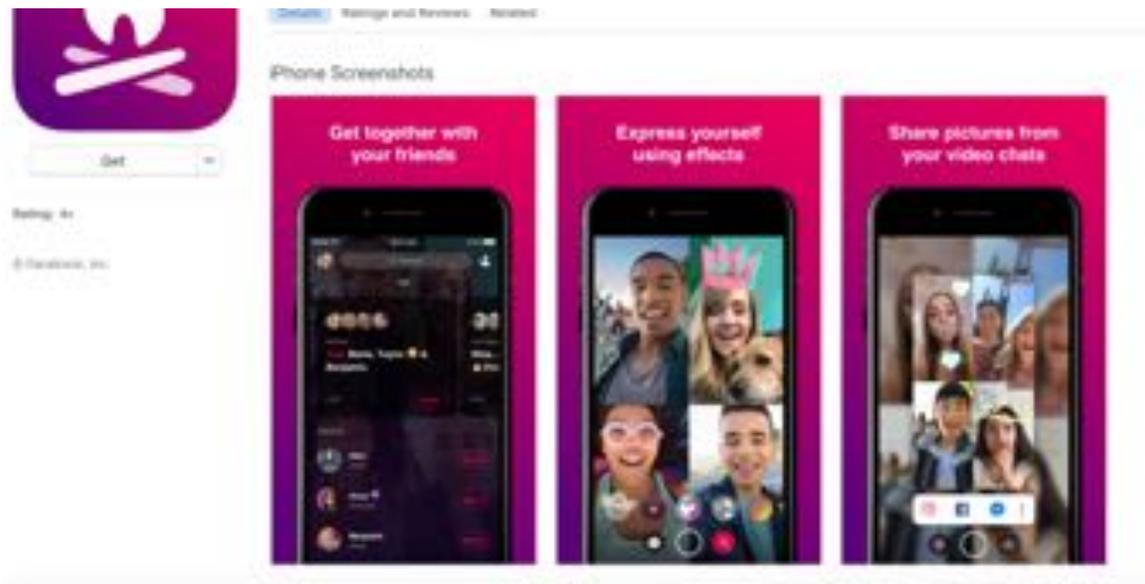
4-5 minutes

[Facebook](#) has been quietly testing a new standalone group video chat app, called [Bonfire](#), which allows up to eight friends to engage in conversation as well as use special effects, similar to those you'd find in apps like Instagram and Snapchat.

But upon hands-on testing, TechCrunch has learned Bonfire also lets users join chats straight from Messenger without downloading Bonfire itself. While the Bonfire app is currently only available in Denmark, users with it can invite people from all over the world to join their chats via Messenger.

This strategy could allow Facebook to create a home for Bonfire with dedicated access to launching a multi-screen group video chat, but also let Messenger's 1.2 billion monthly users instantly join in. That might save it from the lackluster traction that led to the shut downs of other standalone Facebook apps like newsreader Paper, Snapchat alternative Slingshot, news alert app [Notify](#), and video profile app [Lifestage](#).





[The Next Web's Matt Navarra](#) first spotted the app in the Denmark App Store. [The Verge](#) first reported on Facebook building Bonfire in July. TechCrunch reached out to Facebook for comment on the app and when it might become available in the US. Here's what a Facebook spokesperson told us:

“At Facebook Inc we continue to build and test new products and services. We already have many great experiences for people to video chat in groups, or as individuals, across the family of apps, including Messenger. We are interested in how everyone uses technology and how we can build great experiences for them. We're running a very small test in Denmark of an app we call Bonfire. We have nothing further to share at this time.”

By nature of its one-country launch, the indication is that this is clearly a test Facebook is performing, and one that seems to cater to the growing popularity of group video chat. The Bonfire app, which has been downloaded only around 2,000 times, said TNW, was first launched on the Danish App Store in mid-August, then updated this month with the ability to do special effects.

Bonfire is a blatant clone of [Houseparty](#), a teen-focused group video chat from the makers of the Meerkat livestreaming app that received a recent \$50 million funding round led by Sequoia.

Recently, [Skype updated its app](#) to improve its group chat feature with fun features like emoticons, while a number of newcomers – like [iMessage-based Fam](#) – have entered the scene. The app also competes with Houseparty, Airtime, ooVoo, Marco Polo, and many others on group video, and, to some extent, the apps for co-watching videos, like [Tumblr's Cabana](#) or YouTube's [Uptime](#).



You can join a Bonfire chat straight from Messenger, and keep using Messenger with Bonfire inlaid as picture-in-picture.

Unlike the other apps in this space, Facebook's Bonfire seems to

designed not only as a way to hang out with friends in a private space through face-to-face conversations, but also a way to feed content back to Facebook's existing social networking apps, including Facebook itself, Instagram and Messenger. You're able to take screenshots of your video chat and then share them to Facebook, Instagram, Messenger, and elsewhere without leaving the chat.

While chatting on Bonfire, you can switch the screen format from everyone getting equal sized boxes to one where it switches most of the screen to show the person speaking. If you're in Messenger, you'll receive a notification if you're asked to join a Bonfire call, though you can also keep using Messenger with your Bonfire windows inlaid picture-in-picture in the corner.

Messenger already has its own split-screen group video calling feature. But that app is still designed as a utility, with the video feature buried inside. Bonfire brings it to the forefront so you can quickly jump into a chat, but offers the Messenger integration so friends don't have to go through the chore of downloading a separate app right away.



Facebook has spent the last two years aggressively pushing Facebook Live. But the fact is that not everyone is comfortable performing for an audience. Bonfire lets people “live chill” with friends, offering the urgency and constant engagement of live, but with the low-stress feel of chatting with friends.

EXHIBIT 105

techcrunch.com

Facebook's Eddie O'Neil takes over Platform as Deb Liu grows Marketplace

Josh Constine@JoshConstine / Sep 13, 2017comment Comment

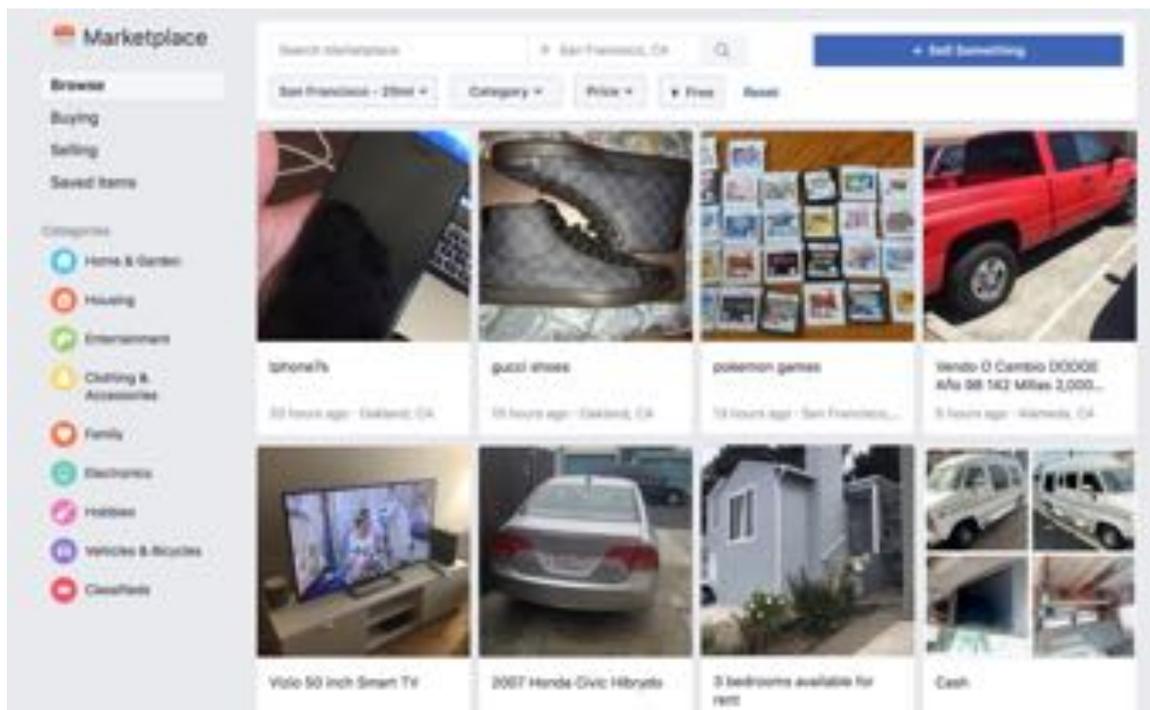
4-5 minutes

There's a new czar running [Facebook's](#) developer platform tools. Because Facebook's classifieds feature Marketplace is growing, it will now command the full attention of Deb Liu, who previously ran Platform. She's now formally the VP of Marketplace. Eddie O'Neil, a six-year Facebook employee who was a director of product management after coming from Salesforce engineering, will be the new head of Facebook Platform. He's in charge of Facebook Analytics, Login, Account Recovery, Social Plugins and support for SDKs, APIs and other developer community products.

TechCrunch heard from a source that Facebook's Platform was undergoing an organizational change, and the company now confirms the leadership changes.

The organization change emphasizes just how important Facebook sees Marketplace. The feature lets people buy and sell goods from people in their area. As of May, Marketplace saw [18 million items](#) posted per month in the U.S., and expanded to 17

countries across Europe in August after rolling out in Australia, Canada, Chile, Mexico, New Zealand and the U.K.



Marketplace [isn't just](#) furniture and electronics any more. Now it supports Jobs listings, Daily Deals thanks to a partnership with eBay, event tickets through Eventbrite and Ticketmaster, and products from the Shop section of Facebook business pages. Next, Facebook plans to let car dealership sell vehicles through Marketplace, and allow real estate agents to list apartments there.

Facebook has a huge opportunity to use its ubiquity, non-stop usage and real identity system to outcompete Craigslist, the long-standing leader in online classifieds. The biggest problem with Craigslist is people don't trust the strangers they want to transact with as there are no profiles or social graphs.

With Facebook Marketplace, you could look to see if you have friends in common with someone you want to buy from, or that at

least they have a filled-out profile with photos and friendships so they're less likely to be a scammer or serial killer.

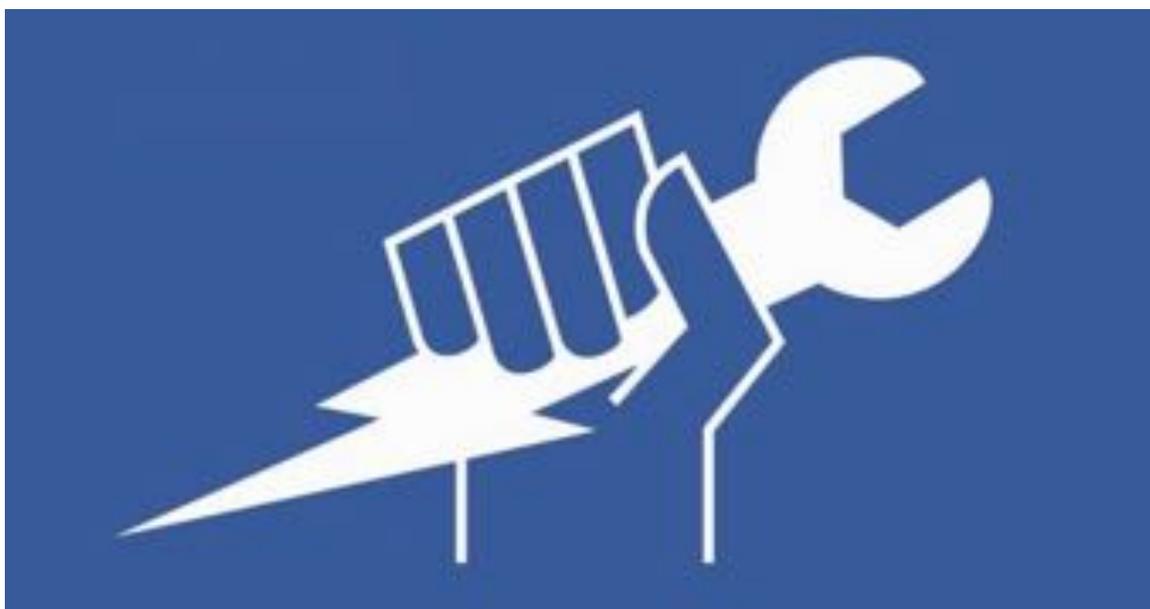


Building Marketplace into a worthy Craigslist competitor requires dedicated leadership. Liu has been at Facebook for a stunning eight years after stints at PayPal and eBay. She previously ran the Facebook Credits game currency program and was a director of platform monetization. I've always found Liu to be both deeply knowledgeable of Facebook product and also warm and sociable in the ways necessary to understand what people want in order to grow a new part of Facebook.

Meanwhile, Eddie O'Neil will handle Facebook's Platform

division, which includes Facebook's login tools for third-party apps, as well as outside app analytics. He reports to Ami Vora, Facebook's VP of Product Management. The Facebook Platform turned 10 years old this year, and we wrote this [deep dive into its rocky but successful journey](#).

Most recently, [the Platform team launched](#) Express Login for re-downloaded apps, voice-call verification for login, UI customization and analytics for Account Kit that helps people login to third-party apps via phone or email and [delegated account recovery](#) where users can get into third-party apps via Facebook if they lose their password.



However, Facebook's developer tool offering has shrunk since it [shut down its Parse mobile app platform](#) early this year. The idea was always that if Facebook strengthened relationships with developers through offering free tools, they'd end up buying its tools to grow, too. Now Facebook is a well-entrenched growth channel for app developers, and has so many diverse projects going on that it needed for focus.

But as the age of augmented reality approaches, Facebook will need all the cred with developers it can get. The physical world is too big for Facebook to fill with AR experiences by itself. As it starts to compete with Apple ARKit and Google ARCore, Facebook will have to rely on legions of developers who trust its technology platforms.

EXHIBIT 106

MACHINE BIAS

Facebook Doesn't Tell Users Everything It Really Knows About Them

The site shows users how Facebook categorizes them. It doesn't reveal the data it is buying about their offline lives.

by **Julia Angwin**, **Surya Mattu** and **Terry Parris Jr.**, Dec. 27, 2016, 9 a.m. EST



Facebook has long let users see all sorts of things the site knows about them, like whether they enjoy soccer, have recently moved, or like Melania Trump.

But the tech giant gives users little indication that it buys far more sensitive data about them, including their income, the types of restaurants they frequent and even how many credit cards are in their wallets.

Since September, ProPublica has been encouraging Facebook users to [share the categories of interest](https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you) that the site has assigned to them. Users showed us everything from “Pretending to Text in Awkward Situations” to “Breastfeeding in Public.” In total, we collected more than 52,000 unique attributes that Facebook has used to classify users.

Facebook’s page explaining “what influences the ads you see” says the

Get the Data From This Story

<https://www.propublica.org/datastore/dataset/facebook-ad-categories>

company gets the information about its users “from a few different sources.”

Download the Facebook interest category and ad group data ProPublica collected to report this story, available now via the ProPublica Data Store.

What the page doesn't say is that those sources include [detailed dossiers](#)



DOWNLOAD THE DATA

<https://www.propublica.org/datastore/dataset/facebook-ad-categories>

<http://lifehacker.com/5994380/how-facebook-uses-your-data-to-target-ads-even-offline> obtained from commercial data brokers about users' offline lives. Nor does Facebook show users any of the often remarkably detailed information it gets from those brokers.

“They are not being honest,” said Jeffrey Chester, executive director of the Center for Digital Democracy <https://www.democraticmedia.org/about>.

“Facebook is bundling a dozen different data companies to target an individual customer, and an individual should have access to that bundle as well.”

When asked this week about the lack of disclosure, Facebook responded that users can discern the use of third-party data if they know where to look. Each time an ad appears using such data, Facebook says, users can click a button on the ad revealing that fact. Users can still not see what specific information about their lives is being used.

The company said it does not disclose the use of third-party data on its general page about ad targeting because the data is widely available and was not collected by Facebook.

“Our approach to controls for third-party categories is somewhat different than our approach for Facebook-specific categories,” said Steve Satterfield, a Facebook manager of privacy and public policy. “This is because the data providers we work with generally make their categories available across many different ad platforms, not just on Facebook.”

Satterfield said users who don't want that information to be available to Facebook should contact the data brokers directly. He said users can visit a [page in Facebook's help center https://m.facebook.com/help/494750870625830?helpref=uf_permalink](https://m.facebook.com/help/494750870625830?helpref=uf_permalink), which provides links to the opt-outs for six data brokers that sell personal data to Facebook.

Limiting commercial data brokers' distribution of your personal information is no simple matter. For instance, opting out of Oracle's Datalogix, which provides about 350 types of data to Facebook according to our analysis, requires [sending a written request https://www.oracle.com/legal/privacy/marketing-cloud-data-cloud-privacy-policy.html](https://www.oracle.com/legal/privacy/marketing-cloud-data-cloud-privacy-policy.html), along with a copy of government-issued identification” in postal mail to Oracle's chief privacy officer.

Users can ask data brokers to show them the information stored about them. But that can also be complicated. One Facebook broker, Acxiom, requires people to send the last four digits of their social security number [<https://aboutthedata.com>](https://aboutthedata.com) to obtain their data. Facebook changes its providers from time to time so members would have to regularly visit the help center page to protect their privacy.

One of us actually tried to do what Facebook suggests. While writing a book about privacy in 2013, reporter Julia Angwin tried to opt out [<https://www.propublica.org/article/privacy-tools-opting-out-from-data-brokers>](https://www.propublica.org/article/privacy-tools-opting-out-from-data-brokers) from as many data brokers as she could. Of the 92 brokers she identified that accepted opt-outs, 65 of them required her to submit a form of identification such as a driver's license. In the end, she could not remove her data from the majority of providers.

ProPublica's experiment to gather Facebook's ad categories from readers was part of our Black Box series, which explores the power of algorithms in our lives. Facebook uses algorithms not only to determine the news and advertisements that it displays to users, but also to categorize its users in tens of thousands of micro-targetable groups.

Our crowd-sourced data showed us that Facebook's categories range from innocuous groupings of people who like southern food to sensitive categories such as "Ethnic Affinity" which categorizes people based on their affinity for African-Americans, Hispanics and other ethnic groups. Advertisers can target ads toward a group — or exclude ads from being shown to a particular group.

Last month, after ProPublica bought a Facebook ad [<https://www.propublica.org/article/facebook-lets-advertisers-exclude-users-by-race>](https://www.propublica.org/article/facebook-lets-advertisers-exclude-users-by-race) in its housing categories that excluded African-Americans, Hispanics and Asian-Americans, the company said it would build an automated system [<https://www.propublica.org/article/facebook-to-stop-allowing-some-advertisers-to-exclude-users-by-race>](https://www.propublica.org/article/facebook-to-stop-allowing-some-advertisers-to-exclude-users-by-race) to help it spot ads that illegally discriminate.

Facebook has been working with data brokers since 2012 when it signed a deal with Datalogix. This prompted Chester, the privacy advocate at the Center for Digital Democracy, to file a complaint with the Federal Trade Commission alleging that

Breaking the Black Box: What Facebook Knows About You

[<https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you>](https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you)



[<https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you>](https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you)

Facebook had violated a consent decree with the agency on privacy issues. The FTC has never publicly responded to that complaint and Facebook subsequently signed deals with five other data brokers.

To find out exactly what type of data Facebook buys from

brokers, we downloaded a list of 29,000 categories that the site provides to ad buyers. Nearly 600 of the categories were described as being provided by third-party data brokers. (Most categories were described as being generated by clicking pages or ads on Facebook.)

The categories from commercial data brokers were largely financial, such as “total liquid investible assets \$1-\$24,999,” “People in households that have an estimated household income of between \$100K and \$125K,” or even “Individuals that are frequent transactor at lower cost department or dollar stores.”

We compared the data broker categories with the crowd-sourced list of what Facebook tells users about themselves. We found none of the data broker information on any of the tens of the thousands of “interests” that Facebook showed users.

Our tool <https://chrome.google.com/webstore/detail/what-facebook-thinks-you/eoknmaajkanapojcdeccofmeimpddoim> also allowed users to react to the categories they were placed in as being “wrong,” “creepy” or “spot on.” The category that received the most votes for “wrong” was “Farmville slots.” The category that got the most votes for “creepy” was “Away from family.” And the category that was rated most “spot on” was “NPR.”

Clarification, Jan. 4, 2017: We've added details about what Facebook tells users regarding third-party data. Specifically, each time an ad appears using such information, Facebook says, users can click a button on the ad revealing the use of third-party data.



Julia Angwin

Julia Angwin is a senior reporter at ProPublica. From 2000 to 2013, she was a reporter at The Wall Street Journal, where she led a privacy investigative team that was a finalist for a Pulitzer Prize in Explanatory Reporting in 2011 and won a Gerald Loeb Award in 2010.

We live in an era of increasing automation. But as machines make more decisions for us, it is increasingly important to understand the algorithms that produce their judgments. [Read the story.](#)

<https://www.propublica.org/article/breaking-the-black-box-what-facebook-knows-about-you>

Machine Bias

<https://www.propublica.org/article/machine-bias-risk-assessments-in-criminal-sentencing>

There's software used across the country to predict future criminals. And it's biased against blacks. [Read the story.](#)

<https://www.propublica.org/article/machine-bias-risk-assessments-in-criminal-sentencing>

✉ Julia.Angwin@propublica.org [@JuliaAngwin](#)

Surya Mattu

Surya Mattu is a contributing researcher at ProPublica.

✉ surya.mattu@propublica.org [@suryamattu](#)



Terry Parris Jr.

Terry is ProPublica's deputy editor, engagement. Prior to joining ProPublica, he led digital production and engagement at WDET 101.9 FM, NPR's affiliate in Detroit.

✉ Terry.Parris@propublica.org [f](#) Terry Parris Jr.

[t](#) @terryparrisjr

EXHIBIT 107

https://www.wired.com/story/to-fix-its-toxic-ad-problem-facebook-must-break-itself?mbid=nl_091817_daily&CNDID=%25%25CUST_ID%25%25

To Fix Its Toxic Ad Problem, Facebook Must Break Itself

Facebook/WIRED

It is a sure sign that Facebook's algorithms have run amok when they allow anyone to target ads to people with an [expressed interest in burning Jews](#). Likewise, when Russians can sow chaos in American elections by [purchasing thousands of phony Facebook ads](#) without Facebook realizing it, the automated systems selling those ads may need some oversight. Two incidents in recent weeks have highlighted how Facebook's advertising network—the cornerstone of its half-trillion-dollar valuation—is as susceptible to manipulation and bigotry as its news feed. Facebook addresses each problem as it arises, in isolation. But maybe it's time for Facebook to acknowledge that it can't solve these problems alone and to ask for help—before governments offer their own “help.”

In academia and other corners of tech, peer review is the norm. Cybersecurity companies hire outsiders to poke holes in their infrastructure and find vulnerabilities they may have missed. They don't view that as sacrificing trade secrets or spilling their special sauce. If anything, they view this extra vetting as a competitive advantage. Compare that to Facebook's approach. “No outside researcher has ever had that kind of access,” says Antonio García Martínez, a former Facebook ads product manager. “That's not the mode Facebook likes operating in.” Instead, Facebook prefers operating as an island, free to make its own rules and fix its own flaws. It tends to fix known flaws piecemeal. After *ProPublica* found that Facebook created violently anti-Semitic ad categories based on the content of user profiles, the company removed those categories. Facebook also said it would stop using content in users' profiles to target ads until it has “the right processes in place to help prevent this issue.” A week earlier, after Facebook discovered some 5,000 political ads linked to Russian actors, the company shut down the accounts that had bought the ads and vowed to explore “improvements to our systems for keeping inauthentic accounts and activity off our platform.”

Through all of these vows, Facebook has remained characteristically secretive. It has declined to share much about the Russia-linked ads, though the *Wall Street Journal* reported Friday that the company [gave detailed records](#) about the purchases to special counsel Robert Mueller. A Facebook spokesperson declined to comment on whether the company had taken any steps to root out bigoted ad categories before the *ProPublica* report. That leaves open two possibilities: either Facebook didn't realize its technology could be used for that purpose, or it knew and did nothing about it. Facebook may want to be an island, but it's an island on which 2.2 billion people live, and it has proven time and again that it is either incapable of or disinterested in anticipating such vulnerabilities. There are ways Facebook could try to anticipate them. The company stress-tests its tech. It could do the same for its moral compass. “You need to have a mindset that you want to break the system,” says Suresh Venkatasubramanian, a computer scientist at University of Utah, who specializes in algorithmic ethics and transparency. “You're not attacking it to make the system fall apart. You attack it from the perspective of: What can we ask the system to do that if a human did it would seem racist or vile?”

Venkatasubramanian suggests Facebook set up a “red team” of researchers to investigate the unintended consequences of its technology. When it identifies and fixes a problem, it should reveal how it reached its conclusions, so other researchers can help the company identify potential blind spots.

That would require a massive cultural shift within the company. Facebook's first line of defense when it comes to these issues, is almost always to identify them as fringe cases. “An extremely small number of people were targeted in these campaigns,” the company noted in its [blog post](#) about the anti-Semitic ad categories. That's often true. Martinez calls the *ProPublica* findings a “total red herring” and “a stupid lark from ProPublica. Of course you could find this,” Martinez says. “It doesn't mean anybody actually was [targeted this way]. The reach was super small.”

But add up the small cases—\$150,000 in a Russian influence campaign here, an ad targeted at a few thousand Nazis there—and it can feel like Facebook has planted a million landmines around the internet and left them to explode while it tends to greener pastures. Unless Facebook starts to think of these problems as endemic, it may never take adequate steps to mitigate them.

That's not to say it would be easy or that Facebook is unique among internet companies. *BuzzFeed News* found Friday that [Google lets people advertise](#) against terms like "black people ruin neighborhoods." During the 2016 election, money from Google advertising helped pay for a slew of fake news sites run by Macedonian teenagers. Many, if not all, automated ad platforms can be exploited for malicious purposes. That's all the more reason why Google, Facebook, and others should share more information about how they're attacking the problem. Otherwise, regulators may well force their hands. Democratic Senator Mark Warner and others want Facebook and other tech companies to testify about Russian interference in the 2016 election. He says the revelations about the Russian ads open "a whole new arena."

Martinez thinks digital political ads should be regulated the way political ads on television are regulated, including disclaimers about who's paying for the ad. "Facebook needs to know its customer," Martinez says. That wouldn't have stopped a Russian propaganda group from buying ads related to hot-button social issues that weren't specifically about the election. But Martinez says Facebook could develop the technology to flag politically charged ads for extra scrutiny the same way it flags ads related to alcohol. "If you tried advertising alcohol in Ohio to teens?" Martinez says. "Banned."

Facebook could set up similar systems for bigoted content in ads. Until now, it's shown little interest. More rigorous vetting would mean taking more than 15 minutes to approve or reject an ad. It would also require more human beings. But Facebook didn't become a \$497 billion social-networking giant by relying on humans. It did so by allowing machines to take over our world.

EXHIBIT 108

mashable.com

Google and Facebook don't just dominate online ads—they're pushing everyone else out, too

Jason Abbruzzese

2-3 minutes



Image: mashable composite

Advertising was once a huge but varied industry. Newspapers, TV, radio, magazines, billboards, and plenty of other media competed for their own piece of the pie.

The digital world could not be more different. Online ads are dominated by Google and Facebook—and they're only getting bigger. Google and Facebook are projected to take up 63.1

percent of U.S. digital ad spending in 2017—even more than had been initially expected, according to eMarketer.

SEE ALSO: [Google let advertisers target people who search for hateful terms like 'Jewish parasite,' report says](#)

That's not set to change anytime soon, with eMarketer predicting that the Google/Facebook duopoly will grab even more market share—a full 2/3 of the market by 2019.

This dominance is coming under serious scrutiny after recent revelations that Facebook's ad platform was [used by Russia to target ads](#) related to the 2016 U.S. election, as well as the discovery that [Google](#) and [Facebook](#) allowed for the use of anti-Semitic and racist terms in ad targeting.

There's plenty of also-rans, including Microsoft, Amazon, Verizon (and its Oath properties that include AOL and Yahoo), Twitter, and Snapchat. They offer advertisers some upside, but don't have the targeting that Google and Facebook offer.

“Advertisers are increasingly demanding more granularity in targeting capabilities to reach consumers,” said eMarketer’s senior director of forecasting, Monica Peart, [in a press release](#).

“Google and Facebook have positioned themselves at the front of this demand curve by being the ad publishers with some of the best-in-class targeting abilities in the digital ad market. With Facebook being able to provide targeting based upon consumer interests and Google capitalizing on where those consumers have been through searches, both companies ensure their lead among digital ad publishers.”

The biggest loser, according to eMarketer, will be Twitter. The

microblogging platform is projected to endure a revenue decline of \$1.21 billion.

EXHIBIT 109

TECHNOLOGY

On Russian Meddling, Mark Zuckerberg Follows a Familiar Playbook

Farhad Manjoo

STATE OF THE ART SEPT. 22, 2017

I knew the big Mark Zuckerberg speech was coming. It always does.

Scandals involving Facebook tend to follow a well-worn pattern: Throughout the social network's short history, when the company has felt pummeled by users or lawmakers or shareholders over one of the dozens of controversies that have plagued its rise, there comes a moment when the clamor reaches a fever pitch. You begin to wonder why on earth they aren't doing more. Can't they see how deep they are in it?

Just then, Mr. Zuckerberg will issue a blog post, and these days, a live video, too — as he did on Thursday, in a short address on Facebook's role in Russia's interference of last year's presidential election.

To a cynic, this week's message, like others Mr. Zuckerberg has issued, might sound like puffery. After all, he and his top lieutenants — especially Sheryl Sandberg, Facebook's chief operating officer — are as meticulous in stewarding their own image as they are in managing a sprawling multibillion-dollar corporation.

Mr. Zuckerberg, in particular, has come to see his own role in guiding Facebook's community, and the trust the community places in him, as crucial to the fate of the corporation. So when the heat from American lawmakers regarding ads

placed by Russian trolls on Facebook began to rise, Mr. Zuckerberg had no option to ignore it; he had to say something.

But these messages aren't just show. Inside Facebook, Mr. Zuckerberg's exhortations carry the weight of God. That's why the detailed plan he offered to address election meddling is a very big deal.

Like all tech leaders, Mr. Zuckerberg is often hailed as a visionary, but his primary talent is as a reactor. His true skill is not in seeing ahead, but in looking back and fixing where Facebook has failed. And what's noteworthy is that when he marshals Facebook's considerable resources to address a problem, Mr. Zuckerberg has a track record of making things right.

I am not asking you to blindly accept that Facebook will be able to completely address the role it plays in modern propaganda wars. On Russian meddling specifically, it took Facebook more than 10 months after the election to reveal that Russian trolls had bought ads through Facebook, and then it further dragged its feet on deciding to make those ads available to Congress.

What's more, Mr. Zuckerberg's initial reaction to the question of Facebook's role in the election was marked by a reflexive defensiveness.

4

ARTICLES REMAINING

“Personally, I think the idea that fake news or **SEE MY OPTIONS** is a very small amount of the content, influenced the election in any way — I think is a pretty crazy idea,” he said at a tech conference days after last year's presidential election. Since then, he has slowly — too slowly — come around to the idea that social media may not be the force for good in the world that he and other optimists always promised.

But it is worth noting that this sort of thing has happened before. Throughout Facebook's history, on questions of privacy and advertising and business strategy, he has repeatedly fallen behind, then issued blog posts begging for another chance to put things right.

Often these messages conform to a template that he has honed over the years. He will usually begin with a note of reflection, sometimes issuing an outright apology. Often, he will underline Facebook's central tenet of transparency and

openness: “Calm down. Breathe. We hear you,” he wrote in 2006, in one of the earliest of these addresses (people were very upset that Facebook had begun News Feed; what innocent times).

Next, he will offer a specific plan for the future, often soliciting feedback from users. And he tends to end on a ringing plea for another chance, as he did this week: “It is a new challenge for internet communities to deal with nation states attempting to subvert elections,” he said in his address on Thursday. “But if that’s what we must do, we are committed to rising to the occasion.”

This promise reminded me of a very different but equally daunting problem that Facebook faced five years ago. It had just floated its stock on the public markets, and things were not looking good. For the first time in its blessed rise, experts were questioning the social network’s future.

Facebook was born as a website on desktop browsers, but the world was moving to mobile phones — and there was little evidence that Facebook had the technical or cultural expertise to move along with them. Mr. Zuckerberg has admitted that he was late to notice the problem; as late as 2012, the company had fewer than 20 people on its mobile team.

Then, finally, after much prodding by investors, Mr. Zuckerberg came around. He tore up the company’s old mobile strategy and brought in new leadership to manage a new one. Getting Facebook’s mobile apps working perfectly became the company’s top priority — not just for a handful of teams, but for everyone who worked at Facebook, from Mr. Zuckerberg and Ms. Sandberg on down.

“Mobile is everyone’s job,” Mr. Zuckerberg told the company.

It was a do-or-die moment — and Facebook did. At first slowly and then quicker than anyone might have guessed, more people began to use Facebook on their phones — which drove more advertisers to place ads on Facebook’s mobile apps. Soon, Facebook’s mobile growth eclipsed that of every other social app, and it became indomitable. Today, of the more than two billion people who use Facebook every month, most use it on their phones — and nearly 90 percent of Facebook’s advertising revenue comes from mobile devices.

The latest series of scandals engulfing Facebook has not affected its business, which under Ms. Sandberg's leadership remains brisk. But they present no less of an existential problem.

Facebook's main asset is us, its users; how we users and lawmakers perceive Facebook's effect on our lives — and on our democracies and national security — is a crucial factor in its future. In addition to possible regulatory oversight of its advertising engine, there's a more straightforward worry that we will all become wary of the company's might — and will think twice about letting it get ever deeper into our lives, as it is wont to do.

A friend and mentor who knows Mr. Zuckerberg well told me recently that his greatest skill is his ability to learn from his mistakes. He was late to appreciate how the world's most-used social service might be used for ill. Now that he finally seems to understand the problem, there may be hope that he can do something about it.

Email: farhad.manjoo@nytimes.com; Twitter: [@fmanjoo](https://twitter.com/fmanjoo)

A version of this article appears in print on September 23, 2017, on Page B1 of the New York edition with the headline: On Russian Ads, Facebook Chief Draws From a Familiar Playbook.

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EXHIBIT 110

TECH

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Facebook users could outnumber Christians before the end of the year

- Facebook could encompass one-third of the world's population by this time next year, according to New York magazine.
- Senior Editor Max Read explores the influence of the social network at time when it is under fire over Russian political ads.
- Read also says he feels "pretty confident" that Facebook co-founder Mark Zuckerberg is not planning on running for president.

[Matthew J. Belvedere](#) | [@Matt_Belvedere](#)

Published 8:27 AM ET Thu, 5 Oct 2017 | Updated 9:31 AM ET Thu, 5 Oct 2017



Facebook's massive size makes it easy to 'manipulate': NY Magazine's Max Read

7:09 AM ET Thu, 5 Oct 2017 | 03:50

With 2 billion monthly active users and growing, [Facebook](#) could encompass one-third of the world's population by this time next year, according to New York magazine.

[In a cover story](#) in the current issue, Senior Editor Max Read explores the influence of Facebook at a time when the social network is under fire for allowing Russian groups to buy thousands of ads in an attempt to influence the 2016 president election.

"It is Orwellian ... in a sense that it is a surveillance company. The business model is to monitor you, to gather your data, and to create advertising categories," Read said Thursday on CNBC's "[Squawk Box](#)."

Last month, Zuckerberg [commented on the Russian ads](#), saying, "We are committed to rising to the occasion. Our sophistication in handling these threats is growing and improving quickly. We will continue working with the government to understand the full extent of Russian interference."

In his article, Read writes that Facebook users are "the single largest non-biologically sorted group of people on the planet after 'Christians' — and, growing consistently at around 17 percent year after year, it could surpass that group before the end of 2017."

According to the latest [Pew Research Center demographic analysis](#), Christians remained the largest religious group in the world in 2015, with 2.3 billion followers.

"I use Facebook. I love Facebook. I've been on it for a decade-plus. It is an amazing invention in terms of its ability to keep people connected," Read told CNBC.

"[But] when you have that many people on one website; getting news from it, sharing news on it, talking to one and other, it's very easy to manipulate," he said. He added that Facebook lacks the controls, and the government has yet to regulate it to ensure "that accuracy, that responsibility is the focus of the power."

This kind of concern was also expressed by NYU business school marketing professor Scott Galloway in his new book, "[The Four: The Hidden DNA of Amazon, Apple, Facebook, and Google](#)." Galloway told CNBC on Wednesday that the ease in which Russia, using a credit card, "can pay in rubles to start advertising and sewing chaos here is probably the tipping point."

As Facebook continues to expand, Read said he believes co-founder and CEO Mark Zuckerberg doesn't even know how get his arms around it. "I think his heart is in the right place. I just think this thing has gotten so big that not even the nicest, not even a saint, could make it work for us."

Facebook was not immediately available to address CNBC's request for comment.

Read said he's spoken to people who have met Zuckerberg on his 2017 challenge to himself to visit every U.S. state that he hadn't been to yet. There's been speculation that this type of tour might be a sign that he may want to seek political office, possibly the presidency.

"I feel pretty confident he's not planning on running for president," Read said, believing this tour is about research and development. "I think he wants to meet with people who use Facebook to find out how they use it."

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EXHIBIT 111

TECH

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You can now order food right from the Facebook app

- Facebook users can now order food right from the app.
- Delivery.com and Doordash are among partners.
- Facebook also teamed with individual restaurants.

Todd Haselton | [@robotodd](#)

Published 9:29 AM ET Fri, 13 Oct 2017 | Updated 10:13 AM ET Fri, 13 Oct 2017



Facebook

Order food right from Facebook

Users can now order food for delivery without ever leaving [Facebook](#).

The company [announced Friday](#) that it has partnered with Delivery.com, DoorDash, ChowNow, Zuppler, EatStreet, Slice and Olo to offer users the ability to order meals without having to open each of those individual applications.

Facebook also teamed up with restaurant chains like Papa John's, Five Guys and Panera, the company said.

To order food, a user simply needs to tap the menu button on the bottom right of the new Facebook app and then select "Order Food." Restaurants will be listed, as is the option to begin an order for pickup or delivery.

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Facebook began [testing the service](#) several months ago and has already offered [similar functionality inside Facebook Messenger](#), its chat client.

Users should find the new delivery option in the latest Facebook app as it rolls out to desktop, Android and iOS devices in the U.S. now.

[Grubhub](#) was down about 2.2 percent on the news shortly after the market opened.



Todd Haselton
Technology Product Editor

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EXHIBIT 112

H I V E

Silicon Valley

“OH MY GOD, WHAT HAVE I DONE”: SOME EARLY FACEBOOK EMPLOYEES REGRET THE MONSTER THEY CREATED

As the connection between the company and Russia’s influence campaign during the 2016 election ossifies, emotions in and around Facebook range from defensive to apoplectic. “I lay awake at night thinking about all the things we built in the early days and what we could have done to avoid the product being used this way,” says one early employee.



BY NICK BILTON

OCTOBER 12, 2017 6:29 PM





sign is also something of a metaphor: it's the line that separates where employees can go—inside the highly secure, Tetris-like buildings that make up Facebook's headquarters—and the public cannot. It's the border between Facebook's public image and its own vision of itself.

These days, that is fraught territory. A rift is starting to develop between the people who work for Facebook, and those who simply use the platform. Countless people who live and work in Silicon Valley, and even some ex-Facebook employees, complain that Facebook employees are increasingly living in a bubble. They are sharing stories and theories that **Mark Zuckerberg** is surrounded by sycophants and people who think just like him; that he's unaware of the negative impact his company has had on the world and doesn't fully appreciate the extent to which Facebook was weaponized during the election. (Zuckerberg's countrywide itinerary, featuring folksy images of himself engaging with regular Americans, didn't precisely dissuade people from the assumption that he isn't getting honest feedback from deputies.)

Like many C.E.O.s, Zuckerberg does run the risk of being aloof. In particular, Zuckerberg has few friends outside of Facebook. Beyond the time he spends with his wife and young children, he does very little that doesn't, in some way, point back to his work at **the company he runs**. This sort of discipline becomes problematic when you learn that some of the people who surround Zuckerberg on a daily

basis—the vast majority being current Facebook employees—seem to think (like Zuckerberg) that most of the Russian involvement in the election is overblown and that the company is being used as a scapegoat for a dysfunctional country that has been polarized by the media and broken by inept politicians. They argue (sometimes publicly, but mostly privately) that a small percentage of people actually saw the ads purchased by the Russians, that the company simply can't be held responsible for where we find ourselves today. Mark Zuckerberg tends to agree.

Watch Now: How the C.E.O. of Spanx Shaped Her Business



It's clear that **Sheryl Sandberg** is trying to come up with some sort of balance between admitting the role Facebook played, and downplaying when the company realized it was at fault. “Things happened on our platform that shouldn't have happened,” Sandberg acknowledged Thursday in an **interview** with Axios's **Mike Allen**. Sandberg also said Facebook is not a news organization, and in an attempt to shirk the responsibility the company has to determine what is real and accurate on the social network, noted, “at our heart we're a tech company . . . we don't hire journalists.” But last year, Pew Research put out a report noting that 44 percent of Americans get their news from Facebook.

The public, including venture capitalists, engineers, and the C.E.O.s of other companies, even former Facebook employees, all of whom I've spoken with in recent weeks, see things differently. “Most of the early employees I know are totally overwhelmed by what this thing has become,” an early ex-Facebook employee told me recently, referring to the size of the social network and the gargantuan impact it

now has on the way people think and communicate. “They look at the role Facebook now plays in society, and how Russia used it during the election to elect Trump, and they have this sort of ‘Oh my God, what have I done’ moment.” Other early ex-employees have privately voiced similar feelings to me, and they’ve also expressed concerns that the people who still work there get defensive when they try to bring up these concerns. “I lay awake at night thinking about all the things we built in the early days and what we could have done to avoid the product being used this way,” the early ex-employee told me.

When I speak to other people who personally know Zuckerberg and socialize with several high-level employees, they voice frustrations about the response they hear from engineers and executives at the company—at least, the response they have heard until Sandberg finally spoke up. Some internally argue there’s not much the social giant could do to stop propaganda being shared on the site (even Sandberg’s “we’re not a media company” argument is a version of this refrain); others say that the ads only affected a small number of people out of billions who use the site. “They have their head in the sand like Mark,” one person said, before noting what we all know about Russia’s influence through the site: “Of course it was impactful.” Another Valley insider who personally knows Zuckerberg noted that while Facebook has been historically successful financially, the company is fundamentally “immature” with respect to its mission and the comprehension of its impact. And then there are those who point out that while the ads may have only reached a small group of people, Trump won the electoral college by a small number of votes, too.

The criticism may not be getting through. Some worry that Zuckerberg is surrounded by sycophants, which may be why the poorly conceived publicity stunts continue. On Monday, Zuckerberg and a colleague **donned Oculus headsets** and met in virtual reality to discuss the new technologies the company has been working on. An animated version of Zuckerberg, looking very much like Microsoft’s famous Clippy paper clip, but with hair, waved its lanky arms as they traveled the virtual globe. The stunt was pretty uneventful until a smiling Clippy Zuckerberg was superimposed over footage of disaster zones in Puerto Rico, an experience he cheerily described as “magical” as people waded through the floodwaters behind him. Like his highly choreographed Great American Road Trip, Zuckerberg’s virtual tour suggests an executive more comfortable seeing people as abstract concepts. People who know Zuckerberg think he’s losing touch with what it’s like to suffer real loss, and that he’s on his way to becoming a modern-day Howard Hughes, insulated from the real world.

What most of those tourists who come down to Facebook to pose in front of the thumbs-up sign don’t realize is that they are actually looking at the back of another sign. On the reverse side is the logo for Sun Microsystems, the company which once occupied the

campus where Facebook now resides. Sun, as you might remember, suffered colossal losses from the dot-com boom and was eventually forced to sell itself. When the social network moved into its new headquarters in 2011, Mark Zuckerberg said that the Sun sign should be flipped around, and that the back should be left as-is to remind Facebook employees what can happen to a company when they take their eye off the ball.

There are, of course, plenty of people who are willing to come to Zuckerberg’s defense, including some former employees, and—wouldn’t you know—many current ones. One person told me that Zuckerberg was really shaken by what took place during the election, and legitimately wants to avoid it from happening again. But, at the same time, his ambitions (yes, he’s nowhere near happy with just a quarter of the planet on Facebook) stand in the way of how much he will actually do to affect change. There’s also the reality that at the end of the day, as with all things, it comes down to money. Politics is a big cash cow for Facebook’s revenue. On *60 Minutes* this week, **Brad Parscale**, the political media strategist who directed Donald Trump’s digital campaign, bragged that there were Facebook employees who were at Trump campaign offices several days a week, teaching Parscale and others how to most effectively use the Facebook platform.

Ironically, it was Parscale who seemed to offer the most honest assessment of Facebook’s role in the election (excluding what and when the company knew about Russia). When he explained to **Lesley Stahl**, the interviewer on *60 Minutes*, that Trump’s campaign had worked with Facebook employees to optimize its ads, Stahl’s mouth made the same gobsmacked look often seen in Disney cartoons. It was the perfect analogous moment for the way many people probably feel about Facebook these days. The half-trillion dollar public company, after all, is first and foremost a machine that turns users into revenue. While Zuckerberg’s personal mission may be to connect the world in a utopian virtual community, Facebook’s prime directive is to maximize the number of people—Republican or Democrat, Russian or American—advertising on its platform. If that goal has been complicated in recent months by the Chekhovian melodrama surrounding the Russia investigation, it only underscores the extent to which Zuckerberg’s reach may have exceeded his grasp.

MARK ZUCKERBERG

FOLLOW

EXHIBIT 113

TIME**What Russia — I Mean Facebook — Knows About Me**

The Facebook logo is seen on an Apple iPhone in this photo illustration on Aug. 28, 2017. Jaap Arriens—NurPhoto via Getty Images

By **JOHN PATRICK PULLEN** October 17, 2017

To hear **Facebook** describe me, I'm a bit of a lone wolf. I live away from my family, the site says. I'm a frequent traveler. I'm interested in real estate, engineering, chemistry and hotels. I enjoy the German death metal band Obscura. They're associated with the bands Suffocation and Pestilence — at least that's what Wikipedia told me, because I had to look them up.

Truth be told, I got a "C" in high school chemistry, I haven't been on a plane in about a year and I'm not into death metal — German or otherwise. Yet for some reason,

Facebook not only thinks this is who I am, it's also what the social network tells its advertisers about me. I learned this by combing through my **Facebook ad preferences**, something any of the service's users can do. And while some of Facebook's data points made sense and seemed even reasonable to collect, others (like that I'm a "close friend of expats," the site says) are more than unsettling — they could be damaging if used by advertisers the wrong way.

The big problem currently facing Facebook is making this point in a horrific way. According to 17 U.S. intelligence agencies, **Russia used social media to influence the 2016 presidential election**. This is jarring and alarming because **about two-thirds of Americans** get their news from social media, says a Pew Research Center survey. And now Facebook, the largest and most influential social network with **more than two billion users**, is being threatened by Congress with regulations over how it presents political ads. The concern is that outside actors, like Russia, can manipulate the popular social network, and in turn, influence the thoughts and opinions of its users. You know, regular people like you and me, posting things about their cats and Pumpkin Spice Lattes.

If you've been purposefully disconnected following November 8, 2016, here's what we've learned since the election: The F.B.I. and other U.S. intelligence agencies have confirmed that Russia used social media to **influence the election**. According to Facebook's internal investigations, approximately 500 **Russia-linked accounts bought 3,000 ads** worth about \$100,000 during the 2016 campaign. Targeting issues like Islam, gun ownership and the Black Lives Matter movement, these ads were specifically **aimed at swing states** and **intended to sow discord**. But virality being what it is, **10 million people saw the ads**, says Facebook.

On November 1, executives from Facebook, Twitter and **Google** will **testify publicly before Congress**. And soon the Facebook ads in question **will be publicly released**. As forthcoming as Facebook may be with Congress both publicly and behind closed doors, it's unlikely the company will speak plainly about everything users might want it to.

For instance, when it comes to advertising, the bread and butter that accounted for Facebook's \$26 billion in revenue in 2016, the company is tight-lipped. It's a no-

brainer that when you “like” something such as **Mr. Bean on Facebook** — which, amazingly in 2017, 75 million people do — the social network collects that data and uses it to curate content and ads, making the site more relevant. And when you’re served an ad, you can even click on a discrete drop-down menu to see why it targeted you specifically.

But advertisers can use the information Facebook users provide in unsettling ways. For instance, recent reporting by *ProPublica* showed how repugnant terms that users had put on their profiles, like **“NaziParty,” “how to burn jews,”** and **“jew hater,”** later appeared in Facebook’s ad targeting system. There have been no known cases where advertisers used this information to sell anti-Semitic targeted ads, but it’s possible that they could have.

Instead, it’s more likely that advertisers, like the Russian-linked accounts looking to game the social network, used more common and socially acceptable interests to reach users who were susceptible to being influenced by controversial messaging. In other words, if you “like” the National Rifle Association or Planned Parenthood on Facebook, there’s a chance you got played.

And if I hadn’t taken the time to clean up my own ad preferences, I could have been one of them. For the most part, my Facebook ad preferences are tame. I’m conservative with what I “like” on Facebook: I don’t let friends tag me in posts or photos, and I purposely try not to like anything with bias or controversy. In fact, I’m so fastidious with my Facebook that of the roughly 175 advertising data points the company lists about me, they completely miss the fact that I’m an enormous Red Sox and *Star Wars* fan. (I can only imagine all that marketing I’m “missing.”)

Still, with how regimented I am, it makes no sense that Facebook thinks I like racewalking (I don’t), vikings (not interested), leather (I’m more of a fleece guy), and finance (you’re kidding, right?). What the heck is going on here? The answer may be one of the social network’s closer-held secrets.

Facebook works with a number of **third-party data providers**, forging partnerships that make the seemingly all-knowing website even smarter. The company doesn’t reveal what information it culls about us from those services — that’s Facebook’s

secret sauce — culminating in a stance that irks privacy experts. And the company is unlikely to detail any of this research when it testifies before Congress next month.

In fact, don't expect Facebook to give us access to the full scope of our own information any time soon. Instead, in the coming days, we'll see the ads that the Russian-backed accounts bought to divide us. And when we look at them, it'll be like peering in a mirror, only the faces staring back will be shrewder. They'll know exactly how all those nonchalant or impassioned "likes" have been turned against us. And like ideas trapped behind a looking glass, all they'll tell us is what's been there all along, hiding in plain sight.

Until Facebook is forced to disclose the full scope of its knowledge of users — as well as the means through which it gathers that information — lingering questions will outnumber answers. And in demanding those answers, our voices are fundamentally diminished. We aren't Facebook's customers, after all, we're its products.

And that's what Russia — I mean Facebook — has known about us all along.

John Patrick Pullen has written about smart devices and home automation for TIME and Fortune since 2009. His column, "Tech in Real Life," appears weekly on TIME.com and explores the ways that technology impacts people in their daily lives. He lives (in a home that's much smarter than he is) in Portland, Oregon.



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EXHIBIT 114

SYSTEM BUG

Facebook treats its ethical failures like software bugs, and that's why they keep happening

Sara Wachter-Boettcher | October 20, 2017



📷 Global impact. (Reuters//Stephen Lam)

As the story of Russia, Facebook, and the 2016 US election [drags on](#), Facebook's been quick to open its wallet. It took out full-page ads in both the New York Times and the Washington Post earlier this month to tell the world how it's going to

protect us from election interference, and it's aggressively pushing that message in a paid Google search campaign.

But opening up the black box so we can figure out what happened? Not so much. Congressional sources claim the company has been [slow to cooperate](#) with their investigation into Russian election interference. Meanwhile, the company [scrubbed thousands of posts](#) (paywall) shared during the election from its system after learning that a researcher had used the data to show that their impact was much bigger than Facebook has claimed.

It's no surprise Facebook is trying to avoid showing the extent of its dirty laundry. The company has a long track record of treating ethical failures like bugs to be fixed: say sorry, squash them down, and keep moving forward. That's what happens when you build your company on a motto like "move fast and break things," after all: every failure gets treated like an isolated incident, rather than part of a systemic pattern that needs systemic action. As a result, Facebook keeps making the same kinds of blunders, over and over again.

For example, consider a much simpler problem uncovered in its ad platform last month. [A ProPublica investigation](#) revealed that Facebook's ad interface, which allows advertisers to choose which users see their messages, included audience categories like "Jew haters" and "How to burn jews." The journalists decided to test whether the company would actually approve an ad targeting users in those categories. Within 15 minutes, their ad was live.

Facebook immediately removed the categories. "We never intended or anticipated this functionality being used this way," COO Sheryl Sandberg [wrote in a post](#) outlining how Facebook would strengthen its tools.

But Facebook *should* have anticipated that its ad platform could be misused. In fact, ProPublica itself had already told it so—a year ago. Back then, the system allowed ProPublica journalists to [buy a real-estate ad](#) that targeted users according to their

race or ethnicity—something that's illegal under the federal Fair Housing Act of 1968. Facebook apologized, and stopped allowing housing advertisers to use those filters. In other words, it fixed the bug and moved on. But it didn't look at how else its system might be perpetuating bias or hate.

It certainly could have. Facebook is worth nearly *half a trillion dollars*. It banked nearly **\$27 billion in advertising revenue** last year alone. And, if you buy into Silicon Valley's vision of itself, it's staffed by some of the “best and brightest” people in the world. It absolutely had the resources to perform a far-reaching, systemic review of the vulnerabilities in its ad interface. It just wasn't a priority. After all, advertisers were paying. Users were clicking. If money is the only measure, then the system was working fine.

That's the problem. For years, tech has chased growth at all costs—and those costs have been paid by all of us.





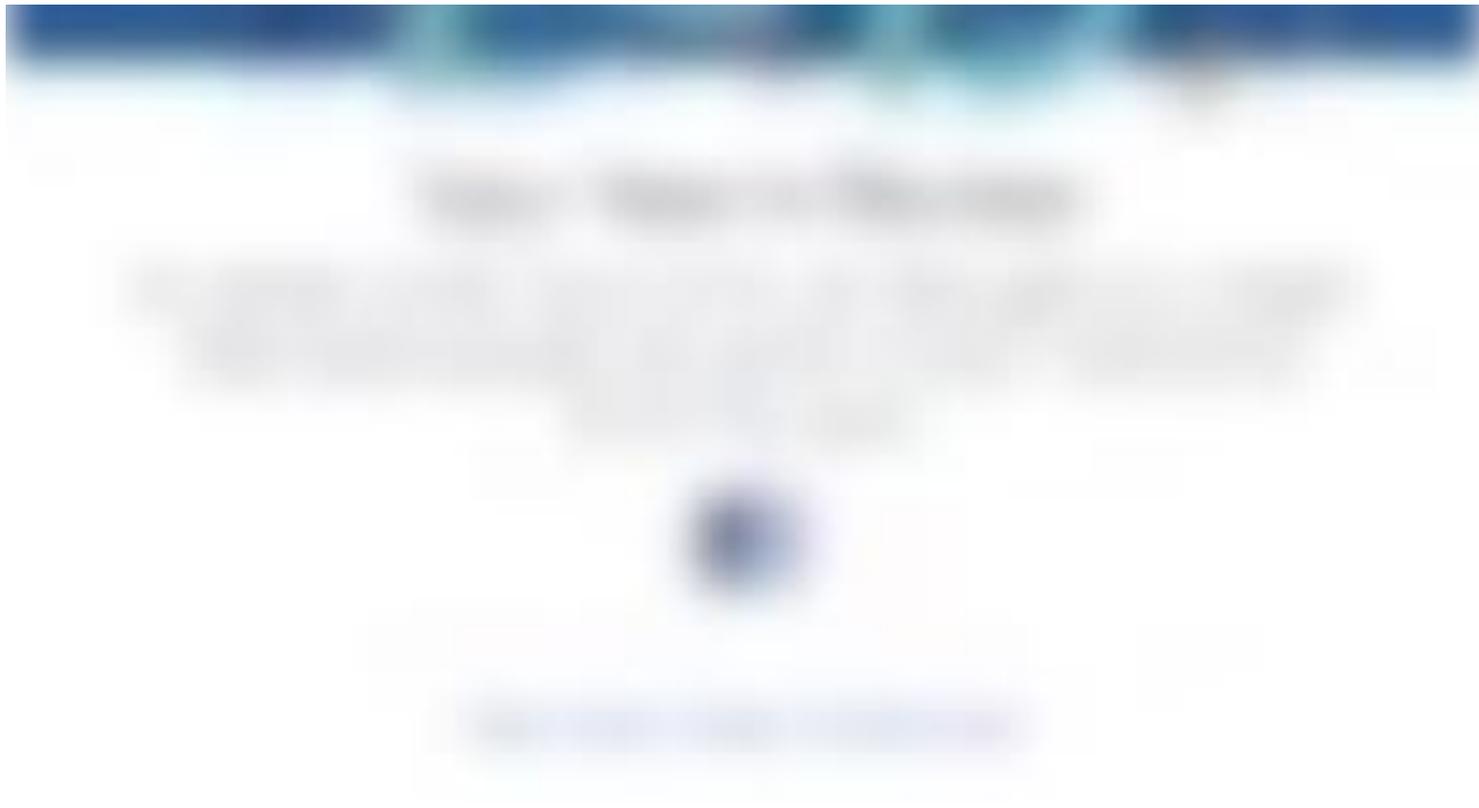
📷 Eric Meyer's 2014 "Year In Review." (Sara Wachter-Boettcher)

We can see it way back in 2014, when Facebook launched Year In Review, a feature that allowed users to create and share albums of their highlights from the year. My friend Eric Meyer had been avoiding it: his six-year-old daughter Rebecca had just died of aggressive brain cancer. But around Christmas, Facebook created a sample Year In Review album for him anyway, and posted it to his page.

“Here’s what your year looked like!” the copy read. Below it was a picture of Rebecca—the most popular photo Meyer had posted all year. Surrounding her face were illustrations, made by Facebook, of partiers dancing amid balloons and streamers. The team had been so focused on designing for people with positive experiences that it hadn’t thought about what would happen when the system pulled in negative ones, and the result was heartbreaking.

Meyer’s story [went viral](#), and Facebook [vowed to do better](#) (paywall). And it did, for a minute: 2015’s Year In Review feature was less pushy, and didn’t pull users’ personal content into Facebook’s design. But once again, the problem was reduced to a bug: fix it and forget.





📷 The 2015 version of Year In Review.” (Sara Wachter-Boettcher)

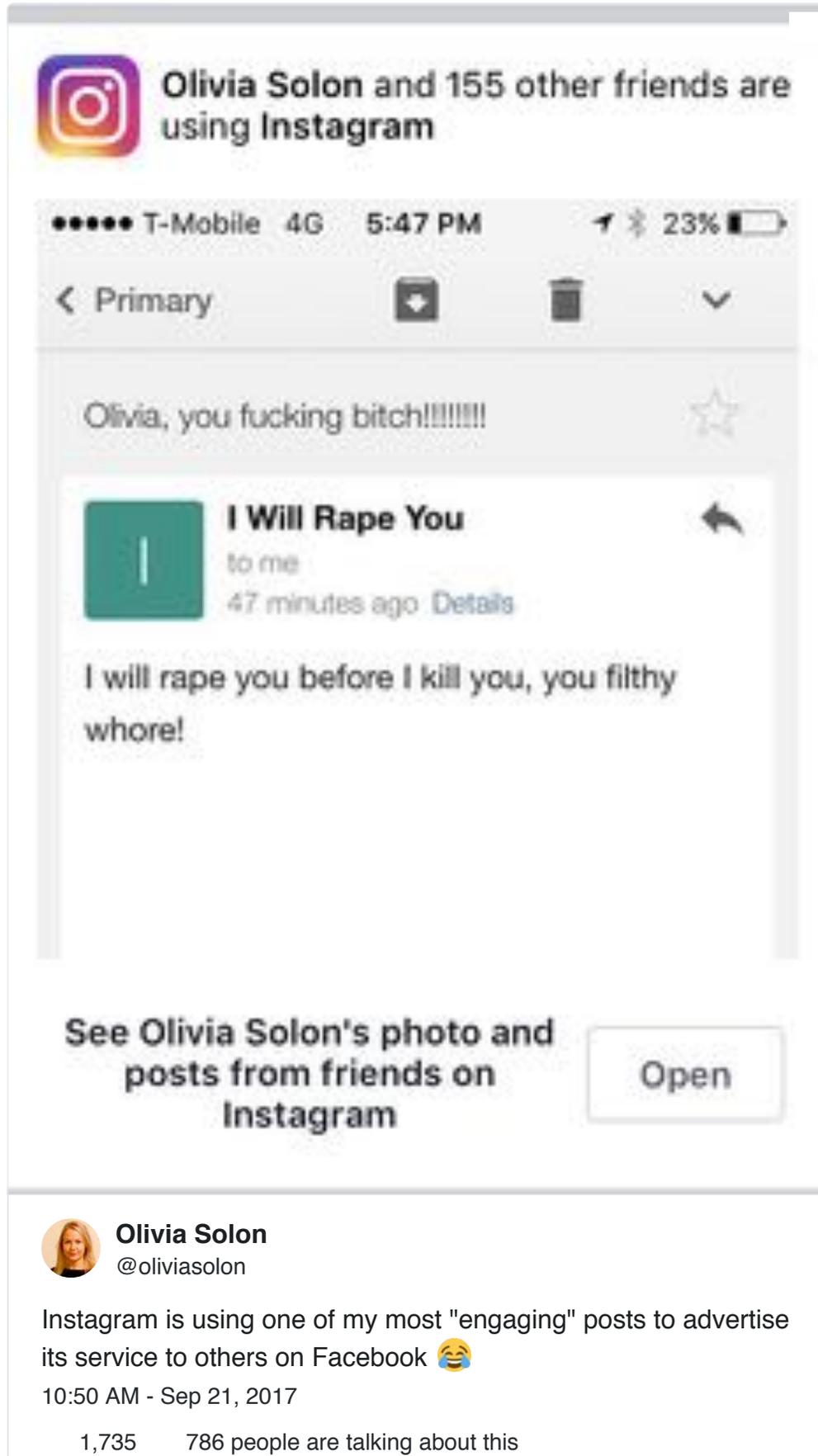
Years later, Facebook is still conflating popular photos with positive ones.

Just last month, Guardian tech journalist Olivia Solon [found out](#) that Facebook was using one of her posts from Instagram (which Facebook also owns) in an advertisement to her friends. These ads are common: Facebook pulls a popular photo out of your Instagram feed and inserts it into an ad. Then it figures out which of your friends aren't using Instagram, and promotes that ad on those friends' Facebook pages. The idea is that those friends will see just how much fun you're having on Instagram, and be enticed to sign up, too.

But Solon's post wasn't your typical Instagram fare—no puppies, beaches, or brunches. It was a screenshot she had taken of an anonymous email she received last year. “I will rape you before I kill you, you filthy whore!” it said.

Solon had posted the image on Instagram to illustrate the kind of abuse women get online. But just as Meyer experienced, Facebook took her photo out of the context

in which she'd shared it, and placed it into its own. The result was unsettling: a rape threat wrapped in a peppy ad, and inserted in her friends' feeds.



Facebook may not have intended to surface traumatic content, just like it didn't intend to let advertisers post hateful or nefarious ads. But it *did* intend to prioritize rapid growth and user engagement over all else. Mark Zuckerberg said as much in his letter to investors when the company went public in 2012: “As most companies grow, they slow down too much because they're more afraid of making mistakes than they are of losing opportunities by moving too slowly,” [he wrote](#).

These priorities have consequences—and those consequences are now more far-reaching than ever, spilling over from affecting our emotional state to manipulating our social and political infrastructure, too. So the next time a Facebook exec says “sorry,” don't praise their PR response. Ask them how much time, money, and staff they've committed to changing the policies, processes, and culture that allowed “engagement” to trump ethics in the first place. Demand that they look past simple fixes, and do the real work—or we'll all pay the price.

Learn how to [write for Quartz Ideas](#). We welcome your comments at ideas@qz.com.

EXHIBIT 115

The Switch

Facebook takes down data and thousands of posts, obscuring reach of Russian disinformation

By **Craig Timberg** and **Elizabeth Dwoskin** October 12, 2017

Social media analyst Jonathan Albright got a call from Facebook the day after he published research last week showing that the reach of the Russian disinformation campaign [was almost certainly larger](#) than the company had disclosed. While the company had said 10 million people read Russian-bought ads, Albright had data suggesting that the audience was at least double that — and maybe much more — if ordinary free Facebook posts were measured as well.

Albright welcomed the chat with three company officials. But he was not pleased to discover that they had done more than talk about their concerns regarding his research. They also had scrubbed from the Internet nearly everything — thousands of Facebook posts and the related data — that had made the work possible.

Never again would he or any other researcher be able to run the kind of analysis he had done just days earlier.

“This is public interest data,” Albright said Wednesday, expressing frustration that such a rich trove of information had disappeared — or at least moved somewhere the public can’t see it. “This data allowed us to at least reconstruct some of the pieces of the puzzle. Not everything, but it allowed us to make sense of some of this thing.”

Facebook does not dispute it removed the posts, but it offers a different explanation of what happened. The company says it has merely corrected a “bug” that allowed Albright, who is research director of the Tow Center for Digital Journalism at Columbia University, to access information he never should have been able to find in the first place. That bug, Facebook says, has now been squashed on a social media analytics tool called CrowdTangle, which Facebook bought last year.

CrowdTangle enables advertisers to view metrics about the performance of their Facebook and Instagram campaigns, such as how many times a post was liked, commented, or shared. Until this week, advertisers were able to see metrics for content that had already been taken down on Facebook and Instagram.

“We identified and fixed a bug in CrowdTangle that allowed users to see cached information from inactive Facebook Pages,” said company spokesman Andy Stone. “Across all our platforms we have privacy commitments to make inactive content that is no longer available, inaccessible.”

4/22/2018 Facebook takes down data and thousands of posts obscuring reach of Russian disinformation | The Washington Post
Whatever the reason, researchers expressed frustration that crucial data and thousands of posts are now gone.

Last week, two other researchers who had been working with the Facebook data, Joan Donovan and Becca Lewis of the nonprofit Data and Society Institute, also noticed that it had suddenly disappeared.

“When platforms do not release data for researchers to analyze, they set themselves up for drawing their own conclusions based on their own interests,” said Donovan, who has used Facebook data for the last eight years to study how influence campaigns on social media impact participation in political movements. “The bits and pieces of data we found in CrowdTangle are alarming because of who the Facebook pages target — everyday people with sets of mutual concerns about the future of our society.”

Albright's research began when he tried to determine how far the Russian disinformation campaign reached during the campaign, an elusive question that many others had grappled with. He knew that Facebook had acknowledged some basic numbers regarding the Russian effort, specifically that the company had shut down 470 Russian-controlled pages and accounts that had bought more than 3,000 ads, and that those ads had reached an estimated 10 million people, based on the company's own modeling. Facebook has declined to say how many people saw the free posts created by the Russian accounts and pages.

That left open the question of what else those 470 accounts and pages had been doing. Helpfully six of them — Blacktivists, United Muslims of America, Being Patriotic, Heart of Texas, Secured Borders and LGBT United — had become publicly known through various news reports. So Albright decided to deploy analytics tools to answer his question.

Because Internet data is riddled with imprecision — thanks to bots, trolls and vague definitions used by those who create the metrics — Albright used CrowdTangle. Its connection with Facebook would make it harder for the company to later disavow his findings, he hoped. Albright also copied CrowdTangle's definition of its metrics directly into the spreadsheet he was building and soon would make public.

The results of his data download startled him. For those six pages alone, Albright found 19.1 million “interactions,” a term describing how often a Facebook user does something concrete with a post, such as sharing it, commenting on it, hitting the “like” button or posting an emoji. Given that somebody who acts on a post surely has also glanced at it, this measurement is a subset of how many times somebody had seen these posts.

Albright also found that, according to CrowdTangle, this same content had been “shared” 340 million times. That meant that the disinformation could have potentially reached the feeds of users that many times, but it didn't reveal how many users had actually read or even seen it. If “interactions” was the floor of the possible reach of the Russian content, then “shared” was the theoretical ceiling.

But given that Albright was working with just six pages out of 470, it was clear to him that the Russian campaign reached far beyond the 10 million people Facebook had acknowledged saw the ads alone. He even discovered a single Russian-backed Instagram account associated with LGBT United that had reached nearly 10 million on its own.

4/22/2018 Facebook takes down data and thousands of posts obscuring reach of Russian disinformation. The Washington Post
Finally, for each of the six pages, Albright downloaded 500 posts — the most available through CrowdTangle — and [published them online](#) in a handy, visual format last Thursday. Suddenly, anybody with an Internet connection could see the numbers Albright had compiled and the 3,000 free Facebook posts that he had downloaded.

That work soon became the basis for a [Washington Post article](#) on Albright's discoveries and a later story in the New York Times as well. Albright also talked about his research on CBS News and Fox News.

But even as the discussion over Albright's research began heating up, he discovered that the 3,000 Facebook posts were gone, as was the data on CrowdTangle.

“There was nothing,” he said. “It was wiped.”

The analytics company also tweaked its own description of one of its metrics. The “shared” metric was now recast as “total followers.”

The last change was not objectionable to Albright, who had agreed with the Facebook representatives who called him — including CrowdTangle chief executive Brandon Silverman — that the “shared” metric from CrowdTangle was poorly named given that it didn't fit with how Facebook itself uses the term “shared.”

But the deletion of the posts and the related data struck Albright as a major loss for the world's understanding of the Russian campaign. He still has the data and the posts for the six pages he examined, but as others become public, there will be no way for independent researchers or journalists to conduct a similar examination of any of the other 470 pages and accounts — or any others linked to Russia that may emerge over subsequent weeks or months.

Every bit of data that gets deleted also makes it harder to study how content flowed back and forth across platforms, including Twitter, Google, Instagram, Pinterest and more, several researchers said.

“We can see by looking across the Internet that these posts have been shared on every other platform,” Albright said.

The discomfort is shared even by a critic of Albright's work, George Washington University professor David Karpf, who published a piece in The Post's [Monkey Cage blog](#) Thursday arguing that claims about the reach of the free Facebook's posts were overblown because, among other reasons, all that clicking and sharing could have been the work of Russian trolls. The CrowdTangle data, Karpf argued, is a weak proxy for the most important questions about how many American voters saw the content and how it affected their political choices.

Yet even so, Karpf was unhappy to learn of Facebook's removal of the posts, given the public debate underway.

“Any time you lose data,” he said, “I don't like it, especially when you lose data and you're right in the middle of public scrutiny.”

 **283 Comments**

Craig Timberg is a national technology reporter for The Washington Post. Since joining The Post in 1998, he has been a reporter, editor and foreign correspondent, and he contributed to The Post's Pulitzer Prize-winning coverage of the National Security Agency. [Follow @craigtimberg](#)

Elizabeth Dwoskin has been reporting from Silicon Valley since 2013. She was the Wall Street Journal's first full-time beat reporter covering big data and artificial intelligence. In 2016, she joined The Washington Post as Silicon Valley correspondent, becoming the paper's eyes and ears in the region and in the wider world of tech.

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EXHIBIT 116

forbes.com

Apple vs Facebook: 38% Of Mobile Gamers Have Used Facebook's 'App Store'

John Koetsier

1-2 minutes

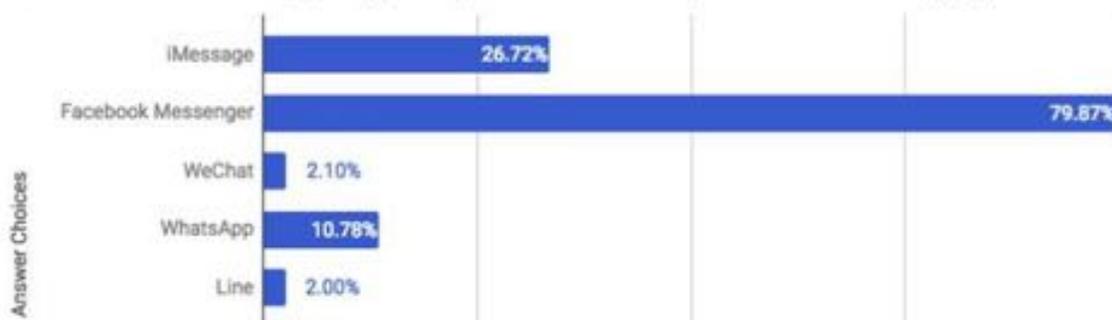
Last week Facebook gave mobile game publishers in its Messenger platform the ability to [monetize their games](#) with purchases and ads, a [direct challenge](#) to Apple's App Store supremacy.

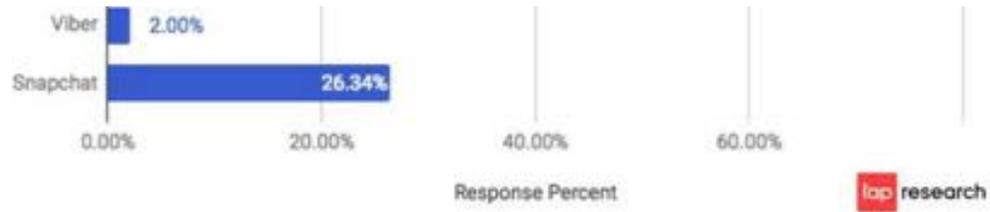
Today, TapResearch [released insight](#) into who's playing Messenger games.

And Facebook has a ways to go.

While 80% of mobile gamers use Facebook Messenger -- more than double the number that use Snapchat -- only about half of them have played a game inside Messenger. And of those, two thirds played some time in the last month.

Q2. Which messenger app do you use most? (select all that apply)





Tap Research

Messaging apps mobile gamers use

The biggest problem, according to Tap Research, is awareness:

"Of the 62% that have never played a messenger app game, awareness was the number one reason they have yet to play," Michael Sprague, VP of business development at the company, says.

The most popular games, according to the 1,070 mobile users the company surveyed, are puzzle and word games, followed closely by action and trivia.

EXHIBIT 117

Facebook owns four out of the five most downloaded apps worldwide

by MIX — 1 year ago in APPS



Have a cookie

TNW uses cookies to personalize content and ads to make our site easier for you to use. We do also share that information with third parties for advertising & analytics.

GOT IT! or [More info](#)

8

Facebook continues to storm the numbers as the company has claimed four out of the five spots for the most downloaded apps across the globe during the last quarter. Interestingly, Netflix still lords over everyone as far as revenue goes.

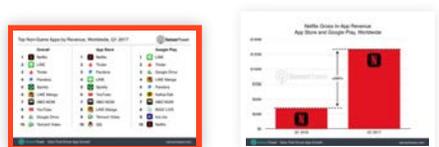
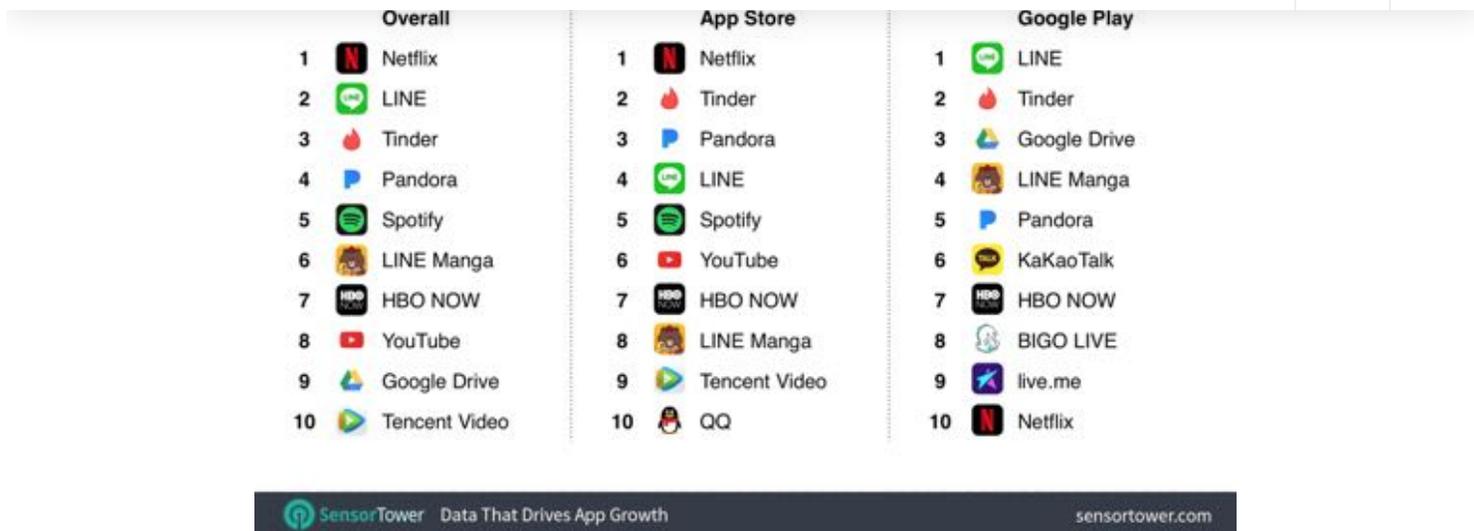
New research by app analytics firm [Sensor Tower](#) reveals that [WhatsApp](#), Facebook, Messenger, Instagram and Snapchat were the most downloaded apps for the first three months of this year.

While the numbers differed across the App Store and [Google Play](#), one thing both platforms shared is that Facebook owned four out of the top five spots for the most downloaded apps worldwide. While Messenger topped the App Store download charts, Facebook headed the race on Google Play.

But while Facebook dominated the app market when it came to downloads, video and audio streaming apps dominated the revenue charts.

Netflix became the highest grossing app for the first quarter of 2017, with Line, Tinder, Pandora and Spotify completing the rest of the top five.

To claim the number one spot, Netflix's revenue grew a staggering 286 percent year-over-year – from \$34.6 million to \$133 million globally.



To give you a broader perspective, app downloads worldwide grew from 11.9 billion to approximately 13.5 billion last year, marking a 14 percent increase over-year-year. While 4.7 billion of all downloads came from the App Store, Google Play accounted for the the remaining 8.8 billion.

As far as revenue goes, the app industry recorded a 63 percent YoY growth, grossing \$2.19 billion this year in comparison to \$1.34 billion for the first quarter of 2016. Curiously, a stunning \$1.7 billion of all earnings came from the App Store, leaving Google Play in second place with \$504 million.

Please note that the statistics refer solely to non-game apps. For more insights about the current state of the mobile gaming industry, head to [this post](#).

APPS FACEBOOK

SHARE ON FACEBOOK (1195)

SHARE ON TWITTER (648)

EXHIBIT 118

gizmodo.com

Facebook: Hey, Nice Media You Got There, Shame if Some Kind of News Feed Change Happened to It

Tom McKay

6-8 minutes



Photo: AP

Facebook tests of a major change to the way its News Feed

works in at least six countries have once again raised fears the social media giant—a powerful gatekeeper between publishers and audiences—could be preparing to doom parts of the media, the [Guardian reported](#).

Per the *Guardian*, Facebook has tested a new layout in which posts from friends and family as well as paid advertisements appear in the News Feed users see when they log in, while non-promoted posts would be “shifted over to a secondary feed” called the [Facebook Explore Feed](#). That system could essentially relegate most Facebook pages, which many publishers use to reach audiences, to second-tier status unless they shell out money to promote their posts—and according to the *Guardian* report, many small publishers in the test markets in Slovakia, Serbia, Sri Lanka, and elsewhere have already seen huge hits to their social reach.

“The change has seen users’ engagement with Facebook pages drop precipitously, from 60% to 80%,” the paper wrote. “... Overnight, from Wednesday to Thursday, a broad cross-section of the 60 largest Facebook pages in Slovakia saw two-thirds to three-quarters of their Facebook reach disappear, according to stats from Facebook-owned analytics service CrowdTangle.”

In a [blog post](#), Slovak journalist Filip Struhárik of *Dennik N* called the initial results the most dramatic drops in organic reach he’d ever seen. But he told the *Guardian*, “It’s hard to say now how big it will be. Problems have also hit ‘Buzzfeed-like’ sites, which were more dependent on social traffic.”

It’s “the classic Facebook playbook,” Enders Analysis senior research analyst Matti Littunen [told the Guardian](#). “First give lots

of organic reach to one content type, then they have to pay for reach, then they can only get through to anyone by paying.”

The big issue here is that many websites—particularly new media ventures—are very reliant on a handful of places to get traffic. This is particularly true regarding Facebook, which operates as a sort of central digital hub for news and discussion for vast swathes of the population, and [is so dominant](#) in that role its power is [increasingly unchallengeable](#) and [frankly sort of terrifying](#). Larger publications like the *New York Times* tend to have more diversified sources of traffic and are more insulated from the problem. But the majority of the media is likely vulnerable to some extent, and there’s only so many other places to go. For example, a search engine-based strategy still leaves a site open to the [whims of Google](#).

Compounding this is Facebook’s News Feed algorithm, which is a black box of variables shifting audiences from one trending topic to the next, and Facebook’s rapid-fire switches from a focus on one kind of content to another. For example, remember that [Facebook Live craze](#), or its [ongoing and chaotic handling](#) of Instant Articles? To the user, these might appear as short-term trends. But to media companies whose entire model relies on a steady flow of Facebook clicks, any one of these changes can be seismic, with millions of dollars in personnel and equipment being shifted from one project to another in the blink of an eye. And there’s not exactly a huge surplus of money in media for promoted posts right now.

So it’s not surprising that the possibility of the spigot [being cut off entirely](#) is unnerving some folks. But this is just a test, and it’s not

clear whether Facebook could ultimately choose to ditch the idea. It could also just be a way to drum up data for some other kind of change—or whatever version of the two-feed format it does roll out could end up driving just as much traffic. And for the company’s part, Facebook’s head of News Feed Adam Mosseri says “It’s not global and there are no plans to be.”

Much ado about nothing or not, this is yet another reminder that much of the media ecosystem that produces the content you read every day is built on Facebook’s sand, and that sand could shift at any time. And sometimes it might shift right into a sinkhole.

Recent Video from Gizmodo

Five Westworld Fan Theories Still in Play

Thursday 4:39 pm

[\[The Guardian\]](#)

Update 12:05am ET: In response to a request for comment, Facebook referred Gizmodo to [this blog post](#) containing what Mosseri called a clarification of the test.

Mosseri again stated the company had no plans to “roll this test out further,” and added the intent was never to examine whether Facebook could have publishers “pay for all their distribution in News Feed or Explore.” But he also wrote that a dual-feed model was something Facebook is still examining and that more tests

may be coming.

For simplicity's sake, we've copied the response below:

There have been a number of reports about a test we're running in Sri Lanka, Bolivia, Slovakia, Serbia, Guatemala, and Cambodia. Some have interpreted this test as a future product we plan to deliver globally. We currently have no plans to roll this test out further.

We always listen to our community about ways we might improve News Feed. People tell us they want an easier way to see posts from friends and family. We are testing having one dedicated space for people to keep up with their friends and family, and another separate space, called Explore, with posts from pages.

The goal of this test is to understand if people prefer to have separate places for personal and public content. We will hear what people say about the experience to understand if it's an idea worth pursuing any further. There is no current plan to roll this out beyond these test countries or to charge pages on Facebook to pay for all their distribution in News Feed or Explore. Unfortunately, some have mistakenly made that interpretation — but that was not our intention.

It's also important to know this test in these six countries is different than the version of Explore that has rolled out to most people. Outside of the above countries, Explore is a complementary feed of popular articles, videos, and photos automatically customized for each person based on content that might be interesting to them. We've heard from people that they want an easy way to discover relevant content from pages they

haven't connected with yet. While Explore includes content from relevant pages, posts from pages that people like or follow will continue to appear in News Feed.

As with all tests we run, we may learn new things that lead to additional tests in the coming months so we can better understand what works best for people and publishers.

Correction: This article originally misidentified Struhárik as Finnish.

EXHIBIT 119

nytimes.com

Tech's 'Frightful 5' Will Dominate Digital Life for Foreseeable Future

Farhad Manjoo

8-10 minutes

There's a little parlor game that people in Silicon Valley like to play. Let's call it, Who's Losing?

There are currently four undisputed rulers of the consumer technology industry: [Amazon](#), [Apple](#), [Facebook](#) and [Google](#), now [a unit of a parent company called Alphabet](#). And there's one more, [Microsoft](#), whose influence once looked on the wane, but which is now rebounding.

So which of these five is losing? A year ago, it was [Google that looked to be in a tough spot](#) as its ad business appeared more vulnerable to [Facebook's](#) rise. Now, [Google](#) is looking up, and it's [Apple, hit by rising worries about a slowdown in iPhone sales](#), that may be headed for some pain. Over the next couple of weeks, as these companies issue earnings that show how they finished 2015, the state of play may shift once more.

But don't expect it to shift much. Asking "who's losing?" misses a larger truth about how thoroughly [Amazon](#), Apple, Facebook, Google and [Microsoft](#) now lord over all that happens in tech.

Who's really losing? In the larger picture, none of them — not in

comparison with the rest of the tech industry, the rest of the economy and certainly not in the influence each of them holds over our lives.

Tech people like to picture their industry as a roiling sea of disruption, in which every winner is vulnerable to surprise attack from some novel, as-yet-unimagined foe. “Someone, somewhere in a garage is gunning for us,” Eric Schmidt, Alphabet’s executive chairman, [is fond of saying](#).

But for much of the last half-decade, most of these five giants have enjoyed a remarkable reprieve from the bogeymen in the garage. And you can bet on them continuing to win. So I’m coining the name the Frightful Five.

It’s not just because I’m a [Tarantino fan](#). By just about every measure worth collecting, these five American consumer technology companies are getting larger, more entrenched in their own sectors, more powerful in new sectors and better insulated against surprising competition from upstarts.

Though competition between the five remains fierce — and each year, a few of them seem up and a few down — it’s becoming harder to picture how any one of them, let alone two or three, may cede their growing clout in every aspect of American business and society.



Stuart Goldenberg

“The Big Five came along at a perfect time to roll up the user base,” said Geoffrey G. Parker, a business professor at Tulane University and the co-author of [“Platform Revolution,”](#) a forthcoming book that explains some of the reasons these businesses may continue their dominance. “These five rode that perfect wave of technological change — an incredible decrease in the cost of I.T., much more network connectivity and the rise of mobile phones. Those three things came together, and there they were, perfectly poised to grow and take advantage of the change.”

Mr. Parker notes the Big Five’s power does not necessarily prevent newer tech companies from becoming huge. Uber might upend the transportation industry, Airbnb could rule hospitality and, as I argued last week, [Netflix is bent on consuming the entertainment business](#). But if such new giants do come along, they’re likely to stand alongside today’s Big Five, not replace them.

Indeed, the Frightful Five are so well protected against start-ups that in most situations, the rise of new companies only solidifies their lead.

Consider that [Netflix](#) hosts its movies on Amazon’s cloud, and Google’s venture capital arm has a huge investment in Uber. Or consider all the in-app payments that Apple and Google get from their app stores, and all the marketing dollars that Google and Facebook reap from start-ups looking to get you to download their stuff.

This gets to the core of the Frightful Five's indomitability. They have each built several enormous technologies that are central to just about everything we do with computers. In tech jargon, they own many of the world's most valuable "platforms" — the basic building blocks on which every other business, even would-be competitors, depend.

These platforms are inescapable; you may opt out of one or two of them, but together, they form a gilded mesh blanketing the entire economy.

The Big Five's platforms span so-called old tech — Windows is still the king of desktops, Google rules web search — and new tech, with Google and Apple controlling mobile phone operating systems and the apps that run on them; Facebook and Google controlling the Internet advertising business; and Amazon, Microsoft and Google controlling the cloud infrastructure on which many start-ups run.

Amazon has a shopping and shipping infrastructure that is [becoming central to retailing](#), while Facebook keeps amassing greater power in that most fundamental of platforms: human social relationships.

Many of these platforms generate what economists call "network effects" — as more people use them, they keep getting more indispensable. Why do you chat using Facebook Messenger or WhatsApp, also owned by Facebook? Because that's where everyone else is.





An Amazon fulfillment center in Madrid. Five technology companies are getting larger, more entrenched and better protected from competition. Pablo Blazquez Dominguez/Getty Images

Their platforms also give each of the five an enormous advantage when pursuing new markets. Look how Apple's late-to-market subscription streaming music service [managed to attract 10 million subscribers](#) in its first six months of operation, or how Facebook leveraged the popularity of its main app to push users to download its stand-alone Messenger app.

Then there's the data buried in the platforms, also a rich source for new business. This can happen directly — for instance, Google can tap everything it learns about how we use our phones to create an artificial intelligence engine that improves our phones — and in more circuitous ways. By watching what's popular in its app store, Apple can get insight into what features to add to the iPhone.

“In a way, a lot of the research and development costs are being borne by companies out of their four walls, which allows them to do better product development,” Mr. Parker said.

This explains why these companies' visions are so expansive. In various small and large ways, the Frightful Five are pushing into the news and entertainment industries; they're making waves in health care and finance; they're building cars, drones, robots and immersive virtual-reality worlds. Why do all this? Because their platforms — the users, the data and all the money they generate — make these far-flung realms seem within their grasp.

Which isn't to say these companies can't die. Not long ago people thought IBM, Cisco Systems, Intel and Oracle were unbeatable in tech; they're all still large companies, but they're far less influential than they once were.

And a skeptic might come up with significant threats to the five giants. One possibility might be growing competition from abroad, especially Chinese hardware and software companies that are amassing equally important platforms. Then there's the threat of regulation or other forms of government intervention. European regulators are [already pursuing several of the Frightful Five](#) on antitrust and privacy grounds.

Even with these difficulties, it's unclear if the larger dynamic may change much. Let's say that Alibaba, the Chinese e-commerce company, eclipses Amazon's retail business in India — well, O.K., so then it satisfies itself with the rest of the world.

Government intervention often limits one giant in favor of another: If the European Commission decides to fight Android on antitrust grounds, Apple and Microsoft could be the beneficiaries. When [the Justice Department charged Apple](#) with orchestrating a conspiracy to raise e-book prices, who won? Amazon.

So get used to these five. Based on their stock prices this month, the giants are among the top 10 most valuable American companies of any kind. Apple, Alphabet and Microsoft are the top three; Facebook is No. 7, and Amazon is No. 9. Wall Street gives each high marks for management; and three of them — Alphabet, Amazon and Facebook — are controlled by founders who don't have to bow to the whims of potential activist investors. So who's losing? Not one of them, not anytime soon.

EXHIBIT 120

Menu

SOCIAL MEDIA

Is Facebook spying on your conversations to target you with ads?

SHARE



Spend enough time on the internet and you'll eventually see [ads targeted specifically to you](#). Facebook is no different. Watch a trailer for *Justice League* and you'll start seeing ads for comic books or other superhero movies. Many of you likely didn't realize it was happening for some time after it started. It's a system we've basically accepted as part of our daily lives, but some people are now theorizing that Facebook might be using a computer's microphone to mine your conversations for ads.

The [BBC](#) reports that PJ Vogt, who presents a tech podcast called Reply All, sent out a tweet calling for people's stories regarding why they believe Facebook may be listening in on their conversations for the purposes of ad targeting.

Rob Goldman, Facebook's VP of ads, chimed in to reassure people that Facebook does not use people's mics as a way of spying on them.

 **PJ Vogt** @PJVogt 26 Oct
Reply All is taking phone calls today. Call us if you believe that Facebook uses your mic to spy on you for ad reasons. 3PM ET. 917-267-5180

 **Rob Goldman**
@robjective

I run ads product at Facebook. We don't - and have never - used your microphone for ads. Just not true.
1:39 PM - Oct 26, 2017

157 186 people are talking about this

Despite Goldman's comments, Vogt got hundreds of replies to his tweet.

 **PJ Vogt** @PJVogt 26 Oct
Reply All is taking phone calls today. Call us if you believe that Facebook uses your mic to spy on you for ad reasons. 3PM ET. 917-267-5180

 **kelley bodwell**
@kelleyblythe_

I have been talking about getting a cat. I didn't post about it anywhere but I DID start seeing ads for cat food.
1:17 PM - Oct 26, 2017

8 See kelley bodwell's other Tweets

 **PJ Vogt** @PJVogt 26 Oct
Reply All is taking phone calls today. Call us if you believe that Facebook uses your mic to spy on you for ad reasons. 3PM ET. 917-267-5180

 **Jeff**
@tiger187126

i wish i would have been more scientific about it, but when i was using facebook we would get ads we didn't search for, but talked about.
1:06 PM - Oct 26, 2017

9 See Jeff's other Tweets

A coworker got an ad saying "so you popped the question!" minutes after he proposed, before he told anyone it had happened

— [Tori Hoover \(@torihover\)](#) [October 27, 2017](#)

Despite the many responses that Vogt received, there isn't much, if any, concrete proof that Facebook uses people's mics to spy on them.

As for why Vogt's Tweet got so much attention, one explanation is that it is simply a matter of coincidence. The ads might have been there the entire time and people simply didn't notice them at first.

Facebook isn't the only company to come under fire for this issue. Many people believe that smartphones are being used by companies as a [means of collecting information on consumers](#).

Editors' Recommendations

- [Here are five tips to keep your data private on Facebook](#)
- [Facebook was always too busy selling ads to care about your personal data](#)
- [Here's how to go live on Facebook with your Android or iOS device](#)
- [Facebook Lite takes social media back to the basics](#)
- [Facebook's Zuckerberg is on DC's hot seat; is it time for data and privacy laws?](#)

DON'T MISS

Ditch all romaine lettuce and check your eggs -- a bad week for food recalls

UP NEXT

China's Baidu, Changan enter the autonomous vehicle fray

EXHIBIT 121

finance.yahoo.com

Mojiworks raises £2.1M Series A to build games for Facebook Messenger

Steve O'Hear

4-5 minutes



Mojiworks, the U.K. startup building games for messaging apps, has raised £2.1 million in Series A funding.

[Mojiworks](#), the U.K. startup building games for messaging apps, has raised £2.1 million in Series A funding. The round is led by Balderton Capital, with participation from previous backers Lifeline Ventures and Sunstone Capital, and will be used by the company to increase headcount as it double-downs on developing multiple titles for Facebook Messenger.

Founded late last year by Matthew Wiggins and Alan Harding,

who previously founded Wonderland Software (sold to Zynga in 2011), Mojiworks is on a mission to develop and become known for what Wiggins called "platform-defining" games. Specifically, the company is busy trying to figure out how to create and take advantage of the kind of unique experiences and gameplay possible when a game resides in a messaging app and is played in collaboration with your contacts.

The first titles, MojiQuest and Moji Bowling, which Wiggins dubs as "experiments," were built for iOS and iMessenger and have garnered 1.5m downloads. The startup has since taken what it learned from those first two efforts and created a more ambitious game for Facebook Messenger, the platform it wants to focus on going forward. The debut title is a collaborative adventure game called QuestFriends that is set to launch later this year. It will see players undertake quests "in an original fantasy world, working together to tackle challenges and sharing in the rewards of their adventure".

Wiggins reckons the market for Facebook Messenger games is huge, noting that Facebook Messenger has 1.36 billion monthly users, but says that most games are simply existing experiences or titles being ported over. That leads to little or no differentiation to what gamers can find elsewhere and, he says, misses the point and huge opportunity of a new platform.

Instead, Mojiworks wants to figure out what unique gaming experiences -- and ones that lead to high retention -- can be created on Facebook Messenger and messaging apps in general that you won't find elsewhere. Wiggins also makes the argument that an entire new gaming platform with significant scale doesn't

come around often and that the companies that can establish a lead early have the potential to lock out late-comer competition.

This, he argues, is the current state of the mobile app stores where it is incredibly hard to launch brand new and independent IP within such a saturated market and one dominated by a handful of large games developers. In contrast, virtual reality platforms are, for the time being at least, far too niche to create a meaningful business, even if they are wide open to newcomers.

At this window in time, Facebook Messenger doesn't suffer from either problem, something Mojiworks is poised to take advantage of -- a point that Balderton's Rob Moffat makes in a blog post on the VC firm's investment, its first in gaming in eight years.

"The history of games is that every new platform, if it can reach mass market distribution, allows startups to grow to massive scale," he writes. "A new platform offers opportunity to grow very fast at low cost, through organic and viral growth and by using new marketing channels. In these moments of change as a new platform emerges, startups are quicker to see the opportunity and by focussing on it 100%, can build great games that are optimized for the features and constraints of the new platform".

To that end, Mojiworks says the new funding will enable the team to launch multiple new game projects and expand the startup's Guildford, U.K. headquarters from 10 to 25 staff in the next twelve months.

Wiggins tells me this will enable 4-5 separate game title teams to be created, with each owning the product they are working on. Messaging-based games have relatively low development

overheads compared to other gaming platforms and he believes smaller teams are more creative and in general perform better, citing Supercell's headcount and organisational discipline as inspiration.

- This article originally appeared on [TechCrunch](#).

EXHIBIT 122

gizmodo.com

How Facebook Figures Out Everyone You've Ever Met

Kashmir Hill

14-18 minutes

In real life, in the natural course of conversation, it is not uncommon to talk about a person you may know. You meet someone and say, “I’m from Sarasota,” and they say, “Oh, I have a grandparent in Sarasota,” and they tell you where they live and their name, and you may or may not recognize them.

You might assume Facebook’s friend recommendations would work the same way: You tell the social network who you are, and it tells you who you might know in the online world. But Facebook’s machinery operates on a scale far beyond normal human interactions. And the results of its People You May Know algorithm are anything but obvious. In the months I’ve been [writing about PYMK](#), as Facebook calls it, I’ve heard more than a hundred bewildering anecdotes:

- A man who years ago donated sperm to a couple, secretly, so they could have a child—only to have Facebook recommend the child as a person he should know. He still knows the couple but is not friends with them on Facebook.
- A social worker whose client called her by her nickname on their

second visit, because she'd shown up in his People You May Know, despite their not having exchanged contact information.

- A woman whose father left her family when she was six years old—and saw his then-mistress suggested to her as a Facebook friend 40 years later.
- An attorney who wrote: “I deleted Facebook after it recommended as PYMK a man who was defense counsel on one of my cases. We had only communicated through my work email, which is not connected to my Facebook, which convinced me Facebook was scanning my work email.”

Connections like these seem inexplicable if you assume Facebook only knows what you've told it about yourself. They're less mysterious if you know about the other file Facebook keeps on you—one that you can't see or control.

Behind the Facebook profile you've built for yourself is another one, a shadow profile, built from the inboxes and smartphones of other Facebook users. Contact information you've never given the network gets associated with your account, making it easier for Facebook to more completely map your social connections.

Behind the Facebook profile you've built for yourself is another one, a shadow profile, built from the inboxes and smartphones of other Facebook users.

Shadow contact information has been a known feature of Facebook for [a few years now](#). But most users remain unaware of its reach and power. Because shadow-profile connections happen inside Facebook's algorithmic black box, people can't see how deep the data-mining of their lives truly is, until an

uncanny recommendation pops up.

Recent Video from Gizmodo

Five Westworld Fan Theories Still in Play

Thursday 4:39 pm

Facebook isn't scanning the work email of the attorney above. But it likely has her work email address on file, even if she never gave it to Facebook herself. If anyone who has the lawyer's address in their contacts has chosen to share it with Facebook, the company can link her to anyone else who has it, such as the defense counsel in one of her cases.

Facebook will not confirm how it makes specific People You May Know connections, and a Facebook spokesperson suggested that there could be other plausible explanations for most of those examples—"mutual friendships," or people being "in the same city/network." The spokesperson did say that of the stories on the list, the lawyer was the likeliest case for a shadow-profile connection.

Handing over address books is one of the first steps Facebook asks people to take when they initially sign up, so that they can "Find Friends." The "Find Friends" option on desktop is very basic:

You enter your email address and then your email password, and Facebook will tell you everyone you know on Facebook. Meanwhile, Facebook holds on to all the contacts you handed over.

The “Find Friends” page in the Facebook smartphone app is more inviting, presenting a picture of a spray of flowers and inviting the user to “See who’s on Facebook by continuously uploading your contacts.”

Down in the fine print, below the “Get Started” button, the page states that “Info about your contacts...will be sent to Facebook to help you and others find friends faster.” This is vague, and the purpose remains vague even after you click on “Learn More”:

When you choose to find friends on Facebook, we’ll use and securely store information about your contacts, including things like **names and any nicknames; contact photo; phone numbers and other contact or related information you may have added like relation or profession; as well as data on your phone about those contacts.** This helps Facebook make recommendation for you and others, and helps us provide a

better service.

Take a look at all the possible information associated with a contact on your phone. Then consider the accumulated data your phone is carrying about various people, whether lifelong friends or passing acquaintances.

Facebook warns users to be judicious about using all this data. “You may have business or personal contacts in your phone,” the Learn More screen admonishes the reader. “Please only send friend requests to people you know personally who would welcome the invite.”

Having issued this warning, and having acknowledged that people in your address book may not necessarily want to be connected to you, Facebook will then do exactly what it warned you not to do. If you agree to share your contacts, every piece of contact data you possess will go to Facebook, and the network will then use it to try to search for connections between everyone you know, no matter how slightly—and you won’t see it happen.

Facebook doesn’t like, and doesn’t use, the term “shadow profiles.” It doesn’t like the term because it sounds like Facebook creates hidden profiles for people who haven’t joined the network, which Facebook says it doesn’t do. The existence of shadow contact information came to [light in 2013](#) after Facebook admitted it had discovered and fixed “[a bug](#).” The bug was that when a user [downloaded their Facebook file](#), it included not just their friends’ visible contact information, but also their friends’ shadow contact information.

The problem with the bug, for Facebook, was not that all the

information was lumped together—it was that it had mistakenly shown users the lump existed. The extent of the connections Facebook builds around its users is supposed to be visible only to the company itself.

Facebook does what it can to underplay how much data it gathers through contacts, and how widely it casts its net. “People You May Know suggestions may be based on contact information we receive from people and their friends,” Facebook spokesperson Matt Steinfeld wrote in an email. “Sometimes this means that a friend or someone you know might upload contact information—like an email address or phone number—that we associate with you. This and other signals from you help us to make sure that the people we suggest are those you likely already know and want to become friends with on Facebook.”

Users of Instagram and WhatsApp, which are owned by Facebook, can also upload contacts to those apps, but Steinfeld said that Facebook does not currently use that data for Facebook friend suggestions. “Today, we use contacts uploaded to Facebook and Messenger to inform PYMK suggestions,” he wrote.



Contact the Special Projects Desk

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Through the course of reporting this story, I discovered that many of my own friends had uploaded their contacts. While encouraging me to do the same, Facebook's smartphone app told me that 272 of my friends have already done so. That's a quarter of all my friends.

But big as it is, that's not even the relevant number. When Steinfeld wrote "a friend or someone you might know," he meant anyone—any person who might at some point have labeled your phone number or email or address in their own contacts. A one-night stand from 2008, a person you got a couch from on Craigslist in 2010, a landlord from 2013: If they ever put you in their phone, or you put them in yours, Facebook could log the connection if either party were to upload their contacts.

That accumulation of contact data from hundreds of people means that Facebook probably knows every address you've ever lived at, every email address you've ever used, every landline and cell phone number you've ever been associated with, all of your nicknames, any social network profiles associated with you, all your former instant message accounts, and anything else someone might have added about you to their phone book.

As far as Facebook is concerned, none of that even counts as your own information. It belongs to the users who've uploaded it,

and they're the only ones with any control over it.

All the people who know you and who choose to share their contacts with Facebook are making it easier for Facebook to make connections you may not want it to make.

It's what the sociologist danah boyd calls "[networked privacy](#)": All the people who know you and who choose to share their contacts with Facebook are making it easier for Facebook to make connections you may not want it to make—say if you're in a profession like law, medicine, social work, or even journalism, where you might not want to be connected to people you encounter at work, because of what it could reveal about them or you, or because you may not have had a friendly encounter with them.

Imagine the challenge for people trying to maintain two different identities, such as [sex workers](#) or undercover investigators. Not only do you have to keep those identities apart like a security professional, you have to make sure that no one else links them either. If just one person you know has contact information for both identities and gives Facebook access to it, your worlds collide. Bruce Wayne and Clark Kent would be screwed.

Shadow profile data powers Facebook's effort to connect as many people as possible, in as many ways as possible. The company's ability to perceive the threads connecting its billion-plus users around the globe led it to announce last year that it's not six degrees that separate one person from another—it's [just three and a half](#).

With its vast, hidden black book, Facebook can go beyond simply

matching you directly with someone else who has your contact information. The network can do contact chaining—if two different people both have an email address or phone number for you in their contact information, that indicates that they could possibly know each other, too. It doesn't even have to be an address or phone number that you personally told Facebook about.

This is how a [psychiatrist's patients were recommended to one another](#) and may be why a man had his secret biological daughter recommended to him. (He and she would have her parents' contact information in common.) And it may explain why a non-Facebook user had his ex-wife recommended to his girlfriend. Facebook doesn't keep profiles for non-users, but it does use their contact information to connect people.

“Mobile phone numbers are even better than social security numbers for identifying people,” said security technologist Bruce Schneier by email. “People give them out all the time, and they're strongly linked to identity.”

“Mobile phone numbers are even better than social security numbers for identifying people.”

Facebook won't tell you how many people who aren't your friends have handed over your contact information. The contents of your shadow profiles are not yours to see.

As [Violet Blue](#) wrote in Cnet at the time of the shadow-profile bug, “What the revelation means is that Facebook has much more information on us than we know, it may not be accurate, and despite everyone's best efforts to keep Facebook from knowing our phone numbers or work email address, the social

network is getting our not-for-sharing numbers and email addresses anyway by stealing them (albeit through ‘legitimate’ means) from our friends.”

What if you don’t like Facebook having this data about you? All you need to do is find every person who’s ever gotten your contact information and uploaded it to Facebook, and then ask them one by one to go to [Facebook’s contact management page](#) and delete it.

Just don’t miss anyone. “Once a contact is deleted, we remove it from our system—but of course it is possible that the same contact has been uploaded by someone else,” Steinfeld wrote in an email.

The shadow profiles, like the People You May Know system they feed into, can’t be turned off or opted out of. The one thing you can do to impede Facebook’s contacts-based connections is, through its Privacy Settings menu, keep people from finding your profile by searching your phone number or email address. (Yes, Facebook functions as a reverse phone-number look-up service; under the default settings, anyone can put your phone number into the search bar and pull up your account.)

“Let’s say you’ve shared your phone number [or email address] with a lot of people and don’t want strangers using it to search for you on Facebook,” Steinfeld wrote. “You can limit who can look you up on Facebook by that phone number [or email address] to ‘friends.’ This is also a signal that People You May Know uses. So if a stranger uploads his address book including that phone number [or email address, it] won’t be used to suggest you to that stranger in People You May Know.”

These privacy settings are an undocumented way to control to whom you get recommended in People You May Know.

But you can only block People You May Know from using information you've actively provided to Facebook, *not* what's in your shadow profile. So to protect your privacy, you need to provide Facebook with even more information about you.

I asked if Facebook would consider sharing shadow profile information with its users, much like it accidentally shared it with their friends four years ago. Facebook says it can't because it would be a privacy violation of those who gave the information.

“When you choose to upload your contacts to Facebook, we consider your privacy along with the privacy of the friends, family, and others who gave you their phone number or email address,” said Facebook spokesperson Matt Steinfeld by email. “We acknowledge that people might want to see the contact information that's been uploaded about them to Facebook, but we also have a responsibility to the people choosing to upload this information. This is a balance and we'll continue listening to people's feedback.”

Steinfeld also said that while Facebook doesn't currently “offer a way for people to manage the contact information others have uploaded that might be related to them, this is something I've shared with the team.”

As usual, I asked to speak with the People You May Know team directly, but was turned down.

EXHIBIT 123

THE WALL STREET JOURNAL.

KEYWORDS

Facebook's Identity Crisis Looms

The company's core business continues to prove vulnerable to exploitation by spammers and bad actors; meanwhile our personal data remains at risk



As CEO of Facebook, Mark Zuckerberg, shown in November 2017, faces mounting problems involving the social network's outsize influence and handling of personal data. PHOTO: JEFF ROBERSON/ASSOCIATED PRESS

SHARE



By *Christopher Mims*

March 20, 2018 5:05 p.m. ET

The mountain of evidence piling up this week exposes the rot at the core of [Facebook Inc.](#)

Facebook's troubling relationship with personal data, and the way that data has been repeatedly exploited, show the precarious nature of a business dependent on knowing everything it can about its own users. For a company whose very existence depends on its users turning up regularly, recent events threaten to give people a reason to reduce the amount they share on [Facebook](#)—or leave it all together.

The latest revelations are all related to this: Facebook was, for a time, a vehicle for [exfiltrating massive amounts of data](#) about its users to developers and data miners of every stripe.

Outside developers could build games, quizzes and other apps that funneled personal information from accounts of users who willingly installed them, as well as pretty much everyone who was their friend.

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Facebook allowed this data access, hoping to build a business like Apple's iPhone App Store. But the collection of Facebook data by outside developers became such a concern that Facebook eventually restricted the practice. In cases where Facebook discovered developers were using that data outside of Facebook-approved apps, the company [demanded those developers delete the data](#).

More

- [FTC Probing Facebook Over Data Use by Cambridge Analytica](#)
- [Facebook Security Chief Plans to Step Down](#)

- [Cambridge Analytica Suspends CEO Alexander Nix After Video's Release](#)

Cambridge Analytica, the data-analysis firm that is suddenly all over the news, has worked for a number of political clients including the Trump campaign. It allegedly obtained data from the makers of one of these apps and improperly kept the data for years, despite telling the social network the records were destroyed.

“When developers create apps that ask for certain information from people, we conduct a review to identify policy violations and to assess whether the app has a legitimate use for the data,” according to a statement from Justin Osofsky, Facebook’s vice president of global operations. “Three years ago, we changed the product so that developers can’t access the information of people’s friends.”

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A Facebook spokeswoman says the company continues to improve its product and policies to prevent further abuse.

In the midst of this new scandal, we’ve been reminded that Facebook is [having internal debates](#) over how to handle revelations that Russians used the site to influence the 2016 presidential election. As the turmoil builds, politicians and regulators in the U.S. and Europe demand that Facebook make a full accounting of the abuse of its often-mysterious platform.

It won't be long before Facebook's soul-searching becomes more than an occasion to self-police and prompts users and regulators to act on their own.

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Again and again, we've seen two disturbing problems throughout Facebook's history. The first is that the company is unable to anticipate the ways its platform, and the incredibly powerful trove of sensitive data it produces, can be misused. In 2007, it was the way Facebook's Beacon advertising system shared users' shopping behavior and, indirectly, their life choices, with their friends and family.

Personalization in advertising is sometimes nearly indistinguishable from surveillance, and personalization is at the heart of how Facebook makes money and captures so much of the online advertising pie.

The second recurring problem with Facebook, only recently made apparent, is that the company has a powerful, often negative effect on our psychology. A variety of studies have shown that the way Facebook encourages people to passively consume friends' posts can make them unhappy. Facebook has admitted this is the case, but says it has modified its algorithm to encourage other kinds of sharing that, at least in theory, are better at positively connecting people.

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Other work has shown that Facebook has the power to reinforce our biases. We think that, because our friends online [espouse a view that we share](#), it's what the majority of the population believes. The company has contested this.

By virtue of using algorithms to target the most “engaging” content, including lucrative ads, Facebook and its ilk have become vehicles for [spreading disinformation and sowing division](#).

Earlier this year, in an act of contrition, Facebook suggested a pivot toward individual interactions and groups [would be of greater value, psychological and otherwise](#), to its users. But it's now apparent that even its group features are fraught with the same spammers and potential influence operations that [bedeviled its news feed](#).

“[Facebook Groups] are how Facebook radicalizes everyday Americans,” says Renee Diresta, an [researcher and analyst](#) at Data for Democracy, an independent group of data scientists. She says Facebook's algorithm for recommending groups pushes someone interested in, for example, the antivaccination movement into groups that espouse extreme political ideologies. “It's precisely because Groups facilitate trust between participants and a feeling of belonging and camaraderie that they're very powerful tools in the wrong hands,” she says.

In light of these issues—and particularly the alleged misuse of data that has pummeled Facebook's stock and reputation—the company's options are limited. And any potential solutions could have a significant impact on the company's bottom line.

It could spend hundreds of millions of dollars to employ human moderators to police potential abuse and misuse. It could hand over its data to outside researchers, who could independently study the impact on society. It could overhaul its data strategy to radically shrink the amount of data it gathers and stores—and monetizes.

And if it doesn't fix itself quickly, Facebook could face intrusive regulation, and even [antitrust litigation](#).

EDITORS' PICKS

EXHIBIT 124

DOW JONES, A NEWS CORP COMPANY

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TECH

Facebook's Restrictions on User Data Cast a Long Shadow

Curbs disrupt startups, academic research and even political strategy

By Deepa Seetharaman and Elizabeth Dwoskin

Sept. 21, 2015 8:22 p.m. ET

A few months ago, social psychologist Benjamin Crosier was building an app to look for links between social-media activity and ills like drug addiction.

Then, he was stopped in his tracks after Facebook Inc. **FB -1.08% ▼** limited outsiders' access to information about its roughly 1.5 billion users. Dr. Crosier, a postdoctoral fellow at Dartmouth College, is petitioning the company to get some of that data back.

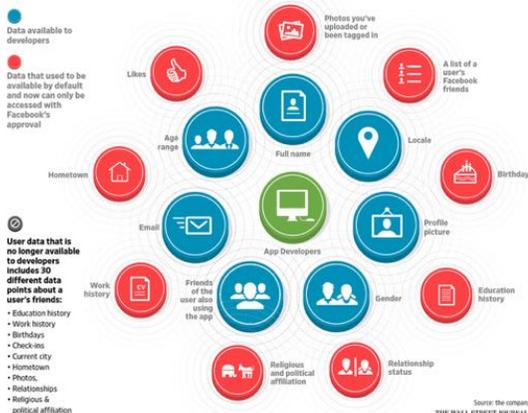
His experience highlights how Facebook's restrictions on its user data, which were announced last year and put into effect in May, are rippling through academia, business and presidential politics.

Dozens of startups that had been using Facebook data have shut down, been acquired or overhauled their businesses. Political consultants are racing to find new ways to tap voters' social connections ahead of the 2016 presidential election.

"Facebook giveth and Facebook taketh away," said Nick Soman, who collected the locations of Facebook users' friends to enhance his anonymous-chat app, Reveal. He later sold the app to music service Rhapsody International Inc. Mr. Soman said he admires Facebook, but learned a lesson about relying on third parties for a key component of his app.

Social Clampdown

Facebook's stricter rules on allowing outsiders access to its data have prompted some companies to shut down or overhaul their businesses.



The new rules reflect Facebook's shifting attitude toward third parties using its data, considered one of the world's richest sources of information on human relationships. In 2007, with great fanfare, Facebook founder and Chief Executive Mark Zuckerberg invited outsiders to access to Facebook's "social graph," the friend lists, interests and "likes" that knit Facebook users together.

Facebook said it reversed course after users raised concerns about their data being shared with outsiders without their

knowledge.

The new rules don't "make it harder for developers to build social experiences," said a Facebook spokeswoman. The rules "simply require them to do so in a more privacy-protective way."

Other social networks, including like LinkedIn Corp. and Twitter Inc., also have restricted access to their data in recent years. But Facebook's changes have generated more controversy.

Many developers who use the social graph count on subtle-yet-powerful nudges, sending users reminders to ask friends to join a game, vote in elections, or confirm that two people about to go on a date share a mutual friend.

RELATED

- [How Social Bias Creeps Into Web Technology](#) (Aug. 21)

Without a window into friend networks, apps and other businesses lose a key channel for growth, while users may find their networks less useful for landing a job or a date. The move also could give rise to data-mining tactics that users find

more objectionable, privacy experts say.

To some, the data restrictions reflect Facebook's growth and emergence as the world's largest social network. In 2007, the year Mr. Zuckerberg opened up the company's data, Facebook had 58 million users and generated \$153 million in revenue. This year, Facebook is expected to post revenue of \$17.2 billion; last month, the company said one billion people had used the network on a single day.

"Companies are open until they have liquidity and users. Then they start to control," said Chris Moore, a partner at Redpoint Ventures, a venture-capital firm that has backed companies affected by Facebook and LinkedIn's rule changes. "I'm becoming increasingly skeptical that you can build a lasting, stand-alone business based on access to someone else's social graph."

A Facebook spokeswoman says the changes aren't about money, but giving users more control.

Facebook allows outsiders to request access to specific types of information, such as users' birthdays. But data about their friends—coveted by developers to expand their user base—is largely off limits. Some developers say Facebook's process for considering these requests is time-consuming and opaque, yielding unexpected outcomes.

Managers at the popular dating app Tinder approached Facebook about the changes shortly after they were announced last year, because the restrictions on data about mutual friends would have harmed the app's business. In monthslong talks, the two companies reached a compromise that allows Tinder to access the photos and names of mutual friends, but nothing more.

Facebook's changes doomed College Connect, an app aimed at helping prospective first-generation college students find friends who attend schools or hold jobs they are considering. The app wouldn't function without broad access to Facebook's data, said co-creator Nicole Ellison, a University of Michigan professor.

Recruiting app Jobs with Friends also closed. Founder Chris Russell built it to connect users with friends, and friends of friends, with similar professional interests. The app was available for a year before Facebook's rule change.

Dr. Crosier, the Dartmouth researcher studying drug addiction, hopes to salvage his project by asking Facebook for access to eight types of data, including photos in which a user is tagged. He hopes to reconstruct a person's friend network by seeing who they socialize with through their photos. Dr. Crosier says he won't be able to see the images themselves, just that a user was tagged and by whom.

The changes also stymied a voter-outreach tool used by President Barack Obama's 2012 re-election campaign. The app identified potential Obama supporters among a Facebook user's friends, and measured the closeness of the friendship.

A user who was a close friend would then be asked to encourage that person to vote, possibly by sending them a message or a video about voter registration. The targeted voters were five times as likely to click on material that came from a close friend as a randomly selected Facebook connection.

Some companies are trying to build their own social networks from scratch. YesGraph Inc. uses data-mining techniques known as predictive analytics to help apps find new users by analyzing email and phone-contact lists of an app's existing users. If a person receives invitations from a corporate email account, the startup presumes they have a business relationship. If two people share a last name, it guesses they are related. The more frequently two people email one another, the closer they are thought to be.

YesGraph CEO Ivan Kirigin said the users of his clients' apps have consented to sharing their information with the app. Many apps are social, he said, so connecting a user to others' contacts is "about improving the experience."

Some industry watchers worry that such data-mining techniques might result in users having less control over their personal information than with Facebook. "It may turn out that stricter policies on Facebook do not mean a safer world for users," said David Robinson, principal at Upturn, a technology-policy consulting firm.

Write to Deepa Seetharaman at Deepa.Seetharaman@wsj.com and Elizabeth Dwoskin at elizabeth.dwoskin@wsj.com

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EXHIBIT 125

Menu

SOCIAL MEDIA

New Facebook Messenger tool could let businesses broadcast mass chat messages

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[Marcel De Grijs / 123RF](#)

Businesses could soon use Facebook Messenger to send you automated, mass-delivered messages. [First spotted by The Next Web's Matt Navarra](#), Facebook [recently confirmed](#) that it is privately testing Messenger Broadcast, a platform that would allow businesses to send mass messages — though only to Messenger users that have already initiated a conversation.

Messenger Broadcast — or at least the prototype version of the system currently being tested — allows businesses to craft a welcome message with text, video, or images along with suggested replies. The welcome message can then prompt a Messenger bot-like conversation. Unlike a bot, Messenger Broadcast would allow businesses to send out messages without being asked a question first — though only to users that initiated a conversation with the company in the past.

According to screenshots, businesses can use the tool to reach users for free, though the shared screenshot has an estimate of being seen by a whopping seven users. Facebook doesn't comment on features that have not yet been released, so it's unclear if businesses could also boost the feature and pay to reach more users. But, the social media platform did say that their policy of requiring users to initiate contact with a business before allowing a private message will still stand, so users won't be getting large amounts of spam messages.

As a tested feature, Messenger Broadcast might never roll out to the public, but the company's prototypes offer a glimpse at what the company is working on that might potentially see a wide release in the future. Messenger Broadcast has only been tested internally at this point, without a public beta test of the tool.

Several of Messenger's recent expansions enhance the use of bots to access information on the platform, which have now been around for about a year. One tool allows businesses to [display all the bot options at the start of the conversation](#), allowing users to tap on a series of options rather than typing out a message only to be told that the bot doesn't understand the question. Another update over the summer is designed to help users find helpful chatbots [by adding a "Discover" section in Messenger](#) to see companies with chatbot options.

Editors' Recommendations

- [How to use Apple's Business Chat on your iPhone or iPad in iOS 11.3](#)
- [Tinder follows Bumble's lead with upcoming women-talk-first feature](#)
- [#Earlygram? Hootsuite adds Instagram scheduling for business accounts](#)
- [Facebook Messenger's new features for couples arrive in time for Valentine's Day](#)
- [Social Feed: Pinterest glams up, Facebook tests 'live' prerecorded premieres](#)

EXHIBIT 126

How to stop your Facebook friends from giving away your data

Corey Protin and Matthew Stuart

🕒 Mar. 20, 2018, 12:33 PM 🔥 17,363



FACEBOOK



LINKEDIN



TWITTER



Worried about how [Cambridge Analytica](#) got ahold of the Facebook data of millions of people? Your friends could be the ones who unknowingly gave it away. Here's how to fix it.

The following is a transcript of the video.

Apps you don't use are still accessing your Facebook data. Ever signed up for a game on Facebook or taken a random quiz? It probably still has access to your data, even if you used it years ago. Here's how to remove it:

- Go to the menu of the Facebook app.
- Scroll all the way down
- Select "Settings."
- Choose "Account Settings."

**BUSINESS
INSIDER**



- Select "Logged in with Facebook."

This will show apps accessing your Facebook profile. Selecting one will show you the data it accesses. Just change the data you let it access or scroll down to delete it.

Your friends are also giving away your data. Apps they use can access your info. To change this select "Apps others use." You can choose what info to give away or disable it completely by going to "Platform." Then select "No."

This video was originally published on November 30, 2017.



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EXHIBIT 127

techcrunch.com

There's an implosion of early-stage VC funding, and no one's talking about it

Victor Basta Nov 30, 2017 *comment* *Comment*

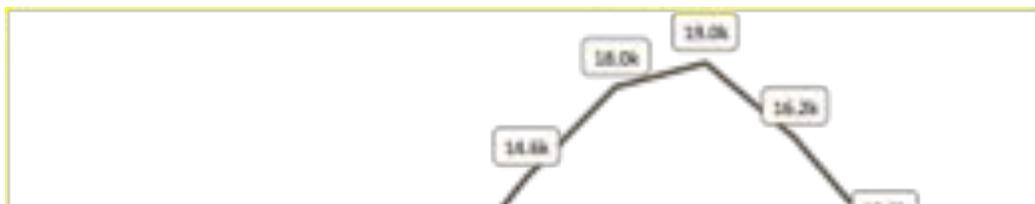
4-5 minutes

More posts by this contributor

Amid record amounts of capital raised by VCs worldwide, and a sharp rise in the number of private “unicorns” valued at \$1 billion-plus, there has been a quiet, barely noticed implosion in early-stage VC activity worldwide.

The chart below is dramatic, and accurate. Since 2014, the number of VC rounds in technology companies worldwide has nearly halved, from 19,000 to 10,000, according to PitchBook. During that time, the drop in VC funding amount has been nowhere near as dramatic, highlighting that VCs are concentrating investment into fewer later-stage companies.

This is now a three-year trend, so cannot be “blamed” on macro or short-term factors. More worryingly, it comes at a time of unprecedented stock market valuations worldwide.





Global VC financing volume and value in technology companies

This amounts to a crash in number of financings, and is the most extreme since 2001.

The crash has occurred in early-stage funding

The data shows by far the sharpest fall in activity has been in early- and seed-stage rounds. In fact, later rounds have remained fairly flat the last three years, and A and B rounds have fallen, but not nearly by as much.



Global financing volume into technology companies by stage

The early-stage implosion is global

The fall in financings has happened literally everywhere:

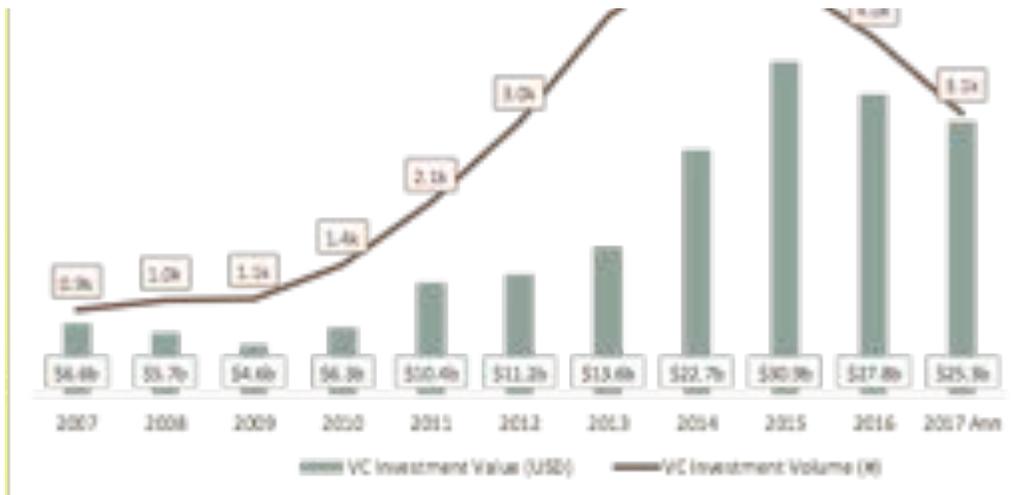
VC INVESTMENT VOLUME BY GEOGRAPHY

	US	Europe	RoW
2017 Ann	5.3k	2.6k	2.1k
2014	9.2k	5.2k	4.6k

What caused this quiet implosion?

- **The era of funding apps is over** – VC funding rounds grew dramatically after 2010 partly because of rebounding economic activity, but mainly in order to back a raft of B2C apps taking advantage of consumers’ emerging mobile-first behavior. With Android and iOS ecosystems well established, nearly every commercial segment saw a raft of new digital challengers, in everything from lifestyle to health, finance and a raft of special interest categories. Since 2014, early-stage funding for businesses with “mobile” in their description has fallen off a cliff.
- **SaaS funding has dropped sharply** – In 2014, nearly 5,000 rounds backed companies describing themselves as “SaaS.” This year, that figure is down nearly 40 percent, to about 3,000. With so many SaaS companies having been created in the past 10 years, it’s hard to justify, let alone back, new SaaS startups, which are by now competing against established SaaS players, not legacy perpetual license vendors.





Global financings (value and volume) in SaaS

- **Even fintech has seen a quiet fall in activity** – While nowhere near as dramatic as the fall-off in SaaS and mobile funding, fintech funding activity has dropped nearly 10 percent since 2014. Again, we believe this marks a natural maturation of many fintech segments, where winners have already emerged well-capitalized and new entrants in many fintech categories are fighting a costly uphill battle to grow quickly.
- **In general, VCs are doubling down on “winner take all” leaders** – Since 2014, aggregate funding into late-stage rounds has hovered around \$55 billion a year, though it will be somewhat lower this year. Today’s \$1 billion private financing round was unheard of a decade ago. Recent \$1 billion raisers Airbnb, Spotify, WeWork and Lyft have joined previous billionaire raisers, including Uber, Facebook, SpaceX and Flipkart, and point to a strong trend to concentrate “winner take all” funding into companies that have real potential to lead or dominate their segment.

Overall we believe 2012-16 was a bubble in early-stage funding driven by the fundamental platform shift to mobile. In easy

hindsight, too many companies raised “concept” money, and an unprecedented number failed early and “failed fast.” The VC market for seed and early-stage failed with them, falling to half its size in three short years.

Arguably, post implosion, early-stage VCs have become more “rational” and we are unlikely to see the “spray and pray” approach that dominated a few short years ago. However, in absolute numbers, it also means there is far less capital available to early-stage companies today than a few years ago, and inevitably there will be a continued drop in the number of new startups, which cannot now rely on getting the first round raised easily in the current environment.

Whether the early-stage VC implosion is healthy or disastrous for the tech ecosystem remains to be seen.

Likely it will be a bit of both.

EXHIBIT 128

techcrunch.com

The loss of first check investors

Danny Crichton@dannycrichton / Dec 4, 2017comment Comment

5-6 minutes

Victor Basta hit a nerve with his article on TechCrunch last week [describing the “implosion” of venture capital](#) over the past 36 months. Using PitchBook data, he found that the total number of VC rounds committed to startups has declined from 19,000 in 2014 to 10,000 estimated for this year, even while dollars invested has remained mostly static.

Silicon Valley is no longer making it rain so much as it is making it trickle, and that makes it much harder for startup founders who are just trying to get going building their companies. My conclusion is that we have a massive “first check problem” that goes beyond the vagaries of the investment market.

First though, let’s go through some alternative explanations. Basta posits that the end of the app and SaaS booms are largely to blame, along with a drop-off in investment in fintech.

Union Square Ventures investor Fred Wilson [added his own two cents over the weekend](#), writing that, “When I talk to my friends who do a lot of angel investing, I hear that they are being more selective, licking some wounds, and waiting for liquidity on their better investments.” Similarly, “When I talk to my friends who

started seed funds in the past decade, I hear them thinking about moving up market into larger funds and Series A rounds.”

Wilson’s conclusion is that “For investors, it means seed rounds are going to be the place to be.”

There is some truth that investors are moving upstream. I analyzed [a list of top angels and early-stage investors from 2012](#) to see how some of the highest-flying players in the Valley have changed their careers over the past five years.

The most common pattern is simply that highly successful angels now have their own institutional funds or have joined well-established VC firms in the Valley. Kevin Hartz joined Founders Fund last year, Keith Rabois joined Khosla, Shervin Pishevar founded Sherpa Capital in 2013, Joe Lonsdale put together the ill-fated Formation8 in 2011 before launching 8VC in 2015. And, of course, Marc Andreessen and Ben Horowitz converted a very successful angel investing career into one of the top mega funds of the Valley.

And a huge number of that list of top investors also expanded the size of their funds. Take Garry Tan, for example. He founded Initialized Capital in 2011 with a \$7 million first fund, but last year closed on a \$115 million vehicle for the firm’s third fund. That’s the story at a lot of places, from accelerators like Y Combinator or 500 Startups, to former super angels like Jeff Clavier, whose newly rechristened Uncork Capital (formerly SoftTech VC) increased its fund size from \$12 million 10 years ago to \$100 million last year.

Indeed, going through that list from five years ago, I had expected to find a bunch of people who had backed away from

investing. There are definitely a few who are investing less today according to Crunchbase, but the reality is that success has begot success, and the most influential investors have largely remained so. So the cause for the implosion isn't that a bunch of top investors suddenly decided to go home.

Instead, I see the challenge being purely the friction in the earliest round of a startup, what might be called the "first check problem." Wilson is right when he says that seed investors are being more selective. As angels investing their own capital have professionalized by raising institutional dollars, they have added more and more steps to their due diligence process.

Founders I have spoken to who have recently fundraised — some of whom are on their second or third company — have told me that the level of diligence at the seed stage seems to have increased significantly over the past few years. Outside the blockchain space, where there is that "Wild West" throw-money-at-everything vibe, the days when you could load up on capital by just having a deck and a bold presentation seem to be closing.

That's probably good on a risk-adjusted financial basis, but is devastating for a startup ecosystem. Indeed, there is a huge gap in the market for first check investors, the investor who believes in you the founder before any other data or proof is available. Being the first check in a company used to be a deep badge of honor for angel investors, but I have heard that boast less and less over the past five years. Everyone wants more data and evidence, everyone wants to reopen the last round rather than to lead the next one. So founders wait, and hustle, and try to construct a round as best they can. That friction shows up

directly in the numbers.

There is still plenty of capital for great companies. Indeed, if you can build an extraordinary company, it has never been easier to go from single-digit millions to single-digit billions in valuation in a shorter period of time. But almost all startups start out ordinary before they become extraordinary, and without those first checks, they will never be able to make it.

EXHIBIT 129

Q U A R T Z

Australia's competition watchdog wants to see if tech is destroying journalism

Hanna Kozłowska | December 04, 2017





📷 Too much disruption? (Reuters/Dado Ruvic)

Australia's governmental competition watchdog is stepping into the debate about the future of news media by launching a probe to determine whether Facebook and Google have disrupted the industry.

“We will examine whether platforms are exercising market power in commercial dealings to the detriment of consumers, media content creators and advertisers,” Rod Sims, head of the Australian Competition and Consumer Commission (ACCC) [announced on Monday, Dec. 4.](#)

“Through our inquiry, the ACCC will look closely at the impact of digital platforms on the level of choice and quality of news and content being produced by Australian journalists,” Sims said, expressing a more global unease about the relationship between social media and publishers.

The Australian government ordered the inquiry in September, as part of a larger media law reform effort, brought on by concerns [about the state and quality of journalism](#) in the country, where 2,000 media jobs have been cut since 2011.

The shift in advertising from print to digital has hurt news organizations globally because Facebook and Google have attracted the lion's share of digital ad dollars. "As the media sector evolves, there are growing concerns that digital platforms are affecting traditional media's ability to fund the development of content," Sims said. A final report from the probe is expected in June 2019.

Governments worldwide are grappling with the rapid rise of Silicon Valley internet giants that insist that they aren't media companies even as they dominate media distribution and resist regulation. The United States has been probing Russian interference via digital media in the 2016 presidential election as well as the spread of fake news. In Europe, government entities have fined them billions of euros for missteps related to their quest for market dominance.

EXHIBIT 130

How Messenger Kids takes more from families than it gives them

It's all about the data

By Casey Newton | @CaseyNewton | Dec 5, 2017, 12:54pm EST

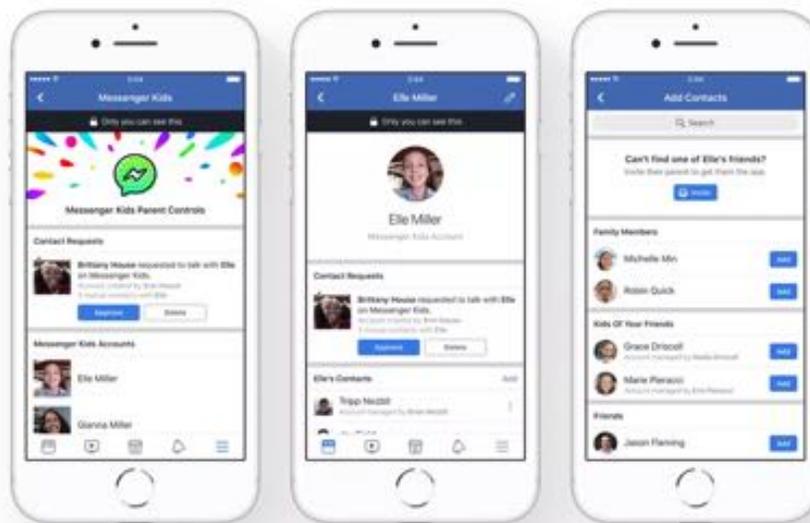


Image: Facebook

In 1998, as the internet began to spread across the country, Congress passed the Children's Online Privacy Protection Act, or COPPA. Among the act's most consequential provisions was a rule that children under the age of 13 could not give out their personal information without a parent's permission. Because of the cost of complying with that law, most internet companies have simply forbidden anyone younger than 13 from signing up.

But in practice, a decent number of children under 13 wind up using online services anyway. And if you work at a big, rich social network whose existence is regularly threatened by the emergence of new networks popular with such humans, all those under-13s may begin to look like an army waiting to attack. If you don't grab those 6-year-old eyeballs, someone else surely will.

And so here's [Messenger Kids](#), a new chat app for 6- to 12-year-olds that will soon arrive in the iOS App Store. As my colleague Nick Statt wrote yesterday, Messenger Kids offers video and text chat to children, plus controls to restrict who they can talk to. As you would find elsewhere, the app will have plenty of masks, filters, GIFs, stickers, and other shiny objects.

Facebook [presented Messenger Kids as a gift to parents](#), whose children might otherwise send messages on harder-to-monitor platforms:

Kids told us that the primary reason they want to use social media and messaging platforms is to have fun, which means that an environment that emphasizes safety at the expense of joy and laughter will fail the customer satisfaction test — and potentially leave kids vulnerable to less controlled and more risky social environments. We believe that it's possible to give kids a fun experience that provides more peace of mind for parents, too.

What are these risky social environments? On Twitter, [I asked](#) parents what messaging services their young children used most often. Common replies included services from Apple (iMessage, FaceTime) and Google (Hangouts). Many parents told me their children were indeed using messaging apps from the age of 6. It's easy to see how Facebook would look at the competitive landscape and conclude that a large market for kids' messaging apps already exists, and that it would be unwise for the company not to participate.

FACEBOOK WON'T SAY WHETHER PARENTS HAVE ACCESS TO THE DATA BEING GATHERED ABOUT THEIR FAMILIES

And yet Messenger Kids gives me pause. Not once in the blog posts [it wrote](#) or the interviews it granted did Facebook executives describe the business purpose of Messenger Kids. It did not say how it would monetize the app, other than to say it would not include ads. It did not describe whether parents would have access to any of the data being gathered about their families, or how that data might be used.

A child can use an iMessage account and share very little data about herself with Apple. The same holds true for Hangouts. In many cases, children are using their parents' accounts, obscuring the data further.

On Messenger Kids, a parent creates an account for a child, establishes a familial relationship within the app, and then begins building their child's social graph by adding contacts. Notably, the parent is asked to provide their child's real name. Facebook says it has no plans to turn these shadow accounts into full-fledged Facebook profiles. And yet the data it collects could be useful for ad targeting elsewhere on the service. And should Facebook amass hundreds of millions of underage users, the company will have every incentive to offer one-click exporting of these accounts to real ones on the day the child turns 13.

It didn't have to be this way. Facebook asks parents to provide their children's real names, when they could just as easily have asked the parent to pick a nickname, or a symbol, or a picture of a cartoon bear. It could have let parents create a "guest" account inside their profiles with restricted access to their contacts. Instead it acted true to its roots — as a company that maps out the connections between people at the highest resolution possible. (A spokeswoman tells me that in a departure from the company's official policy, parents are "encouraged" but not required to use their child's real names.)

Apple and Google profit off children in their own ways, of course, largely through the sale of hardware to their schools. And yet that feels, to me at least, like a fairer trade. Those companies make tools that help children learn. Facebook can only offer a version of the text and video chat they would find elsewhere. But its pitch relies first upon [scaring parents](#) — your kids are going to text anyway, they tell us, and there might be a child predator on the other end of the line:

We also heard some scary things, like a mom who found the online chat her 7 year-old had while playing a video game with an adult male stranger. It began with seemingly friendly questions about her son's favorite sports teams but slowly led to questions about what he looked like, before finally pushing the boy to send a photo of himself. She was terrified.

Facebook argues that it has uniquely good intentions here, and that its app was built only after thousands of conversations with parents and a blue-ribbon panel of child development experts. (The National PTA is invoked in its blog post, trailed by a disclaimer that the National PTA does not actually endorse any commercial products.) In its pitch to kids to use the app, it reminds me of [the mother in *Mean Girls*](#): "If you're gonna drink, I'd rather you do it at the house."

"IF YOU'RE GONNA DRINK, I'D RATHER YOU DO IT AT THE HOUSE."

A key lesson of the past year is that our usage of social media often has unintended consequences, and that those consequences often turn out to be negative. Facebook scarcely has a handle on the way its users are employing private messaging tools to [spread misinformation here and abroad](#) — and now it is turning over those tools, dressed up in primary colors, to children.

Facebook's success has long derived from its willingness to find the limits of our comfort around sharing, and then [push right past them](#). Viewed in that light, building a pipeline of 6-year-old users in the name of protecting them from child predators is part of a long tradition.

And yet at a time when I'm still struggling to understand how social media is altering my own mind, I'm hesitant to recommend it to children. The benefits of Messenger Kids to Facebook are too obvious, and too little acknowledged by its creators. And the benefits to children all but elude me.

Sign up for The Interface

A version of this column ran in The Interface, Casey Newton's daily newsletter about Facebook and democracy.

SUBSCRIBE TO THE INTERFACE

EXHIBIT 131

techcrunch.com

Pinterest integrates deeper with Facebook with a new bot and messenger extension

Matthew Lynley@mattlynley / Dec 5, 2017comment Comment

3 minutes

As [Pinterest](#) looks to further expand beyond just the audience you'd expect to use it, it's going to have to start chasing down users and meet them on different territories — and that includes messaging apps.

So today Pinterest is launching a pair of updates that is going to help it tap into that audience of people that are sharing content on Facebook Messenger. People might already be copying links to Pinterest and pasting them in Messenger, but the company is looking to make that a little more seamless to get to the point where you can go into Messenger and be able to regularly interact with Pinterest.

The bot works as you'd expect — you open up a chat with the Pinterest bot and type in an idea you're interested in, like food or clothing. The bot will then start recommending ideas from Pinterest, for which you can take a deeper dive in at any point if you're interested in them. Pinterest is the latest in a wave of companies to see some kind of opportunity in a platform like

Messenger, though it still seems the full story on that has yet to play out.

The chat extension brings Pinterest's experience closer to the Messenger experience, allowing users to both link out pins in a Facebook message and dive deeper into that content within the messenger. So when you go into a pin on Messenger, you'll start to see and feel something that is a little bit like the core Pinterest experience without actually leaving Messenger.



This isn't the first time we've seen Pinterest start to look beyond just its home platform in order to get people closer and closer to executing on an idea. Pinterest earlier this year [rolled out QR codes](#) that will show up in stores, another move that's trying to collapse the distance between a user's everyday behavior and getting them to actually get on Pinterest and start saving content.

With more than 200 million monthly active users, Pinterest is still a bit of a blip compared to Facebook — though, the audience behavior is certainly different in a lot of ways. But as Pinterest looks to continue to grow, it has to start looking in places that it might not normally look in order to get people interested in the service. Getting tied more closely with Facebook Messenger, a service with [more than 1 billion users](#), seems like a pretty natural place to start.

EXHIBIT 132

finance.yahoo.com

Facebook opens Instant Games to all developers

Sarah Perez

3-4 minutes

[Facebook's](#) Instant Games are now open to all developers, Facebook [announced](#) this week in advance of the Game Developers Conference. First [launched](#) in 2016, the platform lets developers build mobile-friendly games using HTML5 that work on both Facebook and Messenger, instead of requiring users to download native apps from Apple or Google's app stores.

The Instant Games platform kicked off its launch a couple of years ago with [17 games](#) from developers like Bandai Namco, Konami, Taito, Zynga and King, who offered popular titles like Pac-Man, Space Invaders, and Words with Friends. The following year, the platform had grown to 50 titles and [became globally available](#). But it wasn't open to all - only select partners.

In addition to getting users to spend more time on Facebook's platform, Instant Games provides Facebook with the potential for new revenue streams now that Facebook is moving into game monetization.

In October, [Facebook said](#) it would begin to test interstitial and rewarded video ads, as well as in-app purchases. The tools were

only available to select developers on what was then an otherwise closed platform for Facebook's gaming partners.

Now, says Facebook, all developers can build Instant Games as the platform exits its beta testing period.

Alongside this week's public launch, Facebook introduced a handful of new features to help developers grow, measure and monetize their games.

This includes the launch of the ads API, which was also previously in beta.

In-app purchases, however, are continuing to be tested.

Developers will also have access to Facebook's Monetization Manager, where they can track manage ads and track how well ad placements are performing; as well as a Game Switch API for cross-promoting games across the platform, or creating deep links that work outside Facebook and Messenger.

Facebook says it also updated how its ranking algorithm surfaces games based on users' recent play and interests, and updated its in-game leaderboards, among other things.

Soon, Instant Game developers will be able to build ad campaigns in order to acquire new players from Facebook. These new ad units, when clicked, will take players directly into the game where they can begin playing.

Since last year, Facebook Instant Games have grown to nearly 200 titles, but the company isn't talking in-depth about their performance from a revenue perspective.

It did offer one example of a well-performing title, Basketball

FRVR, which is on track to make over 7-digits in ad revenue annually, and has been played over 4.2 billion times.

With the public launch, Facebook is offering [Instant Games developer documentation page](#) and a list of [recommended HTML5 game engines](#) to help developers get started. Developers can then build and submit games via [Facebook's App page](#).

- This article originally appeared on [TechCrunch](#).

EXHIBIT 133

<https://techcrunch.com/2018/04/26/what-we-learned-from-facebooks-latest-data-misuse-grilling/>

What we learned from Facebook's latest data misuse grilling

[Natasha Lomas@riptari](#) / 21 hours ago



[Facebook's](#) CTO Mike Schroepfer has just undergone almost five hours of often forensic and frequently awkward questions from members of a UK parliament committee that's investigating online disinformation, and whose members have been further fired up by misinformation they claim Facebook gave it.

The veteran senior exec, who's clocked up a decade at the company, also as its VP of engineering, is the latest stand-in for CEO Mark Zuckerberg who keeps [eschewing repeat requests to appear](#).

The DCMS committee's enquiry began last year as a probe into 'fake news' but has snowballed in scope as the scale of concern around political [disinformation](#) has also mounted — including, most recently, fresh information being [exposed by journalists](#) about the [scale of the misuse of Facebook data](#) for political targeting purposes.

During today's session committee chair Damian Collins again made a direct appeal for Zuckerberg to testify, pausing the flow of questions momentarily to cite [news reports](#) suggesting the Facebook founder has agreed to fly to Brussels to testify before European Union lawmakers in relation to the Cambridge Analytica Facebook data misuse scandal.

"We'll certainly be renewing our request for him to give evidence," said Collins. "We still do need the opportunity to put some of these questions to him."

Committee members displayed visible outrage during the session, accusing Facebook of concealing the truth or at very least concealing evidence from it at a prior hearing that took place in Washington in February — when the company sent its UK head of policy, Simon Milner, and its head of global policy management, Monika Bickert, to field questions.

During questioning Milner and Bickert failed to inform the committee about a legal agreement Facebook had made with [Cambridge Analytica](#) in December 2015 — after the company had learned (via an earlier [Guardian article](#)) that Facebook user data had been passed to the company by the developer of an app running on its platform.

Milner also told the committee that Cambridge Analytica could not have any Facebook data — yet last month the company admitted data on [up to 87 million](#) of its users had indeed been passed to the firm.

Schroepfer said he wasn't sure whether Milner had been "specifically informed" about the agreement Facebook already had with Cambridge Analytica — adding: "I'm guessing he didn't know". He also claimed he had only himself become aware of it "within the last month".

"*Who* knows? Who knows about what the position was with Cambridge Analytica in February of this year? Who was in charge of this?" pressed one committee member.

"I don't know all of the names of the people who knew that specific information at the time," responded Schroepfer.

"We are a parliamentary committee. We went to Washington for evidence and we raised the issue of Cambridge Analytica. And Facebook concealed evidence to us as an organization on that day. Isn't that the truth?" rejoined the committee member, pushing past Schroepfer's claim to be "doing my best" to provide it with information.

A pattern of evasive behavior

"You are doing your best but the buck doesn't stop with you does it? Where does the buck stop?"

"It stops with Mark," replied Schroepfer — leading to a quick fire exchange where he was pressed about (and avoided answering) what Zuckerberg knew and why the Facebook founder wouldn't come and answer the committee's questions himself.

“What we want is the truth. We didn’t get the truth in February... Mr Schroepfer I remain to be convinced that your company has integrity,” was the pointed conclusion after a lengthy exchange on this.

“What’s been frustrating for us in this enquiry is a pattern of behavior from the company — an unwillingness to engage, and a desire to hold onto information and not disclose it,” said Collins, returning to the theme at another stage of the hearing — and also accusing Facebook of not providing it with “straight answers” in Washington.

“We wouldn’t be having this discussion now if this information hadn’t been brought into the light by investigative journalists,” he continued. “And Facebook even tried to stop that happening as well [referring to a threat by the company to sue the Guardian ahead of publication of its Cambridge Analytica exposé]... It’s a pattern of behavior, of seeking to pretend this isn’t happening.”

The committee expressed further dissatisfaction with Facebook immediately following the session, emphasizing that Schroepfer had “failed to answer fully on nearly 40 separate points”.

“Mr Schroepfer, Mark Zuckerberg’s right hand man whom we were assured could represent his views, today failed to answer many specific and detailed questions about Facebook’s business practices,” said Collins in a statement after the hearing.

“We will be asking him to respond in writing to the committee on these points; however, we are mindful that it took a global reputational crisis and three months for the company to follow up on questions we put to them in Washington D.C. on February 8.

“We believe that, given the large number of outstanding questions for Facebook to answer, Mark Zuckerberg should still appear in front of the Committee... and will request that he appears in front of the DCMS Committee before the May 24.”

We reached out to Facebook for comment — but at the time of writing the company had not responded.

Palantir’s data use under review

Schroepfer was questioned on a wide range of topics during today’s session. And while he was fuzzy on many details, giving lots of partial answers and promises to “follow up”, one thing he did confirm was that Facebook board member [Peter Thiel’s](#) secretive big data analytics firm, Palantir, is one of the companies Facebook is investigating as part of a historical audit of app developers’ use of its platform.

Have there ever been concerns raised about Palantir’s activity, and about whether it has gained improper access to Facebook user data, asked Collins.

“I think we are looking at lots of different things now. Many people have raised that concern — and since it’s in the public discourse it’s obviously something we’re looking into,” said Schroepfer.

“But it’s part of the review work that Facebook’s doing?” pressed Collins.

“Correct,” he responded.

The historical app audit was announced in the wake of last month’s revelations about how much Facebook data Cambridge Analytica was given by app developer (and Cambridge University academic), Dr [Aleksandr Kogan](#) — in what the company couched as a “breach of trust”.

However Kogan, who testified to the committee [earlier this week](#), argues he was just using Facebook’s platform as it was architected and intended to be used — going so far as to claim its developer terms are “not legally valid”. (“For you to break a policy it has to exist. And really be their policy, The reality is Facebook’s policy is unlikely to be their policy,” was Kogan’s construction, earning him a quip from a committee member that he “should be a professor of semantics”.)

Schroepfer said he disagreed with Kogan’s assessment that Facebook didn’t have a policy, saying the goal of the platform has been to foster social experiences — and that “those same tools, because they’re easy and great for the consumer, can go wrong”. So he did at least indirectly confirm Kogan’s general point that Facebook’s developer and user terms are at loggerheads.

“This is why we have gone through several iterations of the platform — where we have effectively locked down parts of the platform,” continued Schroepfer. “Which increases friction and makes it less easy for the consumer to use these things but does safeguard that data more. And been a lot more proactive in the review and enforcement of these things. So this wasn’t a lack of care... but I’ll tell you that our primary product is designed to help people share safety with a limited audience.

“If you want to say it to the world you can publish it on a blog or on Twitter. If you want to share it with your friends only, that’s the primary thing Facebook does. We violate that trust — and that data goes somewhere else — we’re sort of violating the core principles of our product. And that’s a big problem. And this is why I wanted to come to you personally today to talk about this because this is a serious issue.”

“You’re not just a neutral platform — you are players”

The same committee member, Paul Farrelly, who earlier pressed Kogan about why he hadn’t bothered to find out which political candidates stood to be the beneficiary of his data harvesting and processing activities for Cambridge Analytica, put it to Schroepfer that Facebook’s own actions in how it manages its business activities — and specifically because it embeds its own staff with political campaigns to help them use its tools — amounts to the company being “Dr Kogan writ large”.

“You’re not just a neutral platform — you are players,” said Farrelly.

“The clear thing is we don’t have an opinion on the outcome of these elections. That is not what we are trying to do. We are trying to offer services to any customer of ours who would like to know how to use our products better,” Schroepfer responded. “We have never turned away a political party because we didn’t want to help them win an election.

“We believe in strong open political discourse and what we’re trying to do is make sure that people can get their messages across.”

However in another exchange the Facebook exec appeared not to be aware of a basic tenet of UK election law — which prohibits campaign spending by foreign entities.

“How many UK Facebook users and Instagram users were contacted in the UK referendum by foreign, non-UK entities?” asked committee member Julie Elliott.

“We would have to understand and do the analysis of who — of all the ads run in that campaign — where is the location, the source of all of the different advertisers,” said Schroepfer, tailing off with a “so...” and without providing a figure.

“But do you have that information?” pressed Elliott.

“I don’t have it on the top of my head. I can see if we can get you some more of it,” he responded.

“Our elections are very heavily regulated, and income or monies from other countries can’t be spent in our elections in any way shape or form,” she continued. “So I would have thought that you would have that information. Because your company will be aware of what our electoral law is.”

“Again I don’t have that information on me,” Schroepfer said — repeating the line that Facebook would “follow up with the relevant information”.

The Facebook CTO was also asked if the company could provide it with an archive of adverts that were run on its platform around the time of the Brexit referendum by Aggregate IQ — a Canadian data company that’s been linked to Cambridge Analytica/SCL, and which received [£3.5M from leave campaign groups](#) in the run up to the 2016 referendum (and has also been described by leave campaigners as instrumental to securing their win). It’s also [under joint investigation](#) by Canadian data watchdogs, along with Facebook.

In written evidence provided to the committee today Facebook says it has been helping ongoing investigations into “the Cambridge Analytica issue” that are being undertaken by the UK’s Electoral Commission and its [data protection](#) watchdog, the ICO. Here it writes that its records show AIQ spent “approximately \$2M USD on ads from pages that appear to be associated with the 2016 Referendum”.

Schroepfer's responses on several requests by the committee for historical samples of the referendum ads AIQ had run amounted to 'we'll see what we can do' — with the exec cautioning that he wasn't entirely sure how much data might have been retained.

"I think specifically in Aggregate IQ and Cambridge Analytica related to the UK referendum I believe we are producing more extensive information for both the Electoral Commission and the Information Commissioner," he said at one point, adding it would also provide the committee with the same information if it's legally able to. "I think we are trying to do — give them all the data we have on the ads and what they spent and what they're like."

Collins asked what would happen if an organization or an individual had used a Facebook ad account to target dark ads during the referendum and then taken down the page as soon as the campaign was over. "How would you be able to identify that activity had ever taken place?" he asked.

"I do believe, uh, we have — I would have to confirm, but there is a possibility that we have a separate system — a log of the ads that were run," said Schroepfer, displaying some of the fuzziness that irritated the committee. "I know we would have the page itself if the page was still active. If they'd run prior campaigns and deleted the page we may retain some information about those ads — I don't know the specifics, for example how detailed that information is, and how long retention is for that particular set of data."

Dark ads a "major threat to democracy"

Collins pointed out that a big part of UK (and indeed US) election law relates to "declaration of spent", before making the conjoined point that if someone is "hiding that spend" — i.e. by placing dark ads that only the recipient sees, and which can be taken offline immediately after the campaign — it smells like a major risk to the democratic process.

"If no one's got the ability to audit that, that is a major threat to democracy," warned Collins. "And would be a license for a major breach of election law."

"Okay," responded Schroepfer as if the risk had never crossed his mind before. "We can come back on the details on that."

On the wider app audit that Facebook has committed to carrying out in the wake of the scandal, Schroepfer was also asked how it can audit apps or entities that are no longer on the platform — and he admitted this is "a challenge" and said Facebook won't have "perfect information or detail".

"This is going to be a challenge again because we're dealing with historic events so we're not going to have perfect information or detail on any of these things," he said. "I think where we start is — it very well may be that this company is defunct but we can look at how they used the platform. Maybe there's two people who used the app and they asked for relatively innocuous data — so the chance that that is a big issue is a lot lower than an app that was widely in

circulation. So I think we can at least look at that sort of information. And try to chase down the trail.

“If we have concerns about it even if the company is defunct it’s possible we can find former employees of the company who might have more information about it. This starts with trying to identify where the issues might be and then run the trail down as much as we can. As you highlight, though, there are going to be limits to what we can find. But our goal is to understand this as best as we can.”

The committee also wanted to know if Facebook had set a deadline for completing the audit — but Schroepfer would only say it’s going “as fast as we can”.

He claimed Facebook is sharing “a tremendous amount of information” with the UK’s data protection watchdog — as it continues its (now) year-long investigation into the use of digital data for political purposes.

“I would guess we’re sharing information on this too,” he said in reference to app audit data. “I know that I personally shared a bunch of details on a variety of things we’re doing. And same with the Electoral Commission [which is investigating whether use of digital data and social media platforms broke campaign spending rules].”

In Schroepfer’s written evidence to the committee Facebook says it has unearthed some suggestive links between Cambridge Analytica/SCL and Aggregate IQ: “In the course of our ongoing review, we also found certain billing and administration connections between SCL/Cambridge Analytica and AIQ”, it notes.

Both entities continue to deny any link exists between them, claiming they are entirely separate entities — though the former Cambridge Analytica employee turned whistleblower, Chris Wylie, has described AIQ as essentially the Canadian arm of SCL.

“The collaboration we saw was some billing and administrative contacts between the two of them, so you’d see similar people show up in each of the accounts,” said Schroepfer, when asked for more detail about what it had found, before declining to say anything else in a public setting on account of ongoing investigations — despite the committee pointing out other witnesses it has heard from have not held back on that front.

Another piece of information Facebook has included in the written evidence is the claim that it does not believe AIQ used Facebook data obtained via Kogan’s apps for targeting referendum ads — saying it used email address uploads for “many” of its ad campaigns during the referendum.

“The data gathered through the TIYDL [Kogan’s thisisyourdigitallife] app did not include the email addresses of app installers or their friends. This means that AIQ could not have obtained these email addresses from the data TIYDL gathered from Facebook,” Facebook asserts.

Schroepfer was questioned on this during the session and said that while there was some overlap in terms of individuals who had downloaded Kogan's app and who had been in the audiences targeted by AIQ this was only 3-4% — which he claimed was statistically insignificant, based on comparing with other Facebook apps of similar popularity to Kogan's.

“AIQ must have obtained these email addresses for British voters targeted in these campaigns from a different source,” is the company's conclusion.

“We are investigating Mr Chancellor's role right now”

The committee also asked several questions about Joseph Chancellor, the co-director of Kogan's app company, GSR, who became an employee of Facebook in 2015 after he had left GSR. Its questions included what Chancellor's exact role at Facebook is and why Kogan has been heavily criticized by the company yet his GSR co-director apparently remains gainfully employed by it.

Schroepfer initially claimed Facebook hadn't known Chancellor was a director of GSR prior to employing him, in November 2015 — saying it had only become aware of that specific piece of his employment history in 2017.

But after a break in the hearing he 'clarified' this answer — adding: “In the recruiting process, people hiring him probably saw a CV and may have known he was part of GSR. Had someone known that — had we connected all the dots to when this thing happened with Mr Kogan, later on had he been mentioned in the documents that we signed with the Kogan party — no. Is it possible that someone knew about this and the right other people in the organization didn't know about it, that is possible.”

A committee member then pressed him further. “We have evidence that shows that Facebook knew in November 2016 that Joseph Chancellor had formed the company, GSR, with Aleksandr Kogan which obviously then went on to provide the information to Cambridge Analytica. I'm very unclear as to why Facebook have taken such a very direct and critical line... with Kogan but have completely ignored Joseph Chancellor.”

At that point Schroepfer revealed Facebook is currently investigating Chancellor as a result of the data scandal.

“I understand your concern. We are investigating Mr Chancellor's role right now,” he said. “There's an employment investigation going on right now.”

In terms of the work Chancellor is doing for Facebook, Schroepfer said he thought he had worked on VR for the company — but emphasized he has not been involved with “the platform”.

The issue of the NDA Kogan claimed Facebook had made him sign also came up. But Schroepfer counter claimed that this was not an NDA but just a “standard confidentiality clause” in the agreement to certify Kogan had deleted the Facebook data and its derivatives.

“We want him to be able to be open. We’re waiving any confidentiality there if that’s not clear from a legal standpoint,” he said later, clarifying it does not consider Kogan legally gagged.

Schroepfer also confirmed this agreement was signed with Kogan in June 2016, and said the “core commitments” were to confirm the deletion of data from himself and three others Kogan had passed it to: Former Cambridge Analytica CEO Alexander Nix; Wylie, for a company he had set up after leaving Cambridge Analytica; and Dr Michael Inzlicht from the Toronto Laboratory for Social Neuroscience (Kogan mentioned to the committee earlier this week he had also passed some of the Facebook data to a fellow academic in Canada).

Asked whether any payments had been made between Facebook and Kogan as part of the contract, Schroepfer said: “I believe there was no payment involved in this at all.”

‘Radical’ transparency is its fix for regulation

Other issues raised by the committee included why Facebook does not provide an overall control or opt-out for political advertising; why it does not offer a separate feed for ads but chooses to embed them into the Newsfeed; how and why it gathers data on non-users; the addictiveness engineered into its product; what it does about fake accounts; why it hasn’t recruited more humans to help with the “challenges” of managing content on a platform that’s scaled so large; and aspects of its approach to GDPR compliance.

On the latter, Schroepfer was queried specifically on why Facebook had decided to [shift the data controller of ~1.5BN non-EU international users](#) from Ireland to the US. On this he claimed the GDPR’s stipulation that there be a “lead regulator” conflicts with Facebook’s desire to be more responsive to local concerns in its non-EU international markets.

“US law does not have a notion of a lead regulator so the US does not become the lead regulator — it opens up the opportunity for us to have local markets have them, regions, be the lead and final regulator for the users in that area,” he claimed.

Asked whether he thinks the time has come for “robust regulation and empowerment of consumers over their information”, Schroepfer demurred that new regulation is needed to control data flowing over consumer platforms. “Whether, through regulation or not, making sure consumers have visibility, control and can access and take their information with you, I agree 100%,” he said, agreeing only to further self-regulation not to the need for new laws.

“In terms of regulation there are multiple laws and regulatory bodies that we are under the guise of right now. Obviously the GDPR is coming into effect just next month. We have been regulated in Europe by the Irish DPC whose done extensive audits of our systems over multiple years. In the US we’re regulated by the FTC, [Privacy](#) Commissioner in Canada and others. So I think the question isn’t ‘if’, the question is honestly how do we ensure the regulations and the practices achieve the goals you want. Which is consumers have safety, they have transparency, they understand how this stuff works, and they have control.

“And the details of implementing that is where all the really hard work is.”

His stock response to the committee’s concerns about divisive political ads was that Facebook believes “radical transparency” is the fix — also dropping one tidbit of extra news on that front in his written testimony by saying Facebook will roll out an authentication process for political advertisers in the UK in time for the local elections in May 2019.

Ads will also be required to be labeled as “political” and disclose who paid for the ad. And there will be a searchable archive — available for seven years — which will include the ads themselves plus some associated data (such as how many times an ad may have been seen, how much money was spent, and the kinds of people who saw it).

Collins asked Schroepfer whether Facebook’s ad transparency measures will also include “targeting data” — i.e. “will I understand not just who the advertiser was and what other adverts they’d run but why they’d chose to advertise to me”?

“I believe among the things you’ll see is spend (how much was spent on this ad); you will see who they were trying to advertise to (what is the audience they were trying to reach); and I believe you will also be able to see some basic information on how much it was viewed,” Schroepfer replied — avoiding yet another straight answer.

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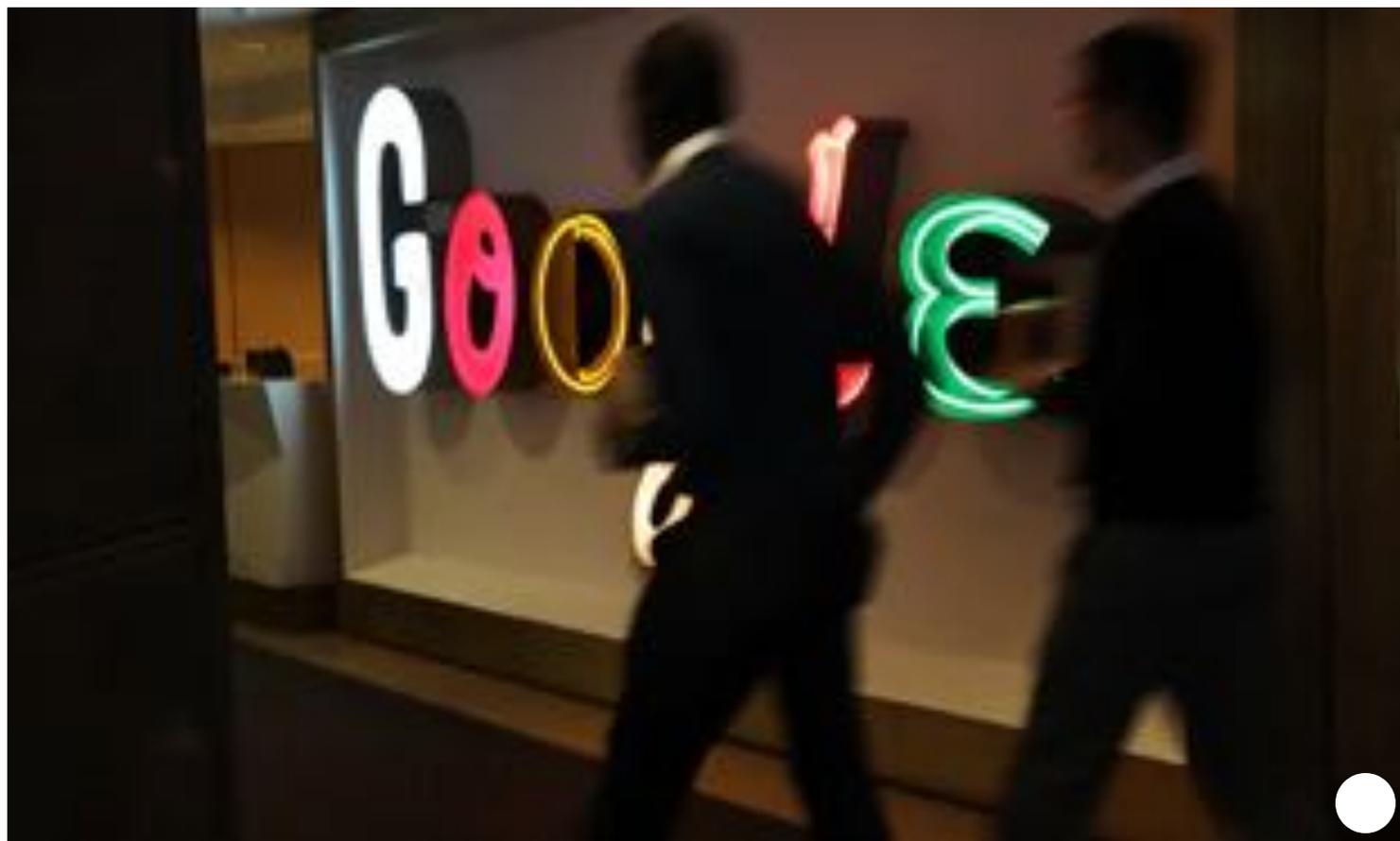
The Guardian

Google and Facebook don't qualify for first amendment protections

Heather Whitney

Google has successfully argued that its search results are analogous to a newspaper editor's decisions about what op-eds to run. They aren't, though

Fri 9 Mar 2018 10.43 EST



There's no doubt about it: the internet giants are on Congress's radar. Despite intensive lobbying efforts by these companies, both individually and through their collective trade association, legislation imposing new restrictions on how they operate seems increasingly likely. "You've created these platforms. And now they're being misused," Senator Dianne Feinstein told the general counsels of Facebook, Google, and Twitter in a recent hearing. "And you have to be the ones to do something about it. Or we will."

That hearing was directed at Russian interference in the 2016 presidential campaign, but the companies are under scrutiny for a host of other reasons as well. One is the ways their own

platforms shape and alter the flow of information, as when a company like Google demotes or delists competitors' sites like Yelp! while bumping up its own Zagat-infused local offerings.

Critics decry such search engine manipulation as anti-competitive, even as a form of discrimination and suppression of certain viewpoints and information. Some have been asking the courts and Congress to intervene.

So far, in the courts, Google has successfully argued that its decisions about what to rank, the ordering of its rankings, what ads to run, what videos to allow on YouTube and who will see them are all analogous to a newspaper editor's decisions about what op-eds to run. And since a newspaper editor's decisions are protected speech under the first amendment, so, Google argues, are its search engine decisions.

That Google compares itself in these cases to a newspaper editor might come as a surprise, given that Google, Facebook, Twitter and others often make the contrary claim to users and governments that they are neutral platforms, mere conduits for information.

Mark Zuckerberg made that claim explicitly when Facebook was under fire from critics who were accusing the platform of suppressing conservative content in its "Trending Topics" news feed. Google still makes that claim on its support page under "search using autocomplete", disclaiming: "Search predictions aren't the answers to your search. They're also not statements by other people or Google about your search terms."

But disingenuity aside, are these companies' practices of privileging certain information really analogous to what newspaper editors do, and therefore similarly protected by the first amendment? The answer is no.

Making decisions about what and how information is conveyed does not automatically make one an editor entitled to first amendment protection. That is what the supreme court decided, for example, in *Rumsfeld v Forum of Academic and Institutional Rights (Fair)*, when a group of law schools argued that it could bar military recruiters from recruitment fairs for its students.

The law schools argued that requiring them to invite military recruiters was unconstitutionally compelled speech, a violation of their first amendment right to decide what information an event it sponsored would convey. But the US supreme court didn't see it that way.

It held that the schools weren't speaking at all when they let military recruiters on campus, even if they sent out emails on the military recruiters' behalf. Students could tell that the law schools weren't speaking when they invited military recruiters, the court ruled. In fact, they were doing what Google says it's doing when it is not hiding behind the editorial analogy: serving as a neutral platform for information.

More recently, in *Packingham v North Carolina*, the US supreme court offered a competing analogy for social media, comparing these services to the modern public square. In *Packingham*, a state statute made it a felony for registered sex offenders to go on certain social networking sites. The court ultimately held that the statute unconstitutionally restricted the sex offenders' speech in violation of the first amendment.

In coming to this holding, the court emphasized that streets and parks are the "quintessential forum for the exercise of first amendment rights ... [and] while in the past there may have been difficulty in identifying the most important places (in a special sense) for the exchange of views,

today the answer is clear. It is cyberspace - the 'vast democratic forums of the Internet' in generally, and social media in particular".

Put succinctly, the court called cyberspace and social media "the modern public square". If the court means what it says and sticks with the modern-square analogy, then it's these companies that become vulnerable to first amendment challenges by users.

There are also other analogies to draw with what Google is doing (eg providing users information) that would not entitle it first amendment protection. For instance, grocery stores also provide customers information through their shelf displays. And we all know the saying that "actions speak louder than words". We say that because actions provide information, but we surely do not think each of us an editor protected by the first amendment every time we act.

So far, the debate over what role the internet giants are playing as they gather, remix, and disseminate information has been playing out in the courts. But with the growing interest in Congress in the way social media companies are shaping public discourse suggests these questions will soon be debated there as well, very possibly with an eye toward new regulations.

This will only increase the need to understand how these companies' models work and what purposes they are serving - and to make sure the analogies we use to describe their roles help clarify, and not obscure, first amendment values.

Heather Whitney is a doctoral candidate in philosophy at New York University. In 2017, she was a visiting researcher at Harvard Law School, and from 2014 to 2016, she was a Bigelow Fellow and Lecturer in Law at the University of Chicago Law School. A version of this essay appeared as part of the Knight First Amendment Institute's Emerging Threats series.

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PERSONAL TECHNOLOGY

Facebook Really Is Spying on You, Just Not Through Your Phone's Mic

How to limit the amount of data Facebook and advertisers are collecting about you



By

Joanna Stern

March 7, 2018 1:50 p.m. ET

"Can I try the Cole Haans in a size 8?"

Later that night on Facebook: An advertisement for Cole Haan pumps.

OK, maybe a coincidence.

"What's the best high-tech scale?" my wife asks aloud.

Five minutes later on Instagram: An ad for scales.

Wait, are they listening?

"Get the little red Sudafed pills," my mom says after I sneeze.

That afternoon: An advertisement for Sudafed PE.

Yep, they've even wiretapped my bodily functions.

A conspiracy theory has spread among Facebook and Instagram users: The company is tapping our microphones to target ads. It's not.

"Facebook does not use your phone's microphone to inform ads or to change what you see in News Feed," says Facebook.

Yeah, sure, and the government swears it isn't keeping any pet aliens at Area 51. So I contacted former Facebook employees and various advertising technology experts, who all cited technical and legal reasons audio snooping isn't possible.

Uploading and scanning that much audio data "would strain even the resources of the NSA," says former Facebook ad-targeting product manager Antonio Garcia Martinez. "They would need to understand the context of what you are saying—not just listen for words," says Sandy Parakilas, a former Facebook operations manager.

I believe them, but for another reason: Facebook is now so good at watching what we do online—and even offline, wandering around the physical world—it doesn't need to hear us. After digging into the various bits of info Facebook and its advertisers collect and the bits I've actually handed over myself, I can now explain why I got each of those eerily relevant ads. (Facebook ads themselves offer limited explanations when you click "Why am I seeing this?")

Advertising is an important staple of the free internet, but the companies buying and selling ads are turning into stalkers. We need to understand what they're doing, and what we can—or can't—do to limit them.

What You've Bought

The story of how that Sudafed ad got to me begins at Walgreens. As I bought tissues and Afrin, I keyed in my phone number so I could get loyalty points.

Information about the contents of my shopping bag began to spread. A third-party data collector—likely Nielsen-Catalina Solutions—added it to the purchase history it acquires from



When you enter your email address, phone number or other customer ID when checking out at a store, data brokers could get your purchase history. PHOTO: ROBERT ALCARAZ/THE WALL STREET JOURNAL

Walgreens.

Johnson & Johnson, maker of Sudafed, paid the data broker for that information. With the use of Facebook's tools, the information from my loyalty card—email, phone number, etc.—was matched with my Facebook account. (Data brokers run personal information through an algorithm before uploading so it's not identifiable, Facebook says, but it still can be matched with Facebook account information.)

Then via Facebook, Johnson & Johnson decided to target adults ages 25 to 54 who bought Sudafed or a competing brand. In other words, me.

OPT OUT OF DATA GATHERING

Follow the links below for instructions to stop tracking by the largest data brokers.

- Acxiom
- Epsilon
- Experian
- Oracle Data Cloud
- TransUnion
- WPP

Do this:

For starters, either don't use loyalty cards, or register them to an email

address or phone number you don't use.

Facebook works directly with six data brokers, all of which allow you to opt out from their sharing of your personal data, everything from your email to your purchase history.

Of course, it isn't easy. You need to go to each broker website and fill out your form with, yes, your personal information.

Where You've Been

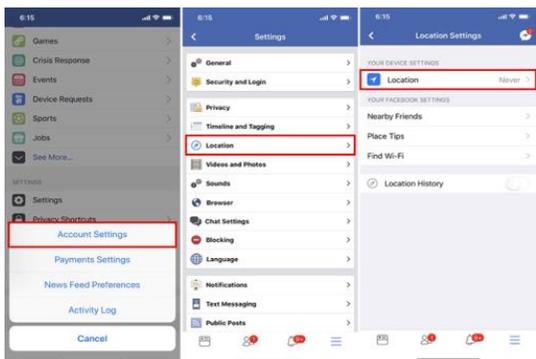
What could be better than your purchase history? Location, location, location. Did you stop by a shop? This ad will remind you to come back! Are you close to one of our stores? Here's a coupon!

My colleague Christopher Mims detailed in his recent column how advertisers are using all sorts of location signals—your phone's GPS, Wi-Fi access points around you, IP addresses, etc. — to follow your breadcrumbs.

Do this: Limit Facebook from knowing where you are. In the mobile app (iOS and Android), go to Settings > Account Settings > Location and turn off location tracking. Disable location history, too.

Other apps can pinpoint your location and serve you ads back through Facebook. Before granting any app location access, think it through. On the iPhone, go to Settings > Privacy > Location Services and go through the apps you've granted location access. (They should all say "Never" or "While Using"—not "Always.") On Android, go to Settings > Location.

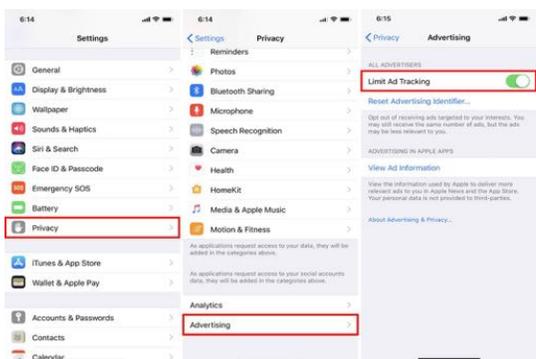
Which Apps You're Using



In Facebook’s app, tap Settings then follow these steps to prevent the social network from keeping tabs on your whereabouts. PHOTO: WILSON ROTHMAN/THE WALL STREET JOURNAL

A few days before my wife mentioned that digital scale, I downloaded LoseIt, a food-tracking app, to my iPhone. No more than 24 hours later, my entire Facebook and Instagram feeds were taken over with fitness and weight-loss ads. (Yes, Facebook-owned Instagram pulls from the same ad selection.)

The free version of LoseIt shows ads from Facebook’s Audience Network. Even if you don’t log into the app via Facebook, the companies swap information. In my case, LoseIt’s maker FitNow Inc. used my iPhone’s Identifier for Advertisers (IDFA), a number stored on my iPhone, to match up any other history associated with my IDFA, including my Facebook account.



In the iPhone’s Settings menu, you can limit the ability of advertisers to get hold of your iPhone’s unique identifier. PHOTO: WILSON ROTHMAN/THE WALL STREET JOURNAL

FitNow confirmed that, when I opened the app, my IDFA became associated with “Healthy Living” and “Weight Loss,” which are now marked on my Facebook advertising profile.

Do this: Apple gives you the ability to limit advertisers from getting your IDFA. In iOS go to Settings > Privacy > Advertising > switch on Limit Ad Tracking. At the same time you should reset the advertising identifier. With Android’s similar system, just go to Settings > Google > Ads > Opt out of Ads Personalization.

What You’ve Clicked or Tapped

Of course, there’s another way Facebook knows, well, pretty much everything about me: my web browsing history. Facebook Pixel is installed on millions of websites and apps, enabling advertisers and Facebook to see what you do on there. It’s why you may see an ad for a spatula after browsing spatulas. Add something to a shopping cart? Click on a different product or article on the site? Pixel can know.

Do this: Interest-based advertising is used across the web by the big technology companies. Facebook, Amazon, Google and others offer ways to opt out on their own websites. On Facebook, go to Settings > Account Settings > Ads > Ad Settings and turn off all the settings on that page. You can also delete any interests Facebook may have gathered about you previously.

On your computer’s browser, install the Ghostery or Privacy Badger extensions. Both allow you to see—and disable—trackers that are running on webpages.

Who You Really Are

All that information, combined with your activity on Facebook and Instagram—which pages or posts you've liked, the people you are friends with and more—gives the social networking conglomerate a very good portrait of you.

The portrait gets clearer with even more information from data brokers: your salary, car preference, home size, political affiliations, spending habits and far more.

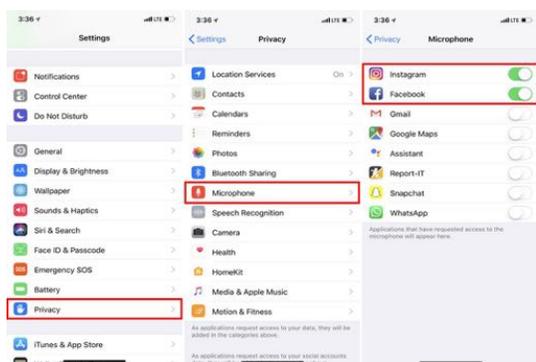
It's what allows any advertiser to log into Facebook Ads Manager and start targeting. Even I was able to log in and laser focus on people in a certain NYC ZIP code who have bought furniture and cooking spices—and who are “likely to move soon.”

Do this: Short of deleting Facebook and living in a bunker, there isn't anything you can do to stop this entirely.

“When ad targeting is used well, it makes advertising better,” says Facebook spokesperson Joe Osborne. “That's why we build our targeting tools in a way that doesn't share people's personal information with advertisers and that gives people control over the ads they see.”

My problem is, we still don't have enough transparency about how these ads are getting to us. The more we focus on the realities—not that they're listening, but how they're monitoring our app downloads and trips to the supermarket—the more we'll know where our privacy is at stake.

But hey, if you're still worried about the mic, by all means, turn it off. (On iPhone, go to Settings > Privacy > Microphone > Facebook. On Android, go to Settings > Apps > Facebook > Permissions > Disable microphone.



In the iPhone's Settings menu, you can disable the Facebook app from accessing your microphone. PHOTO: JOANNA STERN/THE WALL STREET JOURNAL

Appeared in the March 8, 2018, print edition as 'Facebook Isn't Listening But It's Surely Watching.'

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EXHIBIT 136

Forbes / Tech / #GettingBuzz

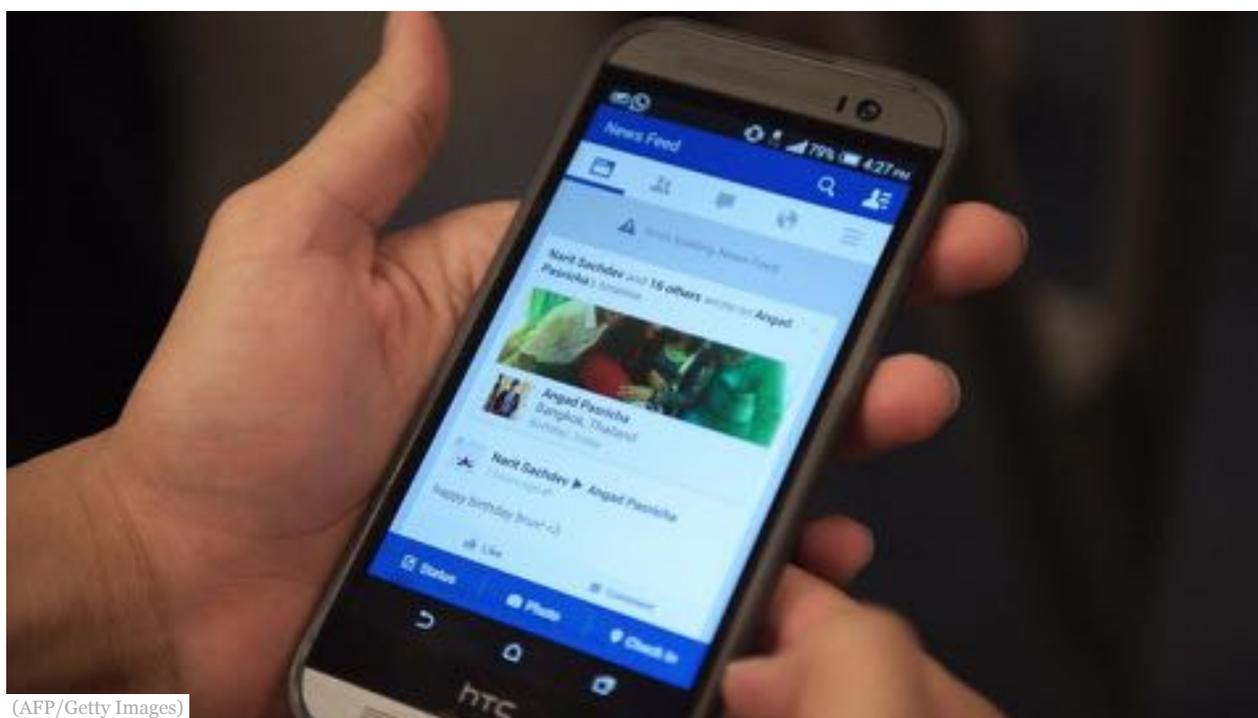
MAR 6, 2018 @ 06:00 AM

18,396

Facebook's Latest Algorithm Change: Here Are The News Sites That Stand To Lose The Most

**Kathleen Chaykowski**, FORBES STAFF

FULL BIO



(AFP/Getty Images)

Many publishers have reported a drop in Facebook referral traffic since the social network changed its algorithm to [+]

Last week the how-to content site for women *LittleThings* blamed its shutdown on [Facebook](#) FB -1.11%'s latest algorithm change, which downplays posts by publishers and brands in a push to emphasize content by friends and family.

Many other media companies are anxious that Facebook's shifting priorities could cause a dramatic drop in their online readership too, continuing an overall decline in referral traffic from the social network that began as much as two years ago.

Facebook has said it expects the change (announced by CEO [Mark Zuckerberg](#) in January) to cause referral traffic to publishers from the social network to decrease broadly. However some publisher sites stand to lose more than others. In a ranking

of major publishers, analytics firm SimilarWeb measured what percentage of the sites' online U.S. desktop traffic in the year 2017 came from social media. The 12 publications relying most on social media for desktop views, according to the ranking, are:

1. Topix.com (with 48.2% over total traffic coming from social)
2. Vice.com (48.1%)
3. Standardnews.com (44.2%)
4. Independent.co.uk (43.7%)
5. Rawstory.com (38.2%)
6. BuzzFeed.com (38.0%)
7. Thehill.com (33.7%)
8. Mashable.com (28.4%)
9. Newyorker.com (26.6%)
10. Bustle.com (26.0%)
11. Slate.com (23.2%)
12. Theatlantic.com (23.1%)

Diversifying Away From Social

Some of the sites that have suffered most from the decline in social media traffic over the past two years are *BuzzFeed*, *The Huffington Post* and *Mashable*, according to analytics firm SimilarWeb (which says its data is generally representative of traffic trends across mobile and tablets). Two years ago, the three sites, on average, derived a third of their U.S. desktop traffic from social channels.

SimilarWeb's head of marketing Ethan Chernofsky said sites like these put "too many eggs in the social basket" at a time when it was popular to prioritize those channels. The decline in the sites' social traffic mirrored a drop in overall traffic. These digitally native sites were more vulnerable because they not only relied on

social channels for viewership, but also for building brand awareness, Chernofsky noted.

By comparison, sites like the *New York Times*, *Washington Post* and *CNN* average only about 10% of their desktop traffic from social sources, and their total traffic has risen 22% over the past two years, SimilarWeb says. (SimilarWeb pegged *Forbes'* social channel traffic at 13% in December.)

Vice, *Mashable* and *BuzzFeed* are still among the top 10 publisher sites that rely most on social media traffic on desktop, according to SimilarWeb. However, over the past year, these sites have been the most successful at reducing their reliance on social networks. In January 2017, for example, 41% of *BuzzFeed's* desktop traffic came from social media; however, this portion dropped to about 25% in December 2017. Similarly, *Vice's* social channel traffic dropped by 18% during the same period, and *Mashable's* dropped by 12%, according to SimilarWeb.

BuzzFeed's vice president of operations Michelle Kempner confirmed that Facebook referral traffic to the site has been decreasing since at least the beginning of 2017. However, she noted that other traffic sources, such as Pinterest and Instagram -- and direct traffic to the site -- have been growing. The publisher has for years prioritized being quick to try new platforms, according to Kempner, which helps make the company less vulnerable to changes on any single platform.

“Any time we see a new platform or a new feature, we immediately begin testing it to see how it can work for us,” Kempner told *Forbes*. *BuzzFeed* has been aiming to build a direct relationship with its audience by creating a newsletter and shareable content that people want to send to friends and family in a push to be less vulnerable to changes on any single platform, Kempner said.

When an article has only one main traffic source, it raises a flag that the article could be clickbait, which Kempner said the company “doesn’t encourage.” Moving forward, the site is focused on improving search engine optimization and creating content that has evergreen appeal, unlike videos made for Facebook news feed, which typically only circulate briefly before getting buried in a sea of content, Kempner said.

“The focus on shareable content really helps you survive any platform changes,” Kempner said. “It doesn’t matter what we’re seeing happen on various platforms as long as we’re making content that’s going to resonate with our audience.”

The sites that should be most concerned, according to SimilarWeb's director of digital insights Gitit Greenberg, are those that haven't diversified traffic and revenue sources, such as Bustle, whose social channel traffic (29% of total traffic), dropped by just 1.4% during 2017. To combat the loss of brand awareness that often comes with losing traffic from social media, SimilarWeb recommends that sites focus on building trust among readers and focus on "engagement" -- time spent consuming content -- instead of maximizing page views.

"It is critical to emphasize brand and that means doubling down on high quality content that will have readers looking for you specifically, whether that be direct traffic or organic search through Google," Greenberg said in an email. "Sites like *BuzzFeed* are seeing traffic drop, but they have invested heavily in hard news and high quality content creation, giving them a strong foundation."

The CEO of *Ranker* Clark Benson, said the company "in theory, should be really concerned." However, Benson isn't necessarily expecting Facebook's algorithm change to hurt *Ranker's* viewership. *Ranker* currently derives about half of its 40 million U.S. monthly readers from Facebook who click on popular rankings on topics such as America's college towns and Taylor Swift's exes.

In-house software, which helps *Ranker* determine which posts to pay to promote on the social network, combined with the company's specific Facebook targeting, will help the site buffer inevitable algorithm changes, according to Benson. *Ranker* grew organic Facebook traffic by 40% over the course of 2017, although it expanded its internal social channel team by about three times to accomplish the boost.

"Facebook is moving to pay-to-play, and we've been good at that for a few years," said Benson, noting that the company has started licensing its software to other publishers to help them determine which articles to pay to promote. "If you look at Facebook as a distribution channel that can be organic and paid, as long as you're looking at data intelligently with strong return-on-investment, you can still do well on Facebook."

Ranker's best-performing content on Facebook now is in-depth articles that encourages viewers to spend more time on a page before bouncing back to Facebook tabs. *Ranker* derives about 10% of its unique visitors from direct traffic to its website, Benson said.

"Facebook isn't easy anymore," said Benson. "It really requires a scientific approach. Most people are consuming content either via search or either via social, and that's

just the reality.”

Some publishers are hopeful Facebook’s algorithm change could raise the bar for online content quality over time.

“In the long term, this might be healthier for publishers because there is only so much attention out there, and the pendulum has swung too far away from quality,” said *Ranker’s* Benson. “My hope is this change will alleviate a little bit of the noise. But it’s really hard to say.”

A Continued Decline

While Facebook’s new feed changes sent shockwaves through media, the decline actually started long before, according to research reports. Studies by Parse.ly and SimilarWeb show that traffic to media sites from Facebook, in aggregate, has already been decreasing substantially since early 2016, long before Facebook’s latest new feed shift.

The percentage of total external traffic to news sites (which includes all desktop and mobile traffic, except visitors going directly to a site’s URL) derived from Facebook has fallen from 42% at the beginning of 2016 to just 25.8% at the end of 2017 (before Facebook’s announcement), according Parse.ly’s study of traffic to 2,500 publishers. Each quarter from the first quarter of 2016 to the end of 2017 consistently saw less overall Facebook referral traffic to publishers than the last, with 90% of the total decline over this period occurring during 2017, after the U.S. presidential election.

“Companies that have been reliant on social traffic, especially from Facebook, have been seeing major drops in traffic for several years now,” Chernofsky said. “The key factor is who has been diversifying their content strategy and who has been too slow to change.”

Referral traffic from Facebook has continued to drop into 2018, according to Parse.ly data. The social network made up about 25% of publishers’ external referral traffic at the beginning of this January, and **fell to about 22%**, by the end of February. The decline in Facebook-driven traffic to news sites in 2018 could very well already be the result of the company’s latest algorithm change. While the cause of the steep decrease in Facebook traffic to news sites during 2017 is less clear, it’s possible that the series of algorithm updates Facebook made during 2016 aimed at curbing fake news, clickbait and misinformation reduced publishers’ overall visibility in news feed.

Publishers' referral traffic from Facebook today is lower than it was at the start of 2014 (26.3%), which was before a major push by the social network to elevate publishers in news feed, according to Parse.ly data, which spans mobile, desktop and tablets. By contrast, publishers' traffic from Google increased moderately over the past two years. Referral traffic from Google made up 38% of publishers' external traffic in the beginning of 2016 and rose to 45% by January this year.

Historically, Google has been a more important traffic source for publishers than Facebook. This changed in the summer of 2015, when Facebook overtook Google as the most important traffic source for news sites, [according to Parse.ly](#), and remained so for two years. During this period (from mid-2015 to mid-2017), Facebook and Google remained a duopoly, each sending publishers roughly 35% of their external referral traffic, with Facebook accounting for between 2% to 7% more of total external referral traffic for publishers than Google. While referral traffic from Facebook began falling slightly through 2016, publishers began reporting dramatic drop offs in Facebook in the summer of 2017 that continued for the rest of the year.

Future Impact

It remains to be seen how dramatically Facebook's latest algorithm change will influence the ongoing decline of referral traffic. (It is also unclear to what extent posts with news articles circulated by friends could be downplayed by the change, if at all.) Facebook has said the update will mean news articles will decrease from making up 5% of news feed to making up 4%. However, the significance of the change for publishers broadly likely won't be known for several months.

"Facebook's algorithm is this big black box," *Ranker's* CEO Benson told *Forbes*. "The single most annoying thing is you're just kind of waiting for the shoe to drop, but this wasn't a huge surprise to us given all of the problems Facebook has been having with fake news."

The best positioned sites will be those that diversify their traffic sources so that specific algorithm or platform changes won't have an overwhelming impact, said SimilarWeb's Greenberg. Sites put themselves at risk when they invest too much in the whims of platforms, such as Facebook's infamous "[pivot to video](#)" in 2015, which spurred many publishers to scramble to make news feed-friendly video content. Now, Facebook says there will be less video in news feed.

"Facebook is not a public utility -- It wants to have a news feed that people like and enjoy," Neil Vogel, CEO of Dotdash, formerly known as About.com, said in a phone interview. About 65% of the brand's 70 million monthly visitors find the site's

evergreen and explainer content via search. Less than 5% of Dotdash's traffic comes from Facebook.

“A lot of publications made a big miscalculation building a business on someone else's platform,” Vogel added. “Any publisher that felt like Facebook owed them something was making a big mistake.”

Follow me on Twitter [@kchaykowski](#) and e-mail me at kchaykowski@forbes.com.

EXHIBIT 137

businessinsider.com

LittleThings online publisher shuts down, blames Facebook's algorithm

Mike Shields

11-14 minutes



Feb. 27, 2018, 7:50 PM

76,300





Facebook CEO Mark Zuckerberg.

AP Photo/Noah Berger

- **The digital publisher LittleThings is shutting down.**
- **The company, like some other media companies, had quickly amassed a big following on Facebook.**
- **But Facebook's recent algorithm tweak throttled its traffic severely, causing its profit to plummet, the company says.**

The media industry's worst fears about [Facebook's huge algorithm tweak](#) are coming true.

The women-focused publisher [LittleThings](#) is shutting its doors, in large part because of Facebook's recent move, the company's CEO, Joe Speiser, told Business Insider.

LittleThings' demise was first reported by Digiday's Lucia Moses.

LittleThings focused on a mix of feel-good news and service content along the lines of [Valentine's Day dinner recipes](#). The company also produced a regular slate of live video content on Facebook, even featuring celebrity guests.

Since launching in 2014, LittleThings had amassed over 12 million Facebook followers, and its [videos regularly generated thousands, if not millions, of views](#).

But Speiser said the recent algorithm shift, which Facebook has said was designed to tamp down content that is consumed passively — and would instead emphasize posts from people's friends and family — took out roughly 75% of LittleThings' organic traffic while hammering its profit margins.

Back in 2016, Speiser told The Wall Street Journal that he was highly optimistic about [Facebook and its desire to help web publishers](#).

Now, as one source close to the company put it: "Facebook is the destroyer of worlds."

LittleThings was actually born out of a pet e-commerce venture. In 2015 the company raised an undisclosed amount of cash through debt financing as it shifted toward becoming a full-fledged media company, [according to TechCrunch](#).

This past November, LittleThings had hired a bank to [explore strategic options](#).

Here's the memo the company issued Tuesday:

"Urgent: LittleThings Closure"...

Today, February 27th, LittleThings will be permanently closing its doors. It comes after 8 years of starting as an e-commerce company, and then 4 years ago as LittleThings. I've watched a rag tag group of talented hardworking individuals create one of the largest and most emotional brands on Facebook. So many of

you have become super stars in the social media space it's incredible. I've never felt so proud and blessed to be part of such an amazing group of people. It pains me to have to write this and hang up our hat, but there are only so many hits a digital media company can afford to absorb in this day and age, and we just exceeded ours.

As most of you remember, we took some especially large setbacks in August 2017, but were able to quickly right the ship, and rebuild the company with new business lines and revenue streams. Instead of waiting for the next Facebook newsfeed update, we entered into a sale-process in November that would allow us to merge with a large media entity that could bring our business diversification of both traffic and revenue. By early February we had numerous acquisition offers for LittleThings that would have generated a substantial return for everyone's options, as well as guarantee their careers well into the future.

Unfortunately, as we were receiving those offers a full on catastrophic update to Facebook's algorithm took effect. The prioritization of friends/family content over publishers was the last straw. Our organic traffic (the highest margin business), and influencer traffic were cut by over 75%. No previous algorithm update ever came close to this level of decimation. The position it put us in was beyond dire. The businesses looking to acquire LittleThings got spooked and promptly exited the sale process, leaving us in jeopardy of our bank debt covenants and ultimately bringing an expedited end to our incredible story.

What happens to the LittleThings brand, we all know and love, is uncertain at this point. It's my deep hope that we can find a way

to resurrect it and reemerge from the ashes with a new will, but that may take many months.

What this means for you:

All wages earned will be paid with no exceptions, payroll has already been submitted for tomorrow. Marcella is preparing information on healthcare (Cobra), and other important transition documents. While severance will not be up to us, as the bank now has control over the outgoing payments, we feel confident that everyone should be seeing additional money soon. We will get the specific amounts after the bank transition is complete. (This may take a few weeks)

What this means for the office:

You can take as long as you need, and come back tomorrow as well, the doors will not be locked. The only restriction, and it's an important one, is that all electronics, cameras, computers, etc stay behind. Anything non-personal removed from the office will be against the bank's policy and could jeopardize severance.

Marcella, Gretchen and myself are available tonight and all day tomorrow to talk through this with any and all of you. I'm also more than willing to be a reference for any of you when necessary. In addition I'm close with a media recruiter with which I can help you connect if you are interested. Please make sure you lean on the resources we make available. What happened here is not any of your faults, and I don't want this to slow down your career growth and success.

For LittleThings.com and social accounts:

We won't be shutting down the site yet. I want to make sure we

have enough time to inform our readers, fans and viewers that LittleThings is closing. If you want to do one final farewell video, editorial post, FB/IG post, etc now is the time. I've also paid to keep all of your emails open for another 30 days so you have that additional access.

If any press reaches out please forward them over to press@littlethings.com and one of us will answer it.

Again, if you want to talk, please don't hesitate. It's going to be an emotional time for all of us, please reach out to anyone struggling and be their shoulder.

While LittleThings may be winding down, the friendships, and connections we have made here will continue to endure.

Sincerely,

Joe + Gretchen

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-

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EXHIBIT 138

businessinsider.com

What is Facebook's Onavo Protect virtual private network app?

Rachel Sandler

9-11 minutes

Feb. 14, 2018, 7:31 PM

6,664



Facebook CEO Mark Zuckerberg delivers the keynote address at Facebook's F8 Developer Conference on April 18, 2017 at McEnery Convention Center in San Jose, California.

Justin Sullivan/Getty Images

- **Facebook is now directing users to download a VPN called Onavo for "protection."**
- **The VPN is owned by Facebook, and sends information**

about your app usage habits to the company.

- **Facebook has used this tool for a competitive advantage against other mobile apps.**
 - **Critics say Facebook isn't clear enough about its ownership of Onavo.**
-

Under the pretense of protecting your account, Facebook is telling users download to a Facebook-owned app that tracks what you do on your phone — and sends that information back to Facebook.

TechCrunch first noticed on Tuesday that Facebook added a menu item, called "protect," to its iPhone and iOS app. Clicking it takes users directly to the App Store listing of a Virtual Private Network (VPN) app called Onavo Protect, which is owned by Facebook.

Facebook bought Onavo, an Israeli company, in 2013. Since then, Facebook has been using the data collected from the service to keep tabs on how people use the apps on their phones, even when they're not using Facebook.

For example, the company used Onavo to see that Snapchat saw declining usage after Facebook introduced the competing Instagram Stories feature, [The Wall Street Journal](#) reported. It was also data from Onavo that [reportedly inspired Facebook to launch a group video chat feature to its Messenger app](#) — stymying a smaller app called Houseparty, which provided a very similar feature.

However, critics say that Facebook isn't clear enough about its

affiliation with Onavo, implying that users might never know that the company uses the data from the app for such purposes.

Facebook did not immediately respond to Business Insider's request for comment. Erez Naveh, Product Manager at Onavo, [told TechCrunch](#) that the app collects mobile data traffic to "help us recognize tactics that bad actors use." Naveh also noted that the app lets people know it collects data before users download it.

Here's what Onavo actually does — and why people are upset that Facebook is pushing it.

Facebook's Onavo is a Virtual Private Network, or VPN

Onavo is a Virtual Private Network, or a VPN.

There are several VPNs out there, and they essentially all do the same thing: route your internet traffic through a third-party server.

Facebook's iOS app now displays a "protect" option that links directly to Onavo's App Store listing.

Screenshot

This allows users to to mask their browsing activity from Internet Service Providers, like Comcast and AT&T. It can also make your computer look like it's in a different location, depending on where the third-party server is. Typically, VPNs themselves encrypt your traffic, making it harder for people to snoop on your activity.

Many VPNs are paid services — the popular AnchorFree Hotspot Shield, for instance, charges \$13 a month, or \$120 a year.

Others, like Onavo Protect, are totally free for (mostly) unlimited usage.

When users download Onavo, they give Facebook permission to collect their mobile data traffic. Because Facebook owns Onavo, Facebook gets access to that data. This means that while your ISP won't see what apps you're using, Facebook will. If you're using Onavo, and you spend two hours on Twitter a day, Facebook can see that.

Why does this have people worried?

The major criticism of Onavo Protect is that Facebook isn't clear enough about its affiliation with the app. Unless you tap the "Read More" button in the App Store description of Onavo, you might never know it was actually owned by Facebook itself.

"As part of this process, Onavo collects your mobile data traffic. This helps us improve and operate the Onavo service by analyzing your use of websites, apps and data. Because we're part of Facebook, we also use this info to improve Facebook products and services, gain insights into the products and services people value, and build better experiences," the description of the app reads.

The average user may not read the entire app description and download the service without knowing that it is giving Facebook access to your mobile browsing data, say critics.

John Gruber, a prominent Apple blogger, [called](#) Onavo "spyware," likening it malicious software that hackers deploy to spy on users. Dell Cameron, a reporter at Gizmodo, [called](#) the

VPN service "vampiric" and told readers not to download the app.

Facebook already has issues with eroding public trust, amid its public struggles with fake news, propaganda, and misinformation spreading through the social network. The perception that the company is pushing what's seen as a way to spy on users may not be the best look.

More: [Facebook Onavo virtual private network](#)



[Here's what it costs to open a Subway restaurant](#)



[Vintage photos taken by the EPA reveal what America looked like before pollution was regulated](#)



[What marijuana really does to your body and brain](#)



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[9 reasons you should buy an iPhone 8 instead of an iPhone X](#)



[Here's where you can legally smoke marijuana in 2018](#)



[We spent 3 nights in the NYC underbelly with a crime reporter to see how safe the 'safest big city' in the US really is](#)

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EXHIBIT 139

finance.yahoo.com

German court finds fault with Facebook's default privacy settings

Natasha Lomas

5-6 minutes



A court in Germany has ruled that Facebook's default privacy settings and some of its terms and conditions breached local laws.

A court in Germany has [ruled](#) that Facebook's default privacy settings and some of its terms and conditions breached local laws. The Berlin court passed judgement late last month but the verdict was only made public this week.

The legal challenge, which dates back to 2015, was filed by a

local consumer rights association, the [vzbv](#). It successfully argued Facebook's default privacy settings breach local consent rules by not providing clear enough information for the company to gather 'informed consent' from users when they agreed to its T&Cs.

“Facebook hides default settings that are not privacy-friendly in its privacy centre and does not provide sufficient information about this when users register,” said Heiko Dünkel, litigation policy officer at vzbv, in a statement. “This does not meet the requirement for informed consent.”

Pre-formulated declarations of consent are clearly on borrowed time in the European Union, as the bloc will shortly have an updated data protection framework -- [GDPR](#) -- which strengthens and clarifies the rules around obtaining consent to process personal data.

And pre-ticked consent boxes buried at the end of lengthy, opaque and vague T&Cs will not pass muster under the new standard. So the regional court's finding on that aligns with wider incoming personal data processing consent standards that will be enforced across the entire EU from this May.

The vzbv also successfully challenged Facebook's real names policy -- which the Berlin regional court agreed was unlawful. This was partly down to local laws, with the German Telemedia Act requiring providers of online services to allow users to use services anonymously.

But also again on consent grounds; vzbv said the court took the view that Facebook's requirement for users to use their real

names was a covert way of obtaining their consent to the use of this data -- which it asserts was "reason enough" to rule it unlawful.

The group also sought to argue that Facebook's claim that its service is 'free and always will be' is misleading, on the grounds that consumers are 'paying' with their data.

However the court dismissed that argument.

It also rejected several other claims against provisions in Facebook's privacy policy -- which vzbv said it intends to appeal in the Berlin Appeals Court. Though it says a majority of its claims against Facebook were upheld.

Facebook confirmed that it will also appeal against the portions of the ruling where vzbv did prevail. It also made the point that its approach to privacy has changed -- and will change further -- since the case was originally filed.

In a statement, a company spokesperson told us:

We are reviewing this recent decision carefully and are pleased that the court agreed with us on a number of issues. Our products and policies have changed a lot since this case was brought, and further changes to our terms and Data Policy are anticipated later this year in light of upcoming changes to the law. We work hard to ensure that our policies are clear and easy to understand, and that all aspects of the Facebook Service are in compliance with applicable law.

Last month Facebook announced [incoming changes to how it approaches privacy](#) -- including outlining a set of 'privacy principles' and trailing a new [global privacy settings hub](#) -- which

are part of its compliance efforts to meet the EU's new data protection standards.

The GDPR, which gives EU data protection agencies powers to fine companies up to 4% of the annual global turnover, will apply across the bloc from May 25.

According to Dünkel, a ruling from the Berlin Appeals Court could take a further one to three years. So GDPR will certainly be in force by the time there's another decision in this legal saga.

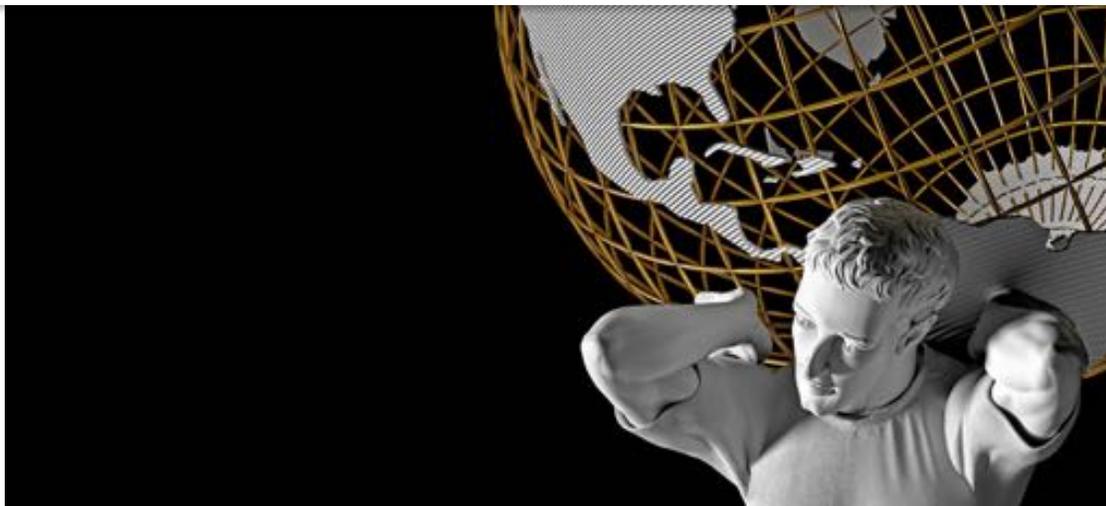
"Since core principles of the old data protection regime are by and large enshrined in Art 5 -11 GDPR as well, we will most certainly check on these things after the GDPR coming into force," Dünkel added.

- This article originally appeared on [TechCrunch](#).

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EDDIE GUY

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INSIDE THE TWO YEARS THAT SHOOK FACEBOOK—AND THE WORLD

How a confused, defensive social media giant steered itself into a disaster, and how Mark Zuckerberg is trying to fix it all.

BY NICHOLAS THOMPSON AND FRED VOGELSTEIN

ONE DAY IN late February of 2016, [Mark Zuckerberg](#) sent a memo to all of Facebook's employees to address some troubling behavior in the ranks. His message pertained to some walls at the company's Menlo Park headquarters where staffers are encouraged to scribble notes and signatures. On at least a couple of occasions, someone had crossed out the words "Black Lives Matter" and replaced them with "All Lives Matter." Zuckerberg wanted whoever was responsible to cut it out.

"'Black Lives Matter' doesn't mean other lives don't," he wrote. "We've never had rules around what people can write on our walls," the memo went on. But "crossing out something means silencing speech, or that one person's speech is more important than another's." The defacement, he said, was being investigated.

becoming increasingly raw. Donald Trump had just won the South Carolina primary, lashed out at the Pope over immigration, and earned the enthusiastic support of David Duke. Hillary Clinton had just defeated Bernie Sanders in Nevada, only to have an activist from Black Lives Matter interrupt a speech of hers to protest racially charged statements she'd made two decades before. And on Facebook, a popular group called Blacktivist was gaining traction by blasting out messages like “American economy and power were built on forced migration and torture.”

So when Zuckerberg's admonition circulated, a young contract employee named Benjamin Fearnow decided it might be newsworthy. He took a screenshot on his personal laptop and sent the image to a friend named Michael Nuñez, who worked at the tech-news site Gizmodo. Nuñez promptly published a brief story about Zuckerberg's memo.

A week later, Fearnow came across something else he thought Nuñez might like to publish. In another internal communication, Facebook had invited its employees to submit potential questions to ask Zuckerberg at an all-hands meeting. One of the most up-voted questions that week was “What responsibility does Facebook have to help prevent President Trump in 2017?” Fearnow took another screenshot, this time with his phone.

Fearnow, a recent graduate of the Columbia Journalism School, worked in Facebook's New York office on something called Trending Topics, a feed of popular news subjects that popped up when people opened Facebook. The feed was generated by an algorithm but moderated by a team of about 25 people with backgrounds in journalism. If the word “Trump” was trending, as it often was, they used their news judgment to identify which bit of news about the candidate was most important. If *The Onion* or a hoax site published a spoof that went viral, they had to keep that out. If something like a mass shooting happened, and Facebook's algorithm was slow to pick up on it, they would inject a story about it into the feed.



March 2018. [Subscribe to WIRED.](#)

JAKE ROWLAND/ESTO

Facebook prides itself on being a place where people love to work. But Fearnow and his team weren't the happiest lot. They were contract employees hired through a company called BCforward, and every day was full of little reminders that they weren't really part of Facebook. Plus, the young journalists knew their jobs were doomed from the start. Tech companies, for the most part, prefer to have as little as possible done by humans—because, it's often said, they don't scale. You can't hire a billion of them, and they prove meddlesome in ways that

most annoying of them sometimes talk to the press. Eventually, everyone assumed, Facebook's algorithms would be good enough to run the whole project, and the people on Fearnow's team—who served partly to train those algorithms—would be expendable.

The day after Fearnow took that second screenshot was a Friday. When he woke up after sleeping in, he noticed that he had about 30 meeting notifications from Facebook on his phone. When he replied to say it was his day off, he recalls, he was nonetheless asked to be available in 10 minutes. Soon he was on a video-conference with three Facebook employees, including Sonya Ahuja, the company's head of investigations. According to his recounting of the meeting, she asked him if he had been in touch with Nuñez. He denied that he had been. Then she told him that she had their messages on Gchat, which Fearnow had assumed weren't accessible to Facebook. He was fired. "Please shut your laptop and don't reopen it," she instructed him.

That same day, Ahuja had another conversation with a second employee at Trending Topics named Ryan Villarreal. Several years before, he and Fearnow had shared an apartment with Nuñez. Villarreal said he hadn't taken any screenshots, and he certainly hadn't leaked them. But he *had* clicked "like" on the story about Black Lives Matter, and he was friends with Nuñez on Facebook. "Do you think leaks are bad?" Ahuja demanded to know, according to Villarreal. He was fired too. The last he heard from his employer was in a letter from BCforward. The company had given him \$15 to cover expenses, and it wanted the money back.

The firing of Fearnow and Villarreal set the Trending Topics team on edge—and Nuñez kept digging for dirt. He soon published a story about the internal poll showing Facebookers' interest in fending off Trump. Then, in early May, he published an article based on conversations with yet a third former Trending Topics employee, under the blaring headline "Former Facebook Workers: We Routinely Suppressed Conservative News." The piece suggested that Facebook's Trending team worked like a Fox News fever dream, with a bunch of biased curators "injecting" liberal stories and "blacklisting" conservative ones. Within

politics websites, including Drudge Report and Breitbart News.

The post went viral, but the ensuing battle over Trending Topics did more than just dominate a few news cycles. In ways that are only fully visible now, it set the stage for the most tumultuous two years of Facebook's existence—triggering a chain of events that would distract and confuse the company while larger disasters began to engulf it.

This is the story of those two years, as they played out inside and around the company. WIRED spoke with 51 current or former Facebook employees for this article, many of whom did not want their names used, for reasons anyone familiar with the story of Fearnow and Villarreal would surely understand. (One current employee asked that a WIRED reporter turn off his phone so the company would have a harder time tracking whether it had been near the phones of anyone from Facebook.)

The stories varied, but most people told the same basic tale: of a company, and a CEO, whose techno-optimism has been crushed as they've learned the myriad ways their platform can be used for ill. Of an election that shocked Facebook,

reckoning with its impact on global affairs and its users' minds. And—in the tale's final chapters—of the company's earnest attempt to redeem itself.

In that saga, Fearnow plays one of those obscure but crucial roles that history occasionally hands out. He's the Franz Ferdinand of Facebook—or maybe he's more like the archduke's hapless young assassin. Either way, in the rolling

ought to go down as the screenshots heard round the world.

II

BY NOW, THE story of Facebook's all-consuming growth is practically the creation myth of our information era. What began as a way to connect with your friends at Harvard became a way to connect with people at other elite schools, then at all schools, and then everywhere. After that, your Facebook login became a way to log on to other internet sites. Its Messenger app started competing with email and texting. It became the place where you told people you were safe after an earthquake. In some countries like the Philippines, it effectively *is* the internet.

The furious energy of this big bang emanated, in large part, from a brilliant and simple insight. Humans are social animals. But the internet is a cesspool. That scares people away from identifying themselves and putting personal details online. Solve that problem—make people feel safe to post—and they will share obsessively. Make the resulting database of privately shared information and personal connections available to advertisers, and that platform will become one of the most important media technologies of the early 21st century.

But as powerful as that original insight was, Facebook's expansion has also been driven by sheer brawn. Zuckerberg has been a determined, even ruthless, steward of the company's manifest destiny, with an uncanny knack for placing the right bets. In the company's early days, "move fast and break things" wasn't just a piece of advice to his developers; it was a philosophy that served to resolve countless delicate trade-offs—many of them involving user privacy—in ways that best favored the platform's growth. And when it comes to competitors, Zuckerberg has been relentless in either acquiring or sinking any challengers that seem to have the wind at their backs.

FACEBOOK'S RECKONING

Two years that forced the platform to change
by **Blanca Myers**

March 2016

Facebook suspends Benjamin Fearnow, a journalist-curator for the platform's Trending Topics feed, after he leaks to Gizmodo.

May 2016

Gizmodo reports that Trending Topics “routinely suppressed conservative news.” The story sends Facebook scrambling.

July 2016

Rupert Murdoch tells Zuckerberg that Facebook is wreaking havoc on the news industry and threatens to cause trouble.

August 2016

Facebook cuts loose all of its Trending Topics journalists, ceding authority over the feed to engineers in Seattle.

November 2016

Donald Trump wins. Zuckerberg says it's “pretty crazy” to think fake news on Facebook helped tip the election.

December 2016

Facebook declares war on fake news, hires CNN alum Campbell Brown to shepherd relations with the publishing industry.

September 2017

Facebook announces that a Russian group paid \$100,000 for roughly 3,000 ads aimed at US voters.

Researcher Jonathan Albright reveals that posts from six Russian propaganda accounts were shared 340 million times.

November 2017

Facebook general counsel Colin Stretch gets pummeled during congressional Intelligence Committee hearings.

January 2018

Facebook begins announcing major changes, aimed to ensure that time on the platform will be “time well spent.”

In fact, it was in besting just such a rival that Facebook came to dominate how we discover and consume news. Back in 2012, the most exciting social network for distributing news online wasn't Facebook, it was Twitter. The latter's 140-character posts accelerated the speed at which news could spread, allowing its influence in the news industry to grow much faster than Facebook's. “Twitter was this massive, massive threat,” says a former Facebook executive heavily involved in the decisionmaking at the time.

So Zuckerberg pursued a strategy he has often deployed against competitors he cannot buy: He copied, then crushed. He adjusted Facebook's News Feed to fully incorporate news (despite its name, the feed was originally tilted toward personal news) and adjusted the product so that it showed author bylines and headlines. Then Facebook's emissaries fanned out to talk with journalists and explain how to best reach readers through the platform. By the end of 2013, Facebook had doubled its share of traffic to news sites and had started to push Twitter into a decline. By the middle of 2015, it had surpassed Google as the leader in referring readers to publisher sites and was now referring 13 times as many readers to news publishers as Twitter. That year, Facebook launched [Instant Articles](#), offering publishers the chance to publish directly on the platform. Posts would load faster and look sharper if they agreed, but the publishers would give up an element of control over the content. The publishing industry, which had been reeling for years, largely assented. Facebook now effectively owned the news. “If you could reproduce Twitter inside of Facebook,

to Snapchat now, they did to Twitter back then.

It appears that Facebook did not, however, carefully think through the implications of becoming the dominant force in the news industry. Everyone in management cared about quality and accuracy, and they had set up rules, for example, to eliminate pornography and protect copyright. But Facebook hired few journalists and spent little time discussing the big questions that bedevil the media industry. What is fair? What is a fact? How do you signal the difference between news, analysis, satire, and opinion? Facebook has long seemed to think it has immunity from those debates because it is just a technology company—one that has built a “platform for all ideas.”

This notion that Facebook is an open, neutral platform is almost like a religious tenet inside the company. When new recruits come in, they are treated to an orientation lecture by Chris Cox, the company’s chief product officer, who tells them Facebook is an entirely new communications platform for the 21st century, as the telephone was for the 20th. But if anyone inside Facebook is unconvinced by religion, there is also Section 230 of the 1996 Communications Decency Act to recommend the idea. This is the section of US law that shelters internet intermediaries from liability for the content their users post. If Facebook were to start creating or editing content on its platform, it would risk losing that immunity—and it’s hard to imagine how Facebook could exist if it were liable for the many billion pieces of content a day that users post on its site.

And so, because of the company’s self-image, as well as its fear of regulation, Facebook tried never to favor one kind of news content over another. But neutrality is a choice in itself. For instance, Facebook decided to present every piece of content that appeared on News Feed—whether it was your dog pictures or a news story—in roughly the same way. This meant that all news stories looked roughly the same as each other, too, whether they were investigations in *The Washington Post*, gossip in the *New York Post*, or flat-out lies in the *Denver*

democratized information. You saw what your friends wanted you to see, not what some editor in a Times Square tower chose. But it's hard to argue that this wasn't an editorial decision. It may be one of the biggest ever made.

In any case, Facebook's move into news set off yet another explosion of ways that people could connect. Now Facebook was the place where publications could connect with their readers—and also where Macedonian teenagers could connect with voters in America, and operatives in Saint Petersburg could connect with audiences of their own choosing in a way that no one at the company had ever seen before.

III

IN FEBRUARY OF 2016, just as the Trending Topics fiasco was building up steam, Roger McNamee became one of the first Facebook insiders to notice strange things happening on the platform. McNamee was an early investor in Facebook who had mentored Zuckerberg through two crucial decisions: to turn down Yahoo's offer of \$1 billion to acquire Facebook in 2006; and to hire a Google executive named Sheryl Sandberg in 2008 to help find a business model. McNamee was no longer in touch with Zuckerberg much, but he was still an investor, and that month he started seeing things related to the Bernie Sanders campaign that worried him. "I'm observing memes ostensibly coming out of a Facebook group associated with the Sanders campaign that couldn't possibly have been from the Sanders campaign," he recalls, "and yet they were organized and spreading in such a way that suggested somebody had a budget. And I'm sitting there thinking, 'That's really weird. I mean, that's not good.'"

But McNamee didn't say anything to anyone at Facebook—at least not yet. And the company itself was not picking up on any such worrying signals, save for one blip on its radar: In early 2016, its security team noticed an uptick in Russian actors attempting to steal the credentials of journalists and public figures. Facebook reported this to the FBI. But the company says it never heard back from the government, and that was that.

that it might influence the elections in a completely different way. When Gizmodo published its story about political bias on the Trending Topics team in May, the article went off like a bomb in Menlo Park. It quickly reached millions of readers and, in a delicious irony, appeared in the Trending Topics module itself. But the bad press wasn't what really rattled Facebook—it was the letter from John Thune, a Republican US senator from South Dakota, that followed the story's publication. Thune chairs the Senate Commerce Committee, which in turn oversees the Federal Trade Commission, an agency that has been especially active in investigating Facebook. The senator wanted Facebook's answers to the allegations of bias, and he wanted them promptly.

The Thune letter put Facebook on high alert. The company promptly dispatched senior Washington staffers to meet with Thune's team. Then it sent him a 12-page single-spaced letter explaining that it had conducted a thorough review of Trending Topics and determined that the allegations in the Gizmodo story were largely false.

Facebook decided, too, that it had to extend an olive branch to the entire American right wing, much of which was raging about the company's supposed perfidy. And so, just over a week after the story ran, Facebook scrambled to invite a group of 17 prominent Republicans out to Menlo Park. The list included television hosts, radio stars, think tankers, and an adviser to the Trump campaign. The point was partly to get feedback. But more than that, the company wanted to make a show of apologizing for its sins, lifting up the back of its shirt, and asking for the lash.

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According to a Facebook employee involved in planning the meeting, part of the goal was to bring in a group of conservatives who were certain to fight with one another. They made sure to have libertarians who wouldn't want to regulate the platform and partisans who would. Another goal, according to the employee, was to make sure the attendees were "bored to death" by a technical presentation after Zuckerberg and Sandberg had addressed the group.

The power went out, and the room got uncomfortably hot. But otherwise the meeting went according to plan. The guests did indeed fight, and they failed to unify in a way that was either threatening or coherent. Some wanted the company to set hiring quotas for conservative employees; others thought that idea was nuts. As often happens when outsiders meet with Facebook, people used the time to try to figure out how they could get more followers for their own pages.

Afterward, Glenn Beck, one of the invitees, wrote an essay about the meeting, praising Zuckerberg. "I asked him if Facebook, now or in the future, would be an open platform for the sharing of all ideas or a curator of content," Beck wrote. "Without hesitation, with clarity and boldness, Mark said there is only one Facebook and one path forward: 'We are an open platform.'"

Inside Facebook itself, the backlash around Trending Topics did inspire some genuine soul-searching. But none of it got very far. A quiet internal project, codenamed Hudson, cropped up around this time to determine, according to someone who worked on it, whether News Feed should be modified to better deal with some of the most complex issues facing the product. Does it favor posts that make people angry? Does it favor simple or even false ideas over complex and true ones? Those are hard questions, and the company didn't have answers to them yet. Ultimately, in late June, Facebook announced a modest

At the same time, Adam Mosseri, Facebook's News Feed boss, posted a manifesto titled “[Building a Better News Feed for You](#).” People inside Facebook spoke of it as a document roughly resembling the Magna Carta; the company had never spoken before about how News Feed really worked. To outsiders, though, the document came across as boilerplate. It said roughly what you'd expect: that the company was opposed to clickbait but that it wasn't in the business of favoring certain kinds of viewpoints.

The most important consequence of the Trending Topics controversy, according to nearly a dozen former and current employees, was that Facebook became wary of doing anything that might look like stifling conservative news. It had burned its fingers once and didn't want to do it again. And so a summer of deeply partisan rancor and calumny began with Facebook eager to stay out of the fray.

IV

SHORTLY AFTER MOSSERI published his guide to News Feed values, Zuckerberg traveled to Sun Valley, Idaho, for an annual conference hosted by billionaire Herb Allen, where moguls in short sleeves and sunglasses cavort and make plans to buy each other's companies. But Rupert Murdoch broke the mood in a meeting that took place inside his villa. According to numerous accounts of the conversation, Murdoch and Robert Thomson, the CEO of News Corp, explained to Zuckerberg that they had long been unhappy with Facebook and Google. The two tech giants had taken nearly the entire digital ad market and become an existential threat to serious journalism. According to people familiar with the conversation, the two News Corp leaders accused Facebook of making dramatic changes to its core algorithm without adequately consulting its media partners, wreaking havoc according to Zuckerberg's whims. If Facebook didn't start offering a better deal to the publishing industry, Thomson and Murdoch conveyed in stark terms, Zuckerberg could expect News Corp executives to become much more public in their denunciations and much more open in their

they could do the same for Facebook in the US.

Facebook thought that News Corp was threatening to push for a government antitrust investigation or maybe an inquiry into whether the company deserved its protection from liability as a neutral platform. Inside Facebook, executives believed Murdoch might use his papers and TV stations to amplify critiques of the company. News Corp says that was not at all the case; the company threatened to deploy executives, but not its journalists.

Zuckerberg had reason to take the meeting especially seriously, according to a former Facebook executive, because he had firsthand knowledge of Murdoch's skill in the dark arts. Back in 2007, Facebook had come under criticism from 49 state attorneys general for failing to protect young Facebook users from sexual predators and inappropriate content. Concerned parents had written to Connecticut attorney general Richard Blumenthal, who opened an investigation, and to *The New York Times*, which published a story. But according to a former Facebook executive in a position to know, the company believed that many of the Facebook accounts and the predatory behavior the letters referenced were fakes, traceable to News Corp lawyers or others working for Murdoch, who owned Facebook's biggest competitor, MySpace. "We traced the creation of the Facebook accounts to IP addresses at the Apple store a block away from the MySpace offices in Santa Monica," the executive says. "Facebook then traced interactions with those accounts to News Corp lawyers. When it comes to Facebook, Murdoch has been playing every angle he can for a long time." (Both News Corp and its spinoff 21st Century Fox declined to comment.)

When Zuckerberg returned from Sun Valley, he told his employees that things had to change. They still weren't in the news business, but they had to make sure there would *be* a news business. And they had to communicate better. One of those who got a new to-do list was Andrew Anker, a product manager who'd arrived at Facebook in 2015 after a career in journalism (including a long stint at WIRED in the '90s). One of his jobs was to help the company think through how publishers could make money on the platform. Shortly after Sun Valley, Anker met with Zuckerberg and asked to hire 60 new people to work on partnerships with the news industry. Before the meeting ended, the request was approved.

would be to resolve the financial problems Murdoch wanted fixed. News outlets were spending millions to produce stories that Facebook was benefiting from, and Facebook, they felt, was giving too little back in return. Instant Articles, in particular, struck them as a Trojan horse. Publishers complained that they could make more money from stories that loaded on their own mobile web pages than on Facebook Instant. (They often did so, it turned out, in ways that short-changed advertisers, by sneaking in ads that readers were unlikely to see. Facebook didn't let them get away with that.) Another seemingly irreconcilable difference: Outlets like Murdoch's *Wall Street Journal* depended on paywalls to make money, but Instant Articles banned paywalls; Zuckerberg disapproved of them. After all, he would often ask, how exactly do walls and toll booths make the world more open and connected?

The conversations often ended at an impasse, but Facebook was at least becoming more attentive. This newfound appreciation for the concerns of journalists did not, however, extend to the journalists on Facebook's own Trending Topics team. In late August, everyone on the team was told that their jobs were being eliminated. Simultaneously, authority over the algorithm shifted to a team of engineers based in Seattle. Very quickly the module started to surface lies and fiction. A headline days later read, "Fox News Exposes Traitor Megyn Kelly, Kicks Her Out For Backing Hillary."

V

WHILE FACEBOOK GRAPPLED internally with what it was becoming—a company that dominated media but didn't want to be a media company—Donald Trump's presidential campaign staff faced no such confusion. To them Facebook's use was obvious. Twitter was a tool for communicating directly with supporters and yelling at the media. Facebook was the way to run the most effective direct--marketing political operation in history.

In the summer of 2016, at the top of the general election campaign, Trump's digital operation might have seemed to be at a major disadvantage. After all,

Schmidt, known for running Google. Trump's was run by Brad Parscale, known for setting up the Eric Trump Foundation's web page. Trump's social media director was his former caddie. But in 2016, it turned out you didn't need digital experience running a presidential campaign, you just needed a knack for Facebook.

Over the course of the summer, Trump's team turned the platform into one of its primary vehicles for fund-raising. The campaign uploaded its voter files—the names, addresses, voting history, and any other information it had on potential voters—to Facebook. Then, using a tool called Lookalike Audiences, Facebook identified the broad characteristics of, say, people who had signed up for Trump newsletters or bought Trump hats. That allowed the campaign to send ads to people with similar traits. Trump would post simple messages like “This election is being rigged by the media pushing false and unsubstantiated charges, and outright lies, in order to elect Crooked Hillary!” that got hundreds of thousands of likes, comments, and shares. The money rolled in. Clinton's wonkier messages, meanwhile, resonated less on the platform. Inside Facebook, almost everyone on the executive team wanted Clinton to win; but they knew that Trump was using the platform better. If he was the candidate for Facebook, she was the candidate for LinkedIn.

Trump's candidacy also proved to be a wonderful tool for a new class of scammers pumping out massively viral and entirely fake stories. Through trial and error, they learned that memes praising the former host of *The Apprentice* got many more readers than ones praising the former secretary of state. A website called Ending the Fed proclaimed that the Pope had endorsed Trump and got almost a million comments, shares, and reactions on Facebook, according to an analysis by BuzzFeed. Other stories asserted that the former first lady had quietly been selling weapons to ISIS, and that an FBI agent suspected of leaking Clinton's emails was found dead. Some of the posts came from hyperpartisan Americans. Some came from overseas content mills that were in it purely for the ad dollars. By the end of the campaign, the top fake stories on the platform were generating more engagement than the top real ones.

been obvious signs of people misusing the platform. And looking back, it's easy to put together a long list of possible explanations for the myopia in Menlo Park about fake news. Management was gun-shy because of the Trending Topics fiasco; taking action against partisan disinformation—or even identifying it as such—might have been seen as another act of political favoritism. Facebook also sold ads against the stories, and sensational garbage was good at pulling people into the platform. Employees' bonuses can be based largely on whether Facebook hits certain growth and revenue targets, which gives people an extra incentive not to worry too much about things that are otherwise good for engagement. And then there was the ever-present issue of Section 230 of the 1996 Communications Decency Act. If the company started taking responsibility for fake news, it might have to take responsibility for a lot more. Facebook had plenty of reasons to keep its head in the sand.

Roger McNamee, however, watched carefully as the nonsense spread. First there were the fake stories pushing Bernie Sanders, then he saw ones supporting Brexit, and then helping Trump. By the end of the summer, he had resolved to write an op-ed about the problems on the platform. But he never ran it. "The idea was, look, these are my friends. I really want to help them." And so on a Sunday evening, nine days before the 2016 election, McNamee emailed a 1,000-word letter to Sandberg and Zuckerberg. "I am really sad about Facebook," it began. "I got involved with the company more than a decade ago and have taken great pride and joy in the company's success ... until the past few months. Now I am disappointed. I am embarrassed. I am ashamed."

EDDIE GUY

VI

IT'S NOT EASY to recognize that the machine you've built to bring people together is being used to tear them apart, and Mark Zuckerberg's initial

peevish dismissal. Executives remember panic the first few days, with the leadership team scurrying back and forth between Zuckerberg's conference room (called the Aquarium) and Sandberg's (called Only Good News), trying to figure out what had just happened and whether they would be blamed. Then, at a conference two days after the election, Zuckerberg argued that filter bubbles are worse offline than on Facebook and that social media hardly influences how people vote. "The idea that fake news on Facebook—of which, you know, it's a very small amount of the content—influenced the election in any way, I think, is a pretty crazy idea," he said.

Zuckerberg declined to be interviewed for this article, but people who know him well say he likes to form his opinions from data. And in this case he wasn't without it. Before the interview, his staff had worked up a back-of-the-envelope calculation showing that fake news was a tiny percentage of the total amount of election-related content on the platform. But the analysis was just an aggregate look at the percentage of clearly fake stories that appeared across all of Facebook. It didn't measure their influence or the way fake news affected specific groups. It was a number, but not a particularly meaningful one.

Zuckerberg's comments did not go over well, even inside Facebook. They seemed clueless and self-absorbed. "What he said was incredibly damaging," a former executive told WIRED. "We had to really flip him on that. We realized that if we didn't, the company was going to start heading down this pariah path that Uber was on."

A week after his "pretty crazy" comment, Zuckerberg flew to Peru to give a talk to world leaders about the ways that connecting more people to the internet, and to Facebook, could reduce global poverty. Right after he landed in Lima, he posted something of a mea culpa. He explained that Facebook did take misinformation seriously, and he presented a vague seven-point plan to tackle it. When a professor at the New School named David Carroll saw Zuckerberg's post, he took a screenshot. Alongside it on Carroll's feed ran a headline from a fake CNN with an image of a distressed Donald Trump and the text "DISQUALIFIED; He's GONE!"

about politics. Barack Obama. Media reports portrayed the encounter as one in which the lame-duck president pulled Zuckerberg aside and gave him a “wake-up call” about fake news. But according to someone who was with them in Lima, it was Zuckerberg who called the meeting, and his agenda was merely to convince Obama that, yes, Facebook was serious about dealing with the problem. He truly wanted to thwart misinformation, he said, but it wasn’t an easy issue to solve.

Meanwhile, at Facebook, the gears churned. For the first time, insiders really began to question whether they had too much power. One employee told WIRED that, watching Zuckerberg, he was reminded of Lennie in *Of Mice and Men*, the farm-worker with no understanding of his own strength.

Very soon after the election, a team of employees started working on something called the News Feed Integrity Task Force, inspired by a sense, one of them told WIRED, that hyperpartisan misinformation was “a disease that’s creeping into the entire platform.” The group, which included Mosseri and Anker, began to meet every day, using whiteboards to outline different ways they could respond to the fake-news crisis. Within a few weeks the company announced it would cut off advertising revenue for ad farms and make it easier for users to flag stories they thought false.

In December the company announced that, for the first time, it would introduce fact-checking onto the platform. Facebook didn’t want to check facts itself; instead it would outsource the problem to professionals. If Facebook received enough signals that a story was false, it would automatically be sent to partners, like Snopes, for review. Then, in early January, Facebook announced that it had hired Campbell Brown, a former anchor at CNN. She immediately became the most prominent journalist hired by the company.

Soon Brown was put in charge of something called the Facebook Journalism Project. “We spun it up over the holidays, essentially,” says one person involved in discussions about the project. The aim was to demonstrate that Facebook was thinking hard about its role in the future of journalism—essentially, it was a more public and organized version of the efforts the company had begun after Murdoch’s tongue-lashing. But sheer anxiety was also part of the motivation.

news and just started hammering us. People started panicking and getting afraid that regulation was coming. So the team looked at what Google had been doing for years with News Lab”—a group inside Alphabet that builds tools for journalists—“and we decided to figure out how we could put together our own packaged program that shows how seriously we take the future of news.”

Facebook was reluctant, however, to issue any mea culpas or action plans with regard to the problem of filter bubbles or Facebook's noted propensity to serve as a tool for amplifying outrage. Members of the leadership team regarded these as issues that couldn't be solved, and maybe even shouldn't be solved. Was Facebook really more at fault for amplifying outrage during the election than, say, Fox News or MSNBC? Sure, you could put stories into people's feeds that contradicted their political viewpoints, but people would turn away from them, just as surely as they'd flip the dial back if their TV quietly switched them from Sean Hannity to Joy Reid. The problem, as Anker puts it, “is not Facebook. It's humans.”

VII

Zuckerberg's “pretty crazy” statement about fake news caught the ear of a lot of people, but one of the most influential was a security researcher named Renée DiResta. For years, she'd been studying how misinformation spreads on the platform. If you joined an antivaccine group on Facebook, she observed, the platform might suggest that you join flat-earth groups or maybe ones devoted to Pizzagate—putting you on a conveyor belt of conspiracy thinking.

Zuckerberg's statement struck her as wildly out of touch. “How can this platform say this thing?” she remembers thinking.

Roger McNamee, meanwhile, was getting steamed at Facebook's response to his letter. Zuckerberg and Sandberg had written him back promptly, but they hadn't said anything substantial. Instead he ended up having a months-long, ultimately futile set of email exchanges with Dan Rose, Facebook's VP for partnerships. McNamee says Rose's message was polite but also very firm: The company was

was a platform, not a media company.

“And I’m sitting there going, ‘Guys, seriously, I don’t think that’s how it works,’” McNamee says. “You can assert till you’re blue in the face that you’re a platform, but if your users take a different point of view, it doesn’t matter what you assert.”

As the saying goes, heaven has no rage like love to hatred turned, and McNamee’s concern soon became a cause—and the beginning of an alliance. In April 2017 he connected with a former Google design ethicist named [Tristan Harris](#) when they appeared together on Bloomberg TV. Harris had by then gained a national reputation as the conscience of Silicon Valley. He had been profiled on *60 Minutes* and in *The Atlantic*, and he spoke eloquently about the subtle tricks that social media companies use to foster an addiction to their services. “They can amplify the worst aspects of human nature,” Harris told WIRED this past December. After the TV appearance, McNamee says he called Harris up and asked, “Dude, do you need a wingman?”

The next month, [DiResta](#) published an article comparing purveyors of disinformation on social media to manipulative high-frequency traders in financial markets. “Social networks enable malicious actors to operate at platform scale, because they were designed for fast information flows and virality,” she wrote. Bots and sock puppets could cheaply “create the illusion of a mass groundswell of grassroots activity,” in much the same way that early, now-illegal trading algorithms could spoof demand for a stock. Harris read the article, was impressed, and emailed her.

The three were soon out talking to anyone who would listen about Facebook’s poisonous effects on American democracy. And before long they found receptive audiences in the media and Congress—groups with their own mounting grievances against the social media giant.

EVEN AT THE best of times, meetings between Facebook and media executives can feel like unhappy family gatherings. The two sides are inextricably bound together, but they don't like each other all that much. News executives resent that Facebook and Google have captured roughly three-quarters of the digital ad business, leaving the media industry and other platforms, like Twitter, to fight over scraps. Plus they feel like the preferences of Facebook's algorithm have pushed the industry to publish ever-dumber stories. For years, *The New York Times* resented that Facebook helped elevate BuzzFeed; now BuzzFeed is angry about being displaced by clickbait.

And then there's the simple, deep fear and mistrust that Facebook inspires. Every publisher knows that, at best, they are sharecroppers on Facebook's massive industrial farm. The social network is roughly 200 times more valuable than the *Times*. And journalists know that the man who owns the farm has the leverage. If Facebook wanted to, it could quietly turn any number of dials that would harm a publisher—by manipulating its traffic, its ad network, or its readers.

Emissaries from Facebook, for their part, find it tiresome to be lectured by people who can't tell an algorithm from an API. They also know that Facebook didn't win the digital ad market through luck: It built a better ad product. And in their darkest moments, they wonder: What's the point? News makes up only about 5 percent of the total content that people see on Facebook globally. The company could let it all go and its shareholders would scarcely notice. And there's another, deeper problem: Mark Zuckerberg, according to people who know him, prefers to think about the future. He's less interested in the news industry's problems right now; he's interested in the problems five or 20 years from now. The editors of major media companies, on the other hand, are worried about their next quarter—maybe even their next phone call. When they bring lunch back to their desks, they know not to buy green bananas.

This mutual wariness—sharpened almost to enmity in the wake of the election—did not make life easy for Campbell Brown when she started her new job

list was to head out on yet another Facebook listening tour with editors and publishers. One editor describes a fairly typical meeting: Brown and Chris Cox, Facebook's chief product officer, invited a group of media leaders to gather in late January 2017 at Brown's apartment in Manhattan. Cox, a quiet, suave man, sometimes referred to as "the Ryan Gosling of Facebook Product," took the brunt of the ensuing abuse. "Basically, a bunch of us just laid into him about how Facebook was destroying journalism, and he graciously absorbed it," the editor says. "He didn't much try to defend them. I think the point was really to show up and seem to be listening." Other meetings were even more tense, with the occasional comment from journalists noting their interest in digital antitrust issues.

As bruising as all this was, Brown's team became more confident that their efforts were valued within the company when Zuckerberg published a 5,700-word corporate manifesto in February. He had spent the previous three months, according to people who know him, contemplating whether he had created something that did more harm than good. "Are we building the world we all want?" he asked at the beginning of his post, implying that the answer was an obvious no. Amid sweeping remarks about "building a global community," he emphasized the need to keep people informed and to knock out false news and clickbait. Brown and others at Facebook saw the manifesto as a sign that Zuckerberg understood the company's profound civic responsibilities. Others saw the document as blandly grandiose, showcasing Zuckerberg's tendency to suggest that the answer to nearly any problem is for people to use Facebook more.

Shortly after issuing the manifesto, Zuckerberg set off on a carefully scripted listening tour of the country. He began popping into candy shops and dining rooms in red states, camera crew and personal social media team in tow. He wrote an earnest post about what he was learning, and he deflected questions

meaning effort to win friends for Facebook. But it soon became clear that Facebook's biggest problems emanated from places farther away than Ohio.

IX

ONE OF THE many things Zuckerberg seemed not to grasp when he wrote his manifesto was that his platform had empowered an enemy far more sophisticated than Macedonian teenagers and assorted low-rent purveyors of bull. As 2017 wore on, however, the company began to realize it had been attacked by a foreign influence operation. “I would draw a real distinction between fake news and the Russia stuff,” says an executive who worked on the company's response to both. “With the latter there was a moment where everyone said ‘Oh, holy shit, this is like a national security situation.’”

That holy shit moment, though, didn't come until more than six months after the election. Early in the campaign season, Facebook was aware of familiar attacks emanating from known Russian hackers, such as the group APT28, which is believed to be affiliated with Moscow. They were hacking into accounts outside of Facebook, stealing documents, then creating fake Facebook accounts under the banner of DCLeaks, to get people to discuss what they'd stolen. The company saw no signs of a serious, concerted foreign propaganda campaign, but it also didn't think to look for one.

During the spring of 2017, the company's security team began preparing a report about how Russian and other foreign intelligence operations had used the platform. One of its authors was Alex Stamos, head of Facebook's security team. Stamos was something of an icon in the tech world for having reportedly resigned from his previous job at Yahoo after a conflict over whether to grant a US intelligence agency access to Yahoo servers. According to two people with direct knowledge of the document, he was eager to publish a detailed, specific analysis of what the company had found. But members of the policy and communications team pushed back and cut his report way down. Sources close to the security team suggest the company didn't want to get caught up in the

communications teams insist they edited the report down, just because the darn thing was hard to read.)

On April 27, 2017, the day after the Senate announced it was calling then FBI director James Comey to testify about the Russia investigation, Stamos' report came out. It was titled "Information Operations and Facebook," and it gave a careful step-by-step explanation of how a foreign adversary could use Facebook to manipulate people. But there were few specific examples or details, and there was no direct mention of Russia. It felt bland and cautious. As Renée DiResta says, "I remember seeing the report come out and thinking, 'Oh, goodness, is this the best they could do in six months?'"

One month later, a story in *Time* suggested to Stamos' team that they might have missed something in their analysis. The article quoted an unnamed senior intelligence official saying that Russian operatives had bought ads on Facebook to target Americans with propaganda. Around the same time, the security team also picked up hints from congressional investigators that made them think an intelligence agency was indeed looking into Russian Facebook ads. Caught off guard, the team members started to dig into the company's archival ads data themselves.

Eventually, by sorting transactions according to a series of data points—Were ads purchased in rubles? Were they purchased within browsers whose language was set to Russian?—they were able to find a cluster of accounts, funded by a shadowy Russian group called the Internet Research Agency, that had been designed to manipulate political opinion in America. There was, for example, a page called Heart of Texas, which pushed for the secession of the Lone Star State. And there was Blacktivist, which pushed stories about police brutality against black men and women and had more followers than the verified Black Lives Matter page.

long to realize how the Russian troll farm was exploiting the platform. After all, the group was well known to Facebook. Executives at the company say they're embarrassed by how long it took them to find the fake accounts, but they point out that they were never given help by US intelligence agencies. A staffer on the Senate Intelligence Committee likewise voiced exasperation with the company. "It seemed obvious that it was a tactic the Russians would exploit," the staffer says.

When Facebook finally did find the Russian propaganda on its platform, the discovery set off a crisis, a scramble, and a great deal of confusion. First, due to a miscalculation, word initially spread through the company that the Russian group had spent millions of dollars on ads, when the actual total was in the low six figures. Once that error was resolved, a disagreement broke out over how much to reveal, and to whom. The company could release the data about the ads to the public, release everything to Congress, or release nothing. Much of the argument hinged on questions of user privacy. Members of the security team worried that the legal process involved in handing over private user data, even if it belonged to a Russian troll farm, would open the door for governments to seize data from other Facebook users later on. "There was a real debate internally," says one executive. "Should we just say 'Fuck it' and not worry?" But eventually the company decided it would be crazy to throw legal caution to the wind "just because Rachel Maddow wanted us to."

Ultimately, a blog post appeared under Stamos' name in early September announcing that, as far as the company could tell, the Russians had paid Facebook \$100,000 for roughly 3,000 ads aimed at influencing American politics around the time of the 2016 election. Every sentence in the post seemed to downplay the substance of these new revelations: The number of ads was small, the expense was small. And Facebook wasn't going to release them. The public wouldn't know what they looked like or what they were really aimed at doing.

This didn't sit at all well with DiResta. She had long felt that Facebook was insufficiently forthcoming, and now it seemed to be flat-out stonewalling. "That was when it went from incompetence to malice," she says. A couple of weeks later, while waiting at a Walgreens to pick up a prescription for one of her kids,

JONATHAN ALBRIGHT. He had been mapping ecosystems of misinformation since the election, and he had some excellent news. “I found this thing,” he said. Albright had started digging into CrowdTangle, one of the analytics platforms that Facebook uses. And he had discovered that the data from six of the accounts Facebook had shut down were still there, frozen in a state of suspended animation. There were the posts pushing for Texas secession and playing on racial antipathy. And then there were political posts, like one that referred to Clinton as “that murderous anti-American traitor Killary.” Right before the election, the Blacktivist account urged its supporters to stay away from Clinton and instead vote for Jill Stein. Albright downloaded the most recent 500 posts from each of the six groups. He reported that, in total, their posts had been shared more than 340 million times.

EDDIE GUY

X

TO MCNAMEE, THE way the Russians used the platform was neither a surprise nor an anomaly. “They find 100 or 1,000 people who are angry and afraid and then use Facebook’s tools to advertise to get people into groups,” he says. “That’s exactly how Facebook was designed to be used.”

McNamee and Harris had first traveled to DC for a day in July to meet with members of Congress. Then, in September, they were joined by DiResta and began spending all their free time counseling senators, representatives, and members of their staffs. The House and Senate Intelligence Committees were about to hold hearings on Russia’s use of social media to interfere in the US election, and McNamee, Harris, and DiResta were helping them prepare. One of the early questions they weighed in on was the matter of who should be summoned to testify. Harris recommended that the CEOs of the big tech companies be called in, to create a dramatic scene in which they all stood in a

tobacco executives had been forced to do a generation earlier. Ultimately, though, it was determined that the general counsels of the three companies—Facebook, Twitter, and Google—should head into the lion's den.

And so on November 1, Colin Stretch arrived from Facebook to be pummeled. During the hearings themselves, DiResta was sitting on her bed in San Francisco, watching them with her headphones on, trying not to wake up her small children. She listened to the back-and-forth in Washington while chatting on Slack with other security researchers. She watched as Marco Rubio smartly asked whether Facebook even had a policy forbidding foreign governments from running an influence campaign through the platform. The answer was no. Rhode Island senator Jack Reed then asked whether Facebook felt an obligation to individually notify all the users who had seen Russian ads that they had been deceived. The answer again was no. But maybe the most threatening comment came from Dianne Feinstein, the senior senator from Facebook's home state. "You've created these platforms, and now they're being misused, and you have to be the ones to do something about it," she declared. "Or we will."

After the hearings, yet another dam seemed to break, and former Facebook executives started to go public with their criticisms of the company too. On November 8, billionaire entrepreneur Sean Parker, Facebook's first president, said he now regretted pushing Facebook so hard on the world. "I don't know if I really understood the consequences of what I was saying," he said. "God only knows what it's doing to our children's brains." Eleven days later, Facebook's former privacy manager, Sandy Parakilas, published a [New York Times](#) op-ed calling for the government to regulate Facebook: "The company won't protect us by itself, and nothing less than our democracy is at stake."

XI

THE DAY OF the hearings, Zuckerberg had to give Facebook's Q3 earnings call. The numbers were terrific, as always, but his mood was not. Normally these calls can put someone with 12 cups of coffee in them to sleep; the executive gets

different approach. I've expressed how upset I am that the Russians tried to use our tools to sow mistrust. We build these tools to help people connect and to bring us closer together. And they used them to try to undermine our values. What they did is wrong, and we are not going to stand for it." The company would be investing so much in security, he said, that Facebook would make "significantly" less money for a while. "I want to be clear about what our priority is: Protecting our community is more important than maximizing our profits." What the company really seeks is for users to find their experience to be "time well spent," Zuckerberg said—using the three words that have become Tristan Harris' calling card, and the name of his nonprofit.

Other signs emerged, too, that Zuckerberg was beginning to absorb the criticisms of his company. The Facebook Journalism Project, for instance, seemed to be making the company take its obligations as a publisher, and not just a platform, more seriously. In the fall, the company announced that Zuckerberg had decided—after years of resisting the idea—that publishers using Facebook Instant Articles could require readers to subscribe. Paying for serious publications, in the months since the election, had come to seem like both the path forward for journalism and a way of resisting the post-truth political landscape. (WIRED recently instituted its own paywall.) Plus, offering subscriptions arguably helped put in place the kinds of incentives that Zuckerberg professed to want driving the platform. People like Alex Hardiman, the head of Facebook news products and an alum of *The New York Times*, started to recognize that Facebook had long helped to create an economic system that rewarded publishers for sensationalism, not accuracy or depth. "If we just reward content based on raw clicks and engagement, we might actually see content that is increasingly sensationalist, clickbaity, polarizing, and divisive," she says. A social network that rewards only clicks, not subscriptions, is like a dating service that encourages one-night stands but not marriages.

XII

quarterly all-hands meetings on the Facebook campus, in an outdoor space known as Hacker Square. He told everyone he hoped they would have a good holiday. Then he said, “This year, with recent news, a lot of us are probably going to get asked: ‘What is going on with Facebook?’ This has been a tough year ... but ... what I know is that we’re fortunate to play an important role in billions of people’s lives. That’s a privilege, and it puts an enormous responsibility on all of us.” According to one attendee, the remarks came across as blunter and more personal than any they’d ever heard from Zuckerberg. He seemed humble, even a little chastened. “I don’t think he sleeps well at night,” the employee says. “I think he has remorse for what has happened.”

During the late fall, criticism continued to mount: Facebook was accused of becoming a central vector for spreading deadly propaganda against the Rohingya in Myanmar and for propping up the brutal leadership of Rodrigo Duterte in the Philippines. And December brought another haymaker from someone closer by. Early that month, it emerged that Chamath Palihapitiya, who had been Facebook’s vice president for user growth before leaving in 2011, had told an audience at Stanford that he thought social media platforms like Facebook had “created tools that are ripping apart the social fabric” and that he feels “tremendous guilt” for being part of that. He said he tries to use Facebook as little as possible and doesn’t permit his children to use such platforms at all.

The criticism stung in a way that others hadn’t. Palihapitiya is close to many of the top executives at Facebook, and he has deep cachet in Silicon Valley and among Facebook engineers as a part-owner of the Golden State Warriors. Sheryl Sandberg sometimes wears a chain around her neck that’s welded together from one given to her by Zuckerberg and one given to her by Palihapitiya after her husband’s death. The company issued a statement saying it had been a long time since Palihapitiya had worked there. “Facebook was a very different company back then and as we have grown we have realized how our responsibilities have grown too.” Asked why the company had responded to Palihapitiya, and not to others, a senior Facebook executive said, “Chamath is—was—a friend to a lot of people here.”

published an essay in *Washington Monthly* and then followed up in *The Washington Post* and *The Guardian*. Facebook was less impressed with him. Executives considered him to be overstating his connection to the company and dining out on his criticism. Andrew Bosworth, a VP and member of the management team, tweeted, “I’ve worked at Facebook for 12 years and I have to ask: Who the fuck is Roger McNamee?”

Zuckerberg did seem to be eager to mend one fence, though. Around this time, a team of Facebook executives gathered for dinner with executives from News Corp at the Grill, an upscale restaurant in Manhattan. Right at the start, Zuckerberg raised a toast to Murdoch. He spoke charmingly about reading a biography of the older man and of admiring his accomplishments. Then he described a game of tennis he’d once played against Murdoch. At first he had thought it would be easy to hit the ball with a man more than 50 years his senior. But he quickly realized, he said, that Murdoch was there to compete.

XIII

ON JANUARY 4, 2018, Zuckerberg announced that he had a new personal challenge for the year. For each of the past nine years, he had committed himself to some kind of self-improvement. His first challenge was farcical—wear ties—and the others had been a little preening and collegiate. He wanted to learn Mandarin, read 25 books, run 365 miles. This year, though, he took a severe tone. “The world feels anxious and divided, and Facebook has a lot of work to do—whether it’s protecting our community from abuse and hate, defending against interference by nation-states, or making sure that time spent on Facebook is time well spent,” Zuckerberg declared. The language wasn’t original—he had borrowed from Tristan Harris again—but it was, by the accounts of many people around him, entirely sincere.

That New Year’s challenge, it turned out, was a bit of carefully considered choreography setting up a series of announcements, starting with a declaration the following week that the News Feed algorithm would be rejiggered to favor

—but not comment or care—would be deprioritized. The idea, explained Adam Mosseri, is that, online, “interacting with people is positively correlated with a lot of measures of well-being, whereas passively consuming content online is less so.”

To numerous people at the company, the announcement marked a huge departure. Facebook was putting a car in reverse that had been driving at full speed in one direction for 14 years. Since the beginning, Zuckerberg’s ambition had been to create another internet, or perhaps another world, inside of Facebook, and to get people to use it as much as possible. The business model was based on advertising, and advertising was insatiably hungry for people’s time. But now Zuckerberg said he expected these new changes to News Feed would make people use Facebook *less*.

The announcement was hammered by many in the press. During the rollout, Mosseri explained that Facebook would downgrade stories shared by businesses, celebrities, and publishers, and prioritize stories shared by friends and family. Critics surmised that these changes were just a way of finally giving the publishing industry a middle finger. “Facebook has essentially told media to kiss off,” Franklin Foer wrote in *The Atlantic*. “Facebook will be back primarily in the business of making us feel terrible about the inferiority of our vacations, the relative mediocrity of our children, teasing us into sharing more of our private selves.”

But inside Facebook, executives insist this isn’t remotely the case. According to Anker, who retired from the company in December but worked on these changes, and who has great affection for the management team, “It would be a mistake to see this as a retreat from the news industry. This is a retreat from ‘Anything goes if it works with our algorithm to drive up engagement.’” According to others still at the company, Zuckerberg didn’t want to pull back from actual journalism. He just genuinely wanted there to be less crap on the platform: fewer stories with no substance; fewer videos you can watch without thinking.

And then, a week after telling the world about “meaningful interactions,” Zuckerberg announced another change that seemed to answer these concerns,

posted to his personal page, Facebook will start to boost certain publishers—ones whose content is “trustworthy, informative, and local.” For the past year, Facebook has been developing algorithms to hammer publishers whose content is fake; now it’s trying to elevate what’s good. For starters, he explained, the company would use reader surveys to determine which sources are trustworthy. That system, critics were quick to point out, will surely be gamed, and many people will say they trust sources just because they recognize them. But this announcement, at least, went over a little better in boardrooms and newsrooms. Right after the post went up, the stock price of *The New York Times* shot up—as did that of News Corp.

Zuckerberg has hinted—and insiders have confirmed—that we should expect a year of more announcements like this. The company is experimenting with giving publishers more control over paywalls and allowing them to feature their logos more prominently to reestablish the brand identities that Facebook flattened years ago. One somewhat hostile outside suggestion has come from Facebook’s old antagonist Murdoch, who said in late January that if Facebook truly valued “trustworthy” publishers, it should pay them carriage fees.

The fate that Facebook really cares about, however, is its own. It was built on the power of network effects: You joined because everyone else was joining. But network effects can be just as powerful in driving people off a platform. Zuckerberg understands this viscerally. After all, he helped create those problems for MySpace a decade ago and is arguably doing the same to Snap today. Zuckerberg has avoided that fate, in part, because he has proven brilliant at co-opting his biggest threats. When social media started becoming driven by images, he bought Instagram. When messaging took off, he bought WhatsApp. When Snapchat became a threat, he copied it. Now, with all his talk of “time well spent,” it seems as if he’s trying to co-opt Tristan Harris too.

But people who know him say that Zuckerberg has truly been altered in the crucible of the past several months. He has thought deeply; he has reckoned with what happened; and he truly cares that his company fix the problems swirling around it. And he’s also worried. “This whole year has massively changed his personal techno-optimism,” says an executive at the company. “It

EXHIBIT 141

techcrunch.com

Facebook is pushing its data-tracking Onavo VPN within its main mobile app

Sarah Perez@sarahintampa / Feb 12, 2018comment Comment

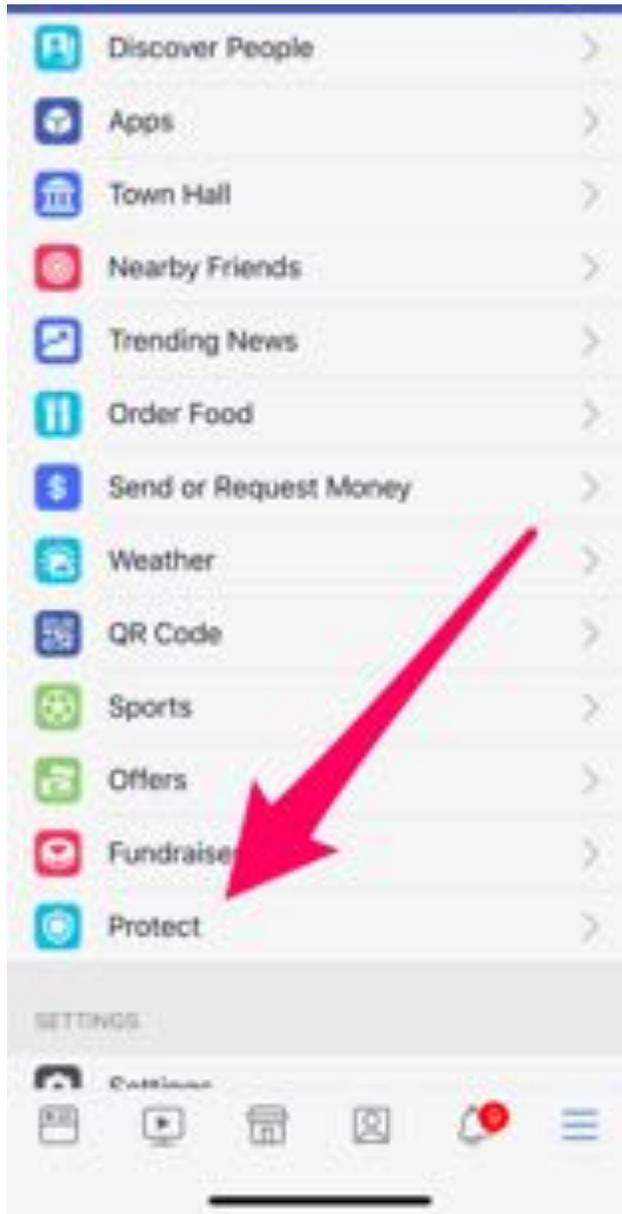
4-5 minutes

[Onavo Protect](#), the VPN client from the data-security app maker [acquired by Facebook back in 2013](#), has now popped up in the Facebook iOS app itself, under the banner “Protect” in the navigation menu. Clicking through on “Protect” will redirect Facebook users to the “[Onavo Protect – VPN Security](#)” app’s listing on the App Store.

It’s unclear what percentage of Facebook’s iOS user base is seeing the option, or which markets may have had this listing before, as there’s been little reporting on the feature.* [See Facebook comment below. The company now confirms this is available to iOS users in the U.S.]

We do know this is not the first time Onavo’s Protect has shown up in Facebook’s app – [it was spotted before in 2016 in the UK](#). The company also tells us it’s been available in the Android app since around the same time.

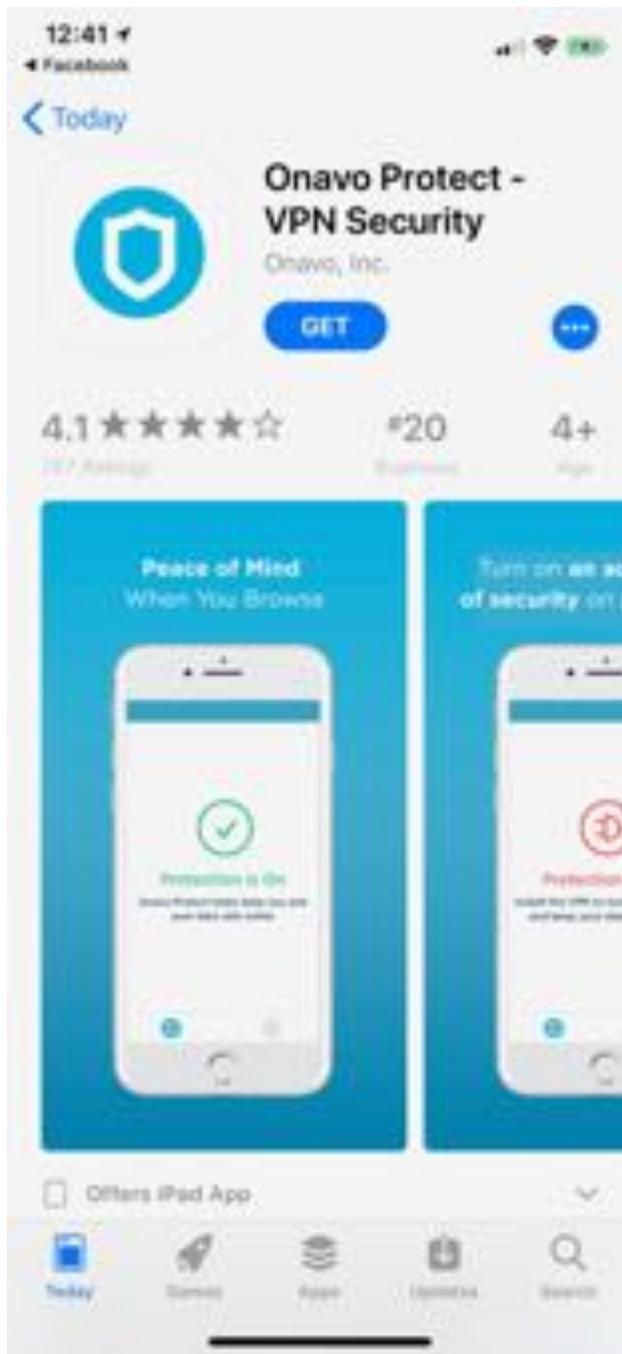




Marketing Onavo within Facebook itself could lead to a boost in users for the VPN app, which promises to warn users of malicious websites and keep information secure – like bank account and credit card numbers – as you browse. But Facebook didn't buy Onavo for its security protections.

Instead, Onavo's VPN allow Facebook to monitor user activity across apps, giving Facebook a big advantage in terms of spotting new trends across the larger mobile ecosystem. For example, Facebook gets an early heads up about apps that are

becoming breakout hits; it can tell which are seeing slowing user growth; it sees which apps' new features appear to be resonating with their users, and much more.



This data has already helped Facebook in a number of ways, most notably in its [battle](#) with Snapchat. At The WSJ [reported](#) last August, Facebook could tell that Instagram's launch of Stories – a Snapchat-like feature – was working to slow

Snapchat's user growth, before the company itself even publicly disclosed this fact.

This past fall, Facebook [snatched up the teen compliment app tbh](#), and quickly integrated [a similar Q&A feature into its social network](#) soon after. This all took place before Tbh had truly established itself as a new social network. It wasn't clear at the time if it was the next big thing, or just a flash in the pan. (It [appears](#) to have been the latter.) Onavo's insights into Tbh's fast rise and heavy engagement likely gave Facebook a heads-up.

The Onavo app today has more than 33 million installs across the iOS App Store and Google Play, according to data from Sensor Tower. Around 62 percent of those from Google Play – which could be another reason why Facebook is giving Onavo a push on iOS. The U.S. is currently the app's largest user base, followed by India and Brazil.

Onavo's app store description explains that it's "a part of Facebook," and that it's used to "improve Facebook products and services, gain insights into the products and service people value, and build better experiences."

However, it's not likely that all Onavo users understand they're actually feeding Facebook the information that allows it to take on any challenger to its social networking empire. (That empire also includes WhatsApp and Instagram as well as smaller acquisitions like tbh and MSQRD).

This would not be the first time Facebook has integrated one of its other mobile apps into Facebook itself. The company earlier made it [easier to launch Instagram through a new Facebook](#)

[feature](#), and it has [tested](#) and [rolled out](#) various WhatsApp integrations, too.

~~Facebook hasn't yet offered a comment on the new addition of Onavo to its main app, but we'll update this post if one is provided.~~

*** Update, 2/13/18, 9:30 PM ET:** Facebook has now provided a comment, confirming the iOS addition is new.

“We recently began letting people in the U.S. access Onavo Protect from the Facebook app on their iOS devices,” Erez Naveh, Product Manager at Onavo told TechCrunch via email.

“Like other VPNs, it acts as a secure connection to protect people from potentially harmful sites. The app may collect your mobile data traffic to help us recognize tactics that bad actors use. Over time, this helps the tool work better for you and others. We let people know about this activity and other ways that Onavo uses and analyses data before they download it.”

EXHIBIT 142

TIME

Why Mark Zuckerberg Can't Be Trusted to Regulate Facebook



Facebook CEO Mark Zuckerberg at the annual Facebook F8 developers conference in San Jose, Calif. on April 18, 2017. Stephen Lam—Reuters

By NIALL FERGUSON February 1, 2018

IDEAS

Ferguson is the author of the new book [The Square and the Tower: Networks and Power from the Freemasons to Facebook](#).

Facebook is weathering a storm: The dominant global player in social networks has witnessed increasingly **worrisome revelations about its role in the 2016 U.S.**

elections, raising concerns about the company's power. This has coincided with a revival of interest in antitrust policies on the left and a growing suspicion of **Facebook's liberal politics on the right**. Meanwhile, a growing body of **research** points to the psychological **harm** caused, especially to young people, by the addictive qualities of Facebook's mobile app. All of this has made Facebook the least loved of the biggest American technology companies — and led founder and chief executive **Mark Zuckerberg to pledge to "fix" Facebook**. And who better to do that, he says, than Facebook itself?

History would suggest otherwise.

The U.S. economy has seen a litany of super-successful businesses that faced backlashes when they got too big. John D. Rockefeller, Andrew Carnegie, **J.P. Morgan**, Henry Ford: each discovered that the economic benefits of large-scale enterprise sooner or later incurred regulatory costs. Neither promises to reform, nor political lobbying, nor high-profile philanthropy sufficed to ward off the backlash.

Standard Oil was originally praised for raising industry efficiency and for lowering the price of kerosene from 26 cents in 1870, when Rockefeller's market share was 4%, to 7 cents in 1890, when his market share reached 90%. But muckraking investigative journalism, especially Ida Tarbell's *The History of the Standard Oil Company*, fueled public outrage over Rockefeller's anti-competitive business practices, which included rigging railroad prices against rivals.

Antitrust was animated by what Supreme Court Justice Louis D. Brandeis termed "the curse of bigness" — the idea that firms could be too big to treat employees on equal terms, to be efficient and to treat rivals fairly. This laid the political groundwork for the 1911 landmark judgment in *Standard Oil Co. of New Jersey v. United States*, which broke Standard Oil up into 34 separate firms.

Yet the chances of a successful anti-trust action against Facebook — or any of the other big tech companies — seem small. Proving that the company's near monopoly on online social networking hurts consumers would be very hard indeed. After all, using Facebook is free.

The biggest threat to **Facebook's future** is instead its founder's insistence that Facebook is a technology company, not a content publisher, and that it can fix its problems by tweaking its **News Feed algorithm** and hiring ten thousand "content moderators." This response glaringly conflicts with reality. Sooner or later it will surely be challenged — most likely by an amendment to the mid-1990s legislation that currently exempts all Internet platforms from liability for the content they host.

A better analogy for Zuckerberg and Facebook, then, is William Randolph Hearst and his newspaper group — which Facebook has now eclipsed as the biggest content publisher in American history. Zuckerberg would do well to consider Hearst's fate.

Having been expelled from Harvard, Hearst was given the *San Francisco Examiner* in 1887 as a gift from his wealthy father, who had won it in a bet. Hearst invested in superior printing technology and hired top writers such as Mark Twain to transform the paper into "The Monarch of the Dailies."

In 1894, Hearst bought the *New York Journal*, going head-to-head with Joseph Pulitzer and 16 other New York dailies. In all, Hearst founded or acquired 42 newspapers, including at least one newspaper in every major American city. He later added magazines (such as *Cosmopolitan*), news services and radio (WINS). At their peak in the mid-1930s, **Hearst's papers** reached 20 million readers a day, one in four Americans.

With high circulation came great power. Hearst papers appealed to the urban working class, mixing populist and progressive politics with nationalism and xenophobia and later isolationism. In the 1890s, Hearst backed the populist Democratic presidential candidate William Jennings Bryan. In 1901, he was blamed by some for the assassination of President William McKinley by an anarchist. Hearst's role in pressing for the Spanish-American War ("the Journal's War") is a notorious case of "**fake news**" (known in those days as "yellow journalism") leading to a major political event.

Some have speculated that Mark Zuckerberg harbors political ambitions. Hearst certainly did. He served as representative for the 11th District of New York for two terms (1903–1907), leaving the House to run for Governor of New York. But he lost

that race. He also made unsuccessful bids to be the Mayor of New York (1905 and 1909) and the Democratic nominee for President (1904) — hence “William ‘Also-Randolph’ Hearst.”

The more Hearst played politics, the worse his business did. In the 1920s, he invested heavily in real estate in California, New York City and Mexico, as well as in art. These decisions proved disastrous in the aftermath of the 1929 crash. In 1937, the Hearst Corporation underwent a court-mandated reorganization, and Hearst lost control of the company. He cut an increasingly bizarre figure in his later life, much of which was spent in his grandiose castle at Saint Simeon or the Beverly House in Beverly Hills. The 1941 film *Citizen Kane* immortalized his rise and fall — though the Hearst Corporation outlived its founder.

Hearst author **Mark Twain never said**: “History doesn’t repeat itself, but it does rhyme.” What he wrote was: “History never repeats itself, but the Kaleidoscopic combinations of the pictured present often seem to be constructed out of the broken fragments of antique legends.” Judging by its response to the public relations that has recently engulfed it, Facebook could use Twain’s kaleidoscope.

Citizen Kane — and for that matter, Hearst’s life — offers a story of a genius whose success and power ultimately divorces him from the real world. Citizen Zuck should watch it. Though he won’t like it.

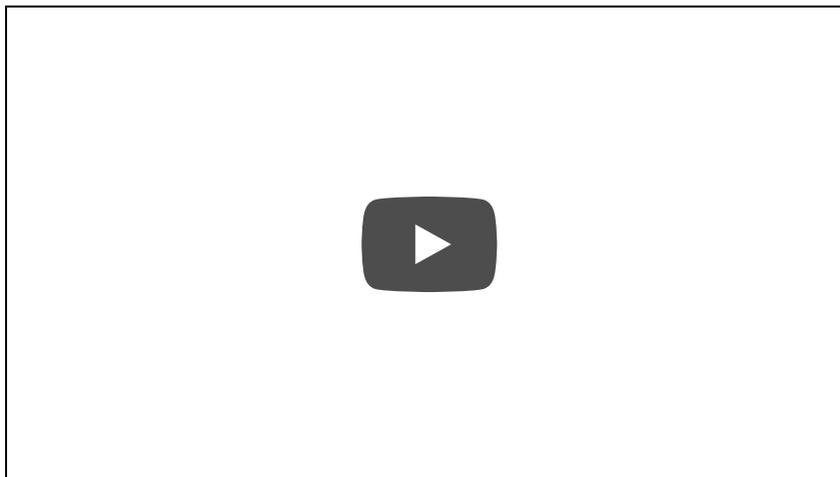
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EXHIBIT 143



The Four Horsemen: Amazon/Apple/Facebook & Google - Who Wins/Loses (Scott Galloway, L2 Inc.) |

1,133,842 views 4.3K 118 SHARE ⋮



DLDconference
Published on Jan 20, 2015

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AUTOPLAY



Scott Galloway - The Four

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**canadianroot** 2 years ago

I needed this guy to speak faster.

 36  [REPLY](#)[View reply](#) **paco** 3 years ago

This guy swallowed the red pill

 44  [REPLY](#)[View all 5 replies](#) **jsssm** 3 years ago

Sorry, but this guy needs to work on his presentation skills if he is going to go this fast and he needs to memorize his slides better.

 22  [REPLY](#)[View all 6 replies](#) **Simon Crabb** 3 years ago

That was the best presentation I've ever seen. This guy is a genius.

 16  [REPLY](#)[View all 3 replies](#) **Specs8i** 3 years ago

He wasn't kidding when he said "fasten your seatbelt". Watch this at half speed.

 14  [REPLY](#)**Nicolas B.** 1 year ago

 10  [REPLY](#)

[View reply](#) 

mf_jones 2 years ago (edited)

I was quite skeptical about the prognosis for Amazon when I first watched this presentation a year ago. I decided to follow up in 12 months - none of the predictions about AMZN are true. Especially the one about brick-n-mortar

 9  [REPLY](#)

[View all 5 replies](#) 

Jim deVos 3 years ago

It feels like Aaron Sorkin wrote this presentation.

 8  [REPLY](#)

Thomas Power  3 years ago

beyond awesome

 7  [REPLY](#)

Bammonb 2 years ago

One of the best presentations I have seen in a long time.
Thank You

 5  [REPLY](#)

Kieron McKindle 3 years ago

Ultimately, big-data trends (outside of healthcare) will end up being the snake eating its own tail. For media, this means a self-consuming race to the bottom. i.e. Collect initial data; produce accordingly; collect data from data-
[Read more](#)

 4  [REPLY](#)

[View all 9 replies](#) 

Bryce meercat 1 year ago

published almost a year ago this guy is so wrong.

 3  [REPLY](#)

chris anderson 1 year ago

amazon is increasing in caphis prediction was wrong

Brent Shulman 1 year ago

This guys is great

 2  REPLY

Stevedsims 3 years ago

well said!

 1  REPLY

Vene Tiglao 3 years ago

That was actually very brilliant.

 1  REPLY

Karolis Karalevicius 3 years ago

what an amazingly insightful overview.

 1  REPLY

Marshall Wilkinson 1 year ago

This is the infamous speech where he gets it totally wrong on Amazon. Which he humbly bones up to now.

 1  REPLY

View reply 

babemonster101 2 years ago

Hi awesome channel keep it up . Q ? Do you have a podcast channel ?

 1  REPLY

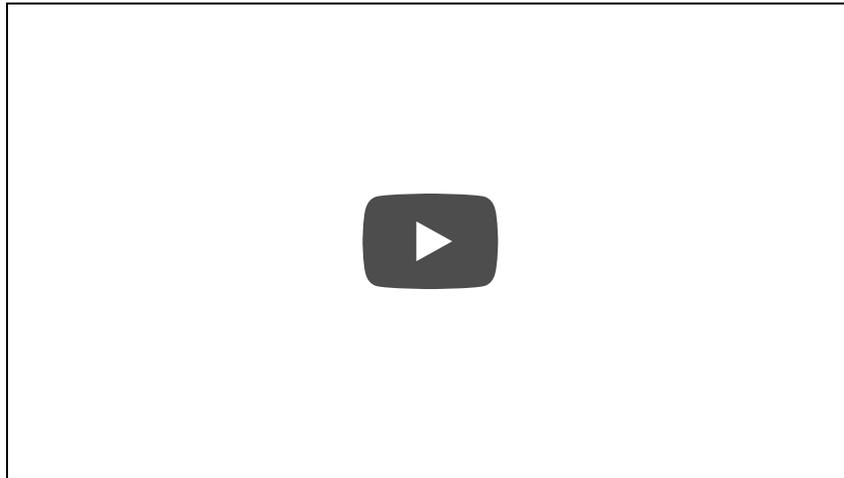
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Robert May 3 years ago

brilliant as always. Though AMZN too can utilize UBER, Lyft, or Task Rabbit to deliver locally. Jurassic Park <guffaw>

 1  REPLY

EXHIBIT 144



It's Time: Break Up Big Tech

49,995 views 2.3K 75 SHARE



L2inc
Published on Dec 21, 2017

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Why should we break up Big Tech? Because we're capitalists.

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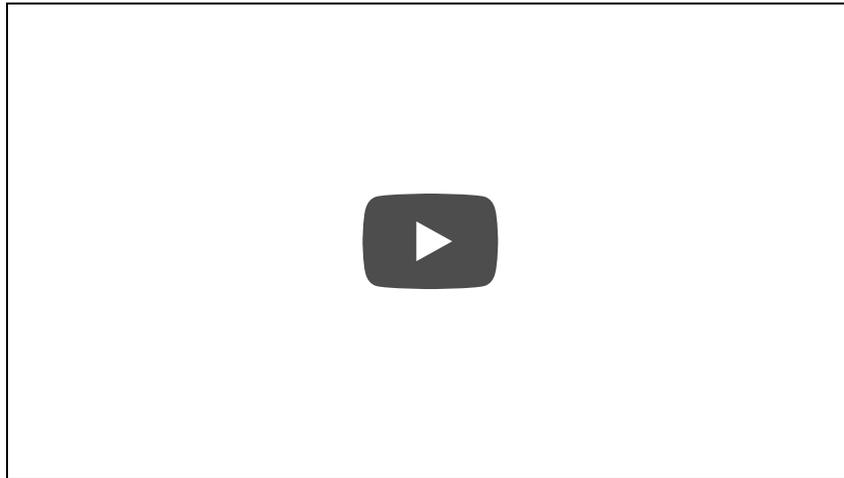


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EXHIBIT 145



Scott Galloway - The Four - What To Do

141,731 views  2.6K  63  SHARE  



L2inc

Published on Jul 26, 2017

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Worth more than \$2.3 trillion combined, the Big Four (Apple, Amazon, Facebook, and Google) continue to grab share from media companies, brands, and retailers. Scott Galloway, Professor of Marketing at the NYU Stern School of Business and Founder of L2, will showcase how the traditional rules of business don't apply to the Big Four and identify ways that brands and companies can fight back.

Scott Galloway is a Clinical Professor at the NYU Stern School of Business where he teaches brand strategy and digital marketing. In 2012, Professor Galloway was named "One of the World's 50 Best Business School Professors" by Poets & Quants. He is also the founder of Red Envelope and Prophet Brand Strategy. Scott was elected to the World Economic Forum's Global Leaders of Tomorrow and has served on the boards of directors of Urban Outfitters (Nasdaq: URBN), Eddie Bauer (Nasdaq: EBHI), The New York Times Company (NYSE: NYT), and UC Berkeley's Haas School of Business. He received a B.A. from UCLA and an M.B.A. from UC Berkeley.

The L2 Digital Leadership Academy, led by faculty from

tactical sessions on digital topics.

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AUTOPLAY



Scott Galloway: I Hate Millennials

L2inc
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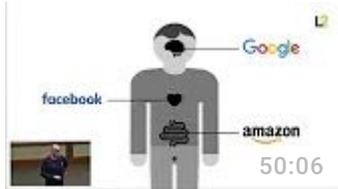
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Death of the Industrial Advertising Complex

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854K views

Valuing Tech's Titans

L2inc
282K views

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c kwiz 8 months ago
oh 48min i like that

👍 77 🗨️ REPLY

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Nicholas Mitchell 8 months ago
I see Scott Galloway, I click.

👍 104 🗨️ REPLY



Haruspex 8 months ago
Talk about blockchains Scott

👍 105 🗨️ REPLY

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Mirai 8 months ago
I'm a business student at a university and I have never received anything close to this lecture in quality, eloquence, and focus. I was truly fascinated the entire time

[View all 3 replies](#) ▾



CruiserZone 8 months ago

7:50 ...That's not Germany, that's Poland.

30 [REPLY](#)

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Jesus Gaud 8 months ago (edited)

This video lecture is amazing, no really, it is amazing.

22 [REPLY](#)

Maria Petrova 8 months ago

Thanks for releasing to nonmembers

47 [REPLY](#)

[View reply](#) ▾

LetTheWritersWrite 8 months ago

Amazon is going to take a hit and break Scott's heart.

14 [REPLY](#)

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Steve Steele 4 months ago

China may own America's debt but America owns the market.

4 [REPLY](#)

Paul Martin 8 months ago

So, in short, we're all being played... great.

9 [REPLY](#)

[View all 4 replies](#) ▾

mynameismatt2010 8 months ago

More people have died of malaria than any other ailment, not starvation.

7 [REPLY](#)

[View all 6 replies](#) ▾

 6  REPLY

Charles White 8 months ago

Good stuff, man. Please talk about Block chains.....thanks!

 5  REPLY

View reply ▾

Fenrir 8 months ago

Wow, just wow. This almost makes me want to get more into studying economics.

 4  REPLY

View reply ▾

Luke Musser 8 months ago

'the problem of profitability' - I've heard it all.

 3  REPLY

View all 2 replies ▾

dmc2020 8 months ago

Made it something like 37 minutes in, then I had to dismiss you. The Apple/Blackberry bit about made me sick. I think you're dangerously confused about privacy, encryption/ciphers (math)...

 3  REPLY

Patternicity 8 months ago (edited)

He's wrong about apple, the FBI always had the ability to hack the iPhone, and eventually they just did it themselves. What they were really after is a master key that would make it easier and cheaper for them and create a massive

Read more

 5  REPLY

Paul Martin 8 months ago

Surely the privacy aspect keeps Apple in its own category. I don't trust 'free' services...

 2  REPLY

Under 25 does not use Facebook.

 2  REPLY

View all 3 replies ▾

L Miller 8 months ago (edited)

Not too sure about the war history, Scott.

Love your videos but making fundamental inaccuracies in war history (not a lot of missiles in WWII tank battles until
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 2  REPLY

EXHIBIT 146



Like 3 Search in newsroom

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June 15, 2015

Introducing Moments: A Private Way to Share Photos With Friends

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By *Will Ruben*, Product Manager

With a phone at everyone’s fingertips, the moments in our lives are captured by a new kind of photographer: our friends. It’s hard to get the photos your friends have taken of you, and everyone always insists on taking that same group shot with multiple phones to ensure they get a copy. Even if you do end up getting some of your friends’ photos, it’s difficult to keep them all organized in one place on your phone.

To help make this easier, today we’re announcing a new standalone app called [Moments](#).

Contact Us

press@fb.com

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When you go to a wedding, for example, there are many people taking great photos throughout the day. You all want a quick way to share your photos with the friends who are in them, and get photos that you're in back. The same is true for smaller events too, like a kayak trip or a night out.

Syncing photos with the Moments app is a private way to give photos to friends and get the photos you didn't take. Moments groups the photos on your phone based on when they were taken and, using facial recognition technology, which friends are in them. You can then privately sync those photos quickly and easily with specific friends, and they can choose to sync their photos with you as well. Now, you and your friends have all the photos you took together.

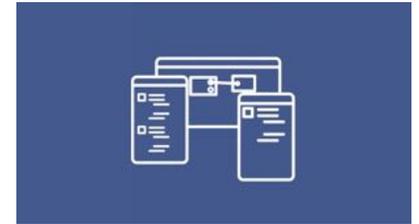


Moments also keeps all of your synced photos organized and even lets you search them to find the ones that you or specific friends are in.

Moments uses facial recognition technology to group your photos based on the friends who are in them. This is the same technology

2006

Featured News



Hard Questions: What Data Does Facebook Collect When I'm Not Using Facebook, and Why?

April 16, 2018

Explaining more about the information we get from other websites and apps; how we use the data they send...

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Data Abuse Bounty: Facebook Now Rewards for Reports of Data Abuse

April 10, 2018

Facebook is launching the Data Abuse Bounty to reward people who report any misuse of data by app developers.

[Read more](#)

that powers tag suggestions on Facebook. You can control tag suggestions in your [Settings](#).

Moments is a [Creative Labs](#) app. It is launching today in the US on iOS and Android, and will be rolling out to more countries over time. You can download Moments from the [App Store](#) or [Google Play](#).

Update as of 9/25/15:

In June we launched the [Moments](#) app in the US, giving people an easier and faster way to privately share their photos with friends. Today, we're making Moments available on the App Store and Google Play in most countries. Now available in 34 languages, the app will also include a new 'Storyline' feature which automatically creates customizable movies based on your Moments. Storyline will create a movie for you by choosing the best photos in your Moment and synchronizing them to your choice of 11 music selections. Moments with at least six photos will have a movie waiting for you that you can edit and preview in real time and then share.

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April 3, 2018

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EXHIBIT 147

✖ CURSED WITH LIMBS OF FLESH AND BONE

FUTURE TENSE

Facebook Crushed Everyone's "Pivot to Video"—Except Its Own

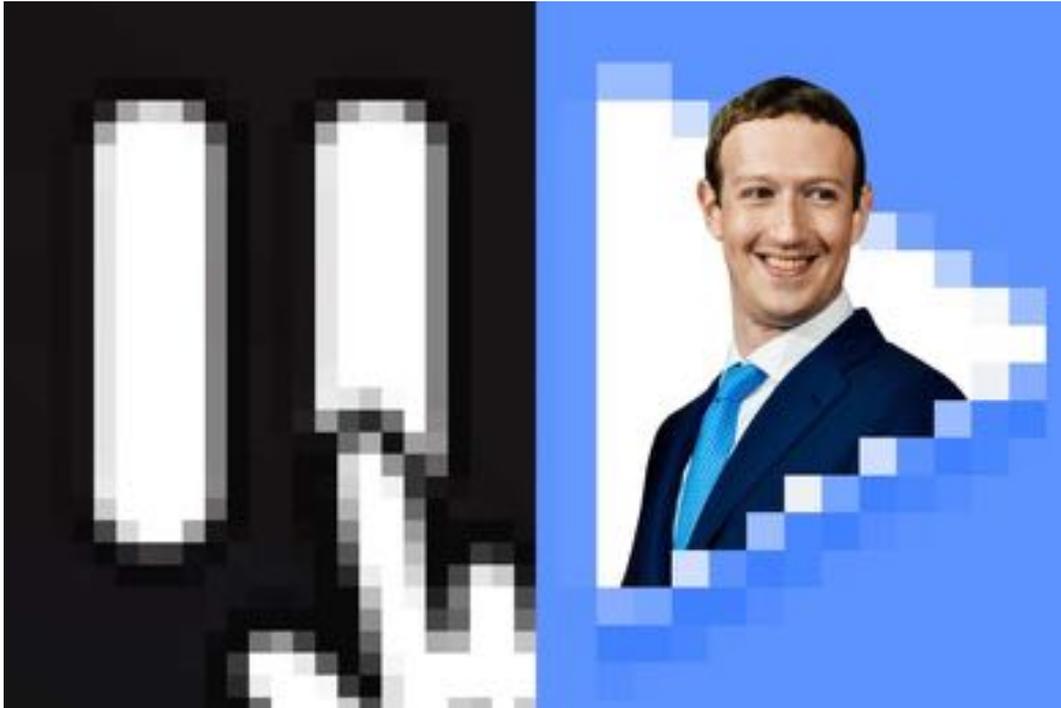
How the shift from "passive" consumption to "meaningful interactions" could boost Facebook Live and Facebook Watch.

By WILL OREMUS
JAN 18, 2018 • 8:35 PM

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Mark Zuckerberg

Photo illustration by Slate. Photo by Paul Marotta/Getty Images.

Facebook's big news feed changes are bad news for video publishers—unless they're using one of Facebook's new favorite video platforms.

The company's shift from "passive" consumption to "meaningful interaction," announced last week, induced panic among media companies that have come to rely heavily on Facebook to reach their audiences. (There could also be some silver linings.) In particular, it has been widely construed as a death knell for publishers that made the

infamous "pivot to video"—turning from written articles to creating videos that were meant to be viewed and shared in the news feed. That they did this largely on Facebook's own advice makes the latest changes feel to some like a betrayal, although no one can say they weren't warned.

"There will be less video," Facebook's head of news feed, Adam Mosseri, confirmed in a Saturday interview with Wired. He explained that watching video is "a passive experience" that provokes "less conversation" than other types of posts.

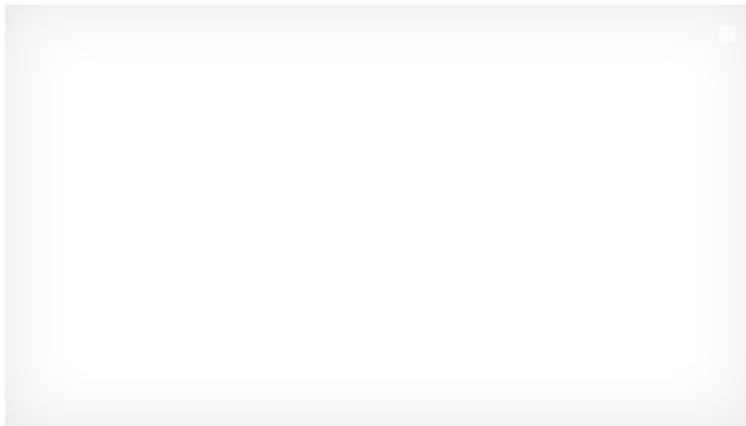
You might think this shift would also threaten two high-profile video platforms that Facebook itself has been actively pushing: Facebook Watch, its nascent hub for TV-like video "shows," and Facebook Live, its livestreaming tool. But it seems you would be wrong. The company told me that it has found both Watch and Live to be particularly effective in encouraging comments and discussion among viewers—the very signals that Facebook's news feed algorithm will now be emphasizing.

In fact, Mosseri used Facebook Live as Exhibit A in the company's Jan. 11 blog post explaining the types of content that the changes are meant to *encourage*. He wrote:

Page posts that generate conversation between people will show higher in News Feed. For example, live videos often lead to discussion among viewers on Facebook—in fact, live videos on average get six times as many interactions as regular videos.

In other words, the more the news feed emphasizes discussion over passive viewership, the more live videos we can expect to see there—especially those shared or commented on by friends and family. (Facebook reportedly stopped paying publishers to produce Facebook Live videos in December 2017.)

ADVERTISING



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This dovetails with CEO Mark Zuckerberg's comments on Facebook's last earnings call, which presaged the social network's new focus on time well spent. "Over the next three years, the biggest trend in our products will be the growth of video," Zuckerberg said in November 2017. He used Watch as an example of the type of video platform that should thrive under the new order, because it encourages a show's fans to connect with one another and discuss each episode. "We've found that communities formed around video like TV shows or sports create a greater sense of belonging than many other kinds of communities," he added.

Despite some early setbacks, the company appears to be redoubling its Watch push in the wake of the algorithm changes. On Wednesday, it began testing a new feature called "Watch Party" that lets Facebook groups organize virtual screenings of videos, which they can then discuss among themselves in real time. "As we think about video on Facebook, we're focused on creating experiences that bring people closer together and inspire human connection instead of passive consumption," explained the company's VP of product, Fidji Simo.

Like Facebook's live videos, Watch videos can be found in a separate tab from the main news feed, which might seem to insulate them from changes to the algorithm. But media companies interviewed by Digiday reported that most viewing happens inside the news feed, as users who like a show then find its episodes cropping up among posts from their friends and families. Facebook has also been aggressive in its use of notifications to promote both Live and Watch, such as notifying you whenever a friend comments on a show from a Watch page you're following.

A Facebook spokesperson confirmed to me that Watch and Live could benefit, on the whole, from the company's new focus. The spokesperson cautioned, however, that it's impossible to predict how the algorithm will affect any particular page, show, or broadcast. Some could wither while others flourish, depending on the types of interaction they encourage.

A cynic might wonder whether boosting its own pet video projects might have been a hidden motivation for Facebook's latest news feed changes. That would be rather devious if it were the case, as Facebook has gone out of its way to frame the move in terms of users' well-being, rather than its own business interests. It seems like a stretch, however: The news feed changes are global and should have sweeping impacts on Facebook's signature product, whereas Live and Watch are relative fledglings whose futures are uncertain (and Watch is U.S.-only at this point).

Still, if Zuckerberg is right that video is Facebook's future, then an algorithm change that prioritizes Live and Watch over other platforms could go a long way toward shaping what we watch and how—and who benefits. One obstacle: convincing media partners that the "pivot to Watch" will work out better for them than the last go 'round.

One more thing

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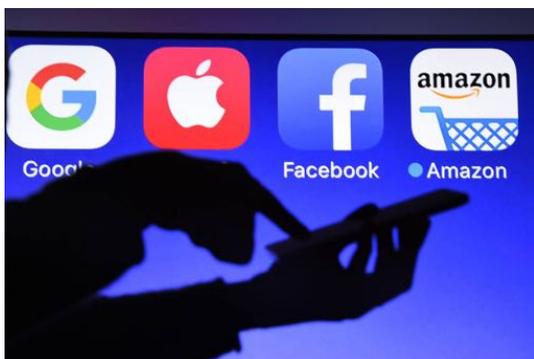
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ECONOMY

The Antitrust Case Against Facebook, Google and Amazon

A few technology giants dominate their worlds just as Standard Oil and AT&T once did. Should they be broken up?



Logos for Google, Apple, Facebook and Amazon, otherwise known as GAFAM. PHOTO: DAMIEN MEYER/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Greg Ip

Jan. 16, 2018 11:52 a.m. ET

Standard Oil Co. and American Telephone and Telegraph Co. were the technological titans of their day, commanding more than 80% of their markets.

Today's tech giants are just as dominant: In the U.S., Alphabet Inc.'s Google drives 89% of internet search; 95% of young adults on the internet use a Facebook Inc. product; and Amazon.com Inc. now accounts for 75% of electronic book sales. Those firms that aren't monopolists are duopolists: Google and Facebook absorbed 63% of online ad spending last year; Google and Apple Inc. provide 99% of mobile phone operating systems; while Apple and Microsoft Corp. supply 95% of desktop operating systems.

A growing number of critics think these tech giants need to be broken up or regulated as Standard Oil and AT&T once were. Their alleged sins run the gamut from disseminating fake news and fostering addiction to laying waste to small towns' shopping districts. But antitrust regulators have a narrow test: Does their size leave consumers worse off?

By that standard, there isn't a clear case for going after big tech—at least for now. They are driving down prices and rolling out new and often improved products and services every week.

That may not be true in the future: If market dominance means fewer competitors and less innovation, consumers will be worse off than if those companies had been restrained. "The impact on innovation can be the most important competitive effect" in an antitrust case, says Fiona Scott Morton, a Yale University economist who served in the Justice Department's antitrust division under Barack Obama.

Google which has spent the past eight years in the sights of European and American antitrust authorities, is hardly a price gouger. Most of its products are free to consumers and the price advertisers pay Google per click has fallen by a third the past three years. The company remains an innovation powerhouse, investing in new products such as its voice-activated assistant Google Home.

Yet Google's monopoly means some features and prices that competitors offered never made it in front of customers. Yelp Inc., which in 2004 began aggregating detailed information and user



Google's booth at the 2018 Consumer Electronics Show in Las Vegas. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

rev
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such as restaurants and stores, claims Google altered its search results to hurt Yelp and help its own competing service. While Yelp survived, it has retreated from Europe, and several similar local search services have faded.

“Forty percent of Google search is local,” says Luther Lowe, the company’s head of public policy. “There should be hundreds of Yelps. There’s not. No one is pitching investors to build a service that relies on discovery through Facebook or Google to grow, because venture capitalists think it’s a poor bet.”

There are key differences between today’s tech giants and monopolists of previous eras. Standard Oil and AT&T used trusts, regulations and patents to keep out or co-opt competitors. They were respected but unloved. By contrast, Google and Facebook give away their main product, while Amazon undercuts traditional retailers so aggressively it may be holding down inflation. None enjoys a government-sanctioned monopoly; all invest prodigiously in new products. Alphabet plows 16% of revenue back into research and development; for Facebook it’s 21%—ratios far higher than other companies. All are among the public’s most loved brands, according to polls by Morning Consult.

Yet there are also important parallels. The monopolies of old and of today were built on proprietary technology and physical networks that drove down costs while locking in customers, erecting formidable barriers to entry. Just as Standard Oil and AT&T were once critical to the nation’s economic infrastructure, today’s tech giants are gatekeepers to the internet economy. If they’re imposing a cost, it may not be what customers pay but the products they never see.

In its youth Standard Oil was as revered for its technological and commercial brilliance as any big tech company today. John D. Rockefeller began with a single refinery in Cleveland in 1863 and over the next few decades acquired other, weaker refineries. Those that wouldn’t sell, he underpriced and drove out of business. By 1904, companies controlled by Standard Oil produced 87% of refined oil output, according to Mike Scherer, a retired Harvard economist who has written extensively on antitrust.

This wasn’t superficially bad for consumers. The price of kerosene, the principal refined product from oil, fell steadily as Standard Oil’s market share expanded, thanks to falling crude oil prices and Standard Oil’s economies of scale, bargaining power with suppliers such as railroads, and innovation, such as the Frasch-Burton process for deriving kerosene from high-sulfur oil in Ohio.

When the federal government sued to break up Standard Oil, the Supreme Court acknowledged business acumen was important to the company’s early success, but concluded that was eventually supplanted by a single-minded determination to drive others out of the market.

In a 2005 paper, Mr. Scherer found that Standard Oil was indeed a prolific generator of patents in its early years, but that slowed once it achieved dominance. Around 1909 Standard’s Indiana unit invented “thermal cracking” to improve gasoline refining to meet nascent demand from automobiles, but the company’s head office thought the technology too dangerous and refused to commercialize it. After the Indiana unit was spun off when the company was broken up in 1911, it commercialized the technology to enormous success, Mr. Scherer wrote.



Standard Oil's refinery in Richmond, Calif., in 1911. PHOTO: LIBRARY OF CONGRESS/CORBIS/VCG/GETTY IMAGES

The story of AT&T is similar. It owed its early growth and dominant market position to Alexander

er Graham Bell's 1876 patent for the telephone. After the related patents expired in the 1890s, new exchanges sprung up in countless cities to compete.

Competition was a powerful prod to innovation: Independent companies, by installing twisted copper lines and automatic switching, forced AT&T to do the same. But AT&T, like today's tech giants, had "network effects" on its side.

"Just like people joined Facebook because everyone else was on Facebook, the biggest competitive advantage AT&T had was that it was interconnected," says Milton Mueller, a professor at the Georgia Institute of Technology who has studied the history of technology policy.

Early in the 20th century, AT&T began buying up local competitors and refusing to connect independent exchanges to its long-distance lines, arousing antitrust complaints. By the 1920s, it was allowed to become a monopoly in exchange for universal service in the communities it served. By 1939, the company carried more than 90% of calls.

Though AT&T's research unit, Bell Labs, became synonymous with groundbreaking discoveries, in telephone innovation AT&T was a laggard. To protect its own lucrative equipment business it prohibited innovative devices such as the Hush-a-Phone, which kept others from overhearing calls, and the Carterphone, which patched calls over radio airwaves, from connecting to its network.

After AT&T was broken up into separate local and long-distance companies in 1982, telecommunication innovation blossomed, spreading to digital switching, fiber optics, cellphones—and the internet.

Just as AT&T decided what equipment could be used on the nation's telephone systems, Google's search algorithms determine who can be found on the internet. If you searched for a toaster online in the mid 2000s, Google would probably have taken you to comparison shopping sites such as Nextag. They pioneered features such as showing consumer ratings in search results, how popular a product was and how prices had changed over time, recalls Gary Reback, an antitrust lawyer who represented several competitors against Google.



Google's Eric Schmidt testifying at a Senate Judiciary Committee antitrust hearing in September 2011. PHOTO: CHIP SOMODEVILLA/GETTY IMAGES

But when Google launched its own comparison business, Google Shopping, those sites found themselves dropping deeper into Google's search results. They accused Google of changing its algorithm to favor its own results. The company responded that its algorithm was designed to give customers the results they want. "If consumers don't like the answer that Google Search provides, they can switch to another search engine with just one click," Executive Chairman Eric Schmidt told Congress in 2011.

At that same hearing Jeffrey Katz, then the chief executive of Nextag, responded, "That is like saying move to Panama if you don't like the tax rate in America. It's a fake choice because no one has Google's scope or capabilities and consumers won't, don't, and in fact can't jump."

In 2013 the U.S. Federal Trade Commission concluded that even if Google had hurt competitors, it was to serve consumers better, and declined to bring a case. Since then, comparison sites such as Nextag have largely faded.

Last year the European Commission went in the other direction and fined the company \$2.9 billion and ordered it to change its search results.

The different outcomes hinge in part on different approaches. European regulators are more likely to see a shrinking pool of competitors as inherently bad for both competition and consumers. American regulators are more open to the possibility that it could be natural and benign.

In new industries, smaller players are frequently bought up or vanquished by deeper-pocketed, more-innovative rivals. Google's general counsel, Kent Walker, wrote in response to the European Commission decision that even as smaller sites have retreated, Amazon has grown to become a huge player in comparison shopping.

Internet platforms have high fixed and minimal operating costs, which favors consolidation into a few deep-pocketed competitors. And the more customers a platform has, the more useful it is to each individual customer—the "network effect."

But a platform that confers monopoly in one market can be leveraged to dominate another. Facebook's existing user base enabled it to become the world's largest photo-sharing site through its purchase of Instagram in 2012 and the largest instant-messaging provider through its purchase of WhatsApp in 2014. It is also muscling into virtual reality through its acquisition of Oculus VR in 2014 and anonymous polling with its purchase of TBH last year.



Facebook founder Mark Zuckerberg speaks at a developers conference last year in San Jose, Calif. PHOTO: STEPHEN LAM/REUTERS

What Facebook doesn't acquire, it copies. Snap Inc.'s Snapchat, a fast-disappearing photo and video sharing app hugely popular with teenagers, was widely seen as a challenger to Facebook. But in 2016, Facebook introduced its own Snapchat-like feature, Stories, on Instagram, which now has more users and advertisers than Snapchat. That has undercut Snap's growth and profits by reducing the number of new users "interested in trying Snap for the first time," says Peter Stabler, an analyst at Wells Fargo.

There's nothing wrong with copying, especially if the copy is better than the original. Snapchat's app was originally difficult to use, says Mr. Stabler, and "you can't discount [Facebook's] quality of execution." Moreover, even as Facebook copies its competitors, it

continues to expand and enhance its own services such as Pages, which 70 million businesses world-wide have used to design their own webpages on Facebook.

Snap's shares have sunk below the price at which the company went public last March as losses have mounted, which won't encourage new entrants. Once a company like Google or Facebook has critical mass, "the venture capital looks elsewhere," says Roger McNamee of Elevation Partners, a technology-focused private-equity firm. "There's no point taking on someone with a three or four years head start."

Amazon hasn't yet reached the same market share as Google or Facebook but its position is arguably even more impregnable because it enjoys both physical and technological barriers to entry. Its roughly 75 fulfillment centers and state-of-the-art logistics (including robots) put it closer, in time and space, to customers than any other online retailer.

The company says size makes it possible to deliver millions of items free of shipping charges to isolated communities with little retail presence. Amazon makes that network available to third-party merchants who pay a 15% commission and, typically, a \$3 pick-pack-and-ship-fee, says Greg Mercer, founder of Jungle Scout Inc. which advises third-party merchants how to sell on Amazon. "We have tons of examples of small entrepreneurial-type people who are really good at creating new inventions but have no idea how to distribute to the masses," he says. "They create products and Amazon can take care of the rest."



An Amazon warehouse in Britain. PHOTO: JANE BARLOW/PA IMAGES/GETTY IMAGES

As the dominant platform for third-party online sales, Amazon also has access to data it can use to decide what products to sell itself. In 2016 Capitol Forum, a news service that investigates anticompetitive behavior, reported that when a shopper views an Amazon private-label clothing brand, the accompanying list of items labeled

"Customers Who Bought This Item Also Bought," is also dominated by Amazon's private-label brands. This, it says, restricts competing sellers' access to a prime marketing space

Mr. Mercer says he doesn't see Amazon favoring its own products, and indeed his own firm helps merchants target profitable niches on Amazon. Nonetheless, he says many would prefer to sell through their own sites, but with so many shoppers searching first on Amazon, they feel they have little choice.

In the face of such accusations, the probability of regulatory action—for now—looks low, largely because U.S. regulators have a relatively high bar to clear: Do consumers suffer?

"We think consumer welfare is the right standard," Bruce Hoffman, the FTC's acting director of the bureau of competition, recently told a panel on antitrust law and innovation. "We have tried other standards. They were dismal failures."

Still, Ms. Scott Morton notes, "the consumer welfare standard covers today and tomorrow," and the potential loss of innovation is something both the law and the courts can and have weighed in an antitrust case. The Justice Department sued Microsoft to ensure that an innovation, the internet browser, remained a potential competitor to Microsoft's monopoly over the user's interface with the personal computer.

What would remedies look like? Since Big Tech owes its network effects to data, one often-proposed fix is to give users ownership of their own data: the "social graph" of connections on Facebook, or their search history on Google and Amazon. They could then take it to a competitor.

A more drastic remedy would be to block acquisitions of companies that might one day be a competing platform. British regulators let Facebook buy Instagram in part because Instagram



Microsoft Chairman Bill Gates appeared at an antitrust hearing in Washington federal court in 2002. PHOTO: STEPHEN JAFFE/AFP/GETTY IMAGES

didn't sell ads, which they argued made them different businesses. In fact, Facebook used Instagram to engage users longer and thus sell more ads, Ben Thompson, wrote in his technology newsletter *Stratechery*. Building a network is "extremely difficult, but, once built, nearly impregnable. The only possible antidote is another network that draws away the one scarce resource: attention." Thus, maintaining competition on the internet requires keeping "social networks in separate competitive companies."

How sound are these premises? Google's and Facebook's access to that data and network effects might seem like an impregnable barrier, but the same appeared to be true of America Online's membership, Yahoo's search engine and Apple's iTunes store, note two economists, David Evans and Richard Schmalensee, in a recent paper. All saw their dominance recede in the face of disruptive competition. If someone launched a clearly superior search engine, social network or online store, consumers could switch more easily than they could telephone or oil companies a century ago. Microsoft has long dominated desktop operating systems but has failed to extend that dominance to internet search or to mobile operating systems.

It's possible Microsoft might have become the dominant company in search and mobile without the scrutiny the federal antitrust case brought. Throughout history, entrepreneurs have often needed the government's help to dislodge a monopolist—and may one day need it again.

Write to Greg Ip at greg.ip@wsj.com

Corrections & Amplifications

Facebook's share of online advertising revenue is 21%. An earlier version of the graphic titled 'A Century of Techopoly' incorrectly represented this value. An updated version has been published to correct the mistake.

Appeared in the January 17, 2018, print edition as 'The Antitrust Case Against America's Technology Behemoths.'

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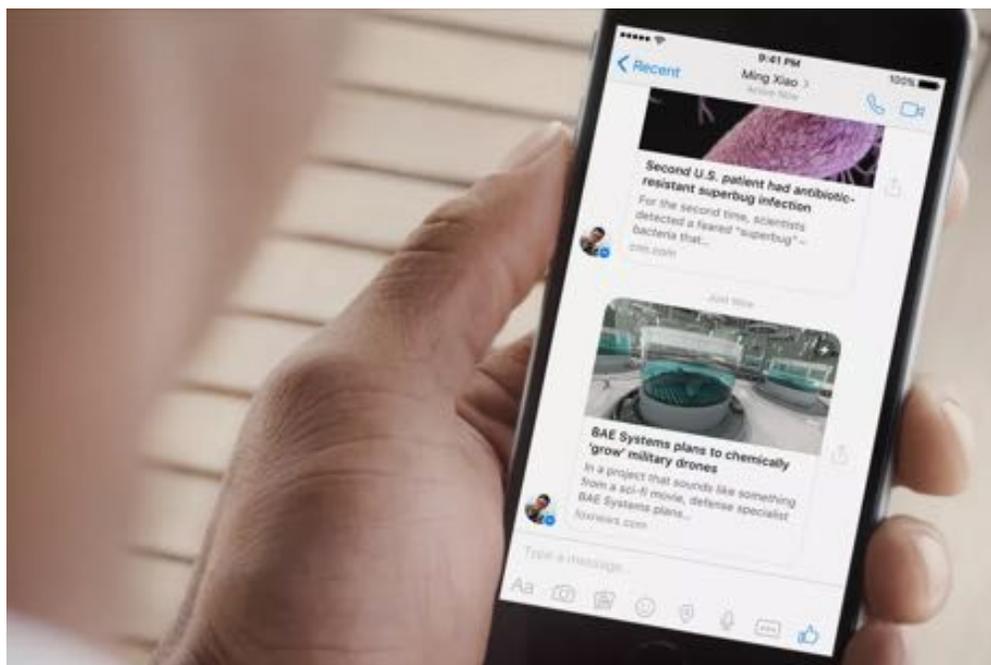
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EXHIBIT 149

Facebook Messenger chief admits the app has gotten too cluttered

"Expect to see us invest in massively simplifying and streamlining Messenger this year," says David Marcus

By Casey Newton | @CaseyNewton | Jan 16, 2018, 10:00am EST



Facebook Messenger has gotten too cluttered, its leader said today. David Marcus, Facebook's vice president of messaging products, said in a blog post of 2018 predictions today that the company had gone overboard in the past two years as it brought new features to the app.

"Over the last two years, we built a lot of capabilities to find the features that continue to set us apart," Marcus wrote. "A lot of them have found their product market fit; some haven't. While we raced to build these new features, the app became too cluttered. Expect to see us invest in massively simplifying and streamlining Messenger this year."

The company declined to specify which parts of Messenger it now considers clutter.

Marcus joined Facebook to [lead Messenger in 2014](#), shortly before the company [spun messaging out of the flagship app](#). Since then, the app has grown to 1.3 billion monthly users. But along the way, Messenger has transformed from a fast, lightweight messaging app into a bewildering hodgepodge of competing priorities. Since 2014 it has added [payments](#), [customer service bots](#), a [gaming platform](#), and [ephemeral stories](#), among other unloved features. It has also begun [inserting ads](#) into the message feed.

The app became so bulky that Facebook felt compelled to build [a “lite” version on Android](#) included only basic messaging features. The idea was that in developing countries, Messenger’s diverse array of data-hungry features would overwhelm most people’s cell phone plans. (Among Western users, Messenger Lite has been a [critical smash](#).)

Marcus didn’t say how the company plans to simplify Messenger. (One good place to start: release Messenger Lite on iOS.)

Go deeper with social media

The Interface is Casey Newton’s daily newsletter about social media and democracy

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EXHIBIT 150

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<https://www.wsj.com/articles/marketers-say-facebooks-news-feed-update-will-be-nail-in-the-coffin-for-organic-posts-1515785725>

CMO

Marketers Say Facebook's News Feed Update Will Be 'Nail in the Coffin' for Organic Posts

Prioritizing posts from friends that generate engagement will reduce the reach of brands' unpaid posts and may raise ad prices



Facebook said it is tweaking what people see in their news feed to make their time on the platform more "meaningful." PHOTO: ASSOCIATED PRESS

By *Lara O'Reilly and Suzanne Vranica*

Jan. 12, 2018 2:35 p.m. ET

As Facebook **FB -1.08%** ▼ revamps its news feed, marketers are assessing their strategies on the platform and bracing to shell out more money to get brands' content in front of users.

On Thursday, Facebook said it would begin prioritizing posts shared and discussed among users and their friends over posts from publishers and brands as it looks to amp up "meaningful interaction" on the social-media platform.

While media outlets may be worried about significant traffic declines from the adjustment, advertisers are all too familiar with Facebook's routine algorithm changes. Over the years, constant tweaks have diminished the reach of brands' content, forcing them to put more ad dollars behind their posts to make sure people see them.

Marketers expect the latest overhaul will go even further, making it virtually impossible for Facebook users to see companies' organic posts—those distributed by brands without paying to promote them. That will likely drive up ad prices and push companies to consider other advertising vehicles on Facebook beyond the news feed, some ad buyers say.

"It's just an amplification of pay-to-play from Facebook," said James Douglas, head of media at Reprise, a digital agency owned by Interpublic Group.

MORE ON FACEBOOK'S NEWS FEED OVERHAUL

- Facebook Rethinks Its News Feed
- Facebook's Advertising Pain Could Be Twitter's Gain
- Facebook Shares Slide in Reaction to News Feed Overhaul

One immediate effect of the news feed change, Facebook Chief Executive Mark Zuckerberg predicts, is that the time users spend on the platform will go down.

Facebook's vice president of product management, John Hegeman, said

advertising will be unaffected by the changes, according to Reuters. But advertising industry insiders expect ad prices will go up as fewer scrolls through the Facebook feed will offer fewer opportunities to serve ads.

"It's simple mathematics for a display business: Less time on Facebook and fewer ads can only mean that the ads that do show are more expensive," said Paul Mead, chairman of London-based media agency VCCP Media.

That said, Facebook could choose to ramp up the number of ads it shows, known as its "ad load," though it has expressed reluctance to do so in recent quarters.

Ultimately, "organic reach" on Facebook—a measure of how many people saw a post that didn't receive a paid-for boost—has been in decline for some time.

In 2014, social media agency Social@Ogilvy published an analysis that found for Facebook pages with more than 500,000 likes, the average organic post was only likely to reach 2% of their fans.

The new changes are "practically the nail in the coffin for completely organic posts," said Sarah Hofstetter, CEO of digital agency 360i. She said brands should now focus on making their paid posts more engaging.

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Brands that have managed to buck the trend got ahead of Facebook's algorithm change by focusing on driving conversations, rather than being overly promotional. Netflix's Facebook page, for example, encourages fans to talk with each other about their favorite shows.

"The knee-jerk reaction is to think, 'Oh my God, this is awful and very bad for publishers, and therefore brands,'" said Mobbie Nazir, chief strategy officer at We Are Social, which counts Netflix as a client. "But longer-term I think this is a positive thing...facilitating interactions between people is what social has always been about before Facebook even existed."

Facebook's guidance to advertising agencies suggests that marketers should not immediately alter their strategies as a result of the news feed ranking update, according to people familiar with the matter. The social network has warned advertisers against engagement baiting techniques, such as encouraging people to comment on their posts to get them to rank higher, and advises them instead to concentrate on using Facebook to drive business outcomes.

Facebook runs an auction-based system where it selects the best ad based on an advertiser's maximum bid and whether the ad is likely to perform well.

The shift toward "meaningful interactions" on surfacing organic content in the news feed could have a slight impact within the ads auction when page owners pay to boost their posts to a wider audience, according to MediaCom U.K. Chief Executive Josh Krichefski. It might mean, for example, that pages deemed to have less value by the algorithm may not rank as high in the auction when bidding against a page that drives lots of conversations.

However, he added that engagement rates are a "very small" factor in the way that ads are ranked in the auction and most large-scale brand campaigns on Facebook don't involve paying to boost page posts.

The news feed isn't the only destination for marketers to advertise on Facebook. Last year, Facebook launched a dedicated "Watch" video section, which features programming from TV production studios and publishers. Advertisers can sponsor shows or buy video ads within the commercial breaks, known as mid-roll ads. Facebook is also testing a pre-roll ad format that will appear before the show begins.

The average view time on videos in the Watch section is more than 50% higher than Facebook's self-reported news feed video average of 17 seconds, according to an analysis of 250 Watch videos by social media analytics company Delmondo.

Brands and publishers have a "love-hate relationship" with Facebook, but no matter how many changes the company makes to its algorithm, everyone has to play ball, said Reprise's Mr. Douglas. Facebook "sits on so much traffic, you have to play by their rules."

4/22/2018

Marketers Say Facebook's News Feed Update Will Be 'Nail in the Coffin' for Organic Posts - WSJ

Write to Lara O'Reilly at lara.o'reilly@wsj.com and Suzanne Vranica at suzanne.vranica@wsj.com

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EXHIBIT 151

BUSINESS

Facebook delivers deathblow to ad-driven media models; how publishers can fight back

CHRIS O'BRIEN @OBRIEN JANUARY 14, 2018 9:33 AM



Above: Facebook cofounder and CEO Mark Zuckerberg appears at the company's F8 developer conference in San Jose on April 18, 2017.

Image Credit: Screenshot

Facebook was always going to screw over its media partners. We were fools for ever believing

forced to face the reality that the era of ad-driven media businesses is dead. And they will have to think seriously about what comes next.

This is the reality: Facebook and Google have established a digital advertising duopoly. For 2017, eMarketer projected the two giants would control 63.1 percent of digital ad spending in the U.S., outstripping the original 60.4 percent the firm had previously predicted.

When it comes to online advertising, Facebook and Google are sucking up all the oxygen. Even as the overall spending on digital ad dollars increases, the pair are getting larger percentages of it. Everyone else, thousands and thousands of others, are basically left with crumbs.

“Advertisers are increasingly demanding more granularity in targeting capabilities to reach consumers,” Monica Peart, eMarketer’s senior director of forecasting, said last year in a statement. “Google and Facebook have positioned themselves at the front of this demand curve by being the ad publishers with some of the best-in-class targeting abilities in the digital ad market. With Facebook being able to provide targeting based upon consumer interests and Google capitalizing on where those consumers have been through searches, both companies ensure their lead among digital ad publishers.”

For years, as publishers scrambled to deal with the impact of the internet on their business, they made the mistake of listening to self-anointed experts who preached that asking people to pay for content was a non-starter. These purveyors of internet utopianism insisted that it was the height of idiocy to believe people would pay, because the internet was all about wanting stuff to be free. I know, because I said the same thing, many, many times over the years.

What these Paleolithic publishers needed to do was learn the lessons of Google, and then Facebook, to understand how things really worked in the internet age. So many of them tried to do just that. They invested in search engine optimization. Later, they poured resources into trying to master the intricacies of Facebook.

For a while, all this effort created the illusion that there could be winners in the game. The social era gave rise to brands like Vice and BuzzFeed and Mashable, which soared on a crest of rising traffic by perfecting the internet-era headline. But it turned out that their real talent was raising round after and round of venture capital, not actually creating a solid business.

Then BuzzFeed missed its revenue target last year and said it would lay off 100 people in

And Mashable was sold to Ziff Davis for \$50 million, far below its \$250 million valuation from a March 2016 investment round.

It was becoming clearer by the minute that the ability to build an ad-driven media business was illusory. Facebook's decision this week to prioritize content from friends and family over news content should serve as the final deathblow to almost two decades of delusional thinking.

Same as it ever was

I was working as a business and technology columnist at the *San Jose Mercury News* late last decade when the newspaper was approached by Facebook, which was interested in figuring out how to work with journalists. It's hard to remember now how much smaller Facebook was back then.

It was only about five years after its founding, and about three years after it opened to the general public. I only joined Facebook in 2007. I was more than happy to participate in this journalism experiment, curious to learn more about Silicon Valley's hottest startup.

The first piece of advice we received was that columnists like myself should use special tools to create separate pages that would be separate from our personal accounts. So I spent several months nurturing a Facebook page that people I had not "friended" could "like," posting my columns and other thoughts, trying to engage readers. It certainly wasn't a blockbuster, but I approached it in the spirit of always needing to try new stuff.

Several months later, Facebook came back to us. The team had decided it would be best to scrap separate pages. Instead, they offered to move the several thousand followers I'd amassed over to my main personal account, where there would now be a "follow" button.

"Huh," I thought. "Okay."

This was a taste of something Facebook had already done to developers. And it was something the company would continue to do. In 2007, just before our little journalism experiment, Facebook had opened its platform, allowing developers to write little applications we could add to our account. This prompted a flood of spammy, wall-clogging crap. So Facebook changed the rules and augmented its algorithms to clamp down on junk and encourage higher-quality stuff.

Not long after our *Mercury News* experiment, Facebook formally went public with its media ambitions. After launching a media outreach program in 2010, it created “Facebook for Journalists” in 2011 to help us understand this new world and find new audiences.

Along the way, Facebook kept changing the rules. During this era, Facebook’s success was fueled in large measure by the virality of social games, particularly those created by Zynga. At one point in 2011, Zynga accounted for 19 percent of Facebook’s revenue, thanks in part to a special, symbiotic relationship between the two. But Facebook CEO Mark Zuckerberg was already rethinking this relationship, worried that it was ruining the experience for too many users.

“A lot of users like playing games, but a lot of users just hate games, and that made it a big challenge, because people who like playing games wanted to post updates about their farm or frontier or whatever to their stream,” Zuckerberg told Adweek in 2010. “They want all their friends to see their updates, and they want to get all their friends’ updates. But people who don’t care about games want no updates. So we did some rebalancing so that if you aren’t a game player you’re getting less updates.”

By 2012, Zynga was a smaller chunk of Facebook’s revenue, and the social gaming company was seeing its own growth hit a wall. People were writing about “Why Zynga Failed,” and its special deal with Facebook ended.

But media companies were too caught up in the Facebook wave to stop and think about the larger implications. Facebook would continue to change the rules for its news and algorithms as publishers scrambled to adjust.

Eventually, this morphed into the era of clickbait, and then fake news, as more nefarious players figured out how to write headlines that led to empty or false content. And this would spiral into the controversy surrounding the 2016 U.S. presidential election, denials from Facebook that content on its platform had influenced the election, grudging admissions, and then the mea culpas.

Worried about its fraying media relationships, Facebook launched a “Journalism Project” in January 2017 to “focus on improving its current storytelling formats such as Live, 360, and Instant Articles ... The company said it would work with third-party organizations to promote ‘news literacy’ and help users decide which sources are trustworthy and would also continue to

But after a rough year, and more blows to its reputation, Facebook just did what it always does: shift direction. This time it was to de-emphasize news content from pages. After years of trying to engage news organizations and use their content to build its business, Facebook has thrown up its hands and opted to toss its media partners under the bus.

What's next

It's true that nobody knows just how much this most recent move will actually impact the news biz. It could be a catastrophe, or its effect could be minimal. And heck, it wouldn't be surprising if in six months Facebook does yet another U-turn and decides it wants to be all about high-quality, professional content. But in reading all the reactions from news execs and companies that advise media on internet strategies, I found it revealing that the observations boil down to: Wait and see.

Revealing, because it highlights the degree to which the news business has become wholly dependent on others' platforms. We have put our destiny in the hands of Facebook and its ilk, tried to pretend they were our allies, that our interests were aligned, and now we have no choice but to just wait and see what happens. We are at their mercy.

The dependency is born out of the chase for digital ad dollars. But this dependency on others, and this desperation for advertising, must end.

Facebook and Google have won this game. And no matter how much Zuckerberg pays professional photographers to trail him around at home and take soft-focused pictures of his family, no matter how many cows Zuckerberg milks on his tours to get to know "real people," no matter how many heart-tugging letters Zuckerberg writes about wanting to make the world a better place for his kids, Zuckerberg's main job in life is to make more money for his publicly traded company. Period.

And, to be honest, he has done a fantastic job at that. His willingness to change direction, to listen to his instincts, is truly amazing. The decisions he's made, which have often cost Facebook in the short-term only to be justified over time with more growth and profits, were often not obvious and highly risky. I say, without irony or sarcasm, that I admire his business cunning.

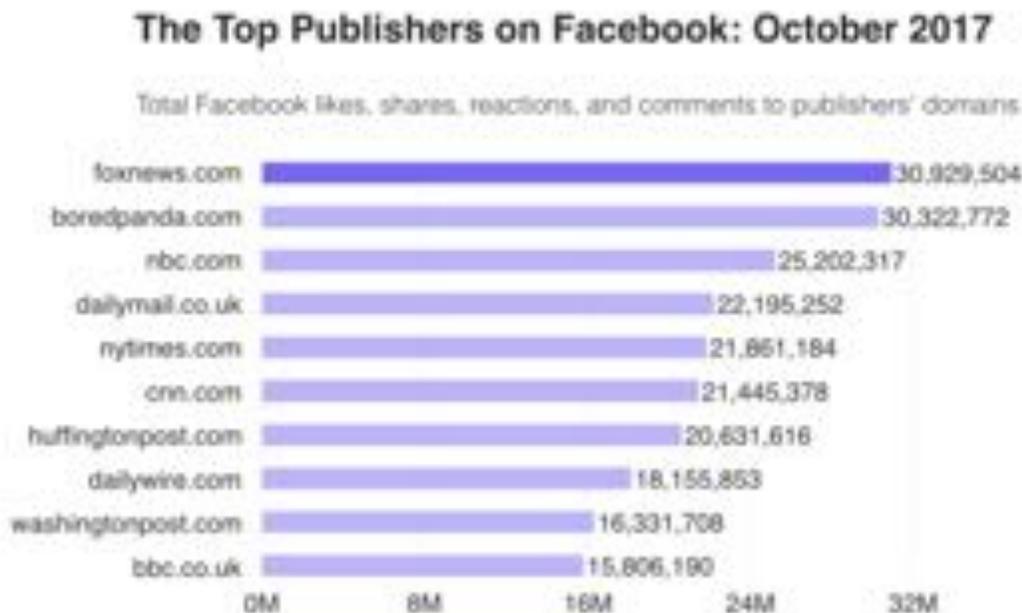
Today, Facebook is not just a business, but one of the most powerful, influential companies on

For media companies, it's important to recognize Facebook for what it is: an adversary. A competitor. There should be no more delusional thinking that chasing traffic via clicks from Facebook is going to solve the media business model. Facebook is devouring digital advertising, and those clicks are benefiting Facebook to a much larger degree than they're benefitting publishers.

So what to do?

In the face of such a massive power, finding a way forward can feel daunting. When one throws Google into the equation, it seems like all paths are cut off. But that is not the case.

The first thing publishers and broadcasters must recognize is that they are not without leverage in this relationship. Consider this chart from NewsWhip for one month last year:



Given that Facebook has over 2 billion users, news organizations are hardly dominating. But these numbers are not nothing. They are substantial, and valuable. And they represent how Facebook has, until now, built a massive advertising business on the backs of other people's content. What referrals and traffic news organizations get from this deal pales in comparison to the ad money Facebook is making.

appears on their platforms.

In 2016, the European Union began reviewing a series of proposals to allow publishers to demand payments from Google and Facebook for use of their content. A letter published just this week from several major publishers makes a straightforward argument:

Free access to the news is one of the great supposed victories of the internet, which many members of the European Parliament will strenuously defend in the name of noble democratic principles. However, in reality, the concept of free news is a myth. At one end of the chain, actually reporting to inform the public costs a lot of money. At the other end, news consumers are highly valued as an audience that generates advertising revenues. Between the two, some players have won. And some have lost heavily neither Facebook nor Google has a newsroom. They have no reporting or production networks, national or international. They have no teams of reporters in Syria risking their lives to show the true face of war. No permanent bureau in Zimbabwe to tell the story of Mugabe's departure. No journalists in Cameroon. Nor Myanmar. No video reporters. No photographers. No editing teams to plan, edit, check, and double-check the accuracy and impartiality of the stories sent in by reporters on the ground.

Mostly, these arguments have been met with sneers and derision in the U.S., where technoutopianism still hasn't been completely snuffed out. Oh, those Europeans are so anti-innovation!

But events over the past year, capped by Facebook's latest decision, demonstrate just how sensible this thinking really is. Let Facebook and Google have the digital ad market. It's lost to publishers. Instead, the EU is considering a royalty model, one that essentially extends the rights enjoyed by musicians and record labels to publishers. And the government is moving into the picture because of the imbalance of power between publishers and the digital platforms.

Crazy? Nope. In fact, Facebook has signed a flurry of deals with record labels in recent weeks — with Sony, Universal Music, and others. Bloomberg had reported previously that Facebook had set aside “hundreds of millions” of dollars to pay for these licensing deals. (Side note: Facebook,

Why shouldn't news content be able to get the same deal as music content? Even if traffic from Facebook drops, any royalties would be better than the big fat nothingburger they get served now.

The other good news for publishers is that subscription models are starting to gain more traction. The scoffing is over. Big publishers like the *Financial Times*, *New York Times*, *Washington Post*, and *Wall Street Journal* continue to see solid revenue gains from subscriptions. The same is true for more local and regional players. People in general are getting more conditioned to paying for everything from software to video streaming by subscription. Paying for news no longer seems like an outlier.

"As a long-standing publisher of quality journalism, the FT welcomes moves to recognise and support trusted and reliable news and analysis. But a sustainable solution to the challenges of the new information ecosystem requires further measures – in particular, a viable subscription model on platforms that enables publishers to build a direct relationship with readers and to manage the terms of access to their content," said FT CEO John Ridding in a statement after the Facebook announcement. "Without that – as the large majority of all new online advertising spend continues to go to the search and social media platforms – quality content will no longer be a choice or an option. And that would be the worst outcome for all."

This willingness to experiment with paying for content is one of the reasons I've been doing more of my own non-tech writing on Medium. The platform backed away from ads and instead moved to a model that pays writers based on engagement and quality. I'm certainly not getting rich from it. But at one point last year I thought: Why post some of this stuff for free on Facebook when I could expand it a bit and post it on Medium where I might get a couple of dollars for it?

None of this should be taken to mean that the burning issue of the news business model will be solved anytime soon. There is no single panacea. Newspapers will likely continue to struggle and fight for their existence.

But the first step should be to fundamentally reinvent relationships that have created an unhealthy dependency. Facebook is never going to change. It puts its own self-interest first. It's time for publishers to wake up and do the same.

EXHIBIT 152

marketingland.com

Facebook Tries To Explain Why It Cut Vine's, Others' API Access

Matt McGee on January 25, 2013 at 4:30 pm

3 minutes



Don't use our platform to copy what we do without permission.

That seems to be the core issue in a [Platform Policy change](#) that Facebook announced on its developer blog about an hour ago.

The change, according to Justin Osofsky, Facebook's Director Platform Partnerships, means that the "vast majority" of developers should "keep doing what you're doing." But, in light of Facebook's decision to [cut API access to Vine and Voxer](#) within the past week, Osofsky offered this clarification of Facebook's policies:

For a much smaller number of apps that are using Facebook to either replicate our functionality or bootstrap their growth in a way that creates little value for people on Facebook, such as not

providing users an easy way to share back to Facebook, we've had [policies](#) against this that we are further clarifying today ([see I.10](#)).

That I.10 link refers to a section of Facebook's official policy for developers:

Reciprocity and Replicating core functionality: (a) Reciprocity: Facebook Platform enables developers to build personalized, social experiences via the Graph API and related APIs. If you use any Facebook APIs to build personalized or social experiences, you must also enable people to easily share their experiences back with people on Facebook. (b) Replicating core functionality: You may not use Facebook Platform to promote, or to export user data to, a product or service that replicates a core Facebook product or service without our permission."

In the case of Twitter's new Vine app, it meets section (a) above — users can share Vine videos back to Facebook and, as a Twitter spokesperson told us today, that's not going to change.

That means Vine must've been — in Facebook's eyes — violating section (b) by replicating a core Facebook feature (find a friend) without permission.

Or, equally as likely, it's just a case of [two companies that don't like each other](#) and probably never will.

The big losers here are the developers that are faced with building apps and services on moving targets — the companies' API rules — along with the brands and users that own the data these two companies are fighting over.

About The Author



Matt McGee joined Third Door Media as a writer/reporter/editor in September 2008. He served as Editor-In-Chief from January 2013 until his departure in July 2017. He can be found on Twitter at [@MattMcGee](https://twitter.com/MattMcGee).

EXHIBIT 153

finance.yahoo.com

Some apps were listening to you through the smartphone's mic to track your TV viewing, says report

Sarah Perez

4-5 minutes



There may be a reason why that ol' "Facebook is listening to you talk" conspiracy theory refuses to die - and not just because Facebook's ad technology has gotten so good, it's downright creepy.

There may be a reason why that [ol' "Facebook is listening to you talk" conspiracy theory](#) refuses to die - and not just because Facebook's ad technology has gotten so good, it's downright

creepy. As it turns out, some apps are *actually* listening. Well, kind of! According to a [recent report from The NYT](#), a number of apps using software from a company called Alphonso use the smartphone's microphone to listen for audio signals in TV ads and programs, then sometimes even connect that data with places you visit or the movies you go see.

The NYT's report found that over 250 games using Alphonso software were available in Google Play, and some were also found in Apple's App Store. Some of the apps were games and others were aimed at children.

Apptopia, an app intelligence firm that's tracking Alphonso's software distribution as well, says it's only now seeing 106 apps on Google Play and 24 on the App Store, with the exception of any paid apps and those that require iOS 11.

While Alphonso's software is not exactly the same situation as that ongoing Facebook meme - the one that has a number of people convinced Facebook is listening to their verbal conversations in order to target ads - it is an indication that surreptitious audio technology like this is at least possible. And that further fuels the conspiracy.

There are some differences between what Alphonso is doing and what Facebook is continually accused of, however. Alphonso's software is not focused on recording your personal conversations, the company [told The NYT](#). Instead, it's listening for audio signals emitted by the TVs in order to track viewing behavior. This data, in turn, can be sold to advertisers.

The technology here is very similar to other software [the FTC](#)

[warned about in 2016](#). It had then alerted app developers using Silverpush's software that they could be in violation of Section 5 of the FTC Act, if they said they weren't collecting or transmitting this same sort of TV data when, in fact, they do. The FTC also pointed out that the apps in question weren't telling users that they were monitoring their TV viewing habits even when the app wasn't in use.

The case with Alphonso's software sounds suspiciously similar. It serves as yet another reminder to be careful of what you install on your phone, and to carefully review an app's permissions - especially if it's asking for access to something it shouldn't require, like a game that needs to turn on your microphone, for example.

Thankfully, today's app stores operated by Apple and Google require apps get user consent when an app wants to tap into the microphone. On apps distributed by the iOS App Store, there's even a dedicated pop-up that forces you to agree to the microphone usage when the app first runs.

Additionally, you can check where you've consented to microphone use in apps for yourself. In iOS Settings, go to Privacy --> Microphone; on modern Android, go to Apps & notifications --> App Permissions, then Microphone.

However, no matter how the consent information is presented, it's often quickly agreed to - in some cases, even by children. Plus, it's just not clear to many consumers that an app will continue to be listening even when their phone is not being used and stowed away in their pocket, for example. (Alphonso's software can work in a pocket, too, The NYT said.)

At least the FTC historically hasn't looked too kindly on companies that try to slip this sort of behavior past consumers. Early in 2017, for instance, it [fined Vizio \\$2.2 million](#) for collecting viewing history from 11 million smart TVs with proper consumer consent, for example.

- This article originally appeared on [TechCrunch](#).

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EXHIBIT 154

techcrunch.com

Facebook's latest privacy debacle stirs up more regulatory interest from lawmakers

Taylor Hatmaker@tayhatmaker

4-5 minutes

[Facebook's late Friday disclosure](#) that a data analytics company with ties to the Trump campaign improperly obtained — and then failed to destroy — the private data of [50 million users](#) is generating more unwanted attention from politicians, some of whom were already beating the drums of regulation in the company's direction.

On Saturday morning, Facebook dove into the semantics of its disclosure, arguing against wording in the [New York Times story](#) the company was attempting to get out in front of that referred to the incident as a breach. Most of this happened on the Twitter account of Facebook chief security officer Alex Stamos before Stamos took down his tweets and the gist of the conversation made its way into an update to [Facebook's official post](#).

“People knowingly provided their information, no systems were infiltrated, and no passwords or sensitive pieces of information were stolen or hacked,” the added language argued.

While the language is up for debate, lawmakers don't appear to

be looking kindly on Facebook’s arguably legitimate effort to sidestep data breach notification laws that, were this a proper hack, could have required the company to disclose that it lost track of the data of 50 million users, only 270,000 of which consented to data sharing to the third party app involved. (In April of 2015, Facebook changed its policy, [shutting down the API](#) that shared friends data with third-party Facebook apps that they did not consent to sharing in the first place.)

While most lawmakers and politicians haven’t crafted formal statements yet (expect a landslide of those on Monday), a few are weighing in. Minnesota Senator Amy Klobuchar calling for Facebook’s chief executive — and not just its counsel — to appear before the Senate Judiciary committee.

Senator Mark Warner, a prominent figure in tech’s role in enabling Russian interference in the 2016 U.S. election, used the incident to call attention to a piece of bipartisan legislation called the [Honest Ads Act](#), designed to “prevent foreign interference in future elections and improve the transparency of online political advertisements.”

“This is more evidence that the online political advertising market is essentially the Wild West,” Warner said in a statement.

“Whether it’s allowing Russians to purchase political ads, or extensive micro-targeting based on ill-gotten user data, it’s clear that, left unregulated, this market will continue to be prone to deception and lacking in transparency.”

That call for transparency was echoed Saturday by Massachusetts Attorney General Maura Healey who announced that her office would be launching an investigation into the

situation. “Massachusetts residents deserve answers immediately from Facebook and Cambridge Analytica,” [Healey tweeted](#). TechCrunch has reached out to Healey’s office for additional information.

On Cambridge Analytica’s side, it looks possible that the company may have violated [Federal Election Commission laws](#) forbidding foreign participation in domestic U.S. elections. The FEC enforces a “broad prohibition on foreign national activity in connection with elections in the United States.”

“Now is a time of reckoning for all tech and internet companies to truly consider their impact on democracies worldwide,” said Nuala O’Connor, President of the Center for Democracy & Technology. “Internet users in the U.S. are left incredibly vulnerable to this sort of abuse because of the lack of comprehensive data protection and privacy laws, which leaves this data unprotected.”

Just what lawmakers intend to do about big tech’s latest privacy debacle will be more clear come Monday, but the chorus calling for regulation is likely to grow louder from here on out.

EXHIBIT 155

abcnews.go.com

Facebook Gives Users Privacy Check-Up

ABC News

2 minutes

Facebook announced today that its 1.28 billion users will be getting a privacy tune-up in the coming weeks.

Interested in ?

Add as an interest to stay up to date on the latest news, video, and analysis from ABC News.

An expanded privacy checkup tool featuring a friendly blue dinosaur will guide people through steps to review who can see their posts, which apps they use and who has access to information on their profile, such as photos, birthdays and phone numbers.

The changes are expected to help users better understand who can see their information and prevent "over-sharing" to a public audience.

Users will receive a reminder when a post is set to be shared with a public audience to make sure they are aware of its reach.

[Read More: What You Can Do With Facebook's 'I'm a Voter' Button](#)

"We want to do all we can to put power and control in people's hands," the social networking giant wrote in a Facebook post. "This new tool is designed to help people make sure they are sharing with just the audience they want. Everything about how privacy works on Facebook remains the same."

Newbies to Facebook will also be treated differently, the company said. Their first posts will be set to "friends" only, whereas for many users, it was previously set to "public."

EXHIBIT 156

Forbes / Tech

MAY 22, 2014 @ 09:00 AM 30,223 👁

Facebook Changes New User Default Privacy Setting To Friends Only -- Adds Privacy Checkup



Larry Magid, CONTRIBUTOR
[FULL BIO](#) ✓

Opinions expressed by Forbes Contributors are their own.

Until now, when new Facebook users sent out their first post, the default setting was public, which means that anyone could see it. It's long been easy to change the audience to Friends only but if you didn't know about that option, you could have accidentally told the world what you meant to tell only people you know and trust.

Disclosure: Facebook is one of the companies that provides financial support to [ConnectSafely.org](#), the non-profit Internet safety organization where I serve as co-director.

Change for new users only

Facebook is changing the default for new users so that, going forward, the default setting is Friends. The change will have no impact on existing users. The first time someone posts, they will see a reminder to choose an audience for that post and if they don't make a choice it defaults to Friends.

In a statement, Facebook said that “We recognize that it is much worse for someone to accidentally share with everyone when they actually meant to share just with friends, compared with the reverse.”

Changeable but sticky

You can easily change the audience of each post and once you make a change it becomes sticky, which means it remains that way till you change it again. So, if you normally post to friends and decide to post something to the public, your subsequent posts will also be public until you change it back to friends only.

That stickiness is important to remember. If you normally post just to friends and decide to post something publicly, you must remember to change the setting back to Friend the next time you post or your posts will remain accessible to the public.

Privacy checkup

Facebook is also launching a “privacy check-up” to enable users to review their privacy practices and settings such as “who they're posting to and the privacy settings for information on their profiles,” according to Facebook. It also helps users review which apps they're using and “the privacy of key pieces of information on their profile.”

Earlier App privacy changes

At the F8 Facebook developers conference last month, Facebook CEO Mark Zuckerberg **announced** changes to its app privacy policies including allowing people to interact anonymously with apps (Facebook knows who you are but you have the choice about whether to reveal your identity to the app developer). Facebook is also providing users with more control over what information they reveal to apps as well as more control over what others can share about them via apps.

Steps in the right direction

I have to give Facebook credit for giving users more control over their privacy and changing the default from public to friends. Its always been possible to control your privacy on Facebook but it's often been too complicated -- especially for new users who could so easily to a broader than intended audience. I'm not entirely sure what motivated these most recent changes but I suspect they will be welcomed by users.

The privacy checkup is another important step. One of the biggest complaints about Facebook privacy is that users don't know what is out there that others can see and may not be aware of how to control who has access to their content. Of course, this isn't the first time Facebook has sought to simplify its privacy settings. There have been numerous changes over the years including, for example, the addition of an activity log, a couple of years ago, that helps people uncover what they've posted and what's been posted about them.

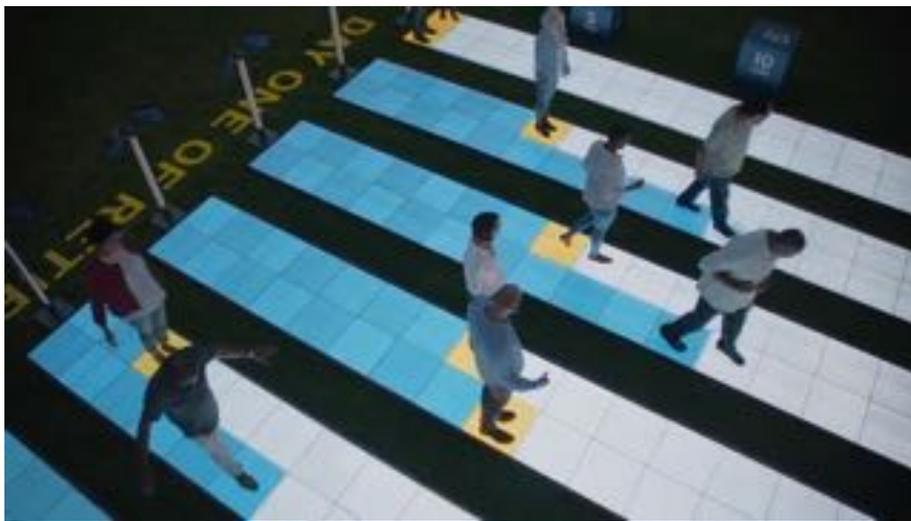
There is still more work to be done in terms of educating users about their privacy and how to limit what people can see about them on Facebook and beyond. Facebook also needs to do more to educate people about how their personal information is used to direct advertising.

EXHIBIT 157

AIMEE PICCHI, JUSTIN CARISSIMO / MONEYWATCH / March 20, 2018, 11:16 AM

3 states open investigations into Cambridge Analytica, Facebook

Last Updated Mar 20, 2018 7:29 PM EDT



The data privacy scandal engulfing Facebook (FB) continues to grow, with the social media giant facing calls for answers about how data firm Cambridge Analytica acquired the personal data of 50 million Facebook users.

On Tuesday, Cambridge Analytica announced the suspension of CEO Alexander Nix pending an investigation into comments he made to undercover journalists.

New Jersey AG announces investigation

New Jersey Attorney General Gurbir Grewal has opened an investigation into Facebook and Cambridge Analytica.

"I am particularly troubled by reports that Facebook may have allowed Cambridge to harvest and monetize its users' private data, despite Facebook's promises to keep that information secure," Grewal said in a statement announcing the investigation Tuesday.

He added, "At this point we have many questions and few answers, and New Jersey's residents deserve to know what happened."

New Jersey is now the third state alongside New York and Massachusetts that has opened investigations into the matter.

Whistleblower says he regrets working for Cambridge Analytica

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From "60 Minutes"

Untangling the Facebook data scandal

Inside MIT's "Future Factory"

For better or for worse: Living with Alzheimer's

The budget airline flying under the radar

Closing the gender pay gap

Chris Wylie, the whistleblower at the center of allegations against Cambridge Analytica, said he regrets his role in the project. Wylie spoke to a packed audience at London media organization Frontline Club on Tuesday where he apologized for working with the firm, the Associated Press reports.

Wylie said the firm improperly used personal data from millions of Facebook users in an effort to help President Trump win the 2016 election. Wylie objected when asked if he compares himself to whistleblowers like Daniel Ellsberg or Edward Snowden, saying his decision to speak out was more about contrition, the AP reports.

Cambridge Analytica whistleblower 9:47



Russia's cyberattack on U.S. democracy



Inside the memorial to victims of lynching



The Harvard Lampoon



How IEDs may be physically causing PTSD



Bridging the Middle East conflict with music

Facebook responds to criticism of Zuckerberg, Sandberg's silence

Facebook is responding to critics who question the public silence from founder and CEO Mark Zuckerberg and Chief Operating Officer Sheryl Sandberg in the wake of the Cambridge Analytica controversy, in which the data analytics firm harvested millions of profiles without their permission.

"Mark, Sheryl and their teams are working around the clock to get all the facts and take the appropriate action moving forward, because they understand the seriousness of this issue. The entire company is outraged we were deceived. We are committed to vigorously enforcing our policies to protect people's information and will take whatever steps are required to see that this happens," a Facebook spokesperson said Tuesday.

However, a Bloomberg report, citing a person familiar with the matter, says that Zuckerberg and Sandberg are planning to stay mum until the completion of Facebook's internal audit of Cambridge Analytica and what happened.

Details on N.Y. and Mass. AG letter to Facebook

A source familiar with the investigation launched by New York Attorney General Eric Schneiderman and Attorney General Maura Healey of Massachusetts tells CBS News the letter includes broad demands for information about Facebook's handling of the breach and the company's interactions with Cambridge Analytica executives.

In the letter, the attorneys general ask why users weren't notified in 2015 that their information was obtained by a third-party, according to the source. The letter includes a demand for Facebook to identify everyone in the company who made the decision not to disclose the breach, along with any electronic communication related to the discussion.

Schneiderman and Healey are also asking for all records of contact between Facebook



The Spark: Stories That Inspire



"I'll rise unafraid": Mom leaps into action when daughter freezes on stage



Cancer survivor finishes Boston Marathon 13 hours after start



Meet the 7-year-old who climbed Mt. Kilimanjaro and broke world record



Girl with 3D-printed hand throws first pitch at Giants game



Waitress gets \$16K scholarship after act of

Schneiderman and Healey are also asking for all records of contact between Facebook and Dr. Aleksandr Kogan, his firm Global Science Research (GSR), Joseph Chancellor, Cambridge Analytica and SCL Group.

FB shares fall for second day in a row

Facebook shares fell for the second day in a row, but the rout wasn't as bad as initially feared. After falling more than 5 percent early on Tuesday, the stock closed down just 2.6 percent. Still, **combined with Monday's loss**, Facebook has shed some \$50 billion in value.

N.Y. and Mass. announce investigation into Cambridge Analytica

The attorneys general in New York and Massachusetts have launched a joint investigation into Cambridge Analytica, the firm accused of harvesting more than 50 million Facebook profiles of U.S. voters without their permission.

"Consumers have a right to know how their information is used -- and companies like Facebook have a fundamental responsibility to protect their users' personal information," New York Attorney General Eric Schneiderman said in a statement Tuesday.

Schneiderman said he and Massachusetts Attorney General Healey sent a letter to Facebook demanding information regarding Cambridge Analytica's misuse of data.

"New Yorkers deserve answers, and if any company or individual violated the law, we will hold them accountable," Schneiderman said.

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-  Lessons in kindness: A professor's generosity comes full circle

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-  Joy, grief and a handwritten letter bring 2 La. families together

-  Fighting gun violence in Chicago, one checkmate at a time



49 PHOTOS

Notable deaths in 2018



New York Attorney General Eric Schneiderman seen Sept. 13, 2016 in New York City. / GETTY

Nix says Cambridge Analytica played extensive role in Trump campaign

CEO Alexander Nix boasted to undercover journalists from **Channel 4 News** that Cambridge Analytica played an extensive role in the Trump campaign's digital and television advertising. However, sources with direct knowledge of the Trump campaign's decision-making said the campaign **phased out** its work with Cambridge Analytica in the months leading up to the general election.

"We did all the research, all the data, all the analytics, all the targeting, we ran all the digital campaign, the television campaign and our data informed all the strategy," Nix said, adding that he had met with Mr. Trump several times.

Shortly before the report aired Tuesday, Cambridge Analytica announced that Nix had been suspended pending an investigation into his comments.

Cambridge Analytica suspends CEO Alexander Nix

Cambridge Analytica has suspended CEO Alexander Nix pending a full investigation following Channel 4's undercover report, the company said in a **statement** Tuesday.

"In the view of the Board, Mr. Nix's recent comments secretly recorded by Channel 4 and other allegations do not represent the values or operations of the firm and his suspension reflects the seriousness with which we view this violation," the statement said.

The data firm's chief data officer, Dr. Alexander Tayler, will serve as the acting CEO during the probe. The firm said it asked Julian Malins Q.C. investigate Nix's comments.

In the report, Nix and two of his colleagues described a variety of underhanded methods they could use to influence elections, including but not limited to staging, filming and publishing fake bribery or sex worker stings against opponents, using former spies to conduct intelligence-gathering on political foes and various shades of online voter profiling.



Cambridge Analytica's chief executive officer Alexander Nix gives an interview during the 2017 Web Summit in Lisbon on November 9, 2017. Europe's largest tech event Web Summit is being held at Parque das Nações in Lisbon from November 6 to November 9. / **PATRICIA DE MELO MOREIRA/AFP/GETTY**

Channel 4 teases Cambridge Analytica piece on Trump campaign

London's Channel 4 News will air the second part of its **undercover report on Cambridge Analytica** on Tuesday evening. "They're politicians, they're not very technical. They don't understand how it works. They don't understand because the candidate is almost never involved, he's told what to do by the campaign team," Cambridge Analytica CEO Alexander Nix tells the undercover journalist in the **report**. He then agrees with the journalist, who was posing as a potential client, that the candidates are "always" puppets.

On Monday, the network aired the first part of the expose that featured interviews with Nix and other senior members of the data analytics firm. Nix and his colleagues described a variety of underhanded methods they could use to influence elections, including but not limited to staging, filming and publishing fake bribery or sex worker stings against opponents, using former spies to conduct intelligence-gathering on political foes and various shades of online voter profiling.

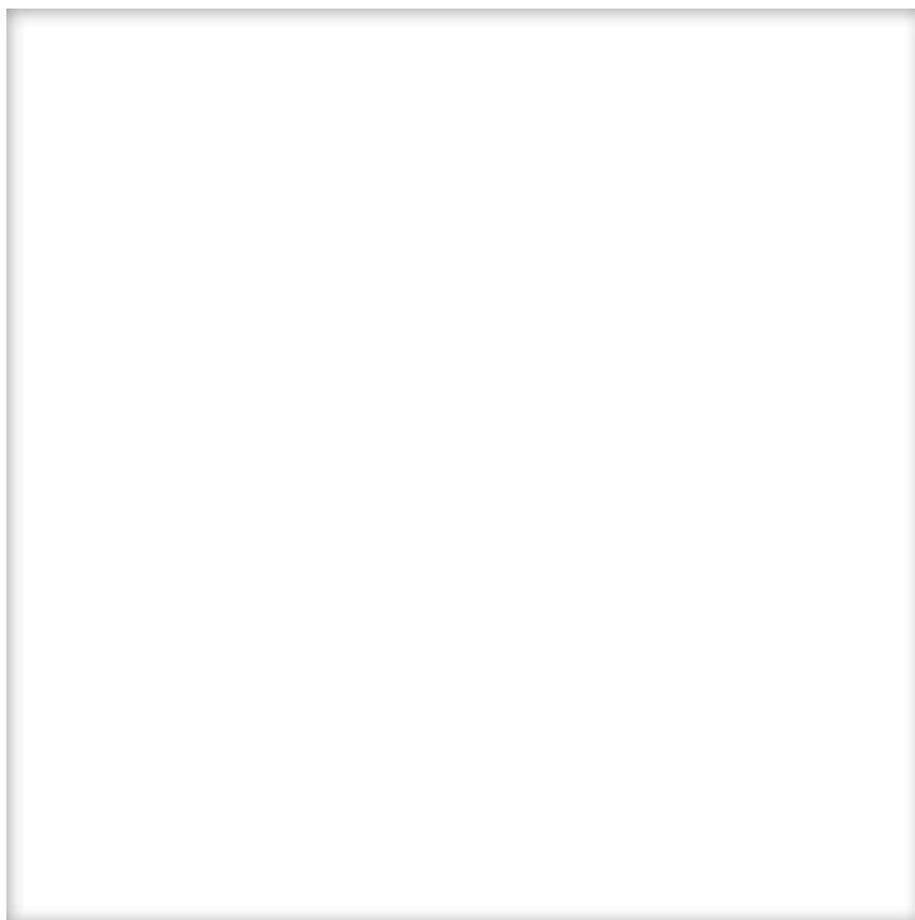
In the statement, Nix said he was "playing along with this line of conversation" and "entertained a series of ludicrous hypothetical scenarios" to spare the potential client from embarrassment.

Facebook to hold emergency meeting

Facebook has scheduled an employee meeting at 1 p.m. Eastern time to allow its staff to ask questions about the unfolding controversy, [according to The Verge](#).

The company's deputy general counsel, Paul Grewal, is expected to take questions through an internal poll. Employees will be attending in person and via live stream, The Verge noted. It is unclear whether CEO Mark Zuckerberg will speak at the meeting.

Shares continue to slide



Facebook's stock price fell more than 5 percent on Tuesday amid mounting scrutiny over its role in the [Cambridge Analytica flap](#). That follows a decline of almost 7 percent on Monday, which shaved almost \$40 billion from Facebook's market value and which represents the biggest single-day decline in the company's shares in four years.

Credit Suisse analysts said in a research note that negative headlines could continue to weigh on Facebook's stock in the coming weeks, citing demands by lawmakers that CEO Mark Zuckerberg appear before Congress to address the Cambridge Analytica controversy.

FTC reportedly investigating Facebook

The Federal Trade Commission is investigating whether revelations that data firm Cambridge Analytica **harvested personal data** from millions of Facebook users violates a previous order by the regulatory agency targeting Facebook, according to **Bloomberg News**.

Under that 2011 agreement, Facebook said it would make changes to protect its users' privacy, including providing them with "**clear and prominent notice**" and asking for their "express consent" before their information would be shared beyond their privacy settings.

"We are aware of the issues that have been raised but cannot comment on whether we are investigating," an FTC spokeswoman told CBS **MoneyWatch**. "We take any allegations of violations of our consent decrees very seriously as we did in 2012 in a privacy case involving **Google**."

Facebook says it initially gave out the data to a researcher who claimed it would be used only for academic purposes. Facebook claims the researcher then "lied to us" and passed the content onto Cambridge Analytica. That firm then used the data to build "psychographic profiles" about voters.

Facebook executives to brief lawmakers

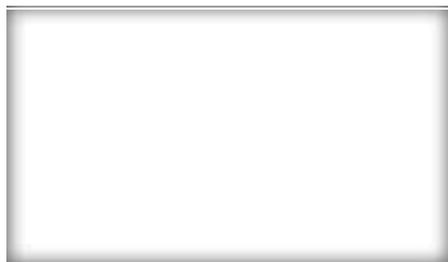
Facebook executives on Wednesday will provide briefings to several congressional panels, including the House Judiciary staff and the House and Senate intelligence committees, CBS News has learned.

Several lawmakers have called for investigations into the data privacy scandal, including Senators Edward J. Markey, D-Massachusetts; Amy Klobuchar, D-Minnesota; and John Kennedy, R-Louisiana.

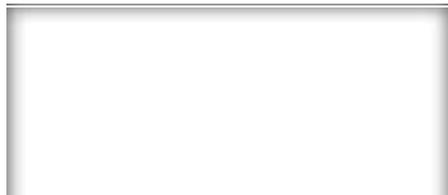
"While Facebook has pledged to enforce its policies to protect people's information, questions remain as to whether those policies are sufficient and whether Congress should take action to protect people's private information," Klobuchar and Kennedy wrote in a **letter** sent Monday to Senate Judiciary Committee Chairman Charles Grassley, R-Iowa.

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Featured



The Stormy Daniels "60 Minutes" interview



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Tophatter

South Beloit, Illinois: This Unbelievable, Tiny Company Is Disrupting a 300 Year Old Industry
EverQuote Insurance Quotes
"Hero" customer wrestled rifle away from

EXHIBIT 158

<https://www.fastcompany.com/3030984/facebook-switches-default-share-setting-to-friends-instead-of-ever>

05.22.14

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Facebook Switches Default Share Setting From “Everyone” To “Friends,” Aims To Save You From Yourself

[Image: Flickr user [Dominick](#)]

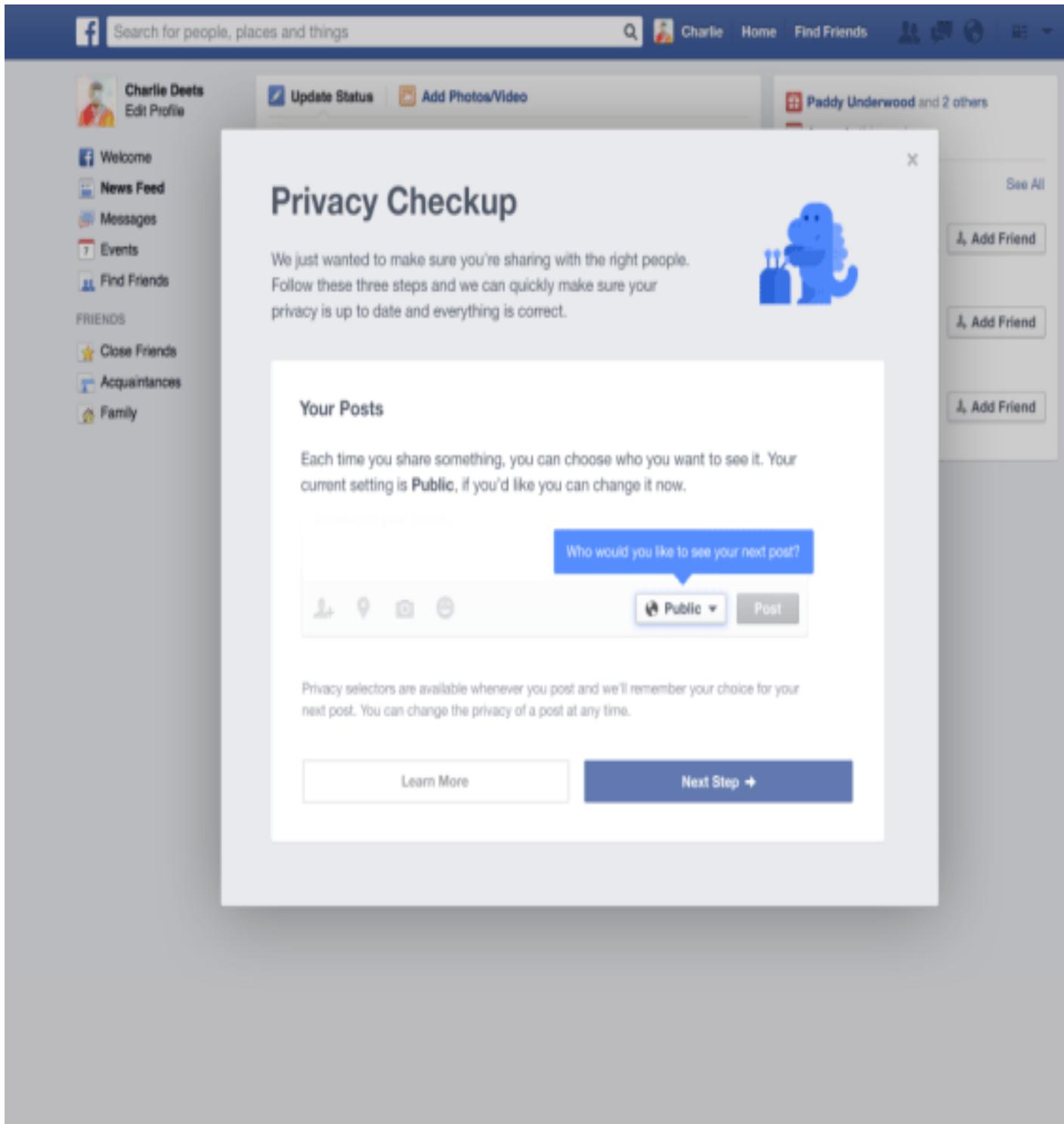
By [Chris Gayomali](#) 1 minute Read

Posting something dumb and embarrassing for the whole world to gawk at is basically a rite of passage on Facebook. Since 2009, the social network made public tomfoolery extraordinarily easy by defaulting its share settings to “everyone,” despite [evidence](#) that its users wanted otherwise.

That is now changing. Beginning today, Facebook is making the default post setting “friends” instead of everyone and anyone. “While some people want to post to everyone, others have told us that they are more comfortable sharing with a smaller group, like just their friends,” writes Facebook in [a blog post](#). “We recognize that it is much worse for someone to accidentally share with everyone when they actually meant to share just with friends, compared with the reverse.”



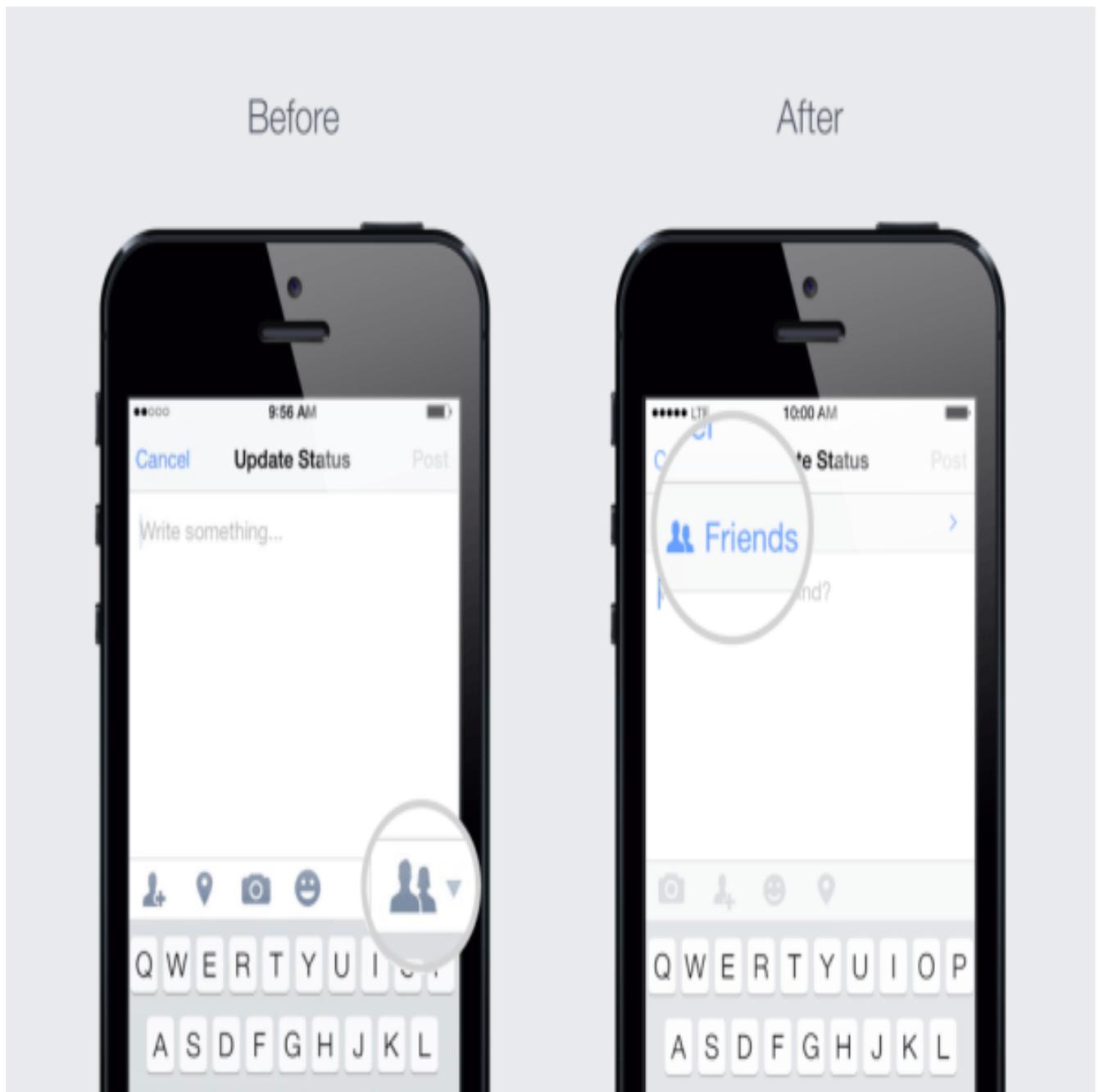
In that vein, Facebook is also rolling out a new “privacy checkup” diagnostic tool that walks social networking neophytes through their share settings. It’s designed to “take people through a few steps to review things like who they’re posting to, which apps they use, and the privacy of key pieces of information on their profile.”



ADVERTISING

[inRead invented by Teads](#)

Facebook is also redesigning its audience selector feature, to make who you're sharing with less confusing and more obvious.



This is no minor tweak: It's a 180-degree shift that flies in the face of a longstanding share-all ethos that spawned countless "how to protect your privacy on Facebook" articles all over the blogosphere, several on [this website](#) alone. Facebook is basically saying, "You guys were right. We were wrong."

Which, after all, is better late than never.

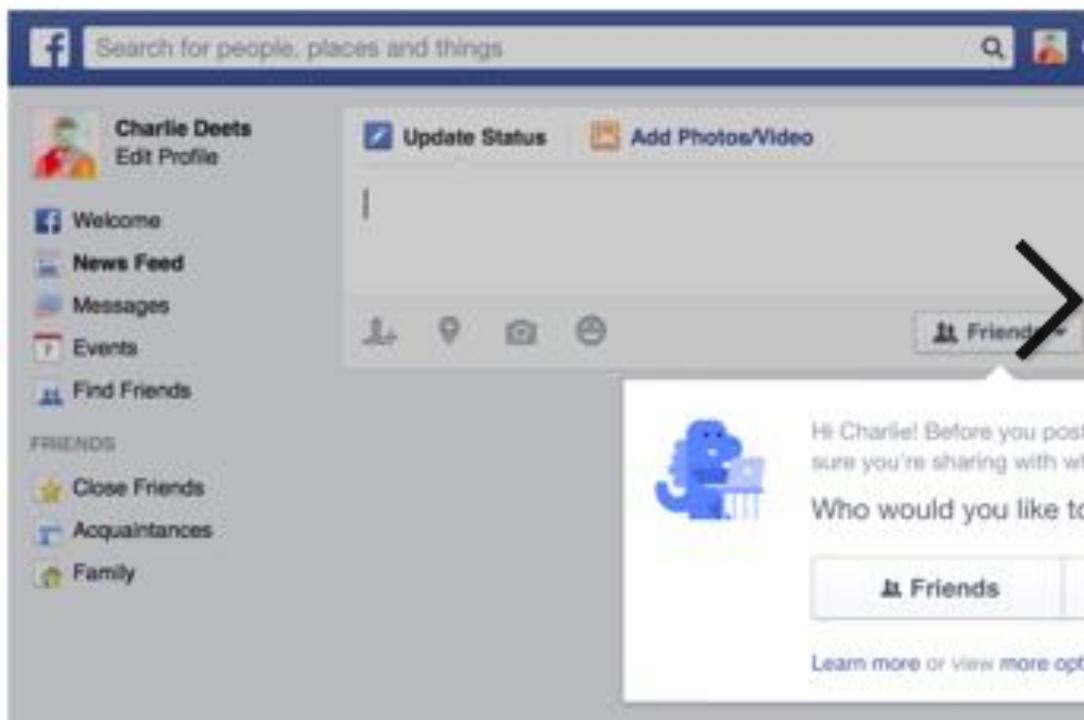
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- [Video: The Importance Of Diversity In Organic Foods](#)

EXHIBIT 159

By Doug Gross, CNN

🕒 Updated 3:39 PM ET, Thu May 22, 2014



Photos: 10 years of Facebook

10 years of Facebook – On Thursday Facebook bowed to privacy concerns by making new users' settings default to "Friends" instead of "Public." The new feature also walks existing users through settings, letting them make changes if they so desire. Read on for more stats about Facebook, 10 in February.

1 of 7

New Facebook users will have privacy settings default to "Friends"

Previously, the default made users' posts public

Facebook is also rolling out a "privacy checkup" for existing users

U.S. senator: "Facebook's new privacy policy is a laudable change"

are robust, critics have argued they're hard for some users to understand. Unsavvy users may not realize they're broadcasting their thoughts to the world by default, some say.

privacy settings default to "Friends," instead of "Public," which had been the case for adults for the past several years.

And in the coming weeks, returning users will be prompted to take a close look at their privacy settings and other account information when they log in.

"We want to do all we can to put power and control in people's hands," [Facebook said in a post Thursday](#). "This new tool is designed to help people make sure they are sharing with just the audience they want."

The shift addresses one of the major complaints privacy advocates have had with the social platform. While Facebook has long maintained that its privacy controls



Related Video: Facebook gets flirty with new feature 00:38

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U.S. Sen. Jay Rockefeller of West Virginia [said in a post on the site](#). "As I said in the past, it should be up to the user to decide how much information they want to share with the public. Today's announcement is a step in the right direction for strengthening online privacy protections, and I urge other online companies to follow suit."

Under the change, first-time users will be asked specifically what they want their audience to be when they make their first post. If they don't respond, it defaults to friends only.

The Privacy Checkup feature for existing users -- which comes with its own cuddly dinosaur mascot -- was [announced last month](#) but is being implemented now.

It marks the latest in a series of privacy tweaks Facebook has made in recent months as it works to make users more comfortable about sharing their information on the site.

Last month, Facebook rolled out the ability to [log in "anonymously,"](#) preventing other websites and third-party apps from collecting data about you.

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EXHIBIT 160



'Utterly horrifying': ex-Facebook insider says covert data harvesting was routine

Sandy Parakilas says numerous companies deployed these techniques - likely affecting hundreds of millions of users - and that Facebook looked the other way

Paul Lewis in San Francisco

Tue 20 Mar 2018 07.46 EDT

Hundreds of millions of Facebook users are likely to have had their private information harvested by companies that exploited the same terms as the firm that collected data and passed it on to Cambridge Analytica, according to a new whistleblower.

Sandy Parakilas, the platform operations manager at Facebook responsible for policing data breaches by third-party software developers between 2011 and 2012, told the Guardian he warned senior executives at the company that its lax approach to data protection risked a major breach.

“My concerns were that all of the data that left Facebook servers to developers could not be monitored by Facebook, so we had no idea what developers were doing with the data,” he said.

Parakilas said Facebook had terms of service and settings that “people didn’t read or understand” and the company did not use its enforcement mechanisms, including audits of external developers, to ensure data was not being misused.

Parakilas, whose job was to investigate data breaches by developers similar to the one later suspected of Global Science Research, which harvested tens of millions of Facebook profiles and provided the data to Cambridge Analytica, said the slew of recent disclosures had left him disappointed with his superiors for not heeding his warnings.

“It has been painful watching,” he said, “because I know that they could have prevented it.”

Asked what kind of control Facebook had over the data given to outside developers, he replied: “Zero. Absolutely none. Once the data left Facebook servers there was not any control, and there was no insight into what was going on.”

Parakilas said he “always assumed there was something of a black market” for Facebook data that had been passed to external developers. However, he said that when he told other executives the company should proactively “audit developers directly and see what’s going on with the data” he was discouraged from the approach.

He said one Facebook executive advised him against looking too deeply at how the data was being used, warning him: “Do you really want to see what you’ll find?” Parakilas said he interpreted the comment to mean that “Facebook was in a stronger legal position if it didn’t know about the abuse that was happening”.

He added: “They felt that it was better not to know. I found that utterly shocking and horrifying.”

Parakilas first went public with his concerns about privacy at Facebook four months ago, but his direct experience policing Facebook data given to third parties throws new light on revelations over how such data was obtained by Cambridge Analytica.

Facebook did not respond to a request for comment on the information supplied by Parakilas, but directed the Guardian to a November 2017 blogpost in which the company defended its data sharing practices, which it said had “significantly improved” over the last five years.

“While it’s fair to criticise how we enforced our developer policies more than five years ago, it’s untrue to suggest we didn’t or don’t care about privacy,” that statement said. “The facts tell a different story.”

‘A majority of Facebook users’

Parakilas, 38, who now works as a product manager for Uber, is particularly critical of Facebook’s previous policy of allowing developers to access the personal data of friends of people who used apps on the platform, without the knowledge or express consent of those friends.

That feature, called friends permission, was a boon to outside software developers who, from 2007 onwards, were given permission by Facebook to build quizzes and games – like the widely popular FarmVille – that were hosted on the platform.

The apps proliferated on Facebook in the years leading up to the company's 2012 initial public offering, an era when most users were still accessing the platform via laptops and computers rather than smartphones.

Facebook took a 30% cut of payments made through apps, but in return enabled their creators to have access to Facebook user data.

Parakilas does not know how many companies sought friends permission data before such access was terminated around mid-2014. However, he said he believes tens or maybe even hundreds of thousands of developers may have done so.

Parakilas estimates that "a majority of Facebook users" could have had their data harvested by app developers without their knowledge. The company now has stricter protocols around the degree of access third parties have to data.

Parakilas said that when he worked at Facebook it failed to take full advantage of its enforcement mechanisms, such as a clause that enables the social media giant to audit external developers who misuse its data.

Legal action against rogue developers or moves to ban them from Facebook were "extremely rare", he said, adding: "In the time I was there, I didn't see them conduct a single audit of a developer's systems."

Facebook announced on Monday that it had hired a digital forensics firm to conduct an audit of Cambridge Analytica. The decision comes more than two years after Facebook was made aware of the reported data breach.

During the time he was at Facebook, Parakilas said the company was keen to encourage more developers to build apps for its platform and "one of the main ways to get developers interested in building apps was through offering them access to this data". Shortly after arriving at the company's Silicon Valley headquarters he was told that any decision to ban an app required the personal approval of the chief executive, Mark Zuckerberg, although the policy was later relaxed to make it easier to deal with rogue developers.

While the previous policy of giving developers access to Facebook users' friends' data was sanctioned in the small print in Facebook's terms and conditions, and users could block such data sharing by changing their settings, Parakilas said he believed the policy was problematic.

"It was well understood in the company that that presented a risk," he said. "Facebook was giving data of people who had not authorised the app themselves, and was relying on terms of service and settings that people didn't read or understand."

It was this feature that was exploited by Global Science Research, and the data provided to Cambridge Analytica in 2014. GSR was run by the Cambridge University psychologist Aleksandr Kogan, who built an app that was a personality test for Facebook users.

The test automatically downloaded the data of friends of people who took the quiz, ostensibly for academic purposes. Cambridge Analytica has denied knowing the data was obtained improperly, and Kogan maintains he did nothing illegal and had a "close working relationship" with Facebook.

While Kogan's app only attracted around 270,000 users (most of whom were paid to take the quiz), the company was then able to exploit the friends permission feature to quickly amass data pertaining to more than 50 million Facebook users.

"Kogan's app was one of the very last to have access to friend permissions," Parakilas said, adding that many other similar apps had been harvesting similar quantities of data for years for commercial purposes. Academic research from 2010, based on an analysis of 1,800 Facebooks apps, concluded that around 11% of third-party developers requested data belonging to friends of users.

If those figures were extrapolated, tens of thousands of apps, if not more, were likely to have systematically culled "private and personally identifiable" data belonging to hundreds of millions of users, Parakilas said.

The ease with which it was possible for anyone with relatively basic coding skills to create apps and start trawling for data was a particular concern, he added.

Parakilas said he was unsure why Facebook stopped allowing developers to access friends data around mid-2014, roughly two years after he left the company. However, he said he believed one reason may have been that Facebook executives were becoming aware that some of the largest apps were acquiring enormous troves of valuable data.

He recalled conversations with executives who were nervous about the commercial value of data being passed to other companies.

"They were worried that the large app developers were building their own social graphs, meaning they could see all the connections between these people," he said. "They were worried that they were going to build their own social networks."

'They treated it like a PR exercise'

Parakilas said he lobbied internally at Facebook for "a more rigorous approach" to enforcing data protection, but was offered little support. His warnings included a PowerPoint presentation he said he delivered to senior executives in mid-2012 "that included a map of the vulnerabilities for user data on Facebook's platform".

"I included the protective measures that we had tried to put in place, where we were exposed, and the kinds of bad actors who might do malicious things with the data," he said. "On the list of bad actors I included foreign state actors and data brokers."

Frustrated at the lack of action, Parakilas left Facebook in late 2012. "I didn't feel that the company treated my concerns seriously. I didn't speak out publicly for years out of self-interest, to be frank."

That changed, Parakilas said, when he heard the congressional testimony given by Facebook lawyers to Senate and House investigators in late 2017 about Russia's attempt to sway the presidential election. "They treated it like a PR exercise," he said. "They seemed to be entirely focused on limiting their liability and exposure rather than helping the country address a national security issue."

It was at that point that Parakilas decided to go public with his concerns, writing an opinion article in the New York Times that said Facebook could not be trusted to regulate itself. Since then,

Parakilas has become an adviser to the Center for Humane Technology, which is run by Tristan Harris, a former Google employee turned whistleblower on the industry.

Contact the author: paul.lewis@theguardian.com

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Topics

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BUSINESS DAY

Facebook Faces Growing Pressure Over Data and Privacy Inquiries

By CECILIA KANG MARCH 20, 2018

WASHINGTON — Federal regulators and state prosecutors are opening investigations into Facebook. Politicians in the United States and Europe are calling for its chief executive, Mark Zuckerberg, to testify before them. Investors have cut the value of the social networking giant by about \$50 billion in the past two days.

They are all focused on the same thing: whether Facebook mishandled users' data.

Facebook has built its highly profitable social network off its users, selling advertisements based on their ages, interests and other details. But the scrutiny over the company's vast trove of personal data — following a report that a political consulting firm had improperly obtained information of 50 million users — is taking direct aim at that lucrative formula.

“Investors are reacting to fears of regulation and the consequences of regulation,” said Brian Wieser, a senior research analyst at Pivotal Research Group. “The scale of errors can only lead one to conclude these are systemic problems.”

So far, most of the social network's top executives have been silent. Mr. Zuckerberg, its founder, and Sheryl Sandberg, his top deputy, have not made any public statements in recent days. The pair did not appear at an employee meeting on

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At the meeting, employees asked questions about the continuing internal investigation into the use of Facebook data by the political consulting firm Cambridge Analytica. The firm, which was tied to President Trump's 2016 campaign, used the data to target messages to voters.

The meeting, which included Facebook's deputy counsel, Paul Grewal, largely focused on the steps that Facebook was taking to ensure its data could no longer be misused by independent researchers, according to Facebook employees in attendance. Mr. Zuckerberg was expected to address employees on Friday, when the company holds an all-hands meeting.

The company has faced internal dissent over its broader role in spreading disinformation during the presidential campaign and its response to it. The tensions have prompted the planned departure of Alex Stamos, Facebook's chief security officer, who plans to leave in August.

The pressure on Facebook has been building for years.

It started in the European Union, where regulators have taken an aggressive attitude toward Facebook and other American technology giants for their sway over the region's 500 million people. The company has been the subject of several privacy investigations and charges by European regulators. Europe has approved a new privacy law, which takes effect in May, that will give users of Facebook, Google and other internet services more control over how their data is collected and what Silicon Valley companies know about them.

After the 2016 presidential campaign, lawmakers at home joined the chorus of critics, citing the company's role in Russia's disinformation efforts. The social network was one of the top tools used by Russians to spread false news, and the company's executives have struggled to explain what happened and how they would prevent foreign interference in the future.

The Cambridge Analytica revelations have forced Facebook to scramble to assuage fresh concerns by regulators and lawmakers. The company is sending its representatives to Capitol Hill and arranging conversations with state attorneys

general to try to answer questions about how the firm collected the information of Facebook users.

The social networking giant is also facing an investigation by the Federal Trade Commission, which is looking into whether Facebook violated an agreement with the agency, according to a person with knowledge of the inquiry.

The F.T.C. investigation is connected to a settlement the agency reached with Facebook in 2011 after finding that the company had told users that third-party apps on the social media site, like games, would not be allowed to access their data. But the apps, the agency found, were able to obtain almost all personal information about a user.

The current investigation has parallels. The information on the 50 million users was harvested in 2014 by an outside researcher, Aleksandr Kogan. Mr. Kogan, a professor at Cambridge University, paid users small sums to take a personality quiz and download an app, which collected private information from their profiles and from those of their friends. Facebook allowed that sort of data collection at the time.

Then, Mr. Kogan gave the information to Cambridge Analytica, a firm founded by Stephen K. Bannon, the former White House political adviser, and Robert Mercer, the wealthy Republican donor. Passing the information to a third party violated Facebook's policies, the company said last week.

"There are all sorts of obligations under the consent decree that may not have been honored here," said David Vladeck, a former director of consumer protection at the F.T.C.

The company could face fines of \$40,000 a day per violation if the agency finds that Facebook broke the agreement.

"We are aware of the issues that have been raised but cannot comment on whether we are investigating," an F.T.C. spokeswoman said in a statement on Tuesday. "We take any allegations of violations of our consent decrees very seriously."

Facebook said it expected to receive questions from the F.T.C. related to potential violations of the 2011 consent decree. “We remain strongly committed to protecting people’s information,” Facebook’s deputy chief privacy officer, Rob Sherman, said in a statement. “We appreciate the opportunity to answer questions the F.T.C. may have.”

The F.T.C. inquiry is just one piece of the regulatory backlash. On Tuesday, the New York attorney general, Eric T. Schneiderman, announced that he was joining the Massachusetts attorney general, Maura Healey, in an investigation into whether Facebook had failed to protect the privacy of users in those states. New Jersey’s attorney general announced a similar investigation.

Mr. Schneiderman and Ms. Healey sent a letter to Facebook on Tuesday that demanded records of the communications between the company and Cambridge Analytica.

“Consumers have a right to know how their information is used — and companies like Facebook have a fundamental responsibility to protect their users’ personal information,” Mr. Schneiderman said. “Today’s demand letter is the first step in our joint investigation to get to the bottom of what happened.”

There have also been growing calls for the top leadership at Facebook to appear before American and British lawmakers to testify about the company and Cambridge Analytica.

Senators Amy Klobuchar, Democrat of Minnesota, and John Kennedy, Republican of Louisiana, have asked the chairman of the Judiciary Committee, Charles E. Grassley, Republican of Iowa, to hold a hearing. Republican leaders of the Senate Commerce Committee, organized by John Thune of South Dakota, wrote a letter on Monday to Mr. Zuckerberg demanding answers to questions about how the data had been collected and if users were able to control the misuse of data by third parties.

“It’s time for Mr. Zuckerberg and the other C.E.O.s to testify before Congress,” Senator Mark Warner, Democrat of Virginia, said on Tuesday. “The American people deserve answers about social media manipulation in the 2016 election.”

Facebook staff members were scheduled to brief the office of Mr. Warner, the top Democrat on the Intelligence committee, and the offices of members of other committees, including Commerce, this week.

“The possibility that Facebook has either not been transparent with consumers or has not been able to verify that third-party app developers are transparent with consumers is troubling,” Mr. Thune said in his letter.

On Tuesday morning, a committee within the British Parliament sent a letter to Mr. Zuckerberg that asked him to appear before the panel to answer questions on the company’s connection to Cambridge Analytica. The president of the European Parliament also requested an appearance by Mr. Zuckerberg.

“The committee has repeatedly asked Facebook about how companies acquire and hold on to user data from their site, and in particular about whether data had been taken without their consent,” wrote Damian Collins, chairman of the British committee. “Your officials’ answers have consistently understated this risk, and have been misleading to the committee.”

Matthew Rosenberg contributed reporting from Washington, and Sheera Frenkel from San Francisco.

A version of this article appears in print on March 21, 2018, on Page A1 of the New York edition with the headline: Facebook’s Lucrative Formula Under Pressure From All Sides.

EXHIBIT 162

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<https://www.wsj.com/articles/facebook-ignites-debate-over-third-party-access-to-user-data-1521414746>

TECH

Facebook Ignites Debate Over Third-Party Access to User Data

It says that a firm kept data for years despite saying records were destroyed



The episode highlights Facebook's continuing struggle to grasp how its platform and the data it generates are handled by others. Facebook's office in London. PHOTO: DANIEL LEAL-OLIVAS/AGENCE FRANCE-PRESSE/GETTY IMAGES

By *Deepa Seetharaman*

March 18, 2018 7:12 p.m. ET

Facebook Inc. [FB -1.08% ▼](#) ignited a firestorm over how it manages third-party access to its users' information, after the social network said a firm with ties to the 2016 Trump campaign improperly kept data for years despite saying it had destroyed those records.

U.S. and British lawmakers slammed Facebook over the weekend for not providing more information about how the data firm, Cambridge Analytica, came to access information about potentially tens of millions of the social network's members without their explicit permission.

"This is a big deal, when you have that amount of data. And the privacy violations there are significant," Sen. Jeff Flake (R., Ariz.), a member of the Senate Judiciary Committee, said in an appearance on CNN. "So, the question is, who knew it? When did they know it? How long did this go on? And what happens to that data now?"

The attorney general in Massachusetts said in social-media posts Saturday that her office planned to launch an investigation into the matter.

Damian Collins, the U.K. lawmaker who chairs a parliamentary committee on media and culture, said he intended to ask Facebook Chief Executive Mark Zuckerberg to testify before the group, or send a senior executive to do so, as part of its inquiry into how social-media manipulation affected Britain's referendum decision to exit from the European Union.

RELATED

- Facebook Suspends Data Firm That Helped Trump Campaign
- Facebook's Restrictions on User Data Cast a Long Shadow (September 2015)

Late Friday, Facebook said it suspended Cambridge and two individuals— Aleksandr Kogan, a psychology professor from the University of Cambridge, and Christopher Wylie, who helped

found Cambridge—after hearing "reports" they had violated Facebook policies that govern how third-party developers can deploy user data they obtained from the company. Facebook didn't elaborate on the source of its information.

Facebook said it learned in 2015 that Mr. Kogan broke Facebook policy and shared the user data with third parties. The company said it demanded he and third parties with access to the data

delete those records but learned this month the data hadn't been destroyed.

Facebook executives spent much of Saturday arguing what happened didn't constitute a data breach—even as they and the company acknowledged Mr. Kogan and Cambridge abused user data that previously was provided openly to third parties.

The episode highlighted Facebook's continuing struggle to grasp how its platform and the data it generates are handled by others. It comes as Facebook struggles to respond to last fall's disclosure that Russian-backed actors leveraged its tools to manipulate Americans during and after the 2016 U.S. presidential race.

Rep. Adam Schiff of California, the top Democrat on the House Intelligence Committee, said lawmakers should investigate how Cambridge got hold of the data. "We need to find out what we can about the misappropriation of the privacy, the private information of tens of millions of Americans," Mr. Schiff told ABC News on Sunday.

The Russian manipulation disclosed last year showed how a small group of pro-Kremlin actors created fake accounts to sow discord through posts, images and videos shared widely on Facebook. The activity disclosed Friday is a case where outsiders harvested Facebook user data and deployed it seemingly out of public view.

"This could be a data privacy reckoning for Americans. It's a wake up call," said David Carroll, an advocate for increased regulation of Facebook and an associate professor of media design at the New School's Parsons School of Design.

"We are in the process of conducting a comprehensive internal and external review as we work to determine the accuracy of the claims that the Facebook data in question still exists," Paul Grewal, Facebook's deputy general counsel, said in a written statement. "That is where our focus lies as we remain committed to vigorously enforcing our policies to protect people's information."

The current controversy has its roots in a 2007 decision by Facebook to give outsiders access to the company's "social graph"—the friend lists, interests and "likes" that tied Facebook's user base together. Tapping that rich store of information required that a person create an app and plug it into Facebook's platform.

The move helped Facebook become a fixture in its members' lives, catapulting the company from 58 million users to more than 2 billion today. It also addressed criticism from people who argued the company shouldn't have sole custody over the data generated by users.

Users of dating apps who signed in using Facebook, for example, could see which friends they had in common with a potential date—even if those mutual friends didn't use the app. President Barack Obama's 2012 re-election campaign created a voter-outreach app that plugged into the Facebook platform to find potential supporters among a user's friends.

In 2014, Facebook said it would reverse course after users questioned their data being shared with outsiders without their knowledge. Those changes went into effect in 2015, forcing many dating, job-search and political apps to close their doors, and sparking a fresh round of criticism that Facebook changed its rules at whim.

Despite the changes, Facebook couldn't ensure data already gleaned by developers wasn't shared with third parties. Such a move would violate the Facebook policies governing how third-party developers can deploy data they obtained from the company.

In a Friday evening post, Facebook said it had learned in 2015 that Mr. Kogan broke its data policies when he shared user data he gathered from his personality-prediction app, "thisisyourdigitallife," to third parties including Cambridge and Mr. Wylie.

Cambridge Analytica has said it didn't use Facebook data collected by Mr. Kogan's company, Global Science Research, during the 2016 U.S. presidential election.

Facebook said about 270,000 people downloaded the app, giving consent for Mr. Kogan to access information such as their city or content they had liked. Mr. Kogan also could see some information about friends whose privacy settings allowed the access of such data.

A 2011 paper co-written by Facebook researchers said the average Facebook user had 190 friends. That could mean that through the 270,000 people who downloaded Mr. Kogan's app, data from 51.3 million people were obtained.

A Facebook spokesman said the company's goal in 2015 was securing the data in question, a goal it believed it had accomplished at the time. The company reiterated that it didn't consider the abuse as a "data breach" because Mr. Kogan gained access to the data through legitimate means.

— *Dave Michaels*
contributed to this article.

Appeared in the March 19, 2018, print edition as 'Facebook Provokes Storm Over User Data.'

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March 19, 2018

Mark Zuckerberg
Chief Executive Officer
Facebook
1 Hacker Way
Menlo Park, CA 94025

Dear Mr. Zuckerberg:

I write to learn how Facebook user data may have been inappropriately obtained and abused by third parties to target and manipulate tens of millions of American voters without the knowledge or consent of those individuals.

According to media reports and an official Facebook statement, approximately 270,000 Facebook users downloaded an app created by University of Cambridge researcher Dr. Aleksandr Spectre purporting to offer personality predictions for users and describing itself on Facebook as "a research app used by psychologists." In addition to downloading Facebook data about app users, the app also sought and collected data about the Facebook friends of its users. Though Facebook offered an obscure privacy setting to disable that type of access, the setting was not advertised, nor was it enabled by default. As a result, the vast majority of the tens of millions of users whose data was collected by Spectre likely had no knowledge that their information was being harvested by third parties; therefore they were unable to knowingly consent to the collection of their data.

Spectre's stockpiling of user data relied upon a Facebook-developed and marketed Application Programming Interface (API) that enabled third-party app developers to collect data not only from app users, but also from those users' Facebook friends. This official Facebook developer tool allowed Spectre to download detailed information about 50 million Facebook users, a feat he later touted in a public presentation, claiming that his research lab had Facebook data on "50+ million individuals for whom we have the capacity to predict virtually any trait." Likewise, reporting indicates that his business partner boasted on LinkedIn that their company owned "a massive data pool of 40+ million individuals across the United States—for each of whom we have generated detailed characteristic and trait profiles."

According to recent media reports, Spectre provided his data to Cambridge Analytica, a data-driven political consulting firm. Cambridge Analytica then used Spectre's data to build detailed "psychographic profiles" of Americans and target those users with personalized political advertisements. As Christopher Wylie, a former Cambridge Analytica employee, told the *Observer*: Cambridge Analytica "exploited Facebook to harvest millions of people's profiles. And built models to exploit what we knew about them and target their inner demons. That was the basis the entire company was built on."

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Facebook has now revealed that as early as 2015, it knew that Spectre provided Facebook user data to Strategic Communication Laboratories/Cambridge Analytica. After learning of this, Facebook apparently removed Spectre's app and demanded certifications from Spectre and Cambridge Analytica that the information had been destroyed. However, it took Facebook until this past week to prevent Spectre or Cambridge Analytica from using its platform in any meaningful way. Your firm finally took this common-sense step, presumably, after being contacted by the *New York Times* and *Observer*, which were preparing a major exposé of these practices.

The troubling reporting on the ease with which Cambridge Analytica was able to exploit Facebook's default privacy settings for profit and political gain throws into question not only the prudence and desirability of Facebook's business practices and the dangers of monetizing consumers' private information, but also raises serious concerns about the role Facebook played in facilitating and permitting the covert collection and misuse of consumer information. With little oversight—and no meaningful intervention from Facebook—Cambridge Analytica was able to use Facebook-developed and marketed tools to weaponize detailed psychological profiles against tens of millions of Americans.

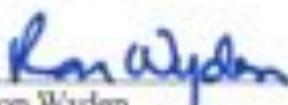
With this in mind, I ask that you provide further information on Facebook's role in this incident and the overall awareness your company maintains into third-party collection and use of Facebook user data. Please provide me with complete answers to the following questions by April 13, 2018.

1. How many incidents during the past ten years is Facebook aware of in which third parties collected or processed user data in violation of Facebook's Platform Policies? Please describe each incident, the number of users whose information was collected and misused, and what steps Facebook took to remedy the violation.
2. With regard to the data downloaded by Spectre and his company, has Facebook made any attempt to identify the 50 million users impacted and inform those users that their information was collected and misused? If not, why not?
3. Has Facebook ever notified individual Facebook users about inappropriate collection, retention, or subsequent use of their data by third parties? If not, why not?
4. According to Facebook's Platform Policy, the company reserves the right to audit apps in order to ensure they are "safe" and do not violate the company's terms of service. In each of the past ten years, how many apps has Facebook audited? Please describe the scope and findings of each audit.
5. Facebook has now suspended Strategic Communication Laboratories/Cambridge Analytica from its platform. However, Facebook has apparently known since 2015 that Cambridge Analytica had obtained and used data that had been obtained from Facebook in violation of your company's policies. Why did you not suspend the company from your platform in 2015?
6. Is Facebook aware of any instances in which Cambridge Analytica or its clients utilized the Facebook user data obtained by Spectre and his company to deliver targeted advertisements to Facebook users? For example, has this data been used to create and target Facebook Custom Audiences?

- a. If Facebook is not aware of any instances, has your company examined historical advertising data to look for such patterns? If not, why not?
7. In 2011, Facebook entered into a consent agreement with the Federal Trade Commission (FTC). Under the terms of that agreement, Facebook is required to maintain "a comprehensive privacy program that is reasonably designed to (1) address privacy risks related to the development and management of new and existing products and services for consumers, and (2) protect the privacy and confidentiality of covered information."
 - a. Please describe how, three years after Facebook entered into the consent order with the FTC, Spectre and his company were able to download sufficiently detailed data on 50 million Facebook users without their affirmative knowledge or consent.
8. The 2011 consent agreement also requires Facebook to obtain biennial privacy assessments and reports from an independent third-party professional with experience in the field of privacy and data protection. Facebook is required to provide the initial report to the FTC, to retain each subsequent report, and to provide a copy of them to the FTC, if requested.
 - a. To date, has the FTC requested any of the assessments or reports? If so, which assessments or reports were requested by the FTC and when were they requested?
 - b. Please provide me with a copy of every privacy assessment and report prepared by or for Facebook as required by the 2011 consent agreement.

If you have any questions about this request, please contact Chris Soghoian on my staff.

Sincerely,



Ron Wyden
United States Senator

EXHIBIT 164

The Guardian

Facebook must be restructured. The FTC should take these nine steps now

If FTC commissioners truly are serious about making Facebook serve the interests of the American public, here is a set of actions they should take

Barry Lynn and Matt Stoller

Thu 22 Mar 2018 10.28 EDT



Since news broke that a data analysis firm with ties to the Trump campaign harvested personal information from tens of millions of Facebook users, much of the speculation has focused on whether the Federal Trade Commission will fine the corporation for violating a 2011 deal to protect user privacy.

But the pressing nature of America's Facebook problem, especially the way the corporation's actions have endangered basic democratic institutions, means the FTC should go much further.

Rather than simply carve away some of Facebook's huge profits, the FTC should immediately move to restructure the corporation to ensure this now essential medium of communication really serves the political and economic interests of American citizens in the 21st century.

What makes Facebook's apparent mishandling of data so deeply dangerous is the corporation's power and reach over both the distribution and generation of news and information. Facebook is the leading way that most Americans get their news. In 2017 it accounted for 26% of external traffic referral to the websites of news publishers. In tandem with Google, the figure is 70%.

It is this bottlenecking of the news that makes Facebook such a tempting target for data miners. It is this bottlenecking that has also enabled Facebook to steer readers to certain publishers and away from others, in ways that increase Facebook's earnings but can seriously weaken or even bankrupt well-established newspapers and magazines.

To make a tough situation worse, Facebook exploits this bottleneck to divert billions in advertising revenues away from trustworthy sources of news into its own coffers. Facebook now pockets roughly a quarter of all online and mobile advertising, which added up to almost \$40bn last year. The Dow Jones publisher Will Lewis said the diversion of advertising revenue is "killing news". Facebook, he explained, has "taken the money" spent to advertise "around our content. It's wrong and it has to stop."

Facebook's founder, Mark Zuckerberg, clearly recognizes how much government-like coercive power his corporation has amassed. "Facebook is more like a government than a traditional company," he has said. "We have this large community of people, and more than other technology companies we're really setting policies."

This immense power comes from Facebook's status as a de facto monopoly. This monopoly is not a natural result of networking technology or 'network effects'. It is largely the result of Facebook buying out its competitors. In 2012, Facebook bought Instagram. Two years later it bought WhatsApp.

Facebook's power also comes from its willingness to stiff-arm policymakers. Despite proof that Facebook was an important tool of Russian hackers seeking to disrupt American democracy, the corporation has aggressively lobbied against the Honest Ads Act, a simple disclosure proposal put forward by Senators Amy Klobuchar and Mark Warner. For years, Facebook has lobbied successfully in state capitals all over the country to block privacy rules, such as on facial recognition technologies.

The payoff for such intentional abuse of the public interest? When Facebook in 2011 signed that "consent decree" with the FTC, its yearly revenue was \$3.7bn. In 2017, it was more than 10 times higher.

The idea the FTC might take dramatic action against Facebook may strike many observers as laughable. The current FTC has indeed failed time and again to meet the enormous challenges posed by Facebook and other technology platforms, especially Google and Amazon. But for the first time in decades, all five existing seats on the commission are being replaced at once. The new incoming chair, Joe Simons, has testified that he believes platform monopolists have the power "to use inappropriate means to stay big".

The only thing holding this up is a final Senate vote on the nominees, which Senate leaders Mitch McConnell and Chuck Schumer could hold any time.

If the next set of FTC commissioners truly are serious about making Facebook serve the interests of the American public, here is a set of actions they should begin to take on day one. Every one of

these action has a strong foundation in US law and practice:

- 1) Impose strict privacy rules on Facebook, perhaps using Europe's new General Data Protection Regulation as a guide.
- 2) Spin off Facebook's ad network. This will eliminate, in one swoop, most of the incentive that Facebook now has to amass data and to interfere and discriminate in the provision of information and news.
- 3) Reverse the approvals for Facebook purchases of WhatsApp and Instagram, and re-establish these as competing social networks.
- 4) Prohibit all future acquisitions by Facebook for at least five years.
- 5) Establish a system to ensure the transparency of all political communications on Facebook, similar to other major communication networks in the United States.
- 6) Require Facebook to adopt open and transparent standards, similar to conditions the FTC imposed on AOL Messenger in the AOL-Time Warner merger settlement in 2001.
- 7) Establish whether Facebook violated the 2011 consent decree and, if so, seek court sanctions.
- 8) Threaten to bring further legal action against Facebook unless top executives immediately agree to work with the FTC to restructure their corporation to ensure the safety and stability of our government and economy.
- 9) Establish whether top executives enabled, encouraged, or oversaw violations of the 2011 consent decree and, if so, pursue personal fines against them.

Barry Lynn is the executive director of the Open Markets Institute. Matt Stoller is a fellow at the Open Markets Institute

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EXHIBIT 165

Boycotting digital monopolies like Facebook is harder than it seems

The #DeleteFacebook movement is ill-equipped to grapple with Facebook's pervasive and unprecedented control of digital life

By Nick Statt | @nickstatt | Mar 22, 2018, 3:51pm EDT



Illustration by William Joel / The Verge

You may have heard of the [#DeleteFacebook](#) campaign, but you, like me, are probably among the vast majority of Facebook's nearly 2 billion users who probably won't actually follow through. CEO Mark Zuckerberg even has the data to prove it, [telling *The New York Times* yesterday](#) that he hasn't seen a "meaningful number of people" deleting their accounts.

Amid the ongoing [data privacy scandal surrounding the Trump-connected firm Cambridge Analytica](#), tech critics and users alike are revisiting the concept of leaving Facebook and extracting ourselves from one of the world's most pervasive advertising empires. The decision to delete Facebook boils down to two questions: 1. Has Facebook lost the necessary trust to be a steward of our personal information? And 2. Is

the company's grip on online and offline life too great to ever reasonably walk away from?

FACEBOOK HAS NO LEGITIMATE COMPETITION

The answer to the first question is probably yes, while the answer to the second is even more grim: for most of us in 2018, Facebook feels too big to leave. No other company in history, besides perhaps Google, has claimed so many users across this vast a digital footprint. And unlike Google, Facebook, has no legitimate competition when it comes to the primary services it provides. In effect, Facebook is a monopoly: it owns huge swaths of online life, to the point that [even Zuckerberg now agrees](#) that maybe it's time it should be regulated by the federal government.

All of that means that while the company somberly undertakes a public relations campaign to repair its image, assuage its critics, and weather calls for a boycott, the Facebook machine continues to churn. A monopoly is a very difficult thing to stop.

For one, Facebook is free. Facebook doesn't sell a service to its users, but rather sells access to its users' attention via advertising. With no monetary exchange involved for the vast majority of Facebook users, the company is able to maintain the illusion that nothing of value is changing hands. That makes the effect of a boycott feel more ambiguous, and could result in users deciding to keep their accounts open.

Resistance to the #DeleteFacebook initiative is likely rooted in a mix of user indifference and apathy, but also a genuine concern that leaving the Facebook ecosystem would deprive one of the valuable internet services and tangible social connections to friends and family. About 68 percent of US adults use Facebook, and more than two thirds of that number check Facebook's website or mobile app every single day.

Much of this activity involves mindless scrolling through the News Feed and its prolific notifications. But over the years, Facebook has kept its grip on the social networking market by becoming a genuine and valuable service to many people. The network you curate on Facebook, while it could be easily replicated in a spreadsheet or a plain old notes app, is often an invaluable resource for people both professionally and personally. Losing that resource means losing tangible social connections to people we care about.

LOSING FACEBOOK MEANS LOSING TANGIBLE SOCIAL CONNECTIONS TO PEOPLE WE CARE ABOUT

So when people are debating what it means to leave Facebook — [why it may be hard to do so](#), or [why it could be considered a privilege](#) — what we're really talking about is a cost-benefit analysis that tilts heavily toward what someone loses when they leave Facebook. Though studies have indicated that [Facebook use leads to unhappiness](#), the #DeleteFacebook campaign is largely grounded in ideology, or at the very least in posturing for others. If you quit, you can rest easier knowing you're not being tracked and profiled and advertised to quite as aggressively. But what you give up in exchange is access to valuable services like Instagram and Messenger. That's a trade most users aren't willing to make.

We've seen a platform backlash and boycott of this variety play out before. A year ago, ride-hailing giant Uber faced a backlash over its repeated and flagrant abuses of trust and corporate malfeasance: a perfect storm of [Uber engineer Susan Fowler's viral post about sexual harassment](#), to CEO Travis Kalanick's tarnished reputation, to a [surge pricing episode in the midst of immigration protests at airports](#).

#DeleteUber led to more than [200,000](#) canceled accounts at the boycott campaign's peak, sending a clear signal that Uber's arrogance and disregard for the public good would not be tolerated. One year later, Kalanick has been ousted from the company and the [makeup of Uber's business strategy and ownership structure has changed dramatically](#).



Ryan Hoover
@rrhoover

It's so much easier to [#deleteuber](#) than [#deletefacebook](#)

12:52 PM - Mar 21, 2018

71 19 people are talking about this

But Facebook is a different beast. Uber had a convenient alternative in Lyft, a near-identical product with a better ethical track record and fewer problematic executives. For those who didn't want to use ride-sharing at all, our society has innumerable ways to move from A to B, from taxis to public transportation to cycling to walking, and so on.

For heavy Facebook users, there is no such substitute: for many users, following through on a boycott would require substantial changes to one's social and cultural behavior on a daily basis.

That's not to say that you can't, or shouldn't, delete your Facebook account: it lets you exercise what little leverage you have over the company. You can go through the admittedly cumbersome account termination process, download an encrypted messaging app like Signal, and sign up for Instagram with a throwaway email address. Your friends and family will still be out there in the real world. But for many people, Facebook and its ecosystem is the online analog to the real world, and deleting yourself from that space comes at too great a cost.

EXHIBIT 166

MEDIA

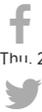
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Co-founder of Facebook forerunner Harvard Connection says Facebook was 'duped' in the recent scandal

- Divya Narendra, co-founder of Harvard Connection, does not think Facebook is responsible for Cambridge Analytica's misuse of data.
- "You have to buy in to that very long chain to come to the conclusion that Facebook is somehow responsible for the deeds of a consulting firm," he says.
- Narendra says he thinks Zuckerberg genuinely wants to repair the data situation.

Kellie Eli | @Kelli .mnEli

Published 5:03 PM ET Thu, 22 March 2018 | Updated 8:00 PM ET Thu, 22 March 2018



SumZero CEO: Facebook's responsibility is to maintain some standards for platform

12:52 PM ET Thu, 22 March 2018 | 08:23

Divya Narendra, co-founder of Harvard Connection, the service that was a forerunner to Facebook, does not think Facebook is responsible for Cambridge Analytica's misuse of data.

"There's a long chain of logic from accessing this data to swaying an election," Narendra told CNBC during an exclusive interview on "Fast Money Halftime Report" on Thursday. "You have to buy in to that very long chain to come to the conclusion that Facebook is somehow responsible for the deeds of a consulting firm."

"It sounds like they were duped more than anything," said Narendra, CEO and co-founder of SumZero, a platform where investment

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professionals can share research and investment ideas.

Narendra co-founded Harvard Connection, which became ConnectU, with Cameron and Tyler Winklevoss in 2002, while still a student at [Harvard](#).

The following year the trio approached classmate [Mark Zuckerberg](#) about joining the team. Narendra and the Winklevoss twins took Zuckerberg to court for alleged intellectual property infringement after he founded Facebook. Zuckerberg ultimately settled the case for \$65 million.

The Facebook CEO broke his silence yesterday, apologizing for the [scandal that enabled a data analytics firm to improperly gain access to the personal information of 50 million Facebook users](#).

In a [Facebook blog post](#), Zuckerberg wrote, "[We have a responsibility to protect your data](#), and if we can't then we don't deserve to serve you."

But [stock still stumbled considerably](#). Facebook lost approximately \$50 billion in market value in the last four days.

Some thought Zuckerberg waited too long to speak publicly about the scandal, while s said he should resign.

"It's just banan  said Narendra, whose holding in Facebook is the largest in his investment portfolio. Asking Zuckerberg to step down from Facebook  totally disconnected from reality," he said.

"When you're , words actually matter," he said. "Taking the extra time to access  the facts actually are, is a much better tactic than just getting out  and making statements without even knowing what actually transpired."

While Narendra said he thinks his former classmate "has a genuine desire to solve the problem," he also admitted that "policing every aspect of that industry is really hard."

"If you think about the profile information that they're working with: it's likes and dislikes. It's maybe your age, things like that. It's not your credit card info or some of the data that other companies have access to, that people don't even talk about."

At the end of 2017, Facebook had more than two billion users around the globe, according to Statista, an online market research and statistics website.

Still, many users were angered by the news after [The New York Times](#) and the Guardian's Observer reported the news over the weekend, saying that Facebook knew about the misuse of data in 2015 but did not notify users.

The hashtag #DeleteFacebook began circulating online.

by Taboola

[If you invested \\$1,000 in Netflix in 2007, here's how much you'd have now](#)

['She was pretty much out of the plane and they pulled her back in'](#) (NBC News)

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But Narendra thinks Facebook will continue to be the dominant social network site around the world, as long as it continues to innovate with new forms of technology.

"This is a company that is very young," Narendra said, and pointed out that it has continually beat earnings expectations and made huge leaps in acquisitions with things like Instagram.

"Nobody was even talking about privacy and data issues until after the election, until after [President Donald] **Trump** got elected," Narendra said. "I could easily see a scenario where it wasn't as big a priority to them as it is now."

Narendra said Zuckerberg and most of his team by nature — and to a greater extent Silicon Valley — are liberal, and said Facebook is a "neutral" platform.

"The idea that they're being accused of swaying an election in favor of Trump has got to be surreal," he said.

The social media giant has said they have 15,000 people working on security, which Narendra called "espionage 2.0."

"Does **Boeing** ... Does **J.P. Morgan** have that many people focused on security?" he said. "Just the investments they're making alone in terms of staff says a lot and sort of speaks for itself."

WATCH: Facebook COO Sheryl Sandberg says data scandal a huge breach of trust



Facebook COO Sheryl Sandberg: Data scandal a huge breach of trust

11:29 AM ET Fri, 23 March 2018 | 02:57



Kellie Ell

News Associate for CNBC

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EXHIBIT 167

QUARTZ

REINING THE WILD WEST

California has a plan to police Facebook

Chase Purdy | March 22, 2018





📷 (AP Photo/Evan Vucci)

Silicon Valley operates in a regulatory Wild West. But with repeated and [high-profile data breaches](#) piling up, its days of unchecked authority might be numbered.

Because internet technology has developed faster than state and federal privacy laws, Silicon Valley companies have for years been in charge of how the data they collect from their customers is used. Anyone browsing the web, performing a search on Google, or logging into [Facebook](#) operates on blind faith that the companies behind the technology will protect their private data and use it appropriately.

But history has shown that faith-based system isn't exactly working. Yahoo user [data was breached](#) in 2013, 2014, and 2016. There was a massive breach of sensitive [Equifax data in 2017](#). And Facebook is currently [embroiled in a scandal](#) over how its user data was used by right-wing political consultancy Cambridge Analytica. Indeed, the US Federal Trade Commission (FTC) is [reportedly investigating](#) whether the social media giant violated an agreement over privacy it made in 2011.

California data protection law

That most recent case has reignited conversations about whether federal and state governments should exert more oversight over so-called Big Tech. The willingness to do so will first be tested in coming months in Silicon Valley's backyard, as a [piece of legislation](#) makes its way through California's state capitol in Sacramento. First introduced in February by assemblyman Marc Levine, the legislation seeks to establish a data protection authority that would be charged with regulating how big tech companies request and use Californians' personal data. The regulated data would include people's names, social security numbers, driver's license numbers, financial account data, medical data, and email addresses, among other information.

If passed by the legislature and signed into law by governor Jerry Brown, the authority would be an important and symbolic step toward reining in the power of technology companies. It would also be a bold signal by California to Washington that if federal lawmakers won't step up to the challenge of monitoring giant technology companies, California will take matters into its own hands.

“Given that Facebook is in California and the questions about whether there's enough regulation of internet giants, maybe this could be a big thing,” says Eric Goldman, the co-director of the [High Tech Law Institute](#) at the Santa Clara University School of Law.

The author of the bill certainly thinks so. Once a project manager for an open source encryption technology product, Levine switched gears in the mid-2000s and got into local politics. In 2012, he was elected to the California state legislature, where he represents communities in Marin and southern Sonoma. Now he's readying to shepherd the idea of the California Data Protection Authority through the legislature.

“These are the wealthiest, most profitable corporations in all of world history, since God created light,” Levine says. “For lawmakers, or even consumers of social media,

to be hoodwinked into thinking that these are geeky college kids in garages, wearing hoodies and jamming on their keyboards writing code, is absolute garbage. These are the richest special interests ever and we have to get a handle on this.”

Modeled on the EU

Levine’s bill ([AB 2182](#)) was loosely designed in the image of [a new law](#) in the European Union called General Data Protection Regulation. That law put into place constraints on how tech companies can use people’s data, backed by very high penalties for violators—up to 4% of global annual revenue or €20 million, whichever is higher. The proposed California authority would have the power to adopt regulations that would set data-privacy standards for the tech companies that operate just a few miles south of Levine’s district. Some of those include:

- Creating a standardized online user agreement aimed at helping people clearly understand what permissions they are giving to a company regarding the use and dissemination of their personal information.
- Establishing rules around how a person’s information will be removed from a company’s database if the person chooses to stop being a customer.
- Adopting regulations to prohibit tech companies from conducting potentially harmful experiments on non-consenting users.

“I think this is important for where it may lead,” says Ari Waldman, the director of the New York Law School’s Innovation Center for Law and Technology. “It’s a baby step in the right direction. We undoubtedly need a data protection authority in this country above and beyond the FTC.”

If the regulatory authority is established in California, it’s conceivable that any rules it imposes could set data-privacy policy for the rest of the nation. That’s

because it's difficult for companies to quickly ascertain whether any one particular piece of data comes from California or someplace else. Therefore, in order to comply with California law, companies would likely have to adopt nationwide standards based on the actions of California regulators, Waldman says.

No enforcement powers

Still, the proposed law is imperfect. Even if the state establishes a regulatory authority to monitor data privacy, the wording of the bill is such that the agency would have no enforcement powers. Levine says he plans to speak to the governor to request money be set aside for his proposed authority—something in the “seven figure” range (he suggested about \$7 million) to get it started, and then more down the line.

The Consumer Technology Association declined to comment for this story. A representative with the California Technology Council said his group had held several meetings to discuss the proposed legislation, but declined to offer further comment. Both groups represent the interests of technology companies.

It's still early. The bill needs to be approved by at least one state assembly committee before it's put up to vote. It has been referred to the committee on privacy and consumer protection but has yet to be formally debated.

“I think a lot of people, including lawmakers, are dazzled by the industry leaders of Big Tech,” Levine says. “If you've ever seen someone take a tour of the Googleplex or the Facebook office, it's like it's a Disneyland, a place of wonder. We need to dispel that in Sacramento.”

Read this next: [Did Facebook violate its FTC agreement? Here's what investigators will ask](#)

EXHIBIT 168

H I V E

Levin Report

MARK ZUCKERBERG EMITS FACSIMILE OF REGRET THAT MASS-SURVEILLANCE MACHINE MIGHT HAVE BEEN USED FOR EVIL

That is not at all what Zuck intended when he founded Facebook, WINK WINK.



BY BESS LEVIN

MARCH 21, 2018 6:28 PM





“I’m ‘sorry,’ okay?”

By David Paul Morris/Bloomberg/Getty Images.

When **Mark Zuckerberg** started Facebook in 2003, he intended for it to be an online destination where people could connect with friends that would, in its own small way, make the world a better place. Just kidding—as my colleague, **Nick Bilton**, reminds us, back in Zuck’s Harvard days, The Facebook, as it was then known, was little more than a bizarre social experiment in which Zuckerberg got to see how many people would blindly turn over their information to him. “I have over 4,000 e-mails, pictures, addresses, SNS,” Zuckerberg bragged to a friend. “People just submitted it. I don’t know why. They ‘trust me.’ Dumb fucks.” And 15 years later, not much has changed! One of the reasons Facebook is in such a steaming pile of shit at the moment is because the way in which Cambridge Analytica got its hands on millions of people’s information that they then used to nefarious ends was completely legitimate. There was no data breach: Facebook set things up so firms like Cambridge could simply help themselves (the company claims it has since *fixed* things).

Because human emotion is not exactly Zuck's thing, for a while, he didn't seem to understand why this was so upsetting to people, and apparently thought it best to keep mum until things had blown over. But on Wednesday, after, we assume, someone with a better understanding of how human beings operate told him he really should say something, ole Zuckerbot released "an update on the Cambridge Analytica situation" [on his Facebook page](#). Writing that he has been "working to understand exactly what happened and how to make sure this doesn't happen again," Zuckerberg offered a timeline of the events that led to the absolute pillaging of millions of people's data. With a vigorous wave of his finger, Zuckerberg noted that while "the way our platform worked at the time" gave Cambridge University researcher **Aleksandr Kogan** "access [to] tens of millions of . . . [users'] data," Kogan totally was not supposed to share that information without people's consent! In 2015, Kogan's app was "immediately banned" from the platform and Facebook "demanded" that he and Cambridge Analytica delete "all improperly acquired data." The year prior, Zuckerberg wrote, Facebook decided to "dramatically limit the data apps could access," and made it impossible for apps like Kogan's to request data about a person's friends unless said friends had also authorized the app, which was how the researcher had been able to gather data from tens of millions of people when only a few hundred thousand had taken his personality quiz.

Anyway, even though Zuckerberg wants to be clear that that sort of thing could never happen today, thanks to the selfless efforts of his team to rejigger things so that user data previously more or less bearing a big "come and get it" sign is no longer available, he's also very sorry. "We have a responsibility to protect your data, and if we can't then we don't deserve to serve you," he wrote, noting, in conclusion, that Facebook "will learn from this experience to secure our platform further and make our community safer for everyone going forward."

Watch Now: Inside Mark Seliger's 2018 Oscar Party Studio



Though you and I know Zuckerberg is full of shit, today's mea culpa will probably be enough for the majority of its users, who may actually buy the claim that Facebook never meant for any of this to happen, and that all these issues are in the past. One group for whom it'll definitely be enough? Wall Street, which wasn't actually that sussed about it in the first place. Sure, billions of dollars have been wiped out over the past few days, but as of Tuesday morning—*before* Zuckerberg released his letter—39 of the 44 analysts who track its stock **had a buy rating or equivalent on Facebook shares**, with the average target price 34.6 percent higher than Monday's closing price, at \$223.07. While Pivotal Research analyst **Brian Wieser** **wrote** in a note to clients on Monday that the scandal was “another indication of systemic problems at Facebook,” suggesting “enhanced risks for the company,” he saw “no near-term tangible impact on its business.”

At Credit Suisse, analysts **Stephen Ju** and **Philip Wang** **told clients Tuesday** that the revelations were “backwards-looking,” that the bad news had already been baked in, and that the fact that senior Facebook execs have been summoned to explain themselves to U.K. lawmakers was not enough to impact the company's bottom line (they maintained their buy rating and a \$240 price target). Goldman Sachs's **Heath Terry** said he doesn't expect people, for whom Facebook “is a utility,” to leave the platform en masse, with “the utility far outweigh[ing]” the privacy issues. In a note to clients,

Raymond James analyst **Aaron Kessler** noted that his team does “not believe past regulatory concerns have impacted Facebook user engagement or advertising,” and maintained his \$230 price target and buy rating.

In other words, everyone already knew that Facebook was ethically challenged, so short of people abandoning the platform in droves and/or advertisers pulling their money, the Cambridge news doesn't change much. In Wall Street's eyes, Zuckerberg would have to live-stream a dungeon where he harvests users' organs for fun and profit for things to really take a turn for the worse. And even then, who knows.

If you would like to receive the Levin Report in your inbox daily, [click here to subscribe](#).

China is preparing to hit Trump where it hurts

Later this week, **Donald Trump** is expected to announced \$60 billion worth of China-targeted tariffs, on top of the ones he recently applied to steel and aluminum imports. And, shockingly, **China is having none of it**, and is reportedly ready to retaliate with a slate of measures that might as well say, “You wanna play hardball, Orange? We're game”:

China is preparing to hit back at trade offensives from Washington with tariffs aimed at President Donald Trump's support base, including levies targeting U.S. agricultural exports from farm-belt states.

China is likely to target U.S. exports of soybeans, sorghum, and live hogs, according to the people with knowledge of the matter. The U.S. is among the top suppliers of these products to China, which imports around a third of soybeans that the U.S. produces, data from the two countries show.

And despite Trump's proclamation that “trade wars are good and easy to win,” not everyone is feeling so confident. “Bottom line, we're terrified,” **Brian Grossman**, a market strategist at Zaner Group in Chicago, told *The Wall Street Journal* about the potential effect of Chinese retaliation. “It's not going to be good for the American farmer.”

Travis Kalanick is back in the car business

Well, technically he's in the parking lot real-estate business, **but close enough**:

After getting kicked out of the C.E.O. job at Uber Technologies Inc. in June, **Travis Kalanick** is getting back in the saddle. Kalanick said Tuesday he's buying a controlling stake in a distressed real-estate

company called City Storage Systems for \$150 million and installing himself as C.E.O.

City Storage Systems redevelops distressed retail, parking, and industrial real-estate. “There are over \$10 trillion in these real-estate assets that will need to be repurposed for the digital era,” Kalanick wrote in a tweet announcing the acquisition.

Ryan Zinke brought a security detail on his two-week vacation because of course he did

In fairness to the Interior Secretary, one could actually argue that this—unlike his **first-class travel** and **special commemorative coins**—is not **a complete waste of taxpayer money**.

Interior Secretary **Ryan Zinke** and his wife took a security detail on their vacation to Greece and Turkey last year, official documents show, in what one watchdog group said could be a “questionable” use of taxpayer resources. . . . Unlike **Scott Pruitt**, Zinke was not conducting government business during his two-week vacation, which included stops in Istanbul and the Greek Isles. The documents do not reveal exactly how many security personnel accompanied the couple, who paid for them, how much they cost, or whether they traveled with Zinke and his wife, **Lola**, for the entire trip.

“It’s not necessarily an abuse of authority or a waste of taxpayer dollars if there’s a credible threat, but it can be questionable if an agency chief just wants a big entourage and the trappings of power,” **Nick Schwellenbach**, director of investigations at government-watchdog group Project On Government Oversight, told Politico. “Security personnel are not errand boys or girls, and agency leaders are not royalty.” (For its part, the Interior Department said in a statement that “The United States Secretary of the Interior is in the presidential line of succession and has access to sensitive and classified information, which makes his protection a matter of national security.” As Interior Secretary, Zinke is eighth in the order of succession, **making him the Princess Eugenie of the U.S. government.**)

Elsewhere!

Powell says Trump's trade policy has become a growing concern among Federal Reserve members **(CNBC)**

Fed Lifts Rates, Steepens Path Through 2020 for More Hikes **(Bloomberg)**

How One Investor Made a Fortune Picking Over the Retail Apocalypse **(W.S.J.)**

Elon Musk Probably Won't Move to Mars After \$2.6 Billion Pay Approved **(Bloomberg)**

EXHIBIT 169

techcrunch.com

7 much scarier questions for Zuckerberg

Josh Constine@JoshConstine / Mar 21, 2018comment Comment

6-8 minutes

Did Cambridge Analytica attain other ill-gotten Facebook data?



Could this be just the beginning of a much bigger Cambridge Analytica scandal for Facebook? The answer rides on how transparent [Facebook](#) is actually being right now. CEO Mark Zuckerberg [just put forth a statement and plan](#) to improve data privacy, but omitted some of the most grievous inquiries — and stopped short of apologizing.

Exactly how Facebook handled the multi-year fiasco could be core to whether the public forgets and goes back to scrolling their News Feed, or whether users leave en masse while government regulators swoop in. With journalists around the world digging in and government officials calling for Zuckerberg to testify, the truth is likely to trickle out. Here's what we want to know:

1. **To what extent did Facebook vigorously investigate** whether Cambridge Analytica had actually deleted all its Facebook user data back in 2015 when it made it promise to do so, and why didn't it inform the public of the situation? (When did Zuckerberg find out? Was Facebook concerned about appearing liberal and for investigating a conservative political organization?)
2. **How could Facebook not know Cambridge Analytica was using ill-gotten Facebook data** when Facebook employees worked directly with the Donald Trump campaign? (Facebook employees worked side by side with Cambridge Analytica in Trump's San Antonio campaign office, so did they look the other way about suspicious data?)
3. **Did Cambridge Analytica attain illicit Facebook data from any other sources** besides Aleksandr Kogan's app, such as from other apps it operated, scraping Facebook group membership or buying data from other developers? (Was the Trump campaign's masterful use of Facebook and other social media powered by more than just this one data set, perhaps even from other social networks?)
4. **Is there any evidence that data from Russian hackers or the government was used by Cambridge Analytica** to inform Trump's campaign marketing? (If so, could Facebook be the

smoking gun of potential collusion between Russia and Trump's campaign?)

5. **Is Facebook retaining data, ads or posts connected to Cambridge Analytica** for further investigation? (If Cambridge Analytica did misuse data, what content was powered by that misuse, and who else pitched in?)
6. **Why did Facebook try to suppress the stories** about Cambridge Analytica from news outlets like The Observer with [legal threats](#) if it's so serious about atoning for the scandal? (Who authorized or conducted those threats, and what's happened to them since?)
7. **How will Facebook ensure the security of user data** attained by apps given that there could be tons of developers storing multiple separate copies of the data, beyond the big or suspicious ones Facebook plans to audit? (Should the public expect more news of app data misuse by other developers?)

Amazon Web Services announced Blockchain Templates late last week, a "blockchain -as-a-service" offering that competes with similar products from Oracle and IBM. The launch shows how eager the big...

Responding to the talent shortage and increasing demand facing the cybersecurity industry, Udacity said that it is now developing a new nanodegree focused on security. Launched at the security indu...

A shower of paper airplanes darted through the skies of Moscow and other towns in Russia today, as users answered the call of entrepreneur Pavel Durov to send the blank missives out of their

window...

Can blockchain technology fix the soul sucking tedium and cost of back-and-forth bureaucracy? The Swiss team behind a blockchain-based platform, called Proxeus, believes it can — and that that will...

Jennifer Carolan Contributor Jennifer Carolan is a general partner and co-founder of Reach Capital. More posts by this contributor Why VR matters, especially in rural schools In The Better Angels o...

San Francisco's housing crisis is painfully obvious with a homeless population of 7,499 people, according to a 2017 homeless census and survey. People lose their homes for a variety of reason...

The Gillmor Gang — John Taschek, Denis Pombriant, Keith Teare, Esteban Kolsky, and Steve Gillmor. Recorded live Friday, April 20, 2018. G3: Privacy Fence — Mary Hodder, Maria Ogneva, Francine Harda...

Lost in Space started out as a '60s TV series, got rebooted in the 1990s as a feature film and has now been brought up-to-date by Netflix . On the latest episode of the Original Content podca...

You'd think everybody would want to fly. It's been a universal human dream since the first cave person saw the first pterodactyl¹. You'd think better technology, greater demand, e...

Pivotal has kind of a strange role for a company. On one hand its part of the EMC federation companies that Dell acquired in 2016 for a cool \$67 billion, but it's also an independently operat...

While most people probably would not think of New York as a hotbed for enterprise startups of any kind, it is actually quite active. When you stop to consider that the world's biggest banks a...

There used to be two cultures in the enterprise around technology. On one side were software engineers, who built out the applications needed by employees to conduct the business of their companies...

New York City has an incredible density of up-and-coming enterprise-focused startups. While the winners are publicized and well-known, we felt it was time to put a bit of a spotlight on younger com...

When you think about critical infrastructure, DNS or domain naming services might not pop into your head, but what is more important than making sure your website opens quickly and efficiently for ...

Cloud computing has been a revolution for the data center. Rather than investing in expensive hardware and managing a data center directly, companies are relying on public cloud providers like AWS,...

Every startup needs a little skill and a little luck. BigID, a NYC-based data governance solution has been blessed with both. The company, which helps customers identify sensitive data in big data ...

Data is the lifeblood of the modern corporation, yet acquiring, storing, processing, and analyzing it remains a remarkably challenging and expensive project. Every time data infrastructure

finally ...

I'll be helping build a larger meetup focused on pre-ICO companies in New York on April 23 and I'd love to see you there. It will be held at Knotel on April 23 at 7pm and will feature a pitch-off w...

EXHIBIT 170

SAMSUNG



Galaxy S9 | S9+
The Camera. Reimagined.

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Facebook's app cleanup may be harder than Mark Zuckerberg thinks

CNET found now-defunct apps from Apple and Samsung on Facebook that had access to all kinds of data about you and your friends. They're unlikely to be the only ones.

BY SHARA TIBKEN / MARCH 24, 2018 5:00 AM PDT



Facebook is facing one of the biggest crises in its history.

Facebook

Just how difficult is it going to be for Facebook CEO Mark Zuckerberg to clean up the world's largest social network and make sure apps aren't there waiting to potentially exploit your data?

Maybe even harder than he thinks, given what we found after just a quick check of some of the apps linked to our own profiles. Those



Find out what Facebook

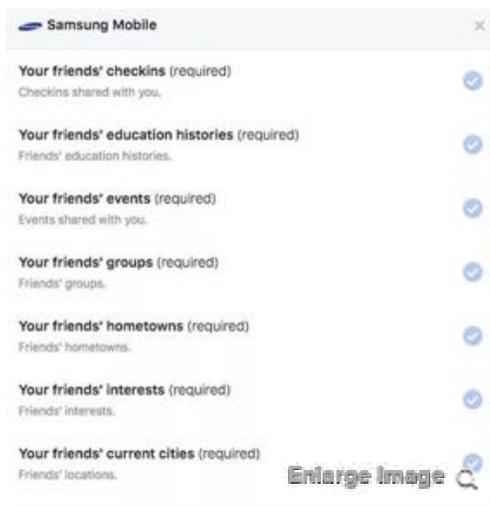
00:14 / 00:15

include software from Apple and Samsung, the world's two biggest smartphone makers, that haven't actually existed on their devices for years.

A look at what those apps could access may freak you out. Some of these so-called legacy apps required user data as varied as your friends' religions, relationship statuses and photos. Bet you didn't know you still had them. Even developers may not be aware their old apps are still hanging out on Facebook.

Lucky for all of us, Apple and Samsung are used to securing user data and said they never actually kept the information on their servers. In Apple's case, it didn't even pull friend data to start with, aside from the list of who your friends were. In fact, neither company offers these kinds of Facebook apps anymore, and the ones that show up on your Facebook account are linked to devices that are several years old. One, from Samsung, goes back as far as feature phones and the days before Facebook even had a mobile app.

The fact that they may remain in your account shows just how big of a mess Zuckerberg has to clean up. Facebook is facing backlash about how poorly it's handled legacy apps -- failing to do even a basic level of housekeeping after promising in 2014 to restrict their access to your information. That's why the social networking titan is coping with one of the biggest crises in its 14-year history.



Samsung's old Samsung Mobile app required access to 36 different types of information about you and your friends.

Screenshot by Shara Tibken/CNET

News broke last week that information from more than 50 million Facebook users was obtained without permission by Cambridge Analytica, a data analytics firm hired by the Trump campaign for the 2016 presidential election. Personal info from about 300,000 users was originally collected in 2013 for a personality quiz app called "thisisyourdigitallife," designed by Aleksandr Kogan, a Cambridge University researcher. Because of how Facebook worked at the time, Kogan was able to access data from "tens of millions" of friends of those users and share the information with Cambridge Analytica, the Facebook chief executive said on Wednesday.

Zuckerberg apologized to the social network's 2.2 billion users and said he's finally doing something about the app exploit. He vowed to investigate all apps that had access to large amounts of information and "conduct a full audit of any app with suspicious activity." The apps

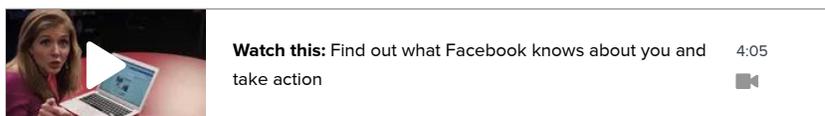
to be investigated will number in the thousands, Zuckerberg told [The New York Times](#). He also said apps that haven't been used in three months will lose access to your data. And for all apps moving forward, Facebook plans to give third-party app developers only your name, profile photo and email address when you sign into apps via Facebook.

"You should not have to sign away your soul and kiss privacy goodbye to use some of the most popular platforms in the world," said Gennie Gebhart, a researcher at the privacy-oriented [Electronic Frontier Foundation](#).

Old Galaxies

In the case of Samsung, it released several apps over the years that linked its phones to Facebook. They went as far back as feature phones and devices that couldn't actually run a Facebook app. But some apps were included on phones as recent as 2012's Galaxy S3 and Note 2, 2013's Galaxy S4 and Note 3, and 2014's Galaxy S5 and Note 4.

Those smartphones were some of the most popular Samsung has ever made and helped it [become the world's biggest phone vendor](#). Counterpoint Research analyst Neil Shah estimated that sales of the particular devices we mentioned together totaled 348 million.



One app, called Samsung Mobile, required permission for access to 36 pieces of information about you and your friends. That ranged from your timeline posts to your friends' photos and religious and political views. Another, the Galaxy S4 app, required far less information about your friends -- only their birthdays, status updates, events, photos and videos.

Samsung said in a statement that it needed access to the data to make it easier for its customers to use Facebook to log in to certain now-defunct Samsung services, such as [Samsung Social Hub](#), an inbox to group messages from all your different services -- emails, instant messages, texts and social media -- in one place.



Getty Images

"Samsung takes customer privacy very seriously, and we design our products with privacy and security top of mind," the company said in a statement. It added that data received by the apps through the Facebook login system hasn't been transferred or stored outside the user's device without the user's permission. And it used the data only for its specific services, no other purposes, the company said.

None of those services still exist, and the apps, while still showing up in Facebook user account settings (like ours), have been discontinued.

Defunct iPhotos

It's the same case with the Apple's iPhoto, Aperture and iMovie. The apps required access to certain friend information, such as your friends' relationships, birthdays and status updates, among other items.

At the time, Apple said it had a custom integration with Facebook to make it easy to share photos and videos to the social networking site from its iPhoto and Aperture photo editing and management programs.

But Apple said it never accessed any of the data, aside from a user's friend list. The information was never sent to an Apple server or iCloud but was stored only on the user's device to make it easier to tag friends in photos, the company said. And Facebook didn't have access to all photos and videos on an iPhone or Mac, only the items a user shared on the social network.

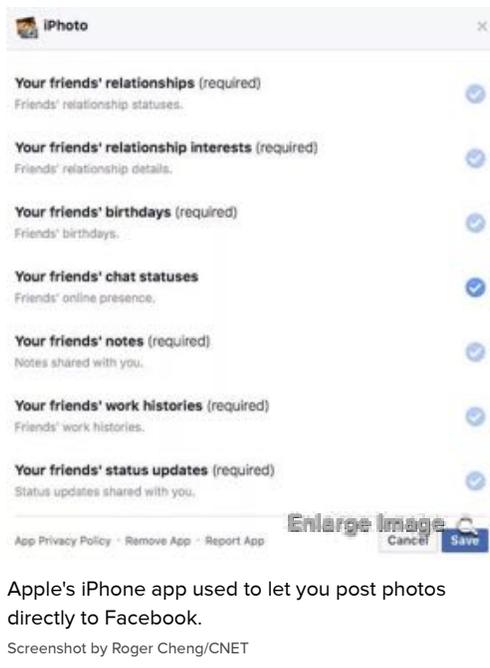
Apple stopped development on iPhoto and Aperture in 2014 in favor of its new Photos app. Its integration with Facebook ended in 2016.

Apple has become a big proponent for user privacy in the past several years. CEO Tim Cook has even warned, in multiple interviews, about the dangers of social media and other free online services. In a 2014 interview with Charlie Rose, Cook said that "everyone has to ask, how do companies make their money? ... If they're making money mainly by collecting gobs of personal data, I think you have a right to be worried. And you should really understand what's happening to that data. And companies, I think, should be very transparent about it."

Future regulation?

Zuckerberg and Facebook Chief Operating Officer Sheryl Sandberg apologized to users and others this week for the breach of trust. Along with better policing the data that third-party apps can access, they also plan to make it easier for users to see what information about them has been shared.

The executives also said they'd be open to government regulation, particularly as it relates to ad transparency, and Zuckerberg said he



might testify before Congress -- if he was the person at Facebook with the most information about the topic in question.

Many app makers likely didn't care as much about your privacy as Apple and Samsung.

SEE ALSO

Zuckerberg vows changes to Facebook after Cambridge Analytica scandal

Cambridge Analytica again says no Facebook data used in US election

Facebook, Cambridge Analytica and data mining: What you need to know

Ian Bogost, the creator of a popular but short-lived Facebook app called [Cow Clicker](#), said in a column in [The Atlantic](#) that he collected enough personal data during the life of his app that he may still be able to assemble a "reasonably sophisticated profile of your interests and behavior" -- even though the app hasn't existed since 2012.

"It's not just that abusing the Facebook platform for deliberately nefarious ends was easy to do (it was)," he wrote. "But worse, in those days, it was hard to avoid extracting private data, for years even, without even trying."

Until Facebook's changes take effect, you should consider taking steps to protect your data. Look at your own settings, delete any old apps and remove access you don't want to share. You can find out how to do that [here](#).

"As we've seen with the Cambridge Analytica information, you never really know what happens to your personal data once the relationship is severed," said Siva Vaidhyanathan, a professor of media studies at the University of Virginia and the author of an upcoming book about social media. "Facebook wants to convince you it has a handle on this whole situation, but it clearly does not."

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APPLE

READING

Facebook's app cleanup may be harder than Mark Zuckerberg thinks

EXHIBIT 171

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Nikkei **22095.55** -0.30% ▼

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<https://www.wsj.com/articles/how-to-dump-facebook-or-at-least-put-it-in-the-dog-house-for-a-while-1521846110>

PERSONAL TECHNOLOGY

How to Reduce Your Exposure on Facebook, or Cut Ties Altogether

Facebook this week has offered assurances that it will better protect people’s data, but some users are still wondering if they should leave

By Katherine Bindley

Updated March 23, 2018 7:04 p.m. ET

You’re fed up with Facebook . **FB -1.08%** ▼ It’s understandable. An outside developer violated the social network’s policies and shared the data of tens of millions of users with people he shouldn’t have.

This isn’t the first time users have felt betrayed by the company, and a lot are feeling like this could be the final straw.

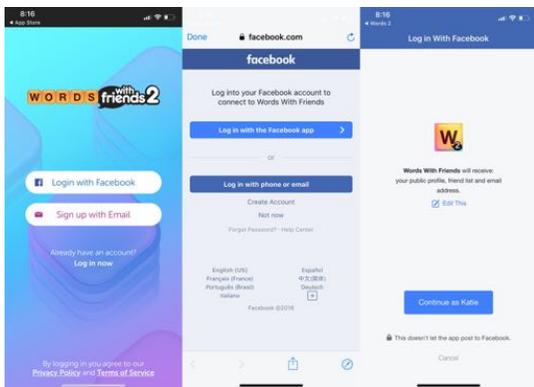
The hashtag #deletefacebook has been trending on Twitter . Deleting your account is an option, but just know: It’s more complicated than just clicking a button.

There are other ways to cope, if you’re conflicted about your relationship. From scaling back your account activity and Facebook’s data collection to full-on deletion, these are your options:

Turn Off Outside Apps

Facebook’s byzantine, at times inscrutable, settings menus cover a lot, from ad preferences to data collection.

As the Cambridge Analytica scandal reminds us, many outside apps and websites let you log in using your Facebook account. By doing this, you agree to let those apps and websites have certain information about you.



Many apps, such as Words With Friends, offer the option to log-in with Facebook. PHOTO: KATHERINE BINDLEY/THE WALL STREET JOURNAL

In a Facebook post earlier this week, company founder Mark Zuckerberg said that going forward, the information that apps can get about you would be reduced to only your name, profile photo and email address. Until now, basic permissions have included your “public profile”—name, cover photo, profile pic, gender, age range, language, time zone and networks—along with your email address and list of friends who also are on that particular app.

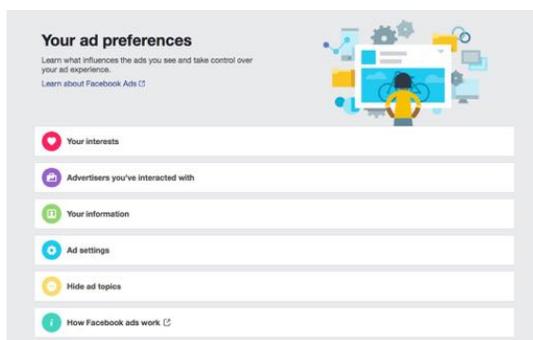
Apps can still ask for additional information, with Facebook's permission, including your relationships, birthday, work history, education history, current city, likes and more.

Facebook gets information, too, when you log into apps and websites with its credentials. It knows what those apps and websites are, and it can get other info. Waze, for instance, can share your location and routing with Facebook if you log in this way. An app or website might also share information with Facebook to measure engagement or optimize advertising. It's up to the app or website to tell you what it's doing in these cases.

Want to take this option off the table? Go [here](#).

If this stuff sounds confusing, it is, even for Facebook. A setting called Apps Others Use on this page purports to let you control what other people can share about you. It does nothing.

"We changed our systems years ago so that people could not share friends information with developers unless each friend also had explicitly granted permission to the developer," says a Facebook spokeswoman, who added that Facebook will be updating these settings soon.



You can manage your ad preferences within settings and see which profile fields are being used to target you. PHOTO: WILSON ROTHMAN/THE WALL STREET JOURNAL

Reduce Ad Tracking

You can manage the way advertisers target you by peeking at your ad preferences. Look for "Your Information." Under "About You," you'll see categories, from your job title to your relationship status.

Facebook's website says this setting helps you "manage whether we can show you ads intended to reach people based on these profile fields." I've turned all mine off because I will be fine with, or even prefer, ads that don't freakily pertain to my life.

Note Facebook's fine print: "These settings only affect how we determine whether to show certain ads to you. They don't change which information is visible on your profile or who can see it. We may still add you to categories related to these fields."

So yep, there's another settings tab to check out. Click on "Your Categories," also under "Your Information." Some might be unsurprising, others more jarring. You might want to do what I did and X through all of them. And you might need to go back and do this every now and again.

There are more ad settings on this page. Can my Facebook ad preferences be used to show me ads on connected TVs? Can my social connections see the ads I've liked? I say no to all of them.

For more on ad tracking, check out this comprehensive guide by my colleague Joanna Stern.

Deactivate Your Account

If you just need a break, consider deactivating your account. It's easy to reactivate whenever, and you won't lose any account information, so this isn't a dramatic decision.

Go to Manage Account on the General Account Settings page. Scroll down to Deactivate Your Account.

Facebook will flash a screen of all the people who will miss you and basically ask if you're sure about this decision. Don't fall for it. I deactivated my account yesterday and reactivated it five minutes later.

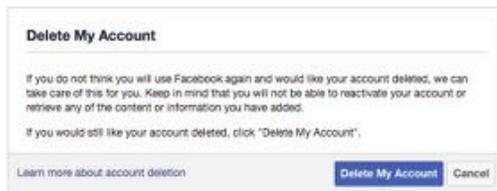
While you're gone, here's what happens: People can't find you on search. It's almost like you're Facebook invisible. Your Facebook friends will see you in their friend list, but it'll say, "This account has been deactivated."

Another thing to know is that deactivating your account doesn't deactivate Facebook's Messenger app, so people will still be able to contact you there.

Delete Your Account

Here's where things get serious. If you're deleting your account, you have to go to Facebook's Help Center.

But before you do, I recommend first downloading a copy of your Facebook data. You can do this under General Account Settings. It contains all your profile information—pictures, posts, messages, timeline and then some. For example, the list of harvested IP addresses and estimated locations in my 63.6MB download was quite long.



Before you delete your Facebook account, be sure to download a copy of your data. PHOTO: WILSON ROTHMAN/THE WALL STREET JOURNAL

Just because you download your profile doesn't mean you can restore any of this after deleting your account. You'd have to create a new account from scratch.

Some other things to know about deleting: Facebook says it delays deletion "a few days after it's requested." This seems like Facebook hoping you're acting out of rage and will be back soon. It also says it takes 90 days "to delete data stored in backup systems," during which time your account will be inaccessible. And lastly, things that aren't part of your account—such as messages you've exchanged with friends—do not disappear when you delete.

Once you're ready to pull the plug, go here.

Follow the instructions and you're done. Really done.

Appeared in the March 24, 2018, print edition as 'Delete Facebook, Or Take a Break: Step by Step.'

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EXHIBIT 172

SUBSCRIPTIONS

SIGN IN

NEW PHONE, WHO DIS —

Facebook scraped call, text message data for years from Android phones [Updated]

Maybe check your data archive to see if Facebook's algorithms know who you called.

SEAN GALLAGHER - 3/24/2018, 5:20 PM



Text anyone in your phone

Continuously upload info about your contacts like phone numbers and nicknames, and your call and text history. This lets friends find each other on Facebook and helps us create a better experience for everyone.

[Learn More.](#)

Facebook

Enlarge / This screen in the Messenger application offers to conveniently track all your calls and messages. But Facebook was already doing this surreptitiously on some Android devices until October 2017, exploiting the way an older Android API handled permissions.

[Update, March 25, 2018, 20:24 Eastern Time]: Facebook has responded to this and other reports regarding the collection of call and SMS data with a [blog post](#) that denies Facebook collected call data surreptitiously. The company also writes that it never sells the data and that users are in control of the data uploaded to Facebook. This "fact check" contradicts several details Ars found in analysis of Facebook data downloads and testimony from users who provided the data. More on the Facebook response is appended to the end of the original article below.

This past week, a New Zealand man was looking through the data Facebook had collected from him in [an archive](#) he had pulled down from the social networking site. While scanning the information Facebook had stored about his contacts, Dylan McKay discovered something distressing: Facebook also had about two years' worth of phone call metadata from his Android phone, including names, phone numbers, and the length of each call made or received.

14:53 UTC+13

Number: +61223 [REDACTED]

Call Type	Start time	Duration	Name	Number Label
OUTGOING	Monday, 28 November 2016 at 21:57 UTC+13	2	Mereana Gell	
OUTGOING	Sunday, 16 April 2017 at 10:53 UTC+12	42	Mereana Gell	
MISSED	Monday, 13 February 2017 at 18:18 UTC+13	0	Mereana Gell	
OUTGOING	Tuesday, 29 November 2016 at 17:09 UTC+13	446	Mereana Gell	
INCOMING	Sunday, 26 March 2017 at 11:23 UTC+13	120	Mereana Gell	

 **Dylan McKay**
@dylanmckaynz

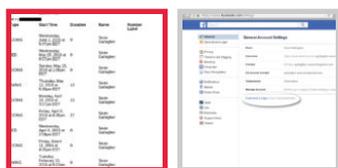
Downloaded my facebook data as a ZIP file

Somehow it has my entire call history with my partner's mum
3:04 AM - Mar 21, 2018

53.2K 42.8K people are talking about this

This experience has been shared by a number of other Facebook users who spoke with Ars, as well as independently by us—my own Facebook data archive, I found, contained call-log data for **a certain Android device I used** in 2015 and 2016, along with SMS and MMS message metadata.

Calls I made to my office number to check my voicemail, and from my office number to find my phone, found in my Facet archive. In total, there were two years of call data, from the period I used my Blackphone as my primary phone.



In response to an email inquiry by Ars about this data gathering, a Facebook spokesperson replied, "The most important part of apps and services that help you make connections is to make it easy to find the people you want to connect with. So, the first time you sign in on your phone to a messaging or social app, it's a widely used practice to begin by uploading your phone contacts."

The spokesperson pointed out that contact uploading is optional and installation of the application explicitly requests permission to access contacts. And users can delete contact data from their profiles using a tool accessible via Web browser.

Facebook uses phone-contact data as part of its friend recommendation algorithm. And in recent versions of the Messenger application for Android and Facebook Lite devices, a more explicit request is made to users for access to call logs and SMS logs on Android and Facebook Lite devices. But even if users didn't give that permission to Messenger, they may have given it inadvertently for years through Facebook's mobile apps—because of the way Android has handled permissions for accessing call logs in the past. (For Facebook's instructions on turning off continuous contact uploading, [go here](#).)

FURTHER READING

[Facebook's Cambridge Analytica scandal, explained \[Updated\]](#)

If you granted [permission to read contacts during Facebook's installation on Android](#) a few versions ago—specifically before Android 4.1 (Jelly Bean)—that permission also granted Facebook access to call and message logs by default. The permission structure was changed in the Android API in version 16. From Android 4.1 on, a single request from those applications would trigger two separate permission requests.

But until the "Marshmallow" version of Android, even with split permissions, all permissions could still be presented all at once, without users getting the option to decline them individually. So Facebook and other applications could continue to gain access to call and SMS data with a single request by specifying an earlier Android SDK version. Starting with Marshmallow, users could toggle these permissions separately themselves. But as many as half of Android users worldwide remain on older versions of the operating system because of carrier restrictions on updates or other issues.

Apple iOS has never allowed access to call log data by third-party apps, overt or silently, so this sort of data acquisition was never possible.

Facebook provides a way for users to purge collected contact data from their accounts, but it's not clear if this deletes just contacts or if it also purges call and SMS metadata. After purging my contact data, my contacts and calls were still in the archive I downloaded the next day—likely because the archive was not regenerated for my new request. (**Update:** The cached archive was generated once and not updated on the second request. However, two days after a request to delete all contact data, the contacts were still listed by the contact management tool.)

As always, if you're really concerned about privacy, you should not share address book and call-log data with any mobile application. And you may want to examine the rest of what can be found in the downloadable Facebook archive, as it includes all the advertisers that Facebook has shared your contact information with, among other things.

Update, March 25, 2018, continued:

Facebook responded to reports that it collected phone and SMS data without users' knowledge in a ["fact check" blog post](#) on Sunday. In the response, a Facebook spokesperson stated:

Call and text history logging is part of an opt-in feature for people using Messenger or Facebook Lite on Android. This helps you find and stay connected with the people you care about, and provide you with a better experience across Facebook. People have to expressly agree to use this feature. If, at any time, they no longer wish to use this feature they can turn it off in [settings](#), or [here](#) for Facebook Lite users, and all previously shared call and text history shared via that app is deleted. While we receive certain permissions from Android, uploading this information has always been opt-in only.

This contradicts the experience of several users who shared their data with Ars. Dylan McKay told Ars that he installed Messenger in 2015, but only allowed the app the permissions in the Android manifest that were required for installation. He says he removed and reinstalled the app several times over the course of the next few years, but never explicitly gave the app permission to read his SMS records and call history. McKay's call and SMS data runs through July of 2017.

In my case, a review of my Google Play data confirms that Messenger was never installed on the Android devices I used. Facebook was installed on a Nexus tablet I used and on the Blackphone 2 in 2015, and there was never an explicit message requesting access to phone call and SMS data. Yet

there is call data from the end of 2015 until late 2016, when I reinstalled the operating system on the Blackphone 2 and wiped all applications.

While data collection was technically "opt-in," in both these cases the opt-in was the default installation mode for Facebook's application, not a separate notification of data collection. Facebook never explicitly revealed that the data was being collected, and it was only discovered as part of a review of the data associated with the accounts. The users we talked to only performed such reviews after the recent revelations about Cambridge Analytica's use of Facebook data.

Facebook began explicitly asking permission from users of Messenger and Facebook Lite to access SMS and call data to "help friends find each other" after **being publicly shamed in 2016** over the way it handled the "opt-in" for SMS services. That message mentioned nothing about retaining SMS and call data, but instead it offered an "OK" button to approve "keeping all of your SMS messages in one place."

Facebook says that the company keeps the data secure and does not sell it to third parties. But the post doesn't address why it would be necessary to retain not just the numbers of contacts from phone calls and SMS messages, but the date, time, and length of those calls for years.

SEAN GALLAGHER

Sean is Ars Technica's IT and National Security Editor. A former Navy officer, systems administrator, and network systems integrator with 20 years of IT journalism experience, he lives and works in Baltimore, Maryland.

EMAIL sean.gallagher@arstechnica.com // **TWITTER** [@thepacketrat](https://twitter.com/thepacketrat)

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Molekule



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Ice Pop



Top 10 Coolest Gadgets of 2018 (That Won't Break The Bank)
Best Gadget Reviews

Today on Ars

EXHIBIT 173

finance.yahoo.com

Facebook must face tighter rules, tougher penalties: German minister

3 minutes

BERLIN (Reuters) - Misuse of data by Facebook means it will in future be bound by stricter regulations and the threat of tougher penalties for further privacy violations, Germany's justice minister said on Monday.

Katarina Barley spoke after talks to which she summoned executives of the firm (FB.O) including European public affairs chief Richard Allan.

"Facebook admitted abuses and excesses in the past and gave assurances that measures since taken mean they can't happen again," she said. "But promises aren't enough. In future we will have to regulate companies like Facebook much more strictly."

The firm has faced a global outcry over allegations that data from millions of users was improperly harvested by consultancy Cambridge Analytica to target U.S. and British voters in close-run elections.

Facebook's shares fell more than 5 percent on Wall Street on Monday after the U.S. consumer protection regulator made public the fact it is investigating the firm over the Cambridge Analytica link.

Facebook managers were not present for Barley's news conference, held after a meeting she called "long, intensive and controversial."

She said the firm told her around 1 percent of 300,000 users of a personality quiz whose results were later fed into Cambridge Analytica's voter-targeting algorithms were in Europe.

It was still unclear how many of them were in Germany, or how many of the further 50 million users in their friendship circles whose data the consultancy used were in Germany or Europe, she said.

Facebook had promised to try and contact all those affected.

Memories of two 20th-century totalitarian surveillance states make privacy issues especially sensitive in Germany, where competition authorities have since last year been probing the social network's use of data from partner websites.

"We need well-equipped data protection authorities and confident users who know their rights," Barley said. "The sovereignty of users must be strengthened."

Federal Cartel Office President Andreas Mundt told Tagesspiegel in comments released by the newspaper on Monday that users were largely unaware how much information flowed to the social network when they visited third-party websites with Facebook integration.

The office was working on the basis of possible abuses stemming from "the collection and assessment of data from third-party sources outside Facebook," he said.

Facebook declined to comment on Mundt's remarks.

(Reporting by Thomas Escritt; Editing by John Stonestreet)

EXHIBIT 174

[barrons.com](https://www.barrons.com)

Facebook Drops 5% as FTC Confirms Investigating With ‘Substantial Concerns’

Tiernan Ray and Jon Swartz

3 minutes

Updated March 26, 2018 11:24 a.m. ET

The **U.S. Federal Trade Commission** a short while ago confirmed it has an “open, non-public investigation” into [Facebook](#) (FB), something that had been rumored by **Bloomberg** [last Tuesday](#).

Briefing has the following statement from the FTC’s Tom Pahl, the Commission’s acting director for the Bureau of Consumer Protection:

The FTC is firmly and fully committed to using all of its tools to protect the privacy of consumers. Foremost among these tools is enforcement action against companies that fail to honor their privacy promises, including to comply with Privacy Shield, or that engage in unfair acts that cause substantial injury to consumers in violation of the FTC Act. Companies who have settled previous FTC actions must also comply with FTC order provisions imposing privacy and data security requirements. Accordingly, the FTC takes very seriously recent press reports raising

substantial concerns about the privacy practices of Facebook. Today, the FTC is confirming that it has an open non-public investigation into these practices.

Facebook stock is down \$8.19, or over 5%, at \$151.25, advancing its losses since the open.

The FTC probe is the latest headache for the social networking company, which faces its biggest [crisis yet](#). Mark Zuckerberg & Co. have been in full scramble damage mode following reports that voter-profiling firm Cambridge Analytica harvested data from more than 50 million Facebook users without their permission to help the 2016 campaign of Donald Trump. Zuckerberg, Facebook's chief executive officer, has acknowledged the episode as a "major breach of trust."

The privacy fallout, amid a national backlash against the growing influence of large tech companies, could lead to legislation in the U.S., and regulatory actions both here and in Europe, for the likes of Facebook, [Alphabet's](#) Google (GOOGL) and [Twitter](#) (TWTR).

Colin Sebastian, an analyst at Baird Equity Research, expects "little impact" on Facebook's advertising revenue for now, but cautions some brands and small businesses might "pause" some Facebook-related campaigns. As a result, he lowered his price target on Facebook to \$210, though he believes shares remain attractive to investors with "medium- and long-term horizons."

On Monday, **Mozilla** said it was pulling Facebook ads over the privacy flap.

EXHIBIT 175



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

Statement by the Acting Director of FTC's Bureau of Consumer Protection Regarding Reported Concerns about Facebook Privacy Practices

. . .

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FOR RELEASE

March 26, 2018

TAGS: [Technology](#) | [Bureau of Consumer Protection](#) | [Consumer Protection](#) | [Privacy and Security](#) | [Consumer Privacy](#)

Tom Pahl, Acting Director of the Federal Trade Commission's Bureau of Consumer Protection, issued the following statement regarding reported concerns about Facebook's privacy practices:

"The FTC is firmly and fully committed to using all of its tools to protect the privacy of consumers. Foremost among these tools is enforcement action against companies that fail to honor their privacy promises, including to comply with Privacy Shield, or that engage in unfair acts that cause substantial injury to consumers in violation of the FTC Act. Companies who have settled previous FTC actions must also comply with FTC order provisions imposing privacy and data security requirements. Accordingly, the FTC takes very seriously recent press reports raising substantial concerns about the privacy practices of Facebook. Today, the FTC is confirming that it has an open non-public investigation into these practices."

The Federal Trade Commission works to promote competition, and [protect and educate consumers](#). You can [learn more about consumer topics](#) and file a [consumer complaint online](#) or by calling 1-877-FTC-HELP (382-4357). Like the FTC on [Facebook](#), follow us on [Twitter](#), read our [blogs](#) and [subscribe to press releases](#) for the latest FTC news and resources.

Contact Information

MEDIA CONTACT:

[Peter Kaplan](#)

FTC Office of Public Affairs

202-326-2334

EXHIBIT 176

[wired.com](https://www.wired.com)

The Facebook Privacy Setting That Doesn't Do Anything at All

Author: Brian Barrett

8-10 minutes

Wrangling your Facebook [privacy settings](#)—fine-tuning what data friends, advertisers, and apps can access—is a slog. The menus are labyrinthine, the wording obtuse. And it turns out that one of them is completely pointless. In fact, it hasn't worked in years.

To be clear: This is not a case of Facebook sneaking one past you, at least not the way you might think. These settings no longer work because Facebook no longer allows the kind of data harvesting they control; in fact, these checks address the very data oversharing that let quiz developer Aleksander Kogan turn 270,000 installs [into a menagerie of 50 million users](#), which he then illicitly passed along to political data firm [Cambridge Analytica](#).

But the fact that Facebook never bothered to update that critical corner of its privacy settings, years after those changes went into effect, is downright baffling—and speaks to a general lack of seriousness in the company's attitude toward data transparency.

Apps With Friends

The setting in question is **Apps Others Use**, which you can find by signing onto Facebook, clicking the downward arrow in the upper right corner, then **Settings**, then **Apps**. (See? Labyrinth.)

Click **Edit**, and Facebook greets you with a list of informational categories about yourself that, a not-so-helpful description reads, your Facebook friends can “can bring with them when they use apps, games and websites.”

In truth, your friends weren't bringing your information with them so much as developers were spring-boarding off of them to get to you. The data categories include your birthday, your activities, if you're online, and posts on your timeline. The check-boxes number 13 in and all, with an additional three—friend list, gender, and the very broad “info you've made public”—that you can't opt out of.

The default settings for Apps Others Use, a privacy panel that has not actually done anything in years.

This is precisely how Facebook used to work. If you downloaded an app, you granted the developer of that app access to scads of information about all of your friends, presumably unbeknownst to either of you, unless you happened to be a close reader of buried preference menus.

It's not, though, how Facebook has worked since 2014, when it shut off that spigot. Developers haven't been able to raid someone's friend list in years—unless both friends have downloaded the same app—despite what that particular setting would have you believe. After the publication of this article, Facebook did identify one edge case in which the setting would

apply: If you have the "Posts on my timeline" option checked, an app could access a photo or video that a friend uploaded, but only if it appeared on your timeline, because you also allowed tagged photos of yourself to show up there. Everything else under that setting is useless. Facebook says that it will close that loophole, and get rid of the **Apps Others Use** setting altogether, as part of a [larger privacy settings overhaul it announced Wednesday](#).¹

“These controls were built before we made significant changes to how developers build apps on Facebook,” says a Facebook spokesperson. “At the time, the Apps Others Use functionality allowed people to control what information could be shared to developers. We changed our systems years ago so that people could not share friends’ information with developers unless each friend also had explicitly granted permission to the developer.”

‘I really can't make sense of it.’

Gergely Biczok, CrySys Lab

That’s not just spin; the timing of the changes was confirmed by Gergely Biczok of Budapest University of Technology and Economics's CrySys Lab, and Iraklis Symeonidis of COSIC, KU Leuven, two researchers who have spent the last several years studying Facebook privacy. Using the [Graph API explorer](#), which details what Facebook developers could and could not do on the platform through its various iterations, they determined that the kind of permissions **Apps Others Use** covers have not been available since at least Graph API v2.5, which was released in October of 2015. (It also may have been even earlier; that's just as far back as the Graph API explorer goes.)

“I can’t really make any sense of it, actually,” says Biczok, who says that the data categories in the settings pane line up essentially one-for-one with a permission called friends_XXX, which allowed developers to harvest friend data, and which Facebook says was phased out with the advent of Graph API v2.0 in 2014. “Even if I do a thought experiment and try to imagine myself into their place, it’s maybe just an error in the software development process. But it’s a long-existing one.”

Facebook fails to offer a satisfactory explanation either, although the company does say it plans to introduce improvements to settings to "reflect current practices" within weeks.

But it’s taken years, and the largest scandal in the company’s 14-year history, to even identify the problem in the first place. And it’s that negligence, rather than the specific settings, that concerns privacy advocates.

“In general it makes people think, ‘why should I grapple with these privacy settings anyway? I can’t know what actually is going on,’” says Joseph Jerome, policy counsel at the Center for Democracy & Technology. But Jerome also strikes a sympathetic tone; Facebook isn’t the only company to contend with this issue, he notes, and the act of making an effective privacy dashboard in the first place is challenging for anyone.

Still, Facebook is a multibillion dollar company with certain obligations, no matter how tricky to fulfill. “Individuals are always going to be at an information disadvantage when it comes to understanding their privacy and how Facebook uses data,” Jerome says. “The onus is on Facebook to better design their UI/UX to convey information to individuals.”

Fast and Loose

The **Apps Others Use** confusion also underscores just how little benefit of the doubt Facebook has earned. In 2011, the company had to sign a [consent decree](#) with the Federal Trade Commission over its deceptive privacy practices, as it had regularly opted users into giving away more data without their explicit consent. In 2014, it tested whether it [could manipulate the emotions of users](#) through changes to News Feed. In 2016, it [changed encrypted chat app WhatsApp's terms of service](#) to allow Facebook to harvest the phone numbers and various analytics of users with accounts on both services. And just a few months ago, it [automatically applied a five-year-old face-recognition preference](#) to a suite of new uses for the feature.

It's taken years, and the largest scandal in the company's 14-year history, to even identify the problem in the first place.

Biczok and Symeonidis point also to less publicized forms of overreach. A permission called `read_mailbox`, if granted to an app, potentially allowed a developer to read private messages between friends—even if only one of them had installed it. That was only [deprecated](#) in Graph API v2.4, introduced more than a year after Graph API v2.0, which Facebook had identified as the solution to its developer-related data woes.

Biczok says that incident offers a stark contrast to the way Facebook responded to the `user_friends` debacle. “You have to be friends, install the same app, and give the `user_friends` permission in order for your data to show up at his side. I think that's good enough,” says Biczok of the protections Facebook put

in place in 2014. “The read_mailbox thing, that was not good enough.”

The pair note also that even today, Facebook’s data policy has holes. A developer with multiple apps, they say, could gather a different, specific set of data about a user from each; if that person installs three or four apps, the company suddenly has assembled close to a full profile, without the user granting those sweeping permissions to any single app.

Still, the good news in all of this: You can safely ignore **Apps Others Use**. It doesn’t do anything. Facebook really did address the issue. The bad news? It didn’t bother to let you know—a slip that’s hard to imagine from a company that truly valued giving you complete control over your data.

About Facebook

- If you're in the market to [fix your Facebook privacy settings—or delete your account altogether—here's the comprehensive guide](#) you need
- The implicit [deal you make with Facebook—their service for your data—has gone entirely out of balance](#)
- Inside the [two days that rocked Facebook, following the Cambridge Analytica revelations](#)

¹Update 3/28/18: This story has been updated to reflect belated clarification from Facebook about the single edge case in which **Apps Others Use** still applies.

EXHIBIT 177

Facebook Q4 2017 Results

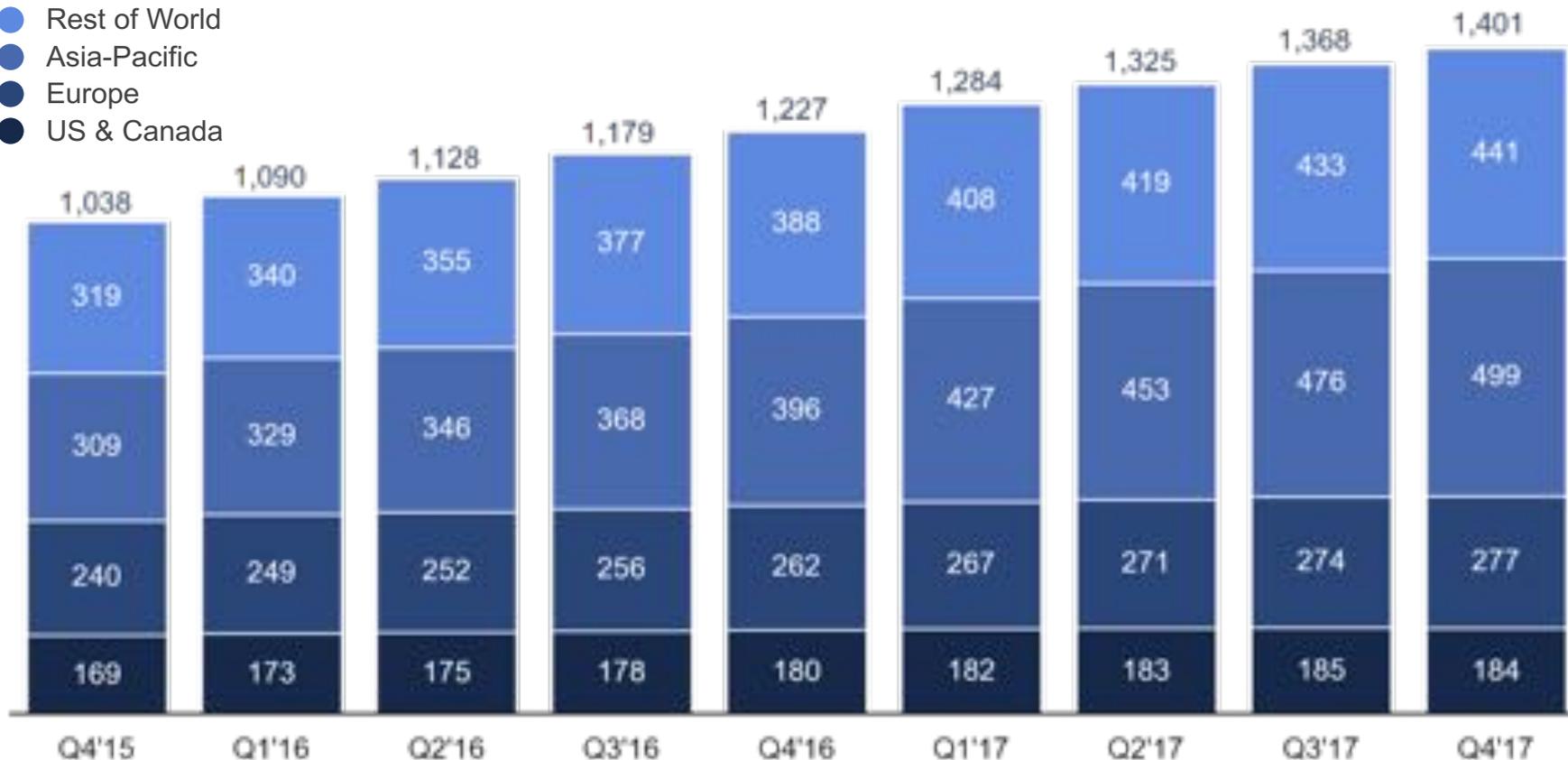
facebook

investor.fb.com

Daily Active Users (DAUs)

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



DAUs / MAUs

Quarter	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
DAUs / MAUs	65%	66%	66%	66%	66%	66%	66%	66%	66%

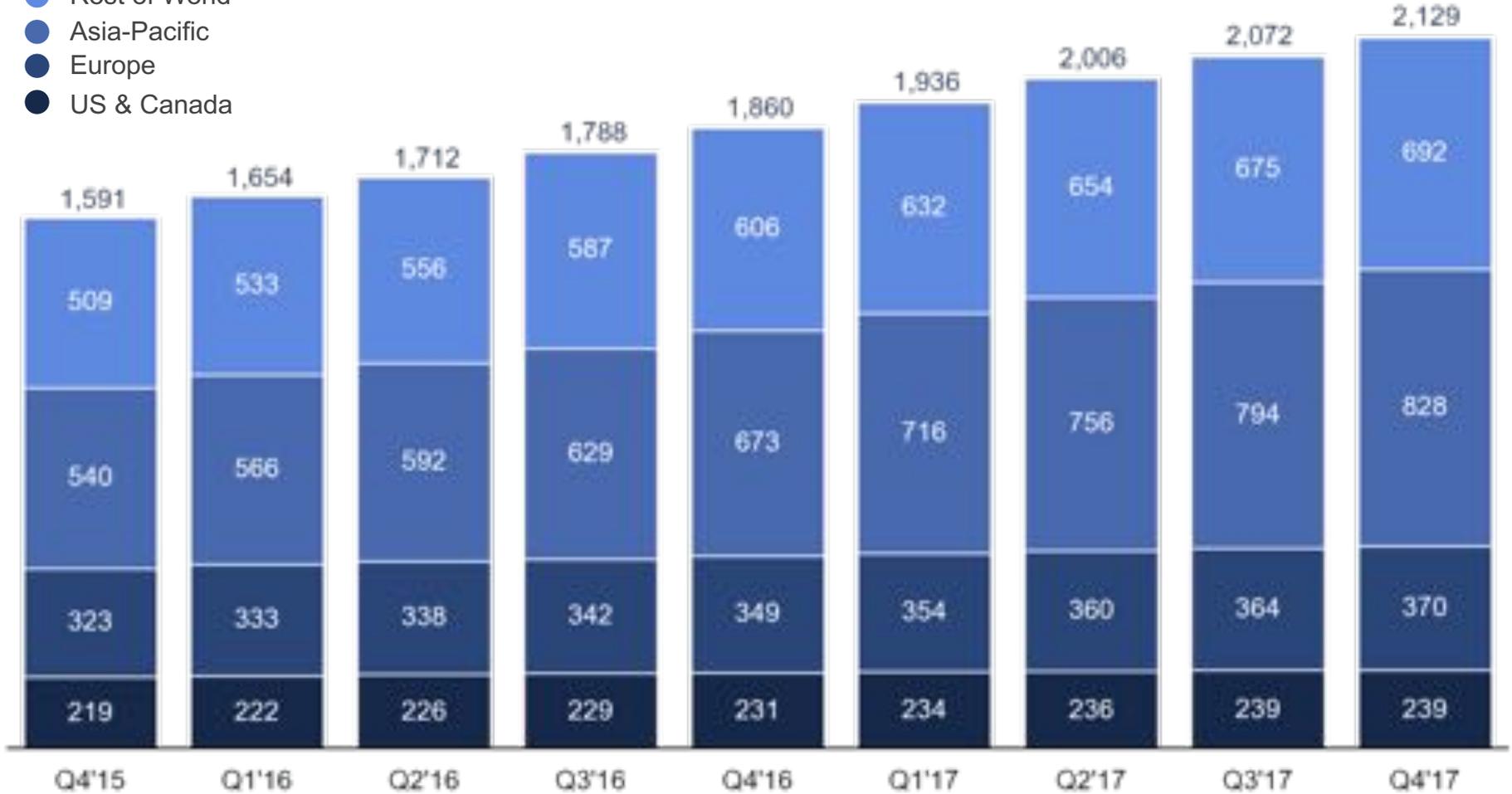
Please see Facebook's most recent quarterly or annual report filed with the SEC for definitions of user activity used to determine the number of our DAUs and MAUs. The numbers for DAUs and MAUs do not include Instagram, WhatsApp, or Oculus users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

facebook

Monthly Active Users (MAUs)

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



Please see Facebook's most recent quarterly or annual report filed with the SEC for definitions of user activity used to determine the number of our DAUs and MAUs. The numbers for DAUs and MAUs do not include Instagram, WhatsApp, or Oculus users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

facebook

Revenue

In Millions

- Payments and Other Fees
- Advertising



Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

Advertising Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

Payments & Other Fees Revenue by User Geography

In Millions

- Rest of World
- Asia-Pacific
- Europe
- US & Canada



Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.

Average Revenue per User (ARPU)

- Payments and Other Fees
- Advertising

Worldwide



US & Canada



Europe



Asia-Pacific



Rest of World



Revenue by user geography is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer. Please see Facebook's most recent quarterly or annual report filed with the SEC for the definition of ARPU.

Expenses as a % of Revenue

Cost of Revenue



Research & Development



Marketing & Sales



General & Administrative

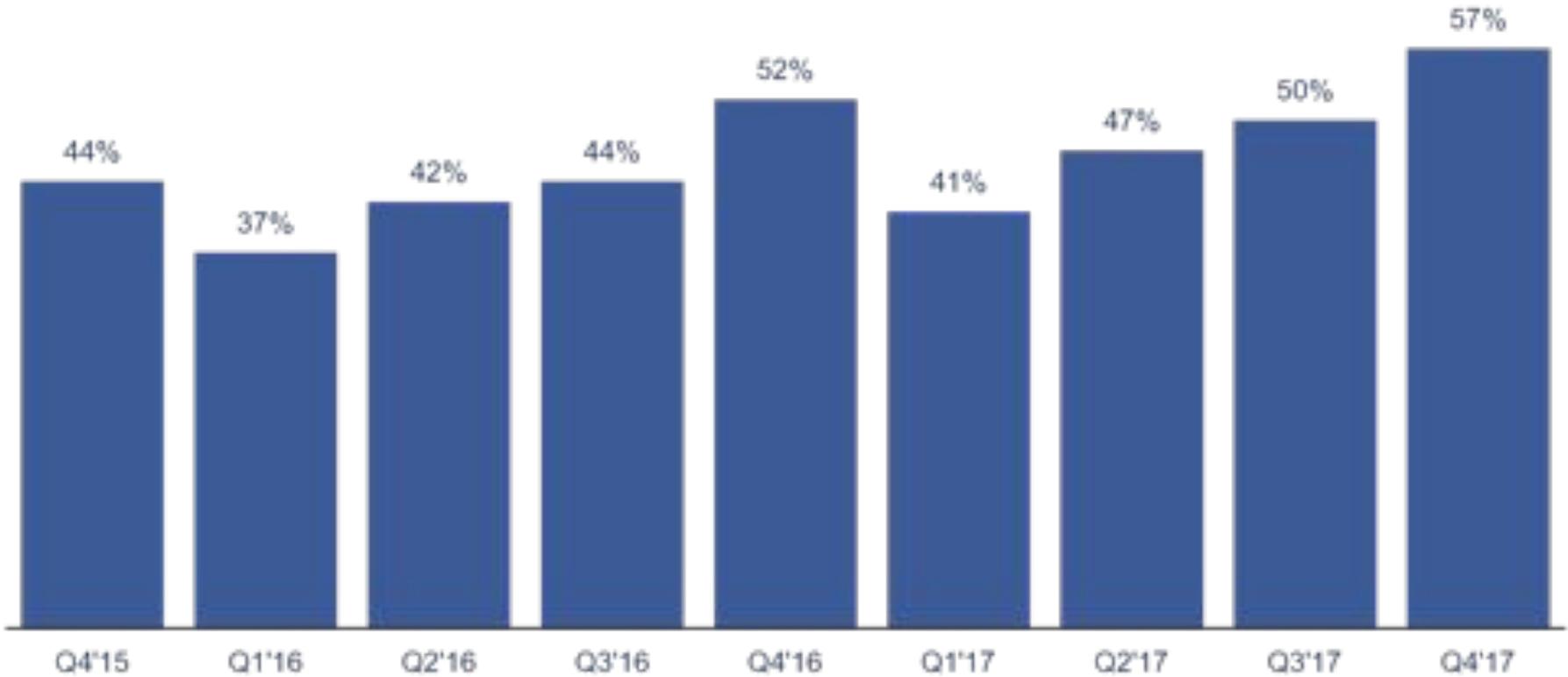


Income from Operations

In Millions



Operating Margin



Effective Tax Rate

(\$ in millions)

	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Income before provision for income taxes	\$ 2,557	\$ 2,066	\$ 2,754	\$ 3,164	\$ 4,533	\$ 3,408	\$ 4,488	\$ 5,236	\$ 7,462
Provision for income taxes	995	328	471	537	965	344	594	529	3,194
Effective Tax Rate	39%	16%	17%	17%	21%	10%	13%	10%	43%

In December 2017, the 2017 Tax Cuts and Jobs Act was enacted and significantly impacted the U.S. tax law. As a result of this legislation, our fourth quarter and full year 2017 provision for income taxes increased by \$2.27 billion, which impacted our effective tax rate, net income and diluted earnings per share (EPS) for such periods. Our diluted EPS decreased by \$0.77 for both the fourth quarter and full year 2017.

Net Income

In Millions



In December 2017, the 2017 Tax Cuts and Jobs Act was enacted and significantly impacted the U.S. tax law. As a result of this legislation, our fourth quarter and full year 2017 provision for income taxes increased by \$2.27 billion, which impacted our effective tax rate, net income and diluted EPS for such periods. Our diluted EPS decreased by \$0.77 for both the fourth quarter and full year 2017.

facebook

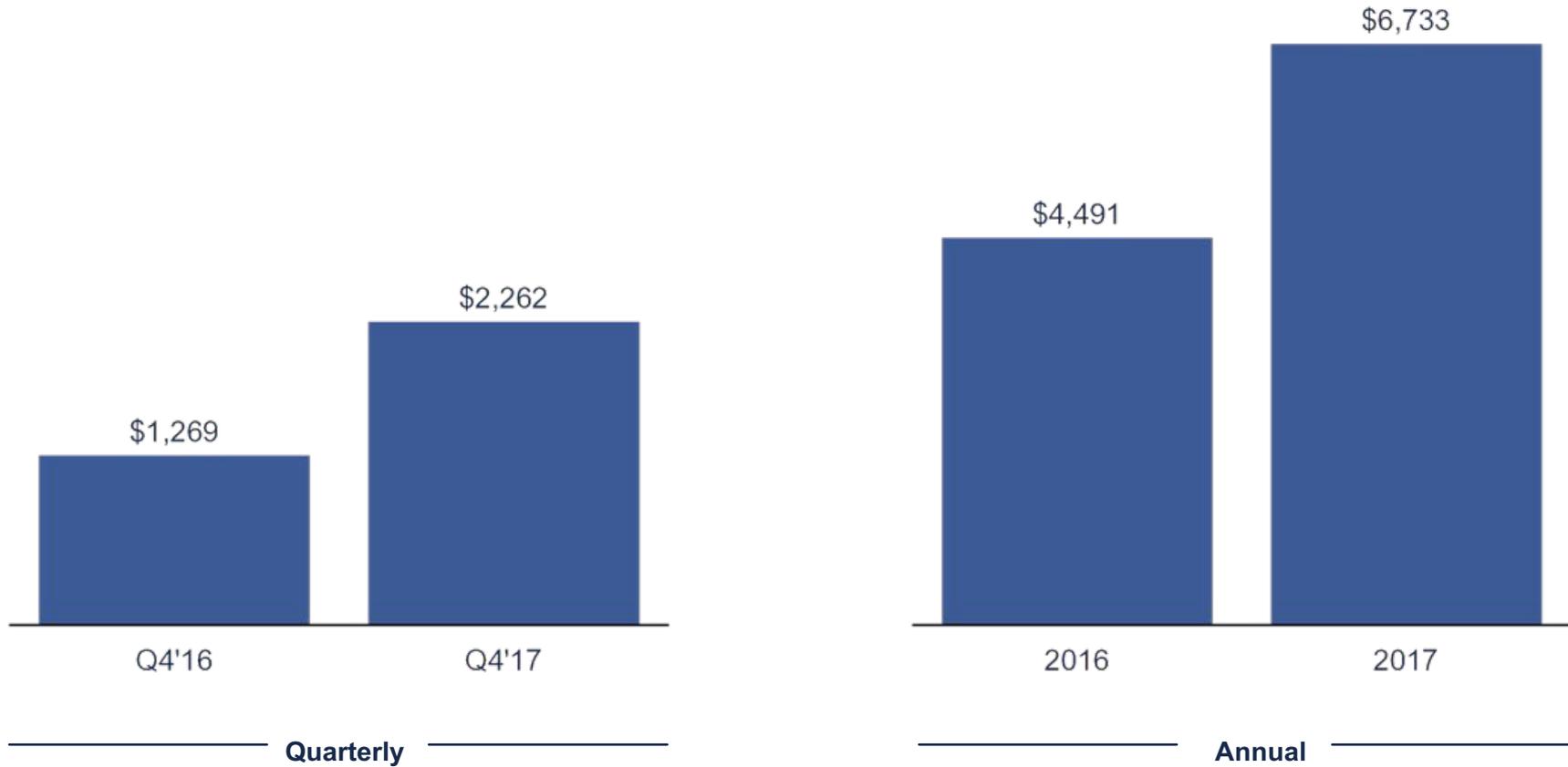
Diluted Earnings Per Share



In December 2017, the 2017 Tax Cuts and Jobs Act was enacted and significantly impacted the U.S. tax law. As a result of this legislation, our fourth quarter and full year 2017 provision for income taxes increased by \$2.27 billion, which impacted our effective tax rate, net income and diluted EPS for such periods. Our diluted EPS decreased by \$0.77 for both the fourth quarter and full year 2017.

Capital Investments

In Millions



Capital investments for periods presented were related to purchases of property and equipment.

Appendix

Free Cash Flow Reconciliation

(\$ in millions)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Net cash provided by operating activities	\$ 3,393	\$ 3,477	\$ 3,665	\$ 4,036	\$ 4,930	\$ 5,058	\$ 5,360	\$ 6,128	\$ 7,670
Less: Purchases of property and equipment	692	1,132	995	1,095	1,269	1,271	1,444	1,755	2,262
Free Cash Flow	\$ 2,701	\$ 2,345	\$ 2,670	\$ 2,941	\$ 3,661	\$ 3,787	\$ 3,916	\$ 4,373	\$ 5,408

Free Cash Flow (FCF) is a non-GAAP financial measure that has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of FCF are: (i) FCF does not reflect our future contractual commitments, and (ii) other companies in our industry present similarly titled measures differently than we do, limiting their usefulness as comparative measures. FCF is not intended to represent our residual cash flow available for discretionary expenditures.

Limitations of Key Metrics and Other Data

The numbers for our key metrics, which include our daily active users (DAUs), monthly active users (MAUs), and average revenue per user (ARPU), are calculated using internal company data based on the activity of user accounts. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring usage of our products across large online and mobile populations around the world. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in our methodology.

We regularly evaluate these metrics to estimate the number of "duplicate" and "false" accounts among our MAUs. A duplicate account is one that a user maintains in addition to his or her principal account. We divide "false" accounts into two categories: (1) user-misclassified accounts, where users have created personal profiles for a business, organization, or non-human entity such as a pet (such entities are permitted on Facebook using a Page rather than a personal profile under our terms of service); and (2) undesirable accounts, which represent user profiles that we determine are intended to be used for purposes that violate our terms of service, such as spamming. The estimates of duplicate and false accounts are based on an internal review of a limited sample of accounts, and we apply significant judgment in making this determination. For example, to identify duplicate accounts we use data signals such as similar IP addresses or user names, and to identify false accounts we look for names that appear to be fake or other behavior that appears inauthentic to the reviewers. Our estimates may change as our methodologies evolve, including through the application of new data signals or technologies, which may allow us to identify previously undetected duplicate or false accounts and may improve our ability to evaluate a broader population of our users. As such, our estimation of duplicate or false accounts may not accurately represent the actual number of such accounts. In particular, duplicate accounts are very difficult to measure at our scale, and it is possible that the actual number of duplicate accounts may vary significantly from our estimates.

In the fourth quarter of 2017, we estimate that duplicate accounts may have represented approximately 10% of our worldwide MAUs. We believe the percentage of duplicate accounts is meaningfully higher in developing markets such as India, Indonesia, and the Philippines, as compared to more developed markets. In the fourth quarter of 2017, we estimate that false accounts may have represented approximately 3-4% of our worldwide MAUs. Our estimation of false accounts can vary as a result of episodic spikes in the creation of such accounts, which we have seen originate more frequently in specific countries such as Indonesia, Turkey, and Vietnam. From time to time, we may make product changes or take other actions to reduce the number of duplicate or false accounts among our users, which may also reduce our DAU and MAU estimates in a particular period.

Our data limitations may affect our understanding of certain details of our business. For example, while user-provided data indicates a decline in usage among younger users, this age data is unreliable because a disproportionate number of our younger users register with an inaccurate age. Accordingly, our understanding of usage by age group may not be complete.

In addition, our data regarding the geographic location of our users is estimated based on a number of factors, such as the user's IP address and self-disclosed location. These factors may not always accurately reflect the user's actual location. For example, a user may appear to be accessing Facebook from the location of the proxy server that the user connects to rather than from the user's actual location. The methodologies used to measure user metrics may also be susceptible to algorithm or other technical errors. Our estimates for revenue by user location and revenue by user device are also affected by these factors.

We regularly review our processes for calculating these metrics, and from time to time we may discover inaccuracies in our metrics or make adjustments to improve their accuracy, including adjustments that may result in the recalculation of our historical metrics. We believe that any such inaccuracies or adjustments are immaterial unless otherwise stated. We intend to disclose our estimates of the number of duplicate and false accounts among our MAUs on an annual basis. In addition, our DAU and MAU estimates will differ from estimates published by third parties due to differences in methodology.

The numbers of DAUs and MAUs discussed in this presentation, as well as ARPU, do not include Instagram, WhatsApp, or Oculus users unless they would otherwise qualify as such users, respectively, based on their other activities on Facebook.

Facebook Q4 2017 Results

facebook

investor.fb.com

EXHIBIT 178

[buzzfeed.com](https://www.buzzfeed.com)

Top Facebook Executive Defended Data Collection In 2016 Memo — And Warned That Facebook Could Get People Killed

Ryan Mac, Charlie Warzel, Alex Kantrowitz

12-15 minutes

On June 18, 2016, one of Facebook CEO Mark Zuckerberg’s most trusted lieutenants circulated an extraordinary memo weighing the costs of the company’s relentless quest for growth.

“We connect people. Period. That’s why all the work we do in growth is justified. All the questionable contact importing practices. All the subtle language that helps people stay searchable by friends. All of the work we do to bring more communication in. The work we will likely have to do in China some day. All of it,” VP Andrew “Boz” Bosworth wrote.

“So we connect more people,” he wrote in another section of the memo. “That can be bad if they make it negative. Maybe it costs someone a life by exposing someone to bullies.

“Maybe someone dies in a terrorist attack coordinated on our tools.”

The explosive internal memo is titled “The Ugly,” and has not

been previously circulated outside the Silicon Valley social media giant.

Paul Sakuma / AP

Andrew Bosworth talks about the new Facebook messaging service at an announcement in San Francisco, Nov. 15, 2010.

The Bosworth memo reveals the extent to which Facebook's leadership understood the physical and social risks the platform's products carried — even as the company downplayed those risks in public. It suggests that senior executives had deep qualms about conduct that they are now seeking to defend. And as the company reels amid a scandal over improper outside data collection on its users, the memo shows that one senior executive — one of Zuckerberg's longest-serving deputies — prioritized all-encompassing growth over all else, a view that has led to questionable data collection and manipulative treatment of its users. You can read the full post below. Facebook was unable to provide comment at the time of publication.

Bosworth is one of a small inner circle at Facebook. He joined the company in January 2006 from Microsoft and over the years has been deeply involved in everything from News Feed and Groups to Facebook's anti-abuse systems and its virtual- and augmented-reality efforts.

Bosworth, one of the company's most outspoken employees, has also recently emerged as an [outspoken defender](#) of Facebook [through his Twitter account](#). He responded to this story there, tweeting:

Bosworth is known inside the company for his bluntness, two

former employees said.

"The memo is classic Boz because it speaks to the majority of Facebook employee views but it's also polarizing."

"He is definitely a guy who isn't very diplomatic — he'd blunder into internal debates and internal comms would tend to keep an eye on what he's doing and posting," one former senior employee told BuzzFeed News. "The memo is classic Boz because it speaks to the majority of Facebook employee views but it's also polarizing. Tonally he doesn't mince words. This is clearly a post meant to rally the troops."

The Bosworth memo, which stresses the extent to which Facebook was built on "growth tactics," reads as a statement of corporate principles, including phrases like "what we do" and "what we believe" and speaking of "our work" and "our imperative." In the memo, he argued that Facebook believes its mission of connecting people is so important that anything it does in support of it is "*de facto* good" — even if it allows some to do true, even catastrophic, harm to others.

"The ugly truth is that we believe in connecting people so deeply that anything that allows us to connect more people more often is *de facto* good. It is perhaps the only area where the metrics do tell the true story as far as we are concerned," he wrote. "That isn't something we are doing for ourselves. Or for our stock price (ha!). It is literally just what we do. We connect people. Period."

Got a tip? You can email tips@buzzfeed.com. To learn how to reach us securely, go to tips.buzzfeed.com.

There is no record of Zuckerberg's response to the memo.

However, a year later in August 2017, Bosworth was tapped to run the company's consumer hardware efforts. A former employee, who was unhappy about the lack of accountability at Facebook in light of the company's role in recent global crises, surfaced the post earlier this month. It still remains live for current workers to read.

In a statement given to BuzzFeed News after publication of this story, Zuckerberg wrote:

Boz is a talented leader who says many provocative things. This was one that most people at Facebook including myself disagreed with strongly. We've never believed the ends justify the means.

We recognize that connecting people isn't enough by itself. We also need to work to bring people closer together. We changed our whole mission and company focus to reflect this last year.

Bosworth published the post to Facebook for employees' eyes only a day after the [shooting death of a Chicago man](#) was captured on [Facebook Live](#), the company's livestreaming product. Earlier that year, Facebook had been dealt a significant blow when Indian regulators rejected the company's free internet program; that spring, the company also faced [significant backlash](#) following [reports](#) that human curators sometimes demoted conservative news sources in the company's trending news section.

"The natural state of the world is not connected," Bosworth wrote. "It is not unified. It is fragmented by borders, languages, and increasingly by different products. The best products don't win.

The ones everyone use win.”

With more than 2 billion users, Facebook’s relentless quest for growth has led the company to grow its market capitalization to more than \$450 billion. As it was in 2016, the social network is still shut out of China, possibly explaining Bosworth’s statement about “the work we will likely have to do” someday in the world’s most populous nation.

One former employee who spoke with BuzzFeed News noted that they remembered the post and the blowback it received from some workers at the time. “It was one of [Bosworth’s] least popular and most controversial posts,” the ex-employee said. “There are people that are probably still not in his fan club because of his view.”

"The best products don't win. The ones everyone use win."

Bosworth is a polarizing figure inside the company, according to the former employee, who said the post was viewed as “Boz being Boz.”

A former senior executive, however, pushed back on that, acknowledging the debate within some circles, but describing the memo as “super popular internally.”

“Right now there's a tremendous amount of soul-searching, internally,” they said. “Views like Boz's are being raised retroactively and debated now with more vigor. There was some debate then when he posted it but there were people who'd mostly just stay out of it. But now they feel different. I assume there's going to be intense debate over this and so many other strategic vision statements in the coming weeks as part of their

reckoning.”

It didn't take long after the memo's publication for the worst of Bosworth's statements to be realized. On June 30, 2016, an Israeli teen was [stabbed to death](#) by [a terrorist](#) who had boasted on Facebook of his plans to die as a martyr. In July, the [company was sued](#) by the parents of five people who had allegedly been killed by Hamas since June 2014.

For Bosworth, that may have just been part of “the ugly.”

“In almost all of our work, we have to answer hard questions about what we believe,” he wrote in his memo. “We have to justify the metrics and make sure they aren't losing out on a bigger picture. But connecting people. That's our imperative. Because that's what we do. We connect people.”

The memo:

Andrew Bosworth

June 18, 2016

The Ugly

We talk about the good and the bad of our work often. I want to talk about the ugly.

We connect people.

That can be good if they make it positive. Maybe someone finds love. Maybe it even saves the life of someone on the brink of suicide.

So we connect more people

That can be bad if they make it negative. Maybe it costs a life by exposing someone to bullies. Maybe someone dies in a terrorist attack coordinated on our tools.

And still we connect people.

The ugly truth is that we believe in connecting people so deeply that anything that allows us to connect more people more often is **de facto** good. It is perhaps the only area where the metrics do tell the true story as far as we are concerned.

That isn't something we are doing for ourselves. Or for our stock price (ha!). It is literally just what we do. We connect people.

Period.

That's why all the work we do in growth is justified. All the questionable contact importing practices. All the subtle language that helps people stay searchable by friends. All of the work we do to bring more communication in. The work we will likely have to do in China some day. All of it.

The natural state of the world is not connected. It is not unified. It is fragmented by borders, languages, and increasingly by different products. The best products don't win. The ones everyone use win.

I know a lot of people don't want to hear this. Most of us have the luxury of working in the warm glow of building products consumers love. But make no mistake, growth tactics are how we got here. If you joined the company because it is doing great work, that's why we get to do that great work. We do have great products but we still wouldn't be half our size without pushing the envelope on growth. Nothing makes Facebook as valuable as

having your friends on it, and no product decisions have gotten as many friends on as the ones made in growth. Not photo tagging. Not news feed. Not messenger. Nothing.

In almost all of our work, we have to answer hard questions about what we believe. We have to justify the metrics and make sure they aren't losing out on a bigger picture. But connecting people. That's our imperative. Because that's what we do. We connect people.

UPDATE

March 29, 2018, at 5:35 p.m.

This story has been updated with comment from Mark Zuckerberg and Andrew "Boz" Bosworth.

Ryan Mac is a senior technology reporter for BuzzFeed News and is based in San Francisco. He reports on the intersection of money, technology and power.

Contact Ryan Mac at ryan.mac@buzzfeed.com.

Charlie Warzel is a senior writer for BuzzFeed News and is based in New York. Warzel reports on and writes about the intersection of tech and culture.

Contact Charlie Warzel at charlie.warzel@buzzfeed.com.

Alex Kantrowitz is a senior technology reporter for BuzzFeed News and is based in San Francisco. He reports on social and communications.

Contact Alex Kantrowitz at alex.kantrowitz@buzzfeed.com.

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EXHIBIT 179

JESSI HEMPEL BUSINESS 03.30.18 07:00 AM

A SHORT HISTORY OF FACEBOOK'S PRIVACY GAFFES



The history of Facebook involves many apologies. After a while, they begin to sound the same. EMILY WAITE

MARK ZUCKERBERG HAS never really understood privacy. From Facebook's earliest days, he figured people would eventually grow comfortable sharing everything with everyone—indeed, his business depended on it. Everytime Facebook rolled out a new feature, a subset of us questioned our ability to control who gets to see the personal information we'd been uploading in the form of pokes and pictures and witty wall posts.

But these worries never triggered an insurgency. If the violation was truly

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the site expanded, these labyrinthian settings became increasingly hard to grok, and often made more information public by default, rather than putting true control in the hands of its users.

On March 28, twelve days after The Guardian and The New York Times revealed that Cambridge Analytica had misused Facebook user data (and that the [company had known](#) about the violation and done nothing.) Facebook once again announced newly redesigned privacy tools, this time placed at the top of its newsfeed.

Maybe these tools will put users in control of our personal information once and for all, and as a result, we will trust Facebook to protect our data better in the future. But if history is any guide, we'll see this episode again, judging by this not-at-all exhaustive list of the times Zuckerberg has apologized for giving you privacy jitters, and assured you it would all be absolutely fine, eventually.

News Feed Nuisance, September 2006

"We really messed this one up." -Mark Zuckerberg

When Facebook first launched Newsfeed, the design that has come to define all social software, its users revolted because suddenly their posts were revealed in one centralized place. Zuckerberg wrote his first apology letter, [writing](#) "we did a bad job of explaining what the new features were and an even worse job of giving you control of them." Eventually, concern died down as people got used to the Newsfeed.

The Opt-In Assumption, December 2007

"We simply did a bad job with this release, and I apologize for it." -Mark Zuckerberg

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users were outraged that Facebook was using their information—including information it had gotten from third-party sites, like whether they bought concert tickets from Fandango—to help advertisers target them. Zuckerberg [addressed criticism](#) in a post, saying “It took us too long after people started contacting us to change the product so that users had to explicitly approve what they wanted to share.” As a result of complaints, he said the company had made Beacon opt-in, and that Facebook planned to release a feature that let people turn it off completely. (Facebook shut down Beacon on 2009.)

Creating Confusion, December 2009

“We’re adding something that many of you have asked for.” –Mark Zuckerberg

This time, Facebook attempted to get in front of its users’ data concerns. As it stepped up its efforts with advertisers, Facebook launched new privacy tools that aimed to “empower people to personalize control over their information,” according to an announcement from Zuckerberg. [Yet critics](#) complained the tools were overly confusing and pushed users to make even more of their personal information public, rather than [giving them control](#). This triggered an Federal Trade Commission [investigation](#).

Break Things, May 2010

“Sometimes we move too fast.” –Mark Zuckerberg

Reporting in *The Wall Street Journal* [revealed that advertisers](#) were using a privacy loophole to retrieve revealing personal information, like users’ names, from Facebook (and other social networks like MySpace and Xanga). Facebook quickly made a change to its software to get rid of the identifying code, and a few days later, announced plans to [redesign its privacy settings](#). This time,

“I’m the first to admit that we’ve made a bunch of mistakes.” –Mark Zuckerberg

After the FTC charged Facebook with deceiving consumers by saying they could keep their information private, and then allowing it to be shared and made public, Facebook agreed to a settlement. Zuckerberg addressed the agreement, which he never explicitly called a “settlement,” in a [blog post](#). The company had made a number of mistakes, Zuckerberg wrote, but he understood “that many people are just naturally skeptical of what it means for hundreds of millions of people to share so much personal information online, especially using any one service.” He then offered up a list of new tools Facebook had made available to help users control their privacy and announced he’d have two chief privacy officers going forward, instead of one.

One Version of Control, January 2013

“You control who you share your interests and likes with on Facebook.” – Michael Richter, former Chief Privacy Officer, Facebook

In January, Facebook rolled out a search product called Graph Search, designed to let [users search any topic](#) inside Facebook. This riled privacy activists, because it allowed people to unearth any information a user hadn’t pro-actively protected. Days later, one of Facebook’s chief privacy officers respond to the concerns, kicking off a trend of the company addressing privacy concerns after the fact. This became a [steady coda](#) to nearly every product launch that followed.

Facebook Under Fire, March 2018

“We have a responsibility to protect your data, and if we can’t then we don’t

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After five days of silence, Zuckerberg finally [weighed in](#) on the reports that Cambridge Analytica misused its data, and it failed to protect its users. Less than a week later, the company has promised once again to improve its privacy settings. The announcement reads, as usual, like a [mea culpa](#), headlined: It's Time to Make Our Privacy Tools Easier to Find. "We've heard loud and clear that privacy settings and other important tools are too hard to find and that we must do more to keep people informed," write the two executives who've penned the announcement.

Superficially, it seems like the company is taking things seriously and working hard to make changes, but review the evidence and it sounds like trite old news. Indeed, It's a version of something we've all heard before.

In Facebook We Trust

- Follow along [with all](#) of WIRED's coverage of the Cambridge Analytica scandal.
- It's tricky to figure out exactly what data Facebook has accumulated—here's [what to look for](#) in that data.
- There's one group that doesn't get much access to Facebook data: researchers. [The case](#) for why that's a problem with massive ramifications.

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The real threat to Facebook is the Kool-Aid turning sour

Josh Constine@JoshConstine / Mar 30, 2018comment Comment

9-11 minutes

These kinds of leaks didn't happen when I started reporting on Facebook eight years ago. It was a tight-knit cult convinced of its mission to connect everyone, but with the discipline of a military unit where everyone knew loose lips sink ships. Motivational posters with bold corporate slogans dotted its offices, rallying the troops. Employees were happy to be evangelists.

But then came the fake news, News Feed addiction, violence on [Facebook Live](#), cyberbullying, abusive ad targeting, election interference and, most recently, the Cambridge Analytica app data privacy scandals. All the while, Facebook either willfully believed the worst case scenarios could never come true, was naive to their existence or calculated the benefits and growth outweighed the risks. And when finally confronted, Facebook often dragged its feet before admitting the extent of the issues.

Inside the social network's offices, the bonds began to fray. An ethics problem metastasized into a morale problem. Slogans took on sinister second meanings. The Kool-Aid tasted different.





Some hoped they could right the ship but couldn't. Some craved the influence and intellectual thrill of running one of humanity's most popular inventions, but now question if that influence and their work is positive. Others surely just wanted to collect salaries, stock and resumé highlights, but lost the stomach for it.

Now the convergence of scandals has come to a head in the form of constant leaks.

The trouble tipping point

The more benign leaks merely cost Facebook a bit of competitive advantage. We've learned it's building a [smart speaker](#), a [standalone VR headset](#) and a [Houseparty split-screen video chat clone](#).

Yet policy-focused leaks have exacerbated the backlash against Facebook, putting more pressure on the conscience of employees. As blame fell to Facebook for Trump's election, word of [Facebook prototyping a censorship tool](#) for operating in China

escaped, triggering questions about its respect for human rights and free speech. [Facebook's content rulebook](#) got out alongside disturbing tales of the filth the company's contracted moderators have to sift through. Its ad targeting was revealed to be able to [pinpoint emotionally vulnerable teens](#).

In recent weeks, the leaks have [accelerated](#) to a maddening pace in the wake of Facebook's soggy apologies regarding the Cambridge Analytica debacle. Its weak policy enforcement left the door open to exploitation of data users gave third-party apps, deepening the perception that Facebook doesn't care about privacy.

And it all culminated with [BuzzFeed](#) publishing a leaked "growth at all costs" internal post from Facebook VP Andrew "Boz" Bosworth that substantiated people's worst fears about the company's disregard for user safety in pursuit of world domination. Even the ensuing [internal discussion about the damage caused by leaks](#) and how to prevent them...leaked.

But the leaks are not the disease, just the symptom. Sunken morale is the cause, and it's dragging down the company. Former Facebook employee and Wired writer Antonio Garcia Martinez sums it up, saying this kind of vindictive, intentionally destructive leak fills Facebook's leadership with "horror":

And that sentiment was confirmed by Facebook's VP of News Feed Adam Mosseri, who [tweeted](#) that leaks "create strong incentives to be less transparent internally and they certainly slow us down," and will make it tougher to deal with the big problems.

Those thoughts weigh heavy on Facebook’s team. A source close to several Facebook executives tells us they feel “embarrassed to work there” and are increasingly open to other job opportunities. One current employee told us to assume anything certain execs tell the media is “100% false.”

If Facebook can’t internally discuss the problems it faces without being exposed, how can it solve them?

Implosion

The consequences of Facebook’s failures are typically pegged as external hazards.

You might assume the government will finally step in and regulate Facebook. But the Honest Ads Act and other rules about ads transparency and data privacy could [end up protecting Facebook](#) by being simply a paperwork speed bump for it while making it tough for competitors to build a rival database of personal info. In our corporation-loving society, it seems unlikely that the administration would go so far as to split up Facebook, Instagram and WhatsApp — one of the few feasible ways to limit the company’s power.





Users have watched Facebook make misstep after misstep over the years, but can't help but stay glued to its feed. Even those who don't scroll rely on it as a fundamental utility for messaging and login on other sites. Privacy and transparency are too abstract for most people to care about. Hence, first-time Facebook downloads [held steady](#) and its App Store rank actually rose in the week after the Cambridge Analytica fiasco broke. In regards to the #DeleteFacebook movement, Mark Zuckerberg himself said "I don't think we've seen a meaningful number of people act on that." And as long as they're browsing, advertisers will keep paying Facebook to reach them.

That's why the greatest threat of the scandal convergence comes from inside. The leaks are the canary in the noxious blue coal mine.

Can Facebook survive slowing down?

If employees wake up each day unsure whether Facebook's mission is actually harming the world, they won't stay. Facebook doesn't have the same internal work culture problems as some giants like Uber. But there are plenty of other tech companies with less questionable impacts. Some are still private and offer the chance to win big on an IPO or acquisition. At the very least, those in the Bay could find somewhere to work without a spending hours a day on the traffic-snarled 101 freeway.

If they do stay, they won't work as hard. It's tough to build if you think you're building a weapon. Especially if you thought you

were going to be making helpful tools. The melancholy and malaise set in. People go into rest-and-vest mode, living out their days at Facebook as a sentence not an opportunity. The next killer product Facebook needs a year or two from now might never coalesce.

And if they do work hard, a culture of anxiety and paralysis will work against them. No one wants to code with their hands tied, and some would prefer a less scrutinized environment. Every decision will require endless philosophizing and risk-reduction. Product changes will be reduced to the lowest common denominator, designed not to offend or appear too tyrannical.



Source: Volkan Furuncu/Anadolu Agency + David Ramos/Getty Images

In fact, that's partly how Facebook got into this whole mess. A leak by an anonymous former contractor led Gizmodo to report Facebook was [suppressing conservative news](#) in its Trending section. Terrified of appearing liberally biased, [Facebook reportedly hesitated](#) to take decisive action against fake news.

That hands-off approach led to the post-election criticism that degraded morale and pushed the growing snowball of leaks down the mountain.



It's still rolling.

How to stop morale's downward momentum will be one of Facebook's greatest tests of leadership. This isn't a bug to be squashed. It can't just roll back a feature update. And an apology won't suffice. It will have to expel or reeducate the leakers and those disloyal without instilling a witch hunt's sense of dread. Compensation may have to jump upwards to keep talent aboard [like Twitter did](#) when it was floundering. Its top brass will need to show candor and accountability without fueling more indiscretion. And it may need to make a shocking, landmark act of contrition to convince employees its capable of change.

When asked how Facebook could address the morale problem, Mosseri [told me](#) "it starts with owning our mistakes and being very clear about what we're doing now" and [noted](#) that "it took a while to get into this place and I think it'll take a while to work our

way out . . . Trust is lost quickly, and takes a long time to rebuild.”

This isn't about whether Facebook will disappear tomorrow, but whether it will remain unconquerable for the foreseeable future.

Growth has been the driving mantra for Facebook since its inception. No matter how employees are evaluated, it's still the underlying ethos. Facebook has poised itself as a mission-driven company. The implication was always that connecting people is good so connecting more people is better. The only question was how to grow faster.

Now Zuckerberg will have to figure out how to get Facebook to cautiously foresee the consequences of what it says and does while remaining an appealing place to work. “Move slow and think things through” just doesn't have the same ring to it.

If you're a Facebook employee or anyone else that has information to share with TechCrunch, you can contact us at Tips@techcrunch.com or this article's author [Josh Constine's DMs are open on Twitter](#). Here are some of our feature stories on Facebook's recent issues:

EXHIBIT 181

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8 Questions Members of Congress Should Ask Mark Zuckerberg



By ACLU

APRIL 2, 2018 | 5:45 PM

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FOR BREAKING

il address

g will soon appear before Congress to address recent news that d Cambridge Analytica harvested the data of some 50 million in the service of its influence and propaganda campaigns.

Members should use this opportunity to press Zuckerberg on Facebook's collection, use, and sharing of sensitive user data – including on why the company has not taken more steps to prevent discriminatory ads that may run afoul of our civil rights laws.

Why did Facebook ignore warnings to adopt procedures that would have prevented the Cambridge Analytica fiasco?

The Cambridge Analytica debacle was easily preventable. As early as 2009, the [ACLU urged](#) Facebook to close privacy holes which ultimately led to the Cambridge Analytica incident, but the company ignored those suggestions. And when Facebook first learned about the issue, it kept it hidden until the press caught wind of it. Members of Congress should demand to know: How did that happen? Did internal processes fail, or were they simply not in place? Why can't Facebook address its problems when they happen rather than when they are revealed to the public?

Why has Facebook still not taken adequate measures to address the Cambridge Analytica incident and prevent future fiascos?

Facebook has announced plans to close the holes that allowed Cambridge Analytica to commit a “breach of trust” and misuse information about millions of users. But the company needs to go further to address this incident and prevent future ones. And the best way to do that is to ensure that users are in control. [Facebook should](#) retire the concept of “always public” information and restore the ability for users to control access to all of their information on Facebook. It should also make privacy settings easily understandable, invest sufficient resources into auditing to identify privacy violations, and notify all users whose information was used improperly.

To its credit, Facebook has promised to do many of these – but it hasn't through on past promises to protect user privacy. What will sn't happen again?

FOR BREAKING

**ook track and profile millions of people who have never even
ook account?**

Facebook collects data about millions of people who have never created a Facebook account, whether through information uploaded to Facebook by their "friends," or by trackers embedded across the open Web. And Facebook explicitly states that its "Audience Network" for advertisements includes non-users. Facebook doesn't give these individuals the opportunity to learn what data Facebook has about them or to request deletion of that data, and only registered Facebook users can view and edit their "ad preferences." Why does Facebook collect the data of these individuals and why has it not provided them the ability to control how this data is treated?

Can Facebook guarantee that its advertising is not illegally excluding individuals from housing, employment, credit, and public accommodation ads based on race, gender, age, or other protected characteristics?



Facebook offers advertisers many thousands of targeting categories, some of which can serve as "proxies" for characteristics that are protected by civil rights laws – such as race, gender, familial status, sexual orientation, disability, and veteran status. Advertisers have used these categories on Facebook in ways that violate civil rights laws through ads for housing, credit, and employment that exclude members of those groups. And while Facebook has [officially prohibited](#) some of these practices, [a recent report](#) found that

ads are still being accepted. Why has the company yet again failed effectively to a known problem?

FOR BREAKING

I'm not sure we shouldn't be regulated," yet in the past proposed many common-sense regulations. What new

regulations will Facebook support?

As Cambridge Analytica and other incidents have shown, there are insufficient regulations in place to protect users when companies fail to protect their data. To address this gap, there have been proposals to require meaningful notice and consent for users, place limits on use and retention of data, require data portability, and increase government enforcement. The European Union has adopted a far more comprehensive privacy law that places restrictions on how companies treat data and allows meaningful penalties in cases where companies fail to adhere to standards. The ACLU has long pointed to the need in the U.S. for a comprehensive privacy laws. Which regulations, specifically, will Facebook support?

What is Facebook doing to prevent future incidents where companies and governments have improperly used Facebook to surveil its users?

In 2016, the ACLU [revealed](#) that a company marketing police surveillance software had obtained access to Facebook and Instagram user data via developer channels. We know that police used this software to monitor black activists protesting police violence. Last week, Facebook said it will notify people whose data was misused by developers. When will Facebook notify users impacted by this surveillance and clarify what safeguards – such as regular audits of developers – are in place or planned to ensure that this does not happen again? What steps is Facebook taking to protect user data given the Trump Administration’s “[Extreme Vetting Initiative](#),” for which the government intends to use social media to assist in vetting visa applicants and generating targets for deportation?

Why can’t users easily move their data from Facebook to another social media site?

You have often said that users own the data they post to Facebook. But [Facebook](#) made it clear whether and how users can exercise meaningful control over their data. When a company like Facebook disregards demands for greater transparency and accountability, users should be able to remove their data from Facebook in a portable format (including their network of connections) so they

FOR BREAKING

can join another service that offers stronger privacy benefits. What steps are you taking to facilitate data portability?

Will Facebook commit to not providing government entities or third parties access to their facial recognition technology?

Facebook's long-term plans for facial recognition are not clear, but the growing use of the technology on the platform raises serious questions about how the company may use it to target ads, whether it will be vulnerable to government demands, and the risk of [biased systems](#). What internal controls are in place to limit the use of facial data? Will Facebook pledge not to target advertisements – either online or in the real world – based on detailed, intimate data extracted from users' faces in images and videos? Will Facebook commit to not allowing the government or third parties to use this technology, and informing the public if this policy changes?

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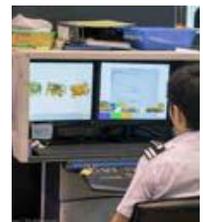
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EXHIBIT 182

TECHNOLOGY

Facebook Says Cambridge Analytica Harvested Data of Up to 87 Million Users

Leer en español

By CECILIA KANG and SHEERA FRENKEL APRIL 4, 2018

WASHINGTON — Facebook on Wednesday said that the data of up to 87 million users may have been improperly shared with a political consulting firm connected to President Trump during the 2016 election — a figure far higher than the estimate of 50 million that had been widely cited since the leak was reported last month.

Mark Zuckerberg, the company's chief executive, also announced that Facebook would offer all of its users the same tools and controls required under European privacy rules. The European rules, which go into effect next month, give people more control over how companies use their digital data.

Facebook had not previously disclosed how many accounts had been harvested by Cambridge Analytica, the firm connected to the Trump campaign. It has also been reluctant to disclose how it was used by Russian-backed actors to influence the 2016 presidential election.

Among Facebook's acknowledgments on Wednesday was the disclosure of a vulnerability in its search and account recovery functions that it said could have exposed "most" of its 2 billion users to having their public profile information harvested.

1

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before Mr. Zuckerberg's expected testimony next week on Capitol Hill, where he will most likely face criticism over how the company collects and shares the personal data of its users. Sheryl Sandberg, Mr. Zuckerberg's top deputy, has several national television interviews scheduled for later this week.

The company said that on Monday it would start telling users whether their information may have been shared with Cambridge Analytica.

Andy Stone, a spokesman for Facebook in Washington, said the 87 million figure was an estimate of the total number of users whose data could have been acquired by Cambridge Analytica. He said that the estimate was calculated by adding up all the friends of the people who had logged into the Facebook app from which Cambridge Analytica collected profile data.

"We wanted to put out the maximum number of people who could have been affected," Mr. Zuckerberg told reporters.

It remains unclear exactly how many users had their personal information accessed by Cambridge Analytica. The firm said Wednesday that it had licensed data for no more than 30 million users of the social network.

Facebook also released a lengthy document describing how it would protect personal data in the future. In that document, Facebook said its search and account recovery systems had been open to abuse by anyone who already had some information about an individual, such as a phone number or email address. The vulnerability extended to much of the platform's user base before it was closed on Wednesday, Facebook said.

The company also said it would limit the types of data that can be harvested by software used by outside businesses. The changes mean that users will have to give permission before an app can collect information beyond their names and addresses.

The company also said it would no longer allow outsiders to use apps to gather information about the religious or political views of its users. And it will stop using third-party data from companies such as Experian and Acxiom to help supplement its own data for ad targeting.

“It’s clear now that we didn’t focus enough on preventing abuse,” Mr. Zuckerberg said. “We didn’t take a broad enough view of what our responsibility is. That was a huge mistake, and it was my mistake.”

The Federal Trade Commission is investigating whether Facebook violated a 2011 agreement meant to protect users’ privacy. User data is crucial to the company’s business, because it is used to deliver advertising to users.

Mr. Zuckerberg is scheduled to testify about the company’s handling of sensitive user data before the Senate’s Commerce and Judiciary committees on Tuesday and the House Energy and Commerce Committee on Wednesday.

“This hearing will be an important opportunity to shed light on critical consumer data privacy issues,” said Representatives Greg Walden, Republican of Oregon, and Frank Pallone, Democrat of New Jersey, of the House committee.

Senator Chuck Grassley, the Republican chairman of the Judiciary Committee, said, “With all of the data exchanged over Facebook and other platforms, users deserve to know how their information is shared and secured.”

Facebook’s problems stretch back before the reports about Cambridge Analytica, to earlier investigations into how Russian actors infiltrated the platform by placing ads and posts to influence the 2016 election. Mr. Zuckerberg initially dismissed the idea of foreign interference on Facebook as a “crazy idea.”

Since then, the company has been the focus of investigations by law enforcement and congressional committees that are delving into the Russian influence campaign. Facebook now acknowledges that its platform was used to sway voters.

All those troubles have prompted investors to flee the company, and its stock has fallen sharply in recent weeks.

In response, the company has put its executives front and center.

Mr. Zuckerberg typically talks to groups of reporters only after the company releases its quarterly financial reports. But after not responding in public for several

days following the Cambridge Analytica disclosure, he has given a series of interviews.

And Ms. Sandberg, Facebook's chief operating officer and the second most recognizable face at the company, is set to be interviewed this week by Fox News, "PBS NewsHour," NBC's "Today" show and Bloomberg. Ms. Sandberg will be interviewed remotely from California.

Facebook said its new openness was meant to show that it takes the intense criticism over its handling of user data seriously.

In Washington, Facebook employees and public relations firms retained by the company have talked to regulators and congressional staff members about new privacy measures, including updates to policies that are intended to make them easier to understand.

On Wednesday, Mr. Zuckerberg provided a preview of what he will tell Congress next week. He said Facebook was "an idealistic and optimistic company."

But he acknowledged that the company had committed serious errors by not ensuring that robust safeguards were in place for users.

Asked if he should still be leading the company, he said, "Yes. Life is about learning from the mistakes and learning what you need to go forward."

Terrell McSweeney, a Democratic member of the Federal Trade Commission, said that Mr. Zuckerberg has a big task ahead of him in Washington.

"I think it is important for Zuckerberg to clearly explain how Facebook plans to earn back consumer trust," Ms. McSweeney said. "Consumers need reassurance that their data are not being misused."

Correction: April 4, 2018

An earlier version of this article attributed incorrectly an estimate that 50 million Facebook users' personal information may have been improperly shared during the 2016 election. The estimate was based on documents and former Cambridge Analytica employees and associates. It did not come from Facebook.

Matthew Rosenberg contributed reporting.

A version of this article appears in print on April 5, 2018, on Page A1 of the New York edition with the headline: Facebook Puts Profile Breach At 87 Million.

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EXHIBIT 183

finance.yahoo.com

The Latest: Facebook CEO to testify in the Senate, too

6-8 minutes



[View photos](#)

FILE- In this June 6, 2017, file photo a man check his phone in an alley in downtown Chicago. Facebook's new privacy policy aims to explain the data it gathers on users more clearly, but doesn't actually change what it collects and shares. The company unveiled the revisions Wednesday, April 4, 2018. (AP

Photo/G-Jun Yam)

NEW YORK (AP) — The Latest on Facebook's privacy scandal (all times local):

8:35 p.m.

Facebook CEO Mark Zuckerberg has agreed to testify in a second congressional hearing next week, this time in the Senate.

Zuckerberg will appear at a rare joint hearing of the Senate Judiciary and Commerce Committees on April 10.

Earlier Wednesday, the House Energy and Commerce Committee announced that Zuckerberg would be testifying at a hearing on April 11.

Lawmakers have called for Zuckerberg to appear personally after revelations that Cambridge Analytica, a Trump-linked political consulting firm, obtained data of tens of millions of users without their permission with the intent of swaying elections. The company has also been under scrutiny after Russians used Facebook and other social media to meddle in the 2016 elections.

Zuckerberg will be the only witness at the hearing.

—

5:15 p.m.

Facebook CEO Mark Zuckerberg says fixing the company's problems will take many years.

In a conference call with reporters Wednesday, Zuckerberg said he wishes he could snap his fingers and solve everything in three

to six months. But, he said, "these are big issues" and a big shift for Facebook.

That says, he says the company will have "turned a corner" on a lot of these issues by the end of the year.

Zuckerberg has set fixing Facebook as his personal challenge for 2018.

The issues Facebook needs to address go beyond the privacy scandal involving Trump-affiliated consulting firm Cambridge Analytica. Facebook also has been dealing with fake news, the use of Facebook to spread hate and discord and concerns about social media's effect on people's mental well-being.

4:20 p.m.

Facebook CEO Mark Zuckerberg is admitting to mistakes and says his company hasn't taken a broad enough view of what its responsibility is in the world.

In a call with media on Wednesday, Zuckerberg calls this a "huge mistake" and added, "it's my mistake."

Referring to the Cambridge Analytica privacy scandal, he said that it isn't enough for Facebook to believe app developers when they say they follow the rules. He says Facebook has to ensure they do.

Earlier in the day, Facebook revealed that as many as 87 million people might have had their data accessed by Cambridge Analytica — an increase from the 50 million disclosed in published reports.

2:45 p.m.

Facebook is restricting the user data it allows outsiders to access as part of steps it's taking to address the fallout from its worst privacy crisis in years.

The company is reeling from news that a Trump-affiliated data-mining firm used ill-gotten data from millions of users to try to influence elections. Facebook says as many as 87 million people may have had their data accessed — an increase from the 50 million disclosed in published reports.

Among the latest changes: Facebook is restricting access that apps can get about users' events, as well as information about groups such as member lists and content.

In addition, the company is also removing the option to search for users by entering a phone number or an email address. While this helped individuals find friends who may have a common name, Facebook says businesses that had phone or email information on customers were able to collect profile information this way.

2:30 p.m.

Facebook says as many as 87 million people may have had their data accessed in the Cambridge Analytica scandal — an increase from the 50 million disclosed in published reports.

Cambridge Analytica, a data-mining firm affiliated with President Donald Trump's campaign, has been accused of using ill-gotten

data from Facebook users to try to influence elections.

This coming Monday, all Facebook users will receive a notice on their Facebook feeds with a link to see what apps they use and what information they have shared with those apps. They'll have a chance to delete apps they no longer want.

Users who had their data shared with Cambridge Analytica will be told of that within that notice. Facebook says most of the affected users are in the U.S.

12:30 p.m.

Now that Mark Zuckerberg is set to testify before Congress, he'll need advice not just from lawyers but from communications specialists, too, on addressing Facebook's privacy scandal.

Public-relations experts who have prepped CEOs before say that congressional hearings are more political theater than public policy. The so-called "optics" — how things look — are as important as what you say.

Other advice for the Facebook CEO? Appear sympathetic and be ready for a beating. Take responsibility. Don't feign ignorance.

The stakes are high for Zuckerberg's April 11 appearance before the House Energy and Commerce Committee.

Noon

Facebook's new privacy policy aims to explain the data it gathers on users more clearly — but doesn't actually change what it

collects and shares.

The company unveiled the revisions Wednesday as it faces one of its worst privacy scandals in history. Although Facebook says the changes aren't prompted by recent events, it's an opportune time. CEO Mark Zuckerberg is also set to testify before Congress next week for the first time.

Among Wednesday's changes: Facebook has added a section explaining that it collects people's contact information, which may include call logs and text histories. The previous policy did not mention call logs or text histories. Several users were surprised to learn recently that Facebook had been collecting such data.

8:30 a.m.

The leaders of a House oversight committee say Facebook CEO Mark Zuckerberg will testify before the panel on April 11.

In an announcement Wednesday, Reps. Greg Walden and Frank Pallone say the hearing will focus on the Facebook's "use and protection of user data." Facebook is facing scrutiny over its data collection following allegations that the political consulting firm Cambridge Analytica obtained data on tens of millions of Facebook users to try to influence elections.

Walden, R-Ore., is the House Energy and Commerce committee's chairman. Pallone of New Jersey is the panel's top ranking Democrat. They say the hearing will be "an important opportunity to shed light on critical consumer data privacy issues and help all Americans better understand what happens to their personal information online."

EXHIBIT 184

<https://www.cnn.com/2018/04/26/facebook-warns-investors-that-more-cambridge-analytica-are-likely.html>

Facebook warns investors that more Cambridge Analytica are likely

- Facebook didn't mention Cambridge Analytica by name in its filing, but clearly told investors that more such incidents will probably be discovered.
- Facebook's business is holding up just fine so far and the stock jumped more than 9 percent on Thursday after the company's results topped analysts' estimates.

[Ari Levy](#) | [@levynews](#)

Published 18 Hours Ago CNBC.com



Chip Somodevilla | Getty Images

Mark Zuckerberg testifies before the House Energy and Commerce Committee in the Rayburn House Office Building on Capitol Hill April 11, 2018.

Buried on page 46 of Facebook's [quarterly report](#), deep in the risk factors section, is an ominous warning to investors: Cambridge Analytica is probably not alone.

"We anticipate that we will discover and announce additional incidents of misuse of user data or other undesirable activity by third parties," [Facebook](#) said in the filing published on Thursday.

"We may also be notified of such incidents or activity via the media or other third parties."

Ever since the suspension last month of data analytics firm [Cambridge Analytica](#) for its improper use of data, Facebook users and investors, as well as lawmakers, have been asking if this was an isolated incident or if there's more to come.

Facebook has admitted that the data of 87 million users' profiles, including CEO [Mark Zuckerberg's](#), may have been improperly shared with the political data analytics firm. But the crisis only surfaced after Facebook was alerted by various publications that were preparing stories about Cambridge Analytica's use of data to target users with tailored ads and other messages ahead of the 2016 presidential election.

Zuckerberg later [said](#) that Facebook was auditing thousands of apps in search of "suspicious activity" and would ban any developers engaged in improper data collection or use.

In its quarterly report, Facebook said that reports of additional incidents "may negatively affect user trust and engagement, harm our reputation and brands, and adversely affect our business and financial results."

Thus far, the business is holding up fine. Facebook [shares surged](#) 9.1 percent on Thursday, a day after the company reported better-than-expected first quarter profit and sales. The stock is still down 5.9 percent since the initial Cambridge Analytica report on March 16.

Here's the full excerpt from Thursday's filing:

We anticipate that our ongoing investments in safety, security, and content review will identify additional instances of misuse of user data or other undesirable activity by third parties on our platform.

In addition to our efforts to mitigate cybersecurity risks, we are making significant investments in safety, security, and content review efforts to combat misuse of our services and user data by third parties, including investigations and audits of platform applications that previously accessed information of a large number of users of our services. As a result of these efforts we anticipate that we will discover and announce additional incidents of misuse of user data or other undesirable activity by third parties. We may also be notified of such incidents or activity via the media or other third parties. Such incidents and activities may include the use of user data in a manner inconsistent with our terms or policies, the existence of false or undesirable user accounts, election interference, improper ad purchases, activities that threaten people's safety on- or offline, or instances of spamming, scraping, or spreading misinformation. The discovery of the foregoing may negatively affect user trust and engagement, harm our reputation and brands, and adversely affect our business and financial results. Any such discoveries may also subject us to additional litigation and regulatory inquiries, which could subject us to monetary penalties and damages, divert management's time and attention, and lead to enhanced regulatory oversight.

EXHIBIT 185

ISSIE LAPOWSKY BUSINESS 04.05.18 09:40 AM

THE QUESTION ONLY MARK ZUCKERBERG CAN ANSWER BEFORE CONGRESS



JEFF ROBERSON/AP

FOLLOWING WEEKS OF public and congressional pressure, Facebook CEO [Mark](#)

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detailed questions. What Zuckerberg seemed to miss when he gave that excuse—and what he now has an opportunity to address—is that the problems plaguing Facebook have far less to do with the company's technical flaws than with its fundamental ethos.

"If it is ever the case that I am the most informed person at Facebook in the best position to testify, I will happily do that," Zuckerberg said in an interview with WIRED last month. He is, and always has been.

It's true that when Zuckerberg assumes the hot seat—at a joint hearing of the Senate Committee on the Judiciary and the Senate Commerce, Science, and Transportation Committee on Tuesday, followed by the House Energy and Commerce Committee on Wednesday—lawmakers will undoubtedly grill the embattled tech founder on the specifics of how the private data of some 87 million Facebook users ended up in the hands of the shadowy British data firm SCL and its American offshoot, Cambridge Analytica. They will almost certainly interrogate him over how a Russian propaganda group managed to conduct a paid political influence campaign during the 2016 US election, and question him about why Facebook didn't find and shut down another roughly 300 of these propaganda spewing accounts and pages until just this week. They may try to pin him down on what sort of regulation he supports or ask for his predictions about the next big threat in election meddling.

If history serves, Zuckerberg will come prepared with a full list of bullet points branded into his brain, acknowledging Facebook's mistakes, admitting these are hard problems to solve, and explaining in detail the ways Facebook plans to fix each one. Zuckerberg struck this tone on a call with reporters Wednesday afternoon. But the most important question he may not be prepared to answer is far more philosophical. It has little to do with engineering fixes or the technicalities of Facebook's privacy policies in 2014. It's this: How can Facebook ward off tomorrow's crisis if its guiding principle is and always has been connection at all cost, maximizing the flow of data between people and their friends—as well as advertisers and apps? And if it radically alters that ethos—

few months and what bills Congress can pass in the next 12 months," says Siva Vaidhyathan, a professor of media studies at the University of Virginia and author of the forthcoming book *Antisocial Media: How Facebook Disconnects Us*.

Facebook executives have often been called to Congress to answer for the most recent headlines. This past January, Facebook's head of global policy management Monika Bickert testified about the strides the company has made in detecting terrorist content with machine learning and image recognition technology. Last fall, the company dispatched general counsel Colin Stretch to answer questions about the Russian Internet Research Agency's infiltration of the platform. Stretch spouted off numbers about the percentage of ads purchased by the Russian trolls, the reach of those ads, and the total posts these phony accounts shared. His careful defenses and roundabout responses left some members of Congress feeling unfulfilled.

"I went home last night with profound disappointment. I asked specific questions. I got vague answers, and that just won't do," California senator Dianne Feinstein said during the Senate Select Intelligence Committee hearing in November.

Zuckerberg will likely walk lawmakers through the changes Facebook has made since the Cambridge Analytica scandal broke—and there have been many. Just Wednesday, Facebook announced a slew of restrictions to its APIs that make it harder for app developers to collect data from Facebook users. Previously, the company had announced forthcoming audits of app developers to see what data they had collected under Facebook's previous, looser rules. And of course, Democratic lawmakers in particular will be all too happy to press Zuckerberg on Cambridge Analytica, which was a vendor to President Trump's 2016 campaign. Zuckerberg, who has already cut both Cambridge Analytica and SCL off from Facebook, will undoubtedly oblige.

But lawmakers who listen closely will realize what Facebook advertisers and app developers already know: Cambridge Analytica is just the poster child for a

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share that data. Those policies existed because, throughout Facebook's entire history, Zuckerberg and his staff have believed that connectivity and sharing does more good than harm, and has relied on those connections to maximize profits.

That thesis may be evolving, but it hasn't changed entirely. On Wednesday, Zuckerberg maintained that when forced to choose between privacy and a better, more targeted experience on Facebook, "the feedback is overwhelmingly on the side of wanting a better experience."

That may be. But if Facebook wants to truly explain why all this has happened—why terrorists have been radicalized on Facebook, why fake news has proliferated, why foreign actors can buy political ads, and why data gets passed around with minimal oversight—Zuckerberg is the only person qualified to provide the real answer: This is how Facebook was designed to work.

RELATED VIDEO

WATCH



Five Things to Watch for in Mark Zuckerberg's Congressional Testimony

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EXHIBIT 186

gizmodo.com

Facebook Admits Mark Zuckerberg and Top Execs Have Deleted Their Sent Messages Remotely

Matt Novak

5-6 minutes



Photo: AP

Have you ever sent an email or text that you wish you could take

back and delete forever? That's not possible on the open web. But we now know that Mark Zuckerberg has the power to reach into every single Facebook inbox and delete messages that he's sent. Zuck and other executives at Facebook have reportedly used that power multiple times.

The practice only came to light when Facebook users started to examine the information being stored by the social media company using the Download Your Information tool. According to [Techcrunch](#), some people who have exchanged Facebook messages with Mark Zuckerberg have noticed that their old messages from Zuckerberg were gone.

Messenger has a feature that allows users to send messages that delete automatically, but that was only introduced in 2016. Users report that messages with Zuckerberg from as far back [as 2010](#) have been deleted remotely, leaving only the recipient's side of the conversation.

But it wasn't just Zuckerberg who was deleting his sent messages. A Facebook statement makes it clear that multiple executives at the company have probably done this.

From Facebook (emphasis mine):

After Sony Pictures' emails were hacked in 2014 we made a number of changes to protect our **executives'** communications. These included limiting the retention period for Mark's messages in Messenger. We did so in full compliance with our legal obligations to preserve messages.

Bringing up the Sony hack might elicit some sympathy for this idea that Facebook executives should be able to delete

communications they have with outside parties. But no one outside of Facebook's top brass have this luxury, as far as we know. And even if it's not illegal, it seems like an enormous betrayal of reasonable user expectations about how online communities should work.

Again, we've all sent an email or message that we regretted. But once it's in the hands of the recipient, that person has control over the message like you would a hand-written letter on paper. The sender doesn't get to take it back with just a click. Or, at least, they shouldn't be able to do that according to established norms.

All of this news comes as Facebook faces intense scrutiny from both the public and governments around the world over its mishandling of user data. It was revealed in March that the private data of 50 million Facebook users was given to Cambridge Analytica, a company that used that information for targeted advertising during the 2016 presidential election. Facebook has since admitted that it was probably more like [87 million people](#) and that every single user has likely had their [public profiles scraped](#).

Zuckerberg is scheduled to testify in front of two Congressional committees next week. The Facebook CEO will be in front of the Senate Judiciary and Commerce Committees on Tuesday, April 10th and then visiting the House Energy and Commerce Committee on Wednesday the 11th. Zuckerberg has declined to speak in front of the UK House of Commons despite repeated requests for him to travel to London.

Facebook's Sheryl Sandberg gave multiple high-profile interviews

yesterday to media outlets like Bloomberg and NBC News. In an interview with NPR, Sandberg blamed the company's failures to protect the privacy of its users on idealism.

“We really believed in social experiences. We really believed in protecting privacy. But we were way too idealistic. We did not think enough about the abuse cases,” Sandberg [told NPR](#).

Recent Video from Gizmodo

Sea Turtle Skillfully Finds Food

3/29/18 4:20 pm

We still have a lot of questions about Facebook's practice of remotely deleting the communications of its executives. How many people at Facebook have the ability to delete their sent messages? Is this being done automatically or on a case-by-case basis? We've reached out to Facebook for answers and will provide an update if we get any.

And if you have any evidence that Zuckerberg or other Facebook executives have been tampering with your inbox, drop us a line: novak@gizmodo.com.

[\[Techcrunch\]](#)

Update, 12:29pm: In a strange statement to [Techcrunch](#), Facebook now says that it's thinking about rolling out an “unsend” feature to [all its users](#). Facebook still hasn't responded

to Gizmodo's questions about how many people at Facebook have been deleting their sent messages.

How many Facebook employees have been scrubbing their messages remotely and why? We'd love some answers. Give us a ring, guys. You know our number. [Obviously](#).

EXHIBIT 187

techcrunch.com

Senator warns Facebook better shape up or get ‘broken up’ – TechCrunch

Taylor Hatmaker @tayhatmaker / 2 weeks ago

3-4 minutes



In the run-up to Mark Zuckerberg’s [first appearance before Congress](#), Oregon Senator Ron Wyden issued a warning to the company about what it can expect from lawmakers if it doesn’t radically alter course.

“Mr. Zuckerberg is going to have a couple of very unpleasant days before Congress next week and that’s the place to start,”

Wyden said at the [TechFestNW](#) conference in his home state of Oregon on Friday.

“There are going to be people who are going to say [Facebook](#) ought to be broken up. There have been a number of proposals and ideas for doing it and I think unless [Zuckerberg] finds a way to honor the promise he made several years ago, he’s gonna have a law on his hands.”

The Senator added that he would support such a law.

For Wyden, concealing the truth about data sharing in the fine print is a deceptive practice that’s gone on too long.

“I think we got to establish a principle once and for all that you own your data, period,” Wyden said.

“What does that mean in the real world? It’s not enough for a company to bury some technical lingo in their [terms of service]... It’s not enough to have some convoluted process for opting out.”

While that might have been wishful thinking two weeks ago, the Oregon lawmaker believes that Facebook’s most recent scandal has creating the perfect opportunity for privacy reform.

“If there is a grassroots uprising about the issue of who owns user data, we can get it passed,” Wyden said, citing other pieces of bipartisan legislation that once seemed like a long-shot.

Wyden, one of the loudest digital privacy champions in Congress, wants the public to use Facebook’s [Cambridge Analytica](#) debacle to demand that social networks obtain “explicit consent” from users before sharing their personal data with anyone — including advertisers.

“It’s real basic. You have to give the okay for them to do anything with your data,” Wyden said.

Zuckerberg is slated to appear before the Senate’s commerce and judiciary committees on Tuesday and the House energy and commerce committee the following day.

To date, Facebook has always successfully squirmed out of seeing its chief executive with his right hand raised. This time, as pressure mounted from legislators, investors, advertisers and the public alike, the company conceded. The set of hearings is widely expected to be a milestone event in big tech’s reluctant shuffle toward getting its wings clipped in Congress.

Unfortunately for Facebook, its corporate willful ignorance around protecting user data echoes other recent privacy catastrophes — a context that won’t do it any favors.

“The reason that Facebook is in hot water is essentially the same reason that Equifax is in hot water,” Wyden said. “These companies have not gotten their heads around the idea that the data they collect is more than just their property.”

EXHIBIT 188

<https://www.wired.com/story/why-zuckerberg-15-year-apology-tour-hasnt-fixed-facebook/>

-
- Author: Zeynep Tufekci [Zeynep Tufekci](#)
- [ideas](#)
- 04.06.18
- 03:32 pm

Why Zuckerberg's 14-Year Apology Tour Hasn't Fixed Facebook

Facebook's CEO's constant apologies aren't a promise to do better. They're a symptom of a profound crisis of accountability.

In 2003, one year before [Facebook](#) was founded, a website called Facemash began nonconsensually scraping pictures of students at Harvard from the school's intranet and asking users to rate their hotness. Obviously, it caused an outcry. The website's developer quickly proffered an apology. "I hope you understand, this is not how I meant for things to go, and I apologize for any harm done as a result of my neglect to consider how quickly the site would spread and its consequences thereafter," wrote a young Mark Zuckerberg. "I definitely see how my intentions could be seen in the wrong light."

In 2004 Zuckerberg cofounded Facebook, which rapidly spread from Harvard to other universities. And in 2006 the young company [blindsided its users](#) with the launch of News Feed, which collated and presented in one place information that people had previously had to search for piecemeal. Many users were shocked and alarmed that there was no warning and that there were no privacy controls. Zuckerberg apologized. "This was a big mistake on our part, and I'm sorry for it," he wrote on Facebook's blog. "We really messed this one up," he said. "We did a bad job of explaining what the new features were and an even worse job of giving you control of them."

Zeynep Tufekci ([@zeynep](#)) is an associate professor at the University of North Carolina and an opinion writer for *The New York Times*. She recently wrote about the (democracy-poisoning) [golden age of free speech](#).

Then in 2007, Facebook's Beacon advertising system, which was launched without proper controls or consent, ended up compromising user privacy by making people's purchases public. Fifty thousand Facebook users signed an e-petition titled "Facebook: Stop invading my privacy." Zuckerberg responded with an apology: "We simply did a bad job with this release and I apologize for it." He promised to improve. "I'm not proud of the way we've handled this situation and I know we can do better," he wrote.

By 2008, Zuckerberg had written only four posts on Facebook's blog: Every single one of them was an apology or an attempt to explain a decision that had upset users.

In 2010, after Facebook violated users' privacy by making key types of information public without proper consent or warning, Zuckerberg again responded with an apology—this time published in an op-ed in *The Washington Post*. "We just missed the mark," he said. "We heard the feedback," he added. "There needs to be a simpler way to control your information." "In the coming weeks, we will add privacy controls that are much simpler to use," he promised.

I'm going to run out of space here, so let's jump to 2018 and skip over all the other mishaps and apologies and promises to do better—oh yeah, and the consent decree that the Federal Trade Commission made Facebook sign in 2011, charging that the company had deceptively promised privacy to its users and then repeatedly broken that promise—in the intervening years.

Last month, Facebook once again garnered widespread attention with a privacy related backlash when it became widely known that, between 2008 and 2015, it had allowed hundreds, maybe thousands, of apps to [scrape voluminous data](#) from Facebook users—not just from the users who had downloaded the apps, but detailed information from all their friends as well. One such app was run by a Cambridge University academic named Aleksandr Kogan, who apparently siphoned up detailed data on [up to 87 million users](#) in the United States and then surreptitiously forwarded the loot to the political data firm Cambridge Analytica. The incident caused a lot of turmoil because it connects to the rolling story of distortions in the 2016 US presidential election. But in reality, Kogan's app was just one among many, many apps that amassed a huge amount of information in a way most Facebook users were completely unaware of.

At first Facebook indignantly defended itself, claiming that people had consented to these terms; after all, the disclosures were buried somewhere in the dense language surrounding obscure user privacy controls. People were asking for it, in other words.

But the backlash wouldn't die down. Attempting to respond to the growing outrage, Facebook announced changes. "It's Time to Make Our Privacy Tools Easier to Find", the company announced [without a hint of irony](#)—or any other kind of hint—that Zuckerberg had promised to do just that in the "coming few weeks" eight full years ago. On the company blog,

Facebook's chief privacy editor wrote that instead of being "spread across nearly 20 different screens" (why were they ever spread all over the place?), the controls would now *finally* be in one place.

Zuckerberg again went on an apology tour, giving interviews to *The New York Times*, CNN, Recode, [WIRED](#), and Vox (but not to the *Guardian and Observer* reporters who broke the story). In each interview he apologized. "I'm really sorry that this happened," he told CNN. "This was certainly a breach of trust."

But Zuckerberg didn't stop at an apology this time. He also defended Facebook as an "idealistic company" that cares about its users and spoke disparagingly about rival companies that charge users money for their products while maintaining a strong record in protecting user privacy. In his interview with Vox's Ezra Klein, Zuckerberg said that anyone who believes Apple cares more about users than Facebook does has "Stockholm syndrome"—the phenomenon whereby hostages start sympathizing and identifying with their captors.

This is an interesting argument coming from the CEO of Facebook, a company that essentially holds its users' data hostage. Yes, Apple charges handsomely for its products, but it also includes advanced encryption hardware on all its phones, delivers timely security updates to its whole user base, and has largely locked itself out of user data—to the chagrin of many governments, including that of the United States, and of Facebook itself.

Most Android phones, by contrast, gravely lag behind in receiving security updates, have no specialized encryption hardware, and often handle privacy controls in a way that is detrimental to user interests. Few governments or companies complain about Android phones. After the Cambridge Analytica scandal, it came to light that Facebook had been downloading and keeping all the text messages of its users on the Android platform—their content as well as their metadata. "The users consented!" Facebook again cried out. But people were soon posting screenshots that showed how difficult it was for a mere mortal to discern that's what was going on, let alone figure out how to opt out, on the vague permission screen that flashed before users.

On Apple phones, however, Facebook couldn't harvest people's text messages because the permissions wouldn't allow it. In the same interview, Zuckerberg took wide aim at the oft-repeated notion that, if an online service is free, you—the user—are the product. He said that he found the argument that "if you're not paying that somehow we can't care about you, to be extremely glib and not at all aligned with the truth." His rebuttal to that accusation, however, was itself glib; and as for whether it was aligned with the truth—well, we just have to take his word for it. "To the dissatisfaction of our sales team here," he said, "I make all of our decisions based on what's going to matter to our community and focus much less on the advertising side of the business."

As far as I can tell, not once in his apology tour was Zuckerberg asked what on earth he means when he refers to Facebook's 2 billion-plus users as "a community" or "the Facebook community." A community is a set of people with reciprocal rights, powers, and responsibilities. If Facebook really were a community, Zuckerberg would not be able to make so many statements about unilateral decisions he has made—often, as he boasts in many interviews, in defiance of Facebook's shareholders and various factions of the company's workforce. Zuckerberg's decisions are final, since he controls all the voting stock in Facebook, and always will until he decides not to—it's just the way he has structured the company.

This isn't a community; this is a regime of one-sided, highly profitable surveillance, carried out on a scale that has made Facebook one of the largest companies in the world by market capitalization.

Facebook's 2 billion users are not Facebook's "community." They are its user base, and they have been repeatedly carried along by the decisions of the one person who controls the platform. These users have invested time and money in building their social networks on Facebook, yet they have no means to port the connectivity elsewhere. Whenever a serious competitor to Facebook has arisen, the company has quickly copied it (Snapchat) or purchased it (WhatsApp, Instagram), often at a mind-boggling price that only a behemoth with massive cash reserves could afford. Nor do people have any means to completely stop being tracked by Facebook. The surveillance follows them not just on the platform, but elsewhere on the internet—some of them apparently can't even text their friends without Facebook trying to snoop in on the conversation. Facebook doesn't just collect data itself; it has purchased external data from data brokers; it creates "shadow profiles" of nonusers and is now attempting to match offline data to its online profiles.

Again, this isn't a community; this is a regime of one-sided, highly profitable surveillance, carried out on a scale that has made Facebook one of the largest companies in the world by market capitalization.

There is no other way to interpret Facebook's privacy invading moves over the years—even if it's time to simplify! finally!—as anything other than decisions driven by a combination of self-serving impulses: namely, profit motives, the structural incentives inherent to the company's business model, and the one-sided ideology of its founders and some executives. All these are forces over which the users themselves have little input, aside from the regular opportunity to grouse through repeated scandals. And even the ideology—a vague philosophy that purports to prize openness and connectivity with little to say about privacy and other values—is one that does not seem to apply to people who run Facebook or work for it. Zuckerberg buys houses surrounding his and tapes over his computer's camera to preserve his own privacy, and company employees went up in arms when a controversial internal memo that made an argument for growth at all costs was recently leaked to the press—a nonconsensual, surprising, and uncomfortable disclosure of the kind that Facebook has routinely imposed upon its billions of users over the years.

This isn't to say Facebook doesn't provide real value to its users, even as it locks them in through network effects and by crushing, buying, and copying its competition. I wrote a whole book in which I document, among other things, how useful Facebook has been to anticensorship efforts around the world. It doesn't even mean that Facebook executives make all decisions merely to increase the company valuation or profit, or that they don't care about users. But multiple things can be true at the same time; all of this is quite complicated. And fundamentally, Facebook's business model and reckless mode of operating are a giant dagger threatening the health and well-being of the public sphere and the privacy of its users in many countries.

So, here's the thing. There is indeed a case of Stockholm syndrome here. There are very few other contexts in which a person would be allowed to make a series of decisions that have obviously enriched them while eroding the privacy and well-being of billions of people; to make basically the same apology for those decisions countless times over the space of just 14 years; and then to profess innocence, idealism, and complete independence from the obvious structural incentives that have shaped the whole process. This should ordinarily cause all the other educated, literate, and smart people in the room to break into howls of protest or laughter. Or maybe tears.

Facebook has tens of thousands of employees, and reportedly an open culture with strong internal forums. Insiders often talk of how free employees feel to speak up, and indeed I've repeatedly been told how they are encouraged to disagree and discuss all the key issues. Facebook has an educated workforce.

By now, it ought to be plain to them, and to everyone, that Facebook's 2 billion-plus users are surveilled and profiled, that their [attention is then sold](#) to advertisers and, it seems, practically anyone else who will pay Facebook—including unsavory dictators like the [Philippines' Rodrigo Duterte](#). That is Facebook's business model. That is why the company has an almost half-a-trillion-dollar market capitalization, along with billions in spare cash to buy competitors.

These are such readily apparent facts that any denial of them is quite astounding.

And yet, it appears that nobody around Facebook's sovereign and singular ruler has managed to convince their leader that these are blindingly obvious truths whose acceptance may well provide us with some hints of a healthier way forward. That the repeated word of the use "community" to refer Facebook's users is not appropriate and is, in fact, misleading. That the constant repetition of "sorry" and "we meant well" and "we will fix it this time!" to refer to what is basically the same betrayal over 14 years should no longer be accepted as a promise to do better, but should instead be seen as but one symptom of a profound crisis of accountability. When a large chorus of people outside the company raises alarms on a regular basis, it's not a sufficient explanation to say, "Oh we were blindsided (again)."

Maybe, just maybe, that is the case of Stockholm syndrome we should be focusing on.

Zuckerberg's outright denial that Facebook's business interests play a powerful role in shaping its behavior doesn't bode well for Facebook's chances of doing better in the future. I don't doubt that the company has, on occasion, held itself back from bad behavior. That doesn't make Facebook that exceptional, nor does it excuse its existing choices, nor does it alter the fact that its business model is fundamentally driving its actions.

At a minimum, Facebook has long needed an ombudsman's office with real teeth and power: an institution within the company that can act as a check on its worst impulses and to protect its users. And it needs a lot more employees whose task is to keep the platform healthier. But what would truly be disruptive and innovative would be for Facebook to alter its business model. Such a change could come from within, or it could be driven by regulations on data retention and opaque, surveillance-based targeting—regulations that would make such practices less profitable or even forbidden.

Facebook will respond to the latest crisis by keeping more of its data within its own walls (of course, that fits well with the business of charging third parties for access to users based on extensive profiling with data held by Facebook, so this is no sacrifice). Sure, it's good that Facebook is now promising not to leak user data to unscrupulous third parties; but it should finally allow truly independent researchers better (and secure, not reckless) access to the company's data in order to investigate the true effects of the platform. Thus far, Facebook has not cooperated with independent researchers who want to study it. Such investigation would be essential to informing the kind of political discussion we need to have about the [trade-offs inherent](#) in how Facebook, and indeed all of social media, operate.

Even without that independent investigation, one thing is clear: Facebook's sole sovereign is neither equipped to, nor should he be in a position to, make all these decisions by himself, and Facebook's long reign of unaccountability should end.

Facebook in Crisis

- Initially, Facebook said that Cambridge Analytica got unauthorized access to some 50 million users' data. The social network has now [raised that number](#) to 87 million.
- Next week, Mark Zuckerberg will testify before Congress. The question on our minds: How can Facebook prevent the next crisis if its guiding principle [is and always has been](#) connection at all cost?
- Facebook has a long history of privacy gaffes. [Here are just a few](#).

Photograph by WIRED/Getty Images

EXHIBIT 189

[today.com](https://www.today.com)

Sheryl Sandberg says other Facebook data breaches 'possible' in Today Show interview

2-3 minutes

Sandberg, along with Facebook founder and chief executive Mark Zuckerberg, have been addressing security concerns since admitting that 87 million Facebook users may have had their data harvested by Cambridge Analytica, the data firm that worked with the Trump campaign during the 2016 election.

Zuckerberg will go before Congress next week as part of the company's damage control efforts.

Sandberg told TODAY that Facebook takes the responsibility of protecting user information seriously.

"We cared about privacy all along but I think we got the balance wrong," she said.





Facebook founder and CEO Mark Zuckerberg will testify before Congress next week about the social network's data breach. EPA

The social experience Facebook provides, like connecting virtually with friends and seeing their music playlists, are all examples of data sharing, she pointed out.

“There’s the good cases for sharing and I think we were very idealistic and not rigorous enough and then there’s the possible misuse,” she said. “What we are focused on is making sure those possible use cases get shut down. I’m not going to sit here and say that we’re not going to find more because we are.”

Sandberg said Facebook does not sell or give away user data to advertisers but that the company allows for targeted ads to personalize service.

“We have different forms of opt-out,” she said. “We don't have an opt out at the highest level. That would be a paid product.”

Cambridge Analytica’s breach came to Facebook’s attention about two-and-a-half years ago, but the social media platform failed to take enough security steps afterward to assure the data was secure, Sandberg said.

“We thought the data had been deleted and we should have checked. They gave us assurances and it wasn't until other people told us it wasn't true,” she said. “We had legal assurances from them that they deleted it. What we didn't do is the next step of an audit and we're trying to do that now.”

EXHIBIT 190

Hours after Zuck deletion scandal, Facebook announces new unsend feature

 [Timothy B. Lee](#) • 04/6/2018 1:25 pm • [Policy](#)

[View non-AMP version at arstechnica.com](#)



Mark Zuckerberg in 2017.

[Justin Sullivan / Getty Images](#)

Hours ago, [Facebook admitted](#) that Mark Zuckerberg had given himself special powers to delete old Facebook messages from recipients' inboxes—a feature that's not available to ordinary Facebook users. Now, in a remarkable coincidence, the company [told Techcrunch's Josh Constine](#) it

has been working on a feature to allow any user to unsend messages. The feature will be available in "several months," Facebook says.

"Until the unsend feature is released for everyone, Facebook says it won't unsend or retract any more of Zuckerberg's messages," Constine writes. There's no indication that Facebook will attempt to restore Zuckerberg messages that were already deleted, however.



This appears to be an effort to dampen outrage over Zuckerberg giving himself special powers on the platform that are not available to ordinary users. But Constine reports that Facebook "hasn't finalized exactly how the unsend feature will work."

Indeed, it's not clear if Facebook's new unsend feature will allow ordinary users to perform the kind of unilateral, retroactive deletions Zuckerberg performed. Facebook is considering adding an "expiration timer" to

messages—a feature available in [Facebook's "secret conversations" feature](#).

But that expiration timer is for marking new messages for deletion. It doesn't seem to allow retroactive deletion of years-old messages.

"Keep in mind that deleting a message or conversation from your device won't delete it from your friend's device," [says the Facebook page for secret conversations](#). "You can't delete sent or received messages from someone else's device." [View article comments](#)

EXHIBIT 191

BREAKING: UBS earnings: Net profit at \$1.5 billion for first quarter of 2018, up 19% year-on-year ×

TECH

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Congress releases Mark Zuckerberg's prepared testimony ahead of Wednesday's hearing

- Mark Zuckerberg is set to testify before the House Energy and Commerce Committee Wednesday.
- It's one of two  Capitol Hill appearances for the Facebook founder and CEO this week.
- Facebook is facing  questions following reports that research firm Cambridge Analytica illegally gained access to the personal information of as many as 87 million Facebook users.

Sara Salinas | [@s.salinas](#)

Published 11:31 AM ET Mon, 9 April 2018 | Updated 5:54 AM ET Tue, 10 April 2018



Mark Zuckerberg sighted on Capitol Hill

12:32 PM ET Mon, 9 April 2018 | 01:07

Congress has released Mark Zuckerberg's prepared testimony ahead of a Wednesday hearing before the House Energy and Commerce Committee.

It's one of two Capitol Hill appearances for the **Facebook** founder and CEO this week. Zuckerberg is also scheduled to appear before a joint hearing of the Senate Judiciary and Commerce committees Tuesday.

Facebook is facing questions following reports that research firm Cambridge Analytica improperly gained access to the personal information of as many as 87 million Facebook users.



Bill Clark | CQ Roll Call | Getty Images

Facebook CEO Mark Zuckerberg arrives for his meeting with Sen. Bill Nelson, D-Fla., in the Hart Senate Office Building on Monday, April 9, 2018. Zuckerberg is on Capitol Hill to testify before the House and Senate this week.

The data leak is just the most recent example of abuse on the site, following reports of Russian meddling during the 2016 U.S. presidential election and controversial Brexit vote in the UK.

Facebook in recent months has sent representatives to Washington to address issues of foreign interference on Facebook, but this week's hearings will be the company's first opportunity to address privacy policies before lawmakers and Zuckerberg's first appearance before Congress.

Here's Zuckerberg's full testimony:

Chairman Walden, Ranking Member Pallone, and Members of the Committee,

We face a number of important issues around privacy, safety, and democracy, and you will rightfully have some hard questions for me to answer. Before I talk about the steps we're taking to address them, I want to talk about how we got here.

Facebook is an idealistic and optimistic company. For most of our existence, we focused on all the good that connecting people can bring. As Facebook has grown, people everywhere have gotten a powerful new tool to stay connected to the people they love, make their voices heard, and build communities and businesses. Just recently, we've seen the #metoo movement and the March for Our Lives, organized, at least in part, on Facebook. After Hurricane Harvey, people raised more than \$20 million for relief. And more than 70 million small businesses now use Facebook to grow and create jobs.

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['She was pretty much out of the plane and they pulled her back in'](#) (NBC News)

But it's clear now that we didn't do enough to prevent these tools from being used for harm as well. That goes for fake news, foreign interference in elections, and hate speech, as well as developers and data privacy. We didn't take a broad enough view of our responsibility, and that was a big mistake. It was my mistake, and I'm sorry. I started Facebook, I run it, and I'm responsible for what happens here.

So now we have to go through every part of our relationship with people and make sure we're taking a broad enough view of our responsibility.

It's not enough to just connect people, we have to make sure those connections are positive. It's not enough to just give people a voice, we have to make sure people aren't using it to hurt people or spread misinformation. It's not enough to give people control of their information, we have to make sure developers they've given it to are protecting it too. Across the board, we have a responsibility to not just build tools, but to make sure those tools are used for good.

It will take some time to work through all of the changes we need to make, but I'm committed to getting it right.

That includes  improving the way we protect people's information and safeguard elections around the world. Here are a few key things  we're doing:

II. CAMBRIDGE ANALYTICA

Over the past few weeks, we've been working to understand exactly what happened with Cambridge Analytica and taking steps to make sure this doesn't happen again. We took important actions to prevent this from happening again today four years ago, but we also made mistakes, there's more to do, and we need to step up and do it.

A. What Happened

In 2007, we launched the Facebook Platform with the vision that more apps should be social. Your calendar should be able to show your friends' birthdays, your maps should show where your friends live, and your address book should show their pictures. To do this, we enabled people to log into apps and share who their friends were and some information about them.

In 2013, a Cambridge University researcher named Aleksandr Kogan created a personality quiz app. It was installed by around 300,000 people who agreed to share some of their Facebook information as well as some information from their friends whose privacy settings allowed it. Given the way our platform worked at the time this meant Kogan was able to access some information about tens of millions of their friends.

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In 2014, to prevent abusive apps, we announced that we were changing the entire platform to dramatically limit the Facebook information apps could access. Most importantly, apps like Kogan's could no longer ask for information about a person's friends unless their friends had also authorized the app. We also required developers to get approval from Facebook before they could request any data beyond a user's public profile, friend list, and email address. These actions would prevent any app like Kogan's from being able to access as much Facebook data today.

In 2015, we learned from journalists at The Guardian that Kogan had shared data from his app with Cambridge Analytica. It is against our policies for developers to share data without people's consent, so we immediately banned Kogan's app from our platform, and demanded that Kogan and other entities he gave the data to, including Cambridge Analytica, formally certify that they had deleted all improperly acquired data — which they ultimately did.

Last month, we learned from The Guardian, The New York Times and Channel 4 that Cambridge Analytica may not have deleted the data as they had certified. We immediately banned them from  any of our services. Cambridge Analytica claims they  already deleted the data and has agreed to a forensic at  a firm we hired to investigate this. We're also working with the U.K. Information Commissioner's Office, which has  liction over Cambridge Analytica, as it completes its investigation into what happened.



B. What We Are Doing



We have a responsibility to make sure what happened with Kogan and Cambridge Analytica doesn't happen again. Here are some of the steps we're taking:

Safeguarding our platform. We need to make sure that developers like Kogan who got access to a lot of information in the past can't get access to as much information going forward.

1. We made some big changes to the Facebook platform in 2014 to dramatically restrict the amount of data that developers can access and to proactively review the apps on our platform. This makes it so a developer today can't do what Kogan did years ago.

2. But there's more we can do here to limit the information developers can access and put more safeguards in place to prevent abuse.

— We're removing developers' access to your data if you haven't used their app in three months.

— We're reducing the data you give an app when you approve it to only your name, profile photo, and email address. That's a

lot less than apps can get on any other major app platform.

— We're requiring developers to not only get approval but also to sign a contract that imposes strict requirements in order to ask anyone for access to their posts or other private data.

— We're restricting more APIs like groups and events. You should be able to sign into apps and share your public information easily, but anything that might also share other people's information — like other posts in groups you're in or other people going to events you're going to — will be much more restricted.

— Two weeks ago, we found out that a feature that lets you look someone up by their phone number and email was abused. This feature is useful in cases where people have the same name, but it was abused to link people's public Facebook information to a phone number they already had. When we found out about the abuse, we shut this feature down.

3. Investigating other apps. We're in the process of investigating every app that had access to a large amount of information before we locked down our platform in 2014. If we detect suspicious activity, we'll do a full forensic audit. And if we find that someone is improperly using data, we'll ban them and tell everyone affected.

4. Building better controls. Finally, we're making it easier to understand which apps you've allowed to access your data. This week we started showing everyone a list of the apps you've used an easy way to revoke their permissions to your data. You can already do this in your privacy settings, but we're going to put it at the top of News Feed to make sure everyone sees it. And we also told everyone whose Facebook information may have been shared with Cambridge Analytica.

Beyond the steps we had already taken in 2014, I believe these are the next steps we must take to continue to secure our platform.

III. RUSSIAN ELECTION INTERFERENCE

Facebook's mission is about giving people a voice and bringing people closer together. Those are deeply democratic values and we're proud of them. I don't want anyone to use our tools to undermine democracy. That's not what we stand for.

We were too slow to spot and respond to Russian interference, and we're working hard to get better. Our sophistication in handling these threats is growing and improving quickly. We will continue working with the government to understand the full extent of Russian interference, and we will do our part not only to ensure the integrity of free and fair elections around the world, but also to give everyone a voice and to be a force for good in democracy everywhere.

A. What Happened

Elections have always been especially sensitive times for our security team, and the 2016 U.S. presidential election was no exception.

Our security team has been aware of traditional Russian cyber threats — like hacking and malware — for years. Leading up to Election Day in November 2016, we detected and dealt with several threats with ties to Russia. This included activity by a group called APT28, that the U.S. government has publicly linked to Russian military intelligence services.

But while our primary focus was on traditional threats, we also saw some new behavior in the summer of 2016 when APT28-related accounts, under the banner of DC Leaks, created fake personas that were used to seed stolen information to journalists. We shut these accounts down for violating our policies.

After the election, we continued to investigate and learn more about these new threats. What we found was that bad actors had used coordinated networks of fake accounts to interfere in the election: promoting or attacking specific candidates and causes, creating distrust in political institutions, or simply spreading confusion. Some of these bad actors also used our ads tools.

We also learned about a disinformation campaign run by the Internet Research Agency (IRA) — a Russian agency that has repeatedly used deceptive tactics and tried to manipulate people in the US, Europe, and Russia. We found about 470 accounts and pages linked to the IRA, which generated around 80,000 Facebook posts over about a two-year period.

Our best estimate is that approximately 126 million people may have been served content from a Facebook Page associated with the IRA at some point during that period. On Instagram, where our data on reach is not as complete, we found about 120,000 pieces of content, and estimate that an additional 20 million people were likely served it.

Over the same period, the IRA also spent approximately \$100,000 on more than 3,000 ads on Facebook and Instagram, which were seen by an estimated 11 million people in the United States. We shut down these IRA accounts in August 2017.

B. What We Are Doing

There's no question that we should have spotted Russian interference earlier, and we're working hard to make sure it doesn't happen again. Our actions include:

Building new technology to prevent abuse. Since 2016, we have improved our techniques to prevent nation states from

interfering in foreign elections, and we've built more advanced AI tools to remove fake accounts more generally. There have been a number of important elections since then where these new tools have been successfully deployed. For example:

1. In France, leading up to the presidential election in 2017, we found and took down 30,000 fake accounts.
2. In Germany, before the 2017 elections, we worked directly with the election commission to learn from them about the threats they saw and to share information.
3. In the U.S. Senate Alabama special election last year, we deployed new AI tools that proactively detected and removed fake accounts from Macedonia trying to spread misinformation.
4. We have disabled thousands of accounts tied to organized, financially motivated fake news spammers. These investigations have been used to improve our automated systems that find fake accounts.
5. Last week, we took down more than 270 additional pages and accounts operated by the IRA and used to target people in Russia and Russian speakers in countries like Azerbaijan, Uzbekistan,  Ukraine. Some of the pages we removed belong to Russian news organizations that we determined were controlled  the IRA.

Significant  increasing our investment in security. We now have about 15,000 people working on security and content review. We  ve more than 20,000 by the end of this year.

1. I've directed  our teams to invest so much in security — on top of the other investments we're making — that it will significantly impact our profitability going forward. But I want to be clear about what our priority is: protecting our community is more important than maximizing our profits.

Strengthening our advertising policies. We know some Members of Congress are exploring ways to increase transparency around political or issue advertising, and we're happy to keep working with Congress on that. But we aren't waiting for legislation to act.

1. From now on, every advertiser who wants to run political or issue ads will need to be authorized. To get authorized, advertisers will need to confirm their identity and location. Any advertiser who doesn't pass will be prohibited from running political or issue ads. We will also label them and advertisers will have to show you who paid for them. We're starting this in the U.S. and expanding to the rest of the world in the coming months.
2. For even greater political ads transparency, we have also built a tool that lets anyone see all of the ads a page is running.

We're testing this in Canada now and we'll launch it globally this summer. We're also creating a searchable archive of past political ads.

3. We will also require people who manage large pages to be verified as well. This will make it much harder for people to run pages using fake accounts, or to grow virally and spread misinformation or divisive content that way.

4. In order to require verification for all of these pages and advertisers, we will hire thousands of more people. We're committed to getting this done in time for the critical months before the 2018 elections in the U.S. as well as elections in Mexico, Brazil, India, Pakistan and elsewhere in the next year.

5. These steps by themselves won't stop all people trying to game the system. But they will make it a lot harder for anyone to do what the Russians did during the 2016 election and use fake accounts and pages to run ads. Election interference is a problem that's bigger than any one platform, and that's why we support the Honest Ads Act. This will help raise the bar for all political advertising online.

Sharing information. We've been working with other technology companies to share information about threats, and we're also cooperating with the U.S. and foreign governments on election integrity.

At the same time, it's also important not to lose sight of the more straightforward and larger ways Facebook plays a role in elections.

In 2016, people had billions of interactions and open discussions on Facebook that may never have happened offline. Candidates had direct channels to communicate with tens of millions of citizens. Campaigns spent tens of millions of dollars organizing and advertising online to get their messages out further. And we organized "get out the vote" efforts that helped more than 2 million people register to vote who might not have voted otherwise.

Security — including around elections — isn't a problem you ever fully solve. Organizations like the IRA are sophisticated adversaries who are constantly evolving, but we'll keep improving our techniques to stay ahead. And we'll also keep building tools to help more people make their voices heard in the democratic process.

IV. CONCLUSION

My top priority has always been our social mission of connecting people, building community and bringing the world closer together. Advertisers and developers will never take priority over that as long as I'm running Facebook.

I started Facebook when I was in college. We've come a long way since then. We now serve more than 2 billion people around the world, and every day, people use our services to stay connected with the people that matter to them most. I believe deeply in what we're doing. And when we address these challenges, I know we'll look back and view helping people connect and giving more people a voice as a positive force in the world.

I realize the issues we're talking about today aren't just issues for Facebook and our community — they're challenges for all of us as Americans. Thank you for having me here today, and I'm ready to take your questions.

WATCH: COO Sandberg says FB will launch new privacy tool



Sheryl Sandberg says Facebook will launch new privacy tool

7:54 AM ET Fri, 6 April 2018 | 03:44



Sara Salinas
News Associate

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EXHIBIT 192



14 years of Mark Zuckerberg saying sorry, not sorry

By **Geoffrey A. Fowler** and **Chiqui Esteban** April 9, 2018

Do you trust Mark Zuckerberg?

From the moment the Facebook founder entered the public eye in 2003 for creating a Harvard student hot-or-not rating site, he's been apologizing. So we collected this abbreviated history of his public mea culpas.

It reads like a record on repeat. Zuckerberg, who made “move fast and break things” his slogan, says sorry for being naive, and then promises solutions such as privacy “controls,” “transparency” and better policy “enforcement.” And then he promises it again the next time. You can track his [sorries in orange](#) and [promises in blue](#) in the timeline below.

All the while, Facebook's access to our personal data increases and little changes about the way Zuckerberg handles it. So as Zuckerberg prepares to apologize for the first time in front of Congress, the question that lingers is: What will be different this time?

November 2003

After creating Facemash, a Harvard hot-or-not site.



“This is not how I meant for things to go and I apologize for any harm done as a result of my neglect.”

September 2006

After introducing News Feed, which exposed updates to friends in one central place.



“We really messed this one up. ... We did a bad job of explaining what the new features were and an even worse job of giving you control of them .”



December 2007

After launching Beacon, which opted-in everyone to sharing with advertisers what they were doing in outside websites and apps.



“ We simply did a bad job with this release, and I apologize for it. ... People need to be able to explicitly choose what they share. ”

February 2009

After unveiling new terms of service that angered users.



“ Over the past couple of days, we received a lot of questions and comments. ... Based on this feedback, we have decided to return to our previous terms of use while we resolve the issues. ”



May 2010

After reporters found a [privacy loophole](#) allowing advertisers to access user identification.



“ Sometimes we move too fast. ... We will add **privacy controls** that are much simpler to use. We will also give you an **easy way to turn off all third-party services.** ”



November 2011

After Facebook reached a consent decree with the Federal Trade Commission for deceiving consumers about privacy.



“ I’m the first to admit that **we’ve made a bunch of mistakes.** ... Facebook has always been committed to being transparent about the information you have stored with us — and we have led the internet in building tools to **give**

people the ability to see and control what they
share .”



July 2014

After an academic paper exposed that Facebook conducted
psychological tests on nearly 700,000 users without their knowledge.

(Apology by Facebook COO Sheryl Sandberg)



“ It was poorly communicated. ... And for that
communication we apologize . We never meant
to upset you. ”

December 2016

After criticism of the role of Facebook in spreading fake news about
political candidates.



“ I think of Facebook as a technology company,
but I recognize we have a greater

responsibility than just building technology that information flows through. ... Today we're making it easier to report hoaxes. ”



April 2017

After a Cleveland man posted a video of himself killing 74-year-old Robert Godwin Sr.



“ Our hearts go out to the family and friends of Robert Godwin Sr., and we have a lot of work — and we will keep doing all we can to prevent tragedies like this from happening. ”



September 2017

While revealing a nine-step plan to stop nations from using Facebook to interfere in one another's elections, noting that the amount of "problematic content" found so far is "relatively small."



“ I care deeply about the democratic process and protecting its integrity. ... It is a new challenge for internet communities to deal with nation states attempting to subvert elections. But if that's what we must do, we are committed to rising to the occasion . ”



September 2017

After continued criticism about the role of Facebook in Russian manipulation of the 2016 election.



“ For the ways my work has been used to divide rather than to bring us together, I ask for forgiveness and I will work to do better. ”

January 2018

Announcing his personal challenge for the year is to fix Facebook.



“ We won’t prevent all mistakes or abuse, but we currently make too many errors enforcing our policies and preventing misuse of our tools. ... This will be a serious year of self-improvement and I’m looking forward to learning from working to fix our issues together. ”

March 2018

After details emerged about [Cambridge Analytica taking user data](#).



“ We have a responsibility to protect your data, and if we can’t then we don’t deserve to serve you. ... We will learn from this experience to secure our platform further and make our community safer for everyone going forward. ”



April 2018

After revealing Cambridge Analytica got unauthorized data on up to 87 million Facebook members — and that nearly all Facebook users may have had their public profile scraped.



“ We’re an idealistic and optimistic company. ... But it’s clear now that we didn’t do enough. We didn’t focus enough on preventing abuse and thinking through how people could use these tools to do harm as well. ... [We are] going to do a full investigation of every app that had a large amount of people’s data. ”

April 2018

In prepared comments for his congressional testimony.



“ It was my mistake, and I’m sorry. ... There’s more we can do here to limit the information

developers can access and put more safeguards in place to prevent abuse.”

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EXHIBIT 193

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Transcript of Mark Zuckerberg's Senate Hearing - The Washington Post
will actually serve to enhance Facebook's own ability to market such data exclusively.

Most of us understand that whether you are using Facebook or Google or some other online services, we are trading certain information about ourselves for free or low-cost services. But for this model to persist, both sides of the bargain need to know the stakes that are involved. Right now I am not convinced that Facebook's users have the information that they need to make meaningful choices.

In the past, many of my colleagues on both sides of the aisle have been willing to defer to tech companies' efforts to regulate themselves, but this may be changing.

Just last month, in overwhelming bipartisan fashion, Congress voted to make it easier for prosecutors and victims to go after websites that knowingly facilitate sex trafficking. This should be a wake-up call for the tech community.

We want to hear more, without delay, about what Facebook and other companies plan to do to take greater responsibility for what happens on their platforms.

How will you protect users' data? How will you inform users about the changes that you are making? And how do you intend to proactively stop harmful conduct instead of being forced to respond to it months or years later?

Mr. Zuckerberg, in many ways you and the company that you created, the story that you've created represents the American Dream. Many are incredibly inspired by what you've done.

At the same time, you have an obligation, and it's up to you, to ensure that that dream does not become a privacy nightmare for the scores of people who use Facebook.

This hearing is an opportunity to speak to those who believe in Facebook and those who are deeply skeptical about it. We are listening, America is listening and quite possibly the world is listening, too.

GRASSLEY: Thank you.

Now Ranking Member Feinstein.

DIANNE FEINSTEIN (D-CALIF.): Thank you very much, Mr. Chairman.

Chairman Grassley, Chairman Thune, thank you both for holding this hearing.

Mr. Zuckerberg, thank you for being here. You have a real opportunity this afternoon to lead the industry and demonstrate a meaningful commitment to protecting individual privacy.

We have learned over the past few months, and we've learned a great deal that's alarming. We've seen how foreign actors are abusing social media platforms like Facebook to interfere in elections and take millions of Americans' personal information

without their knowledge in order to manipulate public opinion and target individual voters.

Specifically, on February the 16th, Special Counsel Mueller issued an indictment against the Russia-based Internet Research Agency and 13 of its employees for interfering (sic) operations targeting the United States.

Through this 37-page indictment, we learned that the IRA ran a coordinated campaign through 470 Facebook accounts and pages. The campaign included ads and false information to create discord and harm Secretary Clinton's campaign, and the content was seen by an estimated 157 million Americans.

A month later, on March 17th, news broke that Cambridge Analytica exploited the personal information of approximately 50 million Facebook users without their knowledge or permission. And, last week, we learned that number was even higher: 87 million Facebook users who had their private information taken without their consent.

Specifically, using a personality quiz he created, Professor Kogan collected the personal information of 300,000 Facebook users, and then collected data on millions of their friends.

It appears the information collected included everything these individuals had on their Facebook pages and, according to some reports, even included private direct messages between users.

Professor Kogan is said to have taken data from over 70 million Americans. It has also been reported that he sold this data to Cambridge Analytica for \$800,000 dollars. Cambridge Analytica then took this data and created a psychological warfare tool to influence United States elections.

In fact, the CEO, Alexander Nix, declared that Cambridge Analytica ran all the digital campaign, the television campaign, and its data informed all the strategy for the Trump campaign.

The reporting has also speculated that Cambridge Analytica worked with the Internet Research Agency to help Russia identify which American voters to target, which its — with its propaganda.

I'm concerned that press reports indicate Facebook learned about this breach in 2015, but appears not to have taken significant steps to address it until this year.

So this hearing is important, and I appreciate the conversation we had yesterday. And I believe that Facebook, through your presence here today and the words you're about to tell us, will indicate how strongly your industry will regulate and/or reform the platforms that they control.

FEINSTEIN: I believe this is extraordinarily important. You lead a big company with 27,000 employees, and we very much look forward to your comments.

Thank you, Mr. Chairman.

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So the effectiveness of these social media tactics can be debated. But their use over the past years, across the political spectrum, and their increased significance cannot be ignored. Our policy towards data privacy and security must keep pace with these changes.

Data privacy should be tethered to consumer needs and expectations. Now, at a minimum, consumers must have the transparency necessary to make an informed decision about whether to share their data and how it can be used.

Consumers ought to have clearer information, not opaque policies and complex click-through consent pages. The tech industry has an obligation to respond to widespread and growing concerns over data privacy and security and to restore the public's trust.

The status quo no longer works. Moreover, Congress must determine if and how we need to strengthen privacy standards to ensure transparency and understanding for the billions of consumers who utilize these products.

Senator Nelson.

BILL NELSON (D-FLA.): Thank you, Mr. Chairman. Mr. Zuckerberg, good afternoon.

Let me just cut to the chase. If you and other social media companies do not get your act in order, none of us are going to have any privacy anymore. That's what we're facing.

We're talking about personally identifiable information that, if not kept by the social media — media companies from theft, a value that we have in America, being our personal privacy — we won't have it anymore. It's the advent of technology.

And, of course, all of us are part of it. From the moment that we wake up in the morning, until we go to bed, we're on those handheld tablets. And online companies like Facebook are tracking our activities and collecting information.

Facebook has a responsibility to protect this personal information. We had a good discussion yesterday. We went over all of this. You told me that the company had failed to do so.

It's not the first time that Facebook has mishandled its users' information. The FTC found that Facebook's privacy policies had deceived users in the past. And, in the present case, we recognize that Cambridge Analytica and an app developer lied to consumers and lied to you, lied to Facebook.

But did Facebook watch over the operations? We want to know that. And why didn't Facebook notify 87 million users that their personally identifiable information had been taken, and it was being also used — why were they not informed — for unauthorized political purposes?

NELSON: So, only now — and I appreciate our conversation — only now, Facebook has pledged to inform those consumers whose accounts were compromised.

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I think you are genuine. I got that sense in conversing with you. You want to do the right thing. You want to enact reforms. We want to know if it's going to be enough. And I hope that will be the in the answers today.

Now, since we still don't know what Cambridge Analytica has done with this data, you heard Chairman Thune say, as we have discussed, we want to haul Cambridge Analytica in to answer these questions at a separate hearing.

I want to thank Chairman Thune for working with all of us on scheduling a hearing. There's obviously a great deal of interest in this subject. I hope we can get to the bottom of this. And, if Facebook and other online companies will not or cannot fix the privacy invasions, then we are going to have to — we, the Congress.

How can American consumers trust folks like your company to be caretakers of their most personal and identifiable information? And that's the question.

Thank you.

GRASSLEY: Thank you, my colleagues and Senator Nelson.

Our witness today is Mark Zuckerberg, founder, chairman, chief executive officer of Facebook. Mr. Zuckerberg launched Facebook February 4th, 2004, at the age of 19. And, at that time, he was a student at Harvard University.

As I mentioned previously, his company now has over \$40 billion of annual revenue and over 2 billion, monthly, active users. Mr. Zuckerberg, along with his wife, also established the Chan Zuckerberg Initiative to further philanthropy causes.

I now turn to you. Welcome to the committee, and, whatever your statement is orally — if you have a longer one, it'll be included in the record. So, proceed, sir.

MARK ZUCKERBERG: Chairman Grassley, Chairman Thune, Ranking Member Feinstein, Ranking Member Nelson and members of the committee, we face a number of important issues around privacy, safety and democracy. And you will rightfully have some hard questions for me to answer. Before I talk about the steps we're taking to address them, I want to talk about how we got here.

Facebook is an idealistic and optimistic company. For most of our existence, we focused on all of the good that connecting people can do. And, as Facebook has grown, people everywhere have gotten a powerful new tool for staying connected to the people they love, for making their voices heard and for building communities and businesses.

Just recently, we've seen the “Me Too” movement and the March for our Lives organized, at least in part, on Facebook. After Hurricane Harvey, people came together to raise more than \$20 million for relief. And more than 70 million businesses — small business use Facebook to create jobs and grow.

But it's clear now that we didn't do enough to prevent these tools from being used for harm, as well. And that goes for fake news, for foreign interference in elections, and hate speech, as well as developers and data privacy.

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ZUCKERBERG: We didn't take a broad enough view of our responsibility, and that was a big mistake. And it was my mistake. And I'm sorry. I started Facebook, I run it, and I'm responsible for what happens here.

So, now, we have to go through our — all of our relationship with people and make sure that we're taking a broad enough view of our responsibility.

It's not enough to just connect people. We have to make sure that those connections are positive. It's not enough to just give people a voice. We need to make sure that people aren't using it to harm other people or to spread misinformation. And it's not enough to just give people control over their information. We need to make sure that the developers they share it with protect their information, too.

Across the board, we have a responsibility to not just build tools, but to make sure that they're used for good. It will take some time to work through all the changes we need to make across the company, but I'm committed to getting this right. This includes the basic responsibility of protecting people's information, which we failed to do with Cambridge Analytica.

So here are a few things that we are doing to address this and to prevent it from happening again.

First, we're getting to the bottom of exactly what Cambridge Analytica did, and telling everyone affected. What we know now is that Cambridge Analytica improperly accessed some information about millions of Facebook members by buying it from an app developer.

That information — this was information that people generally share publicly on their Facebook pages, like names and their profile picture and the pages they follow.

When we first contacted Cambridge Analytica, they told us that they had deleted the data. About a month ago, we heard new reports that suggested that wasn't true. And, now, we're working with governments in the U.S., the U.K. and around the world to do a full audit of what they've done and to make sure they get rid of any data they may still have.

Second, to make sure no other app developers out there are misusing data, we're now investigating every single app that had access to a large amount of information in the past. And, if we find that someone improperly used data, we're going to ban them from Facebook and tell everyone affected.

Third, to prevent this from ever happening again, going forward, we're making sure that developers can't access as much information now. The good news here is that we already made big changes to our platform in 2014 that would have prevented this specific situation with Cambridge Analytica from occurring again today.

But there's more to do, and you can find more details on the steps we're taking in my written statement.

My top priority has always been our social mission of connecting people, building community and bringing the world closer together. Advertisers and developers will never take priority over that, as long as I am running Facebook.

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GRASSLEY: Okay.

Have you ever required an audit to ensure the deletion of improperly transferred data? And, if so, how many times?

ZUCKERBERG: Mr. Chairman, yes we have. I don't have the exact figure on how many times we have. But, overall, the way we've enforced our platform policies in the past is we have looked at patterns of how apps have used our APIs and accessed information, as well as looked into reports that people have made to us about apps that might be doing sketchy things.

Going forward, we're going to take a more proactive position on this and do much more regular stock checks and other reviews of apps, as well as increasing the amount of audits that we do. And, again, I can make sure that our team follows up with you on anything about the specific past stats that would be interesting.

GRASSLEY: I was going to assume that, sitting here today, you have no idea — and if I'm wrong on that, that you're able — you were telling me, I think, that you're able to supply those figures to us, at least as of this point.

ZUCKERBERG: Mr. Chairman, I will have my team follow up with you on what information we have.

GRASSLEY: Okay but, right now, you have no certainty of whether or not — how much of that's going on, right? Okay.

Facebook collects massive amounts of data from consumers, including content, networks, contact lists, device information, location, and information from third parties, yet your data policy is only a few pages long and provides consumers with only a few examples of what is collected and how it might be used.

The examples given emphasize benign uses, such as “connecting with friends,” but your policy does not give any indication for more controversial issues of such data.

My question: Why doesn't Facebook disclose to its users all the ways that data might be used by Facebook and other third parties? And what is Facebook's responsibility to inform users about that information?

ZUCKERBERG: Mr. Chairman, I believe it's important to tell people exactly how the information that they share on Facebook is going to be used. That's why, every single time you go to share something on Facebook, whether it's a photo in Facebook, or a message — in Messenger or What's App, every single time, there's a control right there about who you're going to be sharing it with — whether it's your friends or public or a specific group — and you can — you can change that and control that in line.

To your broader point about the privacy policy, this gets into an — an issue that I — I think we and others in the tech industry have found challenging, which is that long privacy policies are very confusing. And if you make it long and spell out all the detail, then you're probably going to reduce the percent of people who read it and make it accessible to them.

So, one of the things that — that we've struggled with over time is to make something that is as simple as possible so people can understand it, as well as giving them controls in line in the product in the context of when they're trying to actually use them, taking into account that we don't expect that most people will want to go through and read a full legal document.

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NELSON: But — so, therefore, you consider my personally identifiable data the company's data, not my data. Is that it?

ZUCKERBERG: No, senator. Actually, at — the first line of our Terms of Service say that you control and own the information and content that you put on Facebook.

NELSON: Well, the recent scandal is obviously frustrating, not only because it affected 87 million, but because it seems to be part of a pattern of lax data practices by the company, going back years.

So, back in 2011, it was a settlement with the FTC. And, now, we discover yet another incidence where the data was failed to be protected. When you discovered that Cambridge Analytica — that had fraudulently obtained all of this information, why didn't you inform those 87 million?

ZUCKERBERG: When we learned in 2015 that Cambridge Analytica had bought data from an app developer on Facebook that people had shared it with, we did take action.

We took down the app, and we demanded that both the app developer and Cambridge Analytica delete and stop using any data that they had. They told us that they did this. In retrospect, it was clearly a mistake to believe them ...

NELSON: Yes.

ZUCKERBERG: ... and we should have followed up and done a full audit then. And that is not a mistake that we will make.

NELSON: Yes, you did that, and you apologized for it. But you didn't notify them. And do you think that you have an ethical obligation to notify 87 million Facebook users?

ZUCKERBERG: Senator, when we heard back from Cambridge Analytica that they had told us that they weren't using the data and had deleted it, we considered it a closed case. In retrospect, that was clearly a mistake.

We shouldn't have taken their word for it, and we've updated our policies and how we're going to operate the company to make sure that we don't make that mistake again.

NELSON: Did anybody notify the FTC?

ZUCKERBERG: No, senator, for the same reason — that we'd considered it a closed — a closed case.

GRASSLEY: Senator Thune.

THUNE: And — and, Mr. Zuckerberg, would you that — do that differently today, presumably? That — in response to Senator Nelson's question ...

ZUCKERBERG: Yes.

THUNE: ... having to do it over?

This may be your first appearance before Congress, but it's not the first time that Facebook has faced tough questions about its privacy policies. Wired Magazine recently noted that you have a 14-year history of apologizing for ill-advised decisions regarding user privacy, not unlike the one that you made just now in your opening statement.

After more than a decade of promises to do better, how is today's apology different? And why should we trust Facebook to make the necessary changes to ensure user privacy and give people a clearer picture of your privacy policies?

ZUCKERBERG: Thank you, Mr. Chairman. So we have made a lot of mistakes in running the company. I think it's — it's pretty much impossible, I — I believe, to start a company in your dorm room and then grow it to be at the scale that we're at now without making some mistakes.

And, because our service is about helping people connect and information, those mistakes have been different in — in how they — we try not to make the same mistake multiple times. But in general, a lot of the mistakes are around how people connect to each other, just because of the nature of the service.

ZUCKERBERG: Overall, I would say that we're going through a broader philosophical shift in how we approach our responsibility as a company. For the first 10 or 12 years of the company, I viewed our responsibility as primarily building tools that, if we could put those tools in people's hands, then that would empower people to do good things.

What I think we've learned now across a number of issues — not just data privacy, but also fake news and foreign interference in elections — is that we need to take a more proactive role and a broader view of our responsibility.

It's not enough to just build tools. We need to make sure that they're used for good. And that means that we need to now take a more active view in policing the ecosystem and in watching and kind of looking out and making sure that all of the members in our community are using these tools in a way that's going to be good and healthy.

So, at the end of the day, this is going to be something where people will measure us by our results on this. It's not that I expect anything that I say here today — to necessarily change people's view.

But I'm committed to getting this right. And I believe that, over the coming years, once we fully work all these solutions through, people will see real differences.

THUNE: Well — and I'm glad that you all have gotten that message.

As we discussed in my office yesterday, the line between legitimate political discourse and hate speech can sometimes be hard to identify, and especially when you're relying on artificial intelligence and other technologies for the initial discovery.

Can you discuss what steps that Facebook currently takes when making these evaluations, the challenges that you face and any examples of where you may draw the line between what is and what is not hate speech?

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ZUCKERBERG: Yes, Mr. Chairman. I'll speak to hate speech, and then I'll talk about enforcing our content policies more broadly. So — actually, maybe, if — if you're okay with it, I'll go in the other order.

So, from the beginning of the company in 2004 — I started in my dorm room; it was me and my roommate. We didn't have A.I. technology that could look at the content that people were sharing. So — so we basically had to enforce our content policies reactively.

People could share what they wanted, and then, if someone in the community found it to be offensive or against our policies, they'd flag it for us, and we'd look at it reactively. Now, increasingly, we're developing A.I. tools that can identify certain classes of bad activity proactively and flag it for our team at Facebook.

By the end of this year, by the way, we're going to have more than 20,000 people working on security and content review, working across all these things. So, when content gets flagged to us, we have those — those people look at it. And, if it violates our policies, then we take it down.

Some problems lend themselves more easily to A.I. solutions than others. So hate speech is one of the hardest, because determining if something is hate speech is very linguistically nuanced, right?

It's — you need to understand, you know, what is a slur and what — whether something is hateful not just in English, but the majority of people on Facebook use it in languages that are different across the world.

Contrast that, for example, with an area like finding terrorist propagand, which we've actually been very successful at deploying A.I. tools on already.

Today, as we sit here, 99 percent of the ISIS and Al Qaida content that we take down on Facebook, our A.I. systems flag before any human sees it. So that's a success in terms of rolling out A.I. tools that can proactively police and enforce safety across the community.

Hate speech — I am optimistic that, over a 5 to 10-year period, we will have A.I. tools that can get into some of the nuances — the linguistic nuances of different types of content to be more accurate in flagging things for our systems.

But, today, we're just not there on that. So a lot of this is still reactive. People flag it to us. We have people look at it. We have policies to try to make it as not subjective as possible. But, until we get it more automated, there is a higher error rate than I'm happy with.

THUNE: Thank you ...

(CROSSTALK)

GRASSLEY: Senator Feinstein?

FEINSTEIN: Thank you.

Thank you, Mr. Chairman.

GRASSLEY: No, thank you, Senator Feinstein.

Now, Senator Hatch.

SEN. ORRIN G. HATCH (R-UTAH): Well, in my opinion, this is the most — this is the most intense public scrutiny I've seen for a tech-related hearing since the Microsoft hearing that — that I chaired back in the late 1990s.

The recent stories about Cambridge Analytica and data mining on social media have raised serious concerns about consumer privacy, and, naturally, I know you understand that.

At the same time, these stories touch on the very foundation of the Internet economy and the way the websites that drive our Internet economy make money. Some have professed themselves shocked — shocked that companies like Facebook and Google share user data with advertisers.

Did any of these individuals ever stop to ask themselves why Facebook and Google didn't — don't change — don't charge for access? Nothing in life is free. Everything involves trade-offs.

If you want something without having to pay money for it, you're going to have to pay for it in some other way, it seems to me. And that's where — what we're seeing here.

And these great websites that don't charge for access — they extract value in some other way. And there's nothing wrong with that, as long as they're upfront about what they're doing.

To my mind, the issue here is transparency. It's consumer choice. Do users understand what they're agreeing to — to when they access a website or agree to terms of service? Are websites upfront about how they extract value from users, or do they hide the ball?

Do consumers have the information they need to make an informed choice regarding whether or not to visit a particular website? To my — to my mind, these are questions that we should ask or be focusing on.

Now, Mr. Zuckerberg, I remember well your first visit to Capitol Hill, back in 2010. You spoke to the Senate Republican High-Tech Task Force, which I chair. You said back then that Facebook would always be free.

Is that still your objective?

ZUCKERBERG: Senator, yes. There will always be a version of Facebook that is free. It is our mission to try to help connect everyone around the world and to bring the world closer together.

In order to do that, we believe that we need to offer a service that everyone can afford, and we're committed to doing that.

HATCH: Well, if so, how do you sustain a business model in which users don't pay for your service?

ZUCKERBERG: Senator, we run ads.

HATCH: I see. That's great. Whenever a controversy like this arises, there's always the danger that Congress's response will be to step and overregulate. Now, that's been the experience that I've had, in my 42 years here.

In your view, what sorts of legislative changes would help to solve the problems the Cambridge Analytica story has revealed? And what sorts of legislative changes would not help to solve this issue?

ZUCKERBERG: Senator, I think that there are a few categories of legislation that — that make sense to consider.

Around privacy specifically, there are a few principles that I think it would be useful to — to discuss and potentially codified into law.

One is around having a simple and practical set of — of ways that you explain what you are doing with data. And we talked a little bit earlier around the complexity of laying out these long privacy policies. It's hard to say that people fully understand something when it's only written out in a long legal document. This needs — the stuff needs to be implemented in a way where people can actually understand it, where consumers can — can understand it, but that can also capture all the nuances of how these services work in a way that doesn't — that's not overly restrictive on — on providing the services. That's one.

The second is around giving people complete control. This is the most important principle for Facebook: Every piece of content that you share on Facebook, you own and you have complete control over who sees it and — and how you share it, and you can remove it at any time.

That's why every day, about 100 billion times a day, people come to one of our services and either post a photo or send a message to someone, because they know that they have that control and that who they say it's going to go to is going to be who sees the content.

And I think that that control is something that's important that I think should apply to — to every service.

And the third point is — is just around enabling innovation. Because some of the abuse cases that — that are very sensitive, like face recognition, for example — and I feel there's a balance that's extremely important to strike here, where you obtain special consent for sensitive features like face recognition, but don't — but we still need to make it so that American companies can innovate in those areas, or else we're going to fall behind Chinese competitors and others around the world who have different regimes for — for different new features like that.

GRASSLEY: Senator Cantwell?

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SEN. MARIA CANTWELL (D-WASH): Thank you, Mr. Chairman.

Welcome Mr. Zuckerberg.

Do you know who Palantir is?

ZUCKERBERG: I do.

CANTWELL: Some people refer to them as a Stanford Analytica. Do you agree?

ZUCKERBERG: Senator, I have not heard that.

CANTWELL: Okay.

Do you think Palantir taught Cambridge Analytica, as press reports are saying, how to do these tactics?

ZUCKERBERG: Senator, I do not know.

CANTWELL: Do you think that Palantir has ever scraped data from Facebook?

ZUCKERBERG: Senator, I'm not aware of that.

CANTWELL: Do you think that during the 2016 campaign, as Cambridge Analytica was providing support to the Trump campaign under Project Alamo, were there any Facebook people involved in that sharing of technique and information?

ZUCKERBERG: Senator, we provided support to the Trump campaign similar to what we provide to any advertiser or campaign who asks for it.

CANTWELL: So that was a yes. Was that a yes?

ZUCKERBERG: Senator, can you repeat the specific question? I just want to make sure I get specifically what you're asking.

CANTWELL: During the 2016 campaign, Cambridge Analytica worked with the Trump campaign to refine tactics. And were Facebook employees involved in that?

ZUCKERBERG: Senator, I don't know that our employees were involved with Cambridge Analytica. Although I know that we did help out the Trump campaign overall in sales support in the same way that we do with other companies.

CANTWELL: So they may have been involved and all working together during that time period? Maybe that's something your investigation will find out.

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ZUCKERBERG: Senator, my — I can certainly have my team get back to you on any specifics there that I don't know, sitting here today.

CANTWELL: Have you heard of Total Information Awareness? Do you know what I'm talking about?

ZUCKERBERG: No, I do not.

CANTWELL: Okay. Total Information Awareness was, 2003, John Ashcroft and others trying to do similar things to what I think is behind all of this — geopolitical forces trying to get data and information to influence a process.

So, when I look at Palantir and what they're doing; and I look at WhatsApp, which is another acquisition; and I look at where you are, from the 2011 consent decree, and where you are today; I am thinking, “Is this guy outfoxing the foxes? Or is he going along with what is a major trend in an information age, to try to harvest information for political forces?”

And so my question to you is, do you see that those applications, that those companies — Palantir and even WhatsApp — are going to fall into the same situation that you've just fallen into, over the last several years?

ZUCKERBERG: Senator, I'm not — I'm not sure, specifically. Overall, I — I do think that these issues around information access are challenging.

To the specifics about those apps, I'm not really that familiar with what Palantir does. WhatsApp collects very little information and, I — I think, is less likely to have the kind of issues because of the way that the service is architected. But, certainly, I think that these are broad issues across the tech industry.

CANTWELL: Well, I guess, given the track record — where Facebook is and why you're here today, I guess people would say that they didn't act boldly enough.

And the fact that people like John Bolton, basically, was an investor — in a New York Times article earlier — I guess it was actually last month — that the Bolton PAC was obsessed with how America was becoming limp-wristed and spineless, and it wanted research and messaging for national security issues.

So the fact that, you know, there are a lot of people who are interested in this larger effort — and what I think my constituents want to know is, was this discussed at your board meetings? And what are the applications and interests that are being discussed without putting real teeth into this?

We don't want to come back to this situation again. I believe you have all the talent. My question is whether you have all the will to help us solve this problem.

ZUCKERBERG: Yes, Senator.

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So data privacy and foreign interference in elections are certainly topics that we have discussed at the board meeting. These are some of the biggest issues that the company has faced, and we feel a huge responsibility to get these right.

CANTWELL: Do you believe European regulations should be applied here in the U.S.?

ZUCKERBERG: Senator, I think everyone in the world deserves good privacy protection. And, regardless of whether we implement the exact same regulation, I would guess that it would be somewhat different, because we have somewhat different sensibilities in the U.S. as to other countries.

We're committed to rolling out the controls and the affirmative consent and the special controls around sensitive types of technology, like face recognition, that are required in GDPR. We're doing that around the world.

So I think it's certainly worth discussing whether we should have something similar in the U.S. But what I would like to say today is that we're going to go forward and implement that, regardless of what the regulatory outcome is.

GRASSLEY: Senator Wicker?

Senator Thune will chair next.

Senator Wicker?

SEN. ROGER WICKER (R-MISS): Thank you, Mr. Chairman.

And, Mr. Zuckerberg, thank you for being with us.

My question is going to be, sort of, a follow-up on what Senator Hatch was talking about. And let me agree with basically his — his advice, that we don't want to overregulate (inaudible) to the point where we're stifling innovation and investment.

I understand with regard to suggested rules or suggested legislation, there are at least two schools of thought out there.

One would be the ISPs, the Internet service providers, who are advocating for privacy protections for consumers that apply to all online entities equally across the entire Internet ecosystem.

Now, Facebook is an edge provider on the other hand. It is my understanding that many edge providers, such as Facebook, may not support that effort, because edge providers have different business models than the ISPs and should not be considered like services.

So, do you think we need consistent privacy protections for consumers across the entire Internet ecosystem that are based on the type of consumer information being collected, used or shared, regardless of the entity doing the collecting, reusing or sharing?

happened here, why we should let you self-regulate?

What would you tell people in South Carolina, that given all of the things we've just discovered here, it's a good idea for us to rely upon you to regulate your own business practices?

ZUCKERBERG: Well, senator, my position is not that there should be no regulation.

GRAHAM: Okay.

ZUCKERBERG: I think the Internet is increasingly ...

(CROSSTALK)

GRAHAM: You embrace regulation?

ZUCKERBERG: I think the real question, as the Internet becomes more important in people's lives, is what is the right regulation, not whether there should be or not.

GRAHAM: But — but you, as a company, welcome regulation?

ZUCKERBERG: I think, if it's the right regulation, then yes.

GRAHAM: You think the Europeans had it right?

ZUCKERBERG: I think that they get things right.

GRAHAM: Have you ever submitted ...

(LAUGHTER)

That's true. So would you work with us in terms of what regulations you think are necessary in your industry?

ZUCKERBERG: Absolutely.

GRAHAM: Okay. Would you submit to us some proposed regulations?

ZUCKERBERG: Yes. And I'll have my team follow up with you so, that way, we can have this discussion across the different categories where I think that this discussion needs to happen.

GRAHAM: Look forward to it.

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KLOBUCHAR: Okay, that seems like a big deal as we look back at that last election. Former Cambridge Analytica employee Christopher Wiley has said that the data that it improperly obtained — that Cambridge Analytica improperly obtained from Facebook users could be stored in Russia.

Do you agree that that's a possibility?

ZUCKERBERG: Sorry, are you — are you asking if Cambridge Analytica's data — data could be stored in Russia?

KLOBUCHAR: That's what he said this weekend on a Sunday show.

ZUCKERBERG: Senator, I don't have any specific knowledge that would suggest that.

But one of the steps that we need to take now is go do a full audit of all of Cambridge Analytica's systems to understand what they're doing, whether they still have any data, to make sure that they remove all the data. If they don't, we're going to take legal action against them to do so.

That audit, we have temporarily ceded that in order to let the U.K. government complete their government investigation first, because, of course, a government investigation takes precedence against a company doing that. But we are committed to completing this full audit and getting to the bottom of what's going on here, so that way we can have more answers to this.

KLOBUCHAR: Okay.

You earlier stated publicly and here that you would support some privacy rules so that everyone's playing by the same rules here. And you also said here that you should have notified customers earlier.

Would you support a rule that would require you to notify your users of a breach within 72 hours?

ZUCKERBERG: Senator, that makes sense to me. And I think we should have our team follow up with — with yours to — to discuss the details around that more.

KLOBUCHAR: Thank you.

I just think part of this was when people don't even know that their data's been breached, that's a huge problem. And I also think we get to solutions faster when we get that information out there.

Thank you. And we look forward to passing this bill — we'd love to pass it before the election — on the honest ads. And I'm looking forward to better disclosure this election.

Thank you.

THUNE: Thank you, Senator Klobuchar.

DURBIN: I have three minutes left, so maybe you can do that for the record, because I have couple other questions I would like to ask. You have recently announced something that is called Messenger Kids. Facebook created an app allowing kids between the ages of 6 and 12 to send video and text messages through Facebook as an extension of their parent's account. You have cartoonlike stickers, and other features designed to appeal to little kids — first-graders, kindergartners.

On January 30th, the Campaign for Commercial-Free Childhood and lots of other child development organizations warned Facebook. They pointed to a wealth of research demonstrating the excessive use of digital devices and social media is harmful to kids, and argued that young children simply are not ready to handle social media accounts at age 6. In addition, their concerns about data that is being gathered about these kids.

Now, there are certain limits of the law, we know. There's a Children's Online Privacy Protection Act. What guarantees can you give us the note data from Messenger Kids is or will be collected or shared with those of might violate that law?

ZUCKERBERG: All right, senator, so a number of things I think are — are important here. The background on Messenger Kids is, we heard feedback from thousands of parents that they want to be able to stay in touch with their kids and call them, use apps like FaceTime when they're working late or not around and want to communicate with their kids, but they want to have complete control over that. So I think we can all agree that if you — when your kid is 6 or 7, even if they have access to a phone, you want to control everyone who they can contact. And there was an app out there that did that. So we build this service to do that.

The app collects a minimum amount of information that is necessary to operate the service. So, for example, the messages that people send is something that we collect in order to operate the service, but in general, that data is not going to be shared with third parties, it is not connected to the broader Facebook ...

DURBIN: Excuse me, as a lawyer, I picked up on that word “in general,” the phrase “in general.” It seems to suggest that in some circumstances it will be shared with third parties.

ZUCKERBERG: No. It will not.

DURBIN: All right. Would you be open to the idea that someone having reached adult age, having grown up with Messenger Kids, should be allowed to delete the data that you collected?

ZUCKERBERG: Senator, yes. As a matter of fact, when you become 13, which is our legal limit — our limit — we don't allow people under the age of 13 to use Facebook — you don't automatically go from having a Messenger Kids account to a Facebook account. You have to start over and get a Facebook account.

So I think it's a good idea to consider making sure that all that information is deleted, and in general, people are going to be starting over when get their — their Facebook or other accounts.

DURBIN: I'll close, because I just have a few seconds. Illinois has a Biometric Information Privacy Act, or the state does, which is to regulate the commercial use of facial, voice, finger and iris scans and the like. We're now in a fulsome debate on that. And

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I'm afraid Facebook has come down to the position of trying to carve out exceptions to that. I hope you'll fill me in on how that is consistent with protecting privacy. Thank you.

THUNE: Thank you, Senator Durbin.

Senator Cornyn?

SEN. JOHN CORNYN (R-TEX): Thank you, Mr. Zuckerberg, for being here. I know in — up until 2014, a mantra or motto of Facebook was move fast and break things. Is that correct?

ZUCKERBERG: I don't know when we changed it, but the mantra is currently move fast with stable infrastructure, which is a much less sexy mantra.

CORNYN: Sounds much more boring. But my question is, during the time that it was Facebook's mantra or motto to move fast and break things, do you think some of the misjudgments, perhaps mistakes that you've admitted to here, were as a result of that culture or that attitude, particularly as it regards to personal privacy of the information of your subscribers?

ZUCKERBERG: Senator, I do think that we made mistakes because of that. But the broadest mistakes that we made here are not taking a broad enough view of our responsibility. And while that wasn't a matter — the “move fast” cultural value is more tactical around whether engineers can ship things and — and different ways that we operate.

But I think the big mistake that we've made looking back on this is viewing our responsibility as just building tools, rather than viewing our whole responsibility as making sure that those tools are used for good.

CORNYN: Well I — and I appreciate that. Because previously, or earlier in the past, we've been told that platforms like Facebook, Twitter, Instagram, the like are neutral platforms, and the people who own and run those for profit — and I'm not criticizing doing something for profit in this country.

But they bore no responsibility for the content. Do you agree now that Facebook and the other social media platforms are not neutral platforms, but bear some responsibility for the content?

ZUCKERBERG: I agree that we're responsible for the content, but I think that there's — one of the big societal questions that I think we're going to need to answer is the current framework that we have is based on this reactive model, that assumed that there weren't A.I. tools that could proactively tell, you know, whether something was terrorist content or something bad, so it naturally relied on requiring people to flag for a company, and then the company needing to take reasonable action.

In the future, we're going to have tools that are going to be able to identify more types of bad content. And I think that there is — there are moral and legal obligation questions that I think we'll have to wrestle with as a society about when we want to require companies to take action proactively on certain of those things, and when that gets in the way of ...

CORNYN: I appreciate that, I have two minutes left ...

ZUCKERBERG: All right.

CORNYN: ... to ask you questions.

So you — you — interestingly, the terms of the — what do you call it, the terms of service is a legal document which discloses to your subscribers how their information is going to be used, how Facebook is going to operate.

CORNYN: And — but you concede that — you doubt everybody reads or understands that legalese, those terms of service. So are — is that to suggest that the consent that people give subject to that terms of service is not informed consent? In other words, they may not read it, and even if they read it, they may not understand it?

ZUCKERBERG: I just think we have a broader responsibility than what the law requires. So I — what you ...

CORNYN: No, I'm talking — I'm talking about — I appreciate that. What I'm asking about, in terms of what your subscribers understand, in terms of how their data is going to be used — but let me go to the terms of service.

Under paragraph number two, you say, “You own all of the content and information you post on Facebook.” That's what you've told us here today, a number of times.

So, if I chose to terminate my Facebook account, can I bar Facebook or any third parties from using the data that I had previously supplied, for any purpose whatsoever?

ZUCKERBERG: Yes, senator. If you delete your account, we should get rid of all of your information.

CORNYN: You should? Or do you?

ZUCKERBERG: We do. We do.

CORNYN: How about third parties that you have contracted with to use some of that underlying information, perhaps to target advertising for themselves? You can't — do you — do you call back that information, as well? Or does that remain in their custody?

ZUCKERBERG: Well, senator, this is actually a very important question, and I'm glad you brought this up, because there's a very common misperception about Facebook — that we sell data to advertisers. And we do not sell data to advertisers. We don't sell data to anyone.

CORNYN: Well, you clearly rent it.

ZUCKERBERG: What we allow is for advertisers to tell us who they want to reach, and then we do the placement. So, if an advertiser comes to us and says, “All right, I am a ski shop and I want to sell skis to women,” then we might have some sense,

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because people shared skiing-related content, or said they were interested in that, they shared whether they're a woman, and then we can show the ads to the right people without that data ever changing hands and going to the advertiser.

That's a very fundamental part of how our model works and something that is often misunderstood. So I'm — I appreciate that you brought that up.

THUNE: Thank you, Senator Cornyn.

We had indicated earlier on that we would take a couple of breaks, give our witness an opportunity. And I think we've been going, now, for just under two hours. So I think what we'll do is ...

(CROSSTALK)

ZUCKERBERG: You can do a few more.

(LAUGHTER)

THUNE: You — you're — you want to keep going?

ZUCKERBERG: Maybe — maybe 15 minutes. Does that work?

THUNE: Okay. All right, we'll keep going.

Senator Blumenthal is up next. And we will commence.

SEN. RICHARD BLUMENTHAL (D-CONN): Thank you, Mr. Chairman. Thank you for being here today, Mr. Zuckerberg.

You have told us today — and you've told the world — that Facebook was deceived by Aleksandr Kogan when he sold user information to Cambridge Analytica, correct?

ZUCKERBERG: Yes.

BLUMENTHAL: I want to show you the terms of service that Aleksandr Kogan provided to Facebook and note for you that, in fact, Facebook was on notice that he could sell that user information.

Have you seen these terms of service before?

ZUCKERBERG: I have not.

BLUMENTHAL: Who in Facebook was responsible for seeing those terms of service that put you on notice that that information could be sold?

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ZUCKERBERG: Senator, our app review team would be responsible for that. Had ...

BLUMENTHAL: Has anyone been fired on that app review team?

ZUCKERBERG: Senator, not because of this.

BLUMENTHAL: Doesn't that term of service conflict with the FTC order that Facebook was under at that very time that this term of service was, in fact, provided to Facebook. And you'll note that the Face — the FTC order specifically requires Facebook to protect privacy. Isn't there a conflict there?

ZUCKERBERG: Senator, it certainly appears that we should have been aware that this app developer submitted a term that was in conflict with the rules of the platform.

BLUMENTHAL: Well, what happened here was, in effect, willful blindness. It was heedless and reckless, which, in fact, amounted to a violation of the FTC consent decree. Would you agree?

ZUCKERBERG: No, senator. My understanding is that — is not that this was a violation of the consent decree.

But as I've said a number of times today, I think we need to take a broader view of our responsibility around privacy than just what is mandated in the current law.

BLUMENTHAL: Well, here is my reservation, Mr. Zuckerberg. And I apologize for interrupting you, but my time is limited.

We've seen the apology tours before. You have refused to acknowledge even an ethical obligation to have reported this violation of the FTC consent decree. And we have letters — we've had contacts with Facebook employees. And I am going to submit a letter for the record from Sandy Parakilas, with your permission, that indicates not only a lack of resources, but lack of attention to privacy.

And so, my reservation about your testimony today is that I don't see how you can change your business model unless there are specific rules of the road.

Your business model is to monetize user information to maximize profit over privacy. And unless there are specific rules and requirements enforced by an outside agency, I have no assurance that these kinds of vague commitments are going to produce action.

So I want to ask you a couple of very specific questions. And they are based on legislation that I've offered, the MY DATA Act; legislation that Senator Markey is introducing today, the CONSENT Act, which I'm joining.

Don't you agree that companies ought to be required to provide users with clear, plain information about how their data will be used, and specific ability to consent to the use of that information?

ZUCKERBERG: Senator, I do generally agree with what you're saying. And I laid that out earlier when I talked about what ...

BLUMENTHAL: Would you agree to an opt-in as opposed to an opt-out?

ZUCKERBERG: Senator, I think that — that certainly makes sense to discuss. And I think the details around this matter a lot.

BLUMENTHAL: Would you agree that users should be able to access all of their information?

ZUCKERBERG: Senator, yes. Of course.

BLUMENTHAL: All of the information that you collect as a result of purchases from data brokers, as well as tracking them?

ZUCKERBERG: Senator, we have already a “download your information” tool that allows people to see and to take out all of the information that Facebook — that they've put into Facebook or that Facebook knows about them. So, yes, I agree with that. We already have that.

BLUMENTHAL: I have a number of other specific requests that you agree to support as part of legislation. I think legislation is necessary. The rules of the road have to be the result of congressional action.

We have — Facebook has participated recently in the fight against scourge — the scourge of sex trafficking. And a bill that we've just passed — it will be signed into law tomorrow — SESTA, the Stop Exploiting Sex Trafficking Act — was the result of our cooperation. I hope that we can cooperate on this kind of measure as well.

ZUCKERBERG: Senator, I look forward to having my team work with you on this.

THUNE: Thank you, Senator Blumenthal.

Senator Cruz.

SEN. TED CRUZ (R-TEX): Thank you Mr. Chairman. Mr. Zuckerberg, welcome. Thank you for being here.

Mr. Zuckerberg, does Facebook consider itself a neutral public forum?

ZUCKERBERG: Senator, we consider ourselves to be a platform for all ideas.

CRUZ: Let me ask the question again. Does Facebook consider itself to be a neutral public forum, and representatives of your company are giving conflicting answers on this? Are you a ...

ZUCKERBERG: Well ...

CRUZ: ... First Amendment speaker expressing your views, or are you a neutral public forum allowing everyone to speak?

ZUCKERBERG: Senator, here's how we think about this: I don't believe that — there are certain content that clearly we do not allow, right? Hate speech, terrorist content, nudity, anything that makes people feel unsafe in the community. From that perspective, that's why we generally try to refer to what we do as platform for all ideas ...

CRUZ: Let me try this, because the time is constrained. It's just a simple question. The predicate for Section 230 immunity under the CDA is that you're a neutral public forum. Do you consider yourself a neutral public forum, or are you engaged in political speech, which is your right under the First Amendment.

ZUCKERBERG: Well, senator, our goal is certainly not to engage in political speech. I am not that familiar with the specific legal language of the — the law that you — that you speak to. So I would need to follow up with you on that. I'm just trying to lay out how broadly I think about this.

CRUZ: Mr. Zuckerberg, I will say there are a great many Americans who I think are deeply concerned that that Facebook and other tech companies are engaged in a pervasive pattern of bias and political censorship. There have been numerous instances with Facebook in May of 2016, Gizmodo reported that Facebook had purposely and routinely suppressed conservative stories from trending news, including stories about CPAC, including stories about Mitt Romney, including stories about the Lois Lerner IRS scandal, including stories about Glenn Beck.

In addition to that, Facebook has initially shut down the Chick-fil-A Appreciation Day page, has blocked a post of a Fox News reporter, has blocked over two dozen Catholic pages, and most recently blocked Trump supporters Diamond and Silk's page, with 1.2 million Facebook followers, after determining their content and brand were, quote, “unsafe to the community.”

To a great many Americans that appears to be a pervasive pattern of political bias. Do you agree with that assessment?

ZUCKERBERG: Senator, let me say a few things about this. First, I understand where that concern is coming from, because Facebook in the tech industry are located in Silicon Valley, which is an extremely left-leaning place, and I — this is actually a concern that I have and that I try to root out in the company, is making sure that we do not have any bias in the work that we do, and I think it is a fair concern that people would at least wonder about. Now ...

CRUZ: Let me — let me ask this question: Are you aware of any ad or page that has been taken down from Planned Parenthood?

ZUCKERBERG: Senator, I'm not. But let me just ...

CRUZ: How about moveon.org?

ZUCKERBERG: Sorry.

CRUZ: How about moveon.org?

ZUCKERBERG: I'm not specifically aware of those ...

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CRUZ: How about any Democratic candidate for office?

ZUCKERBERG: I'm not specifically aware. I mean, I'm not sure.

CRUZ: In your testimony, you say that you have 15,000 to 20,000 people working on security and content review. Do you know the political orientation of those 15,000 to 20,000 people engaged in content review?

ZUCKERBERG: No, senator. We do not generally ask people about their political orientation when they're joining the company.

CRUZ: So as CEO, have you ever made hiring or firing decisions based on political positions or what candidates they supported?

ZUCKERBERG: No.

CRUZ: Why was Palmer Luckey fired?

ZUCKERBERG: That is a specific personnel matter that seems like it would be inappropriate to speak to here.

CRUZ: You just made a specific representation, that you didn't make decisions based on political views. Is that accurate?

ZUCKERBERG: Well, I can — I can commit that it was not because of a political view.

CRUZ: Do you know, of those 15 to 20,000 people engaged in content review, how many, if any, have ever supported, financially, a Republican candidate for office?

ZUCKERBERG: Senator, I do not know that.

CRUZ: Your testimony says, "It is not enough that we just connect people. We have to make sure those connections are positive." It says, "We have to make sure people aren't using their voice to hurt people or spread misinformation. We have a responsibility, not just to build tools, to make sure those tools are used for good."

Mr. Zuckerberg, do you feel it's your responsibility to assess users, whether they are good and positive connections or ones that those 15 to 20,000 people deem unacceptable or deplorable?

ZUCKERBERG: Senator, you're asking about me personally?

CRUZ: Facebook.

ZUCKERBERG: Senator, I think that there are a number of things that we would all agree are clearly bad. Foreign interference in our elections, terrorism, self-harm. Those are things ...

Before I call on Senator Whitehouse, Senator Feinstein asked permission to put letters and statements in the record, and without objection they will be put in from the ACLU, the Electronic Privacy Information Center, the Association for Computing — Computing Machinery Public Policy Council and Public Knowledge.

Senator Whitehouse?

SEN. SHELDON WHITEHOUSE (D-RI): Thank you, Chairman.

ZUCKERBERG: Thank you. Mr. Chairman, I want to correct one thing that I said earlier in response to a question from Senator Leahy. He had asked if — why we didn't ban Cambridge Analytica at the time when we learned about them in 2015. And I answered that what my — what my understanding was, was that they were not on the platform, were not an app developer or advertiser. When I went back and met with my team afterwards, they let me know that Cambridge Analytica actually did start as an advertiser later in 2015. So we could have in theory banned them then. We made a mistake by not doing so. But I just wanted to make sure that I updated that because I — I — I misspoke, or got that wrong earlier.

GRASSLEY: (OFF-MIKE) Whitehouse?

WHITEHOUSE: Thank you, Chairman.

Welcome back, Mr. Zuckerberg.

On the subject of bans, I just wanted to explore a little bit what these bans mean. Obviously Facebook has been done considerable reputational damage by it's association with Aleksandr Kogan and with Cambridge Analytica, which is one of the reasons you're having this enjoyable afternoon with us. Your testimony says that Aleksandr Kogan's app has been banned. Has he also been banned?

ZUCKERBERG: Yes, my understanding is he has.

WHITEHOUSE: So if he were to open up another account under a name and you were able to find out that would be taken — that would be closed down?

ZUCKERBERG: Senator, I believe we — we are preventing him from building any more apps.

WHITEHOUSE: Does he have a Facebook account still?

ZUCKERBERG: Senator, I believe the answer to that is no, but I can follow up with you afterwards.

WHITEHOUSE: Okay. And with respect to Cambridge Analytica, your testimony is that first you required them to formally certify that they had deleted all improperly acquired data. Where did that formal certification take place? That sounds kind of like a quasi-official thing, to formally certify. What did that entail?

ZUCKERBERG: Senator, first they sent us an email notice from their chief data officer telling us that they didn't have any of the data any more, that they deleted it and weren't using it. And then later we followed up with, I believe, a full legal contract where they certified that they had deleted the data.

WHITEHOUSE: In a legal contract?

ZUCKERBERG: Yes, I believe so.

WHITEHOUSE: Okay. And then you ultimately said that you have banned Cambridge Analytica. Who exactly is banned? What if they opened up Princeton, Rhode Island Analytica? Different corporate form, same enterprise. Would that enterprise also be banned?

ZUCKERBERG: Senator, that is certainly the intent. Cambridge Analytica actually has a parent company and we banned the parent company. And recently we also banned a firm called AIQ, which I think is also associated with them. And if we find other firms that are associated with them, we will block them from the platform as well.

WHITEHOUSE: Are individual principals — P-A-L-S, principals of the firm also banned?

ZUCKERBERG: Senator, my understanding is we're blocking them from doing business on the platform, but I do not believe that we're blocking people's personal accounts.

WHITEHOUSE: okay. Can any customer amend your terms of service? Or is the terms of service a take it or leave it proposition for the average customer?

ZUCKERBERG: Senator, I think the terms of service are what they are. But the service is really defined by people. Because you get to choose what information you share, and the whole service is about what friends you connect to, which people you choose to connect to ...

WHITEHOUSE: Yes, I guess my question would relate to — Senator Graham held up that big, fat document. It's easy to put a lot of things buried in a document that then later turn out to be of consequence. And all I wanted to establish with you is that that document that Senator Graham held up, that is not a negotiable thing with individual customers; that is a take it or leave it proposition for your customers to sign up to, or not use the service.

ZUCKERBERG: Senator, that's right on the terms of the service, although we offer a lot of controls so people can configure the experience how they want.

WHITEHOUSE: So, last question, on a different subject having to do with the authorization process that you are undertaking for entities that are putting up political content or so-called issue-ad content. You said that they all have to go through an authorization process before they do it. You said here we will be verifying the identity. How do you look behind a shell corporation and find who's really behind it through your authorization process?

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Well, step back. Do you need to look behind shell corporations in order to find out who is really behind the content that's being posted? And if you may need to look behind a shell corporation, how will you go about doing that? How will you get back to the true, what lawyers would call, beneficial owner of the site that is putting out the political material?

ZUCKERBERG: Senator, are — are you referring to the verification of political and issue ads?

WHITEHOUSE: Yes, and before that, political ads, yes.

ZUCKERBERG: Yes. So what we're going to do is require a valid government identity and we're going to verify the location. So we're going to do that so that way someone sitting in Russia, for example, couldn't say that they're in America and, therefore, able to run an election ad.

WHITEHOUSE: But if they were running through a corporation domiciled in Delaware, you wouldn't know that they were actually a Russian owner.

ZUCKERBERG: Senator, that's — that's correct.

WHITEHOUSE: Okay. Thank you, my time has expired and I appreciate the courtesy of the chair for the extra seconds. Thank you, Mr. Zuckerberg.

GRASSLEY: Senator Lee.

SEN. MIKE LEE (R-UTAH): Thank you, Mr. Chairman. Mr. Zuckerberg, I wanted to follow up on a statement you made shortly before the break just a few minutes ago. You said that there are some categories of speech, some types of content that Facebook would never want to have any part of and takes active steps to avoid disseminating, including hate speech, nudity, racist speech, I — I — I assume you also meant terrorist acts, threats of physical violence, things like that.

Beyond that, would you agree that Facebook ought not be putting its thumb on the scale with regard to the content of speech, assuming it fits out of one of those categories that — that's prohibited?

ZUCKERBERG: Senator, yes. There are generally two categories of content that — that we're very worried about. One are things that could cause real world harm, so terrorism certainly fits into that, self-harm fits into that, I would consider election interference to fit into that and those are the types of things that we — I — I don't really consider there to be much discussion around whether those are good or bad topics.

LEE: Sure, yes, and I'm not disputing that. What I'm asking is, once you get beyond those categories of things that are prohibited, and should be, is it Facebook's position that it should not be putting its thumb on the scale; it should not be favoring or disfavoring speech based on its content, based on the viewpoint of that speech?

ZUCKERBERG: Senator, in general that's our position. What we — one of the things that is really important though is that in order to create a service where everyone has a voice, we also need to make sure that people aren't bullied, or — or basically

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ZUCKERBERG: Well, senator, I would hope that what we do with data is not surprising to people.

LEE: And has it been at times?

ZUCKERBERG: Well, senator, I think in this case, people certainly didn't expect this developer to sell the data to Cambridge Analytica. In general, there are two types of data that Facebook has.

The vast majority — and then the first category, is content that people chose to share on the service themselves. So that's all the photos that you share, the posts that you make, what you think of as the Facebook service, right? That's — everyone has control every single time that they go to share that. They can delete that data any time they want; full control, the majority of the data.

The second category is around specific data that we collect in order to make the advertising experiences better, and more relevant, and work for businesses. And those often revolve around measuring, okay, if you — if we showed you an ad, then you click through and you go somewhere else, we can measure that you actually — that the — that the ad worked. That helps make the experience more relevant and better for — for people, who are getting more relevant ads, and better for the businesses because they perform better.

You also have control completely of that second type of data. You can turn off the ability for Facebook to collect that — your ads will get worse, so a lot of people don't want to do that. But you have complete control over what you do there as well.

GRASSLEY: Senator Schatz?

SEN. BRIAN SCHATZ (D-HAWAII): Thank you, Mr. Chairman. I want to follow up on the questions around the terms of service. Your terms of service are about 3,200 words with 30 links. One of the links is to your data policy, which is about 2,700 words with 22 links. And I think the point has been well made that people really have no earthly idea of what they're signing up for.

And I understand that, at the present time, that's legally binding. But I'm wondering if you can explain to the billions of users, in plain language, what are they signing up for?

ZUCKERBERG: Senator, that's a good and important question here. In general, you know, you sign up for the Facebook, you get the ability to share the information that you want with — with people. That's what the service is, right? It's that you can connect with the people that you want, and you can share whatever content matters to you, whether that's photos or links or posts, and you get control over it.

SCHATZ: Who do you share it with?

ZUCKERBERG: And you can take it down if you want, and you don't need to put anything up in the first place if you don't want.

SCHATZ: What the part that people are worried about, not the fun part?

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ZUCKERBERG: Well, senator, you own it in the sense that you chose to put it there, you could take it down anytime, and you completely control the terms under which it's used.

When you put it on Facebook, you are granting us a license to be able to show it to other people. I mean, that's necessary in order for the service to operate.

SCHATZ: Right, but the — so the — the — so your definition of ownership is I sign up, I've voluntarily — and I may delete my account if I wish, but that's basically it.

ZUCKERBERG: Well, senator, I — I think that the control is much more granular than that. You can chose each photo that you want to put up or each message, and you can delete those.

And you don't need to delete your whole account, you have specific control. You can share different posts with different people.

SCHATZ: In the time I have left, I want to — I want to propose something to you and take it for the record. I read an interesting article this week by Professor Jack Balkin at Yale that proposes a concept of an information fiduciary.

People think of fiduciaries as responsible primarily in the economic sense, but this is really about a trust relationship like doctors and lawyers, tech companies should hold in trust our personal data.

Are you open to the idea of an information fiduciary and shrine and statute?

ZUCKERBERG: Senator, I think it's certainly an interesting idea, and Jack is very thoughtful in this space, so I do think it deserves consideration.

SCHATZ: Thank you.

THUNE: Senator Fischer?

FISCHER: Thank you, Mr. Chairman.

FISCHER: Thank you, Mr. Zuckerberg, for being here today. I appreciate your testimony.

The full scope of Facebook user's activity can print a very personal picture I think. And additionally, you have those 2 billion users that are out there every month. And so we all know that's larger than the population of most countries. So how many data categories do you store, does Facebook store, on the categories that you collect?

ZUCKERBERG: Senator, can you clarify what you mean by data categories?

FISCHER: Well, there's — there's some past reports that have been out there that indicate that it — that Facebook collects about 96 data categories for those 2 billion active users. That's 192 billion data points that are being generated, I think, at any

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ZUCKERBERG: Senator, yes. There are other — there are controls that determine what Facebook can do as well. So for example, people have a control about face recognition. If people don't want us to be able to help identify when they are in photos that their friends upload, then they can turn that off.

FISCHER: Right.

ZUCKERBERG: And then we won't store that kind of template for them.

FISCHER: And — and there was some action taken by the FTC in 2011. And you wrote a Facebook post at the time on a public page on the Internet that it used to seem scary to people, but as long as they could make the page private, they felt safe sharing with their friends online; control was key. And you just mentioned control. Senator Hatch asked you a question and you responded there about complete control.

So you and your company have used that term repeatedly, and I believe you use it to reassure users, is that correct? That you do have control and complete control over this information?

ZUCKERBERG: Well, senator, this is how the service works. I mean, the core thing that Facebook is, and all of our services, WhatsApp, Instagram, Messenger.

FISCHER: So is this — is then a question of Facebook is about feeling safe, or are users actually safe? Is Facebook — is Facebook being safe?

ZUCKERBERG: Senator, I think Facebook is safe. I use it, my family uses it, and all the people I love and care about use it all the time. These controls are not just to make people feel safe; it's actually what people want in the product. The reality is, is that when you — just think about how you use this yourself. You don't want to share it — if you take a photo, you're not always going to send that to the same people. Sometimes you're going to want to text it to one person. Sometimes you might send it group. I bet you have a page. You'll probably want to put some stuff out there publicly so you can communicate with your constituents.

There are all these different groups of people that someone might want to connect with, and those controls are very important in practice for the operation of the service. Not just to build trust, although I think that the providing people with control, also does that, but actually in order to make it so that people can fulfill their goals of the service.

GRASSLEY: Senator Coons.

FISCHER: Thank you.

SEN. CHRISTOPHER A. COONS (D-DEL): Thank you, Chairman Grassley. Thank you, Mr. Zuckerberg, for joining us today.

I think the whole reason we're having this hearing is because of a tension between two basic principles you have laid out. First you've said about the data that users post on Facebook. You control and own the data that you put on Facebook. You said some

very positive, optimistic things about privacy and data ownership. But it's also the reality that Facebook is a for-profit entity that generated \$40 billion in ad revenue last year by targeting ads.

In fact, Facebook claims that advertising makes it easy to find the right people, capture their attention and get results and you recognize that an ad-supported service is, as you said earlier today, best aligned with your mission and values.

But the reality is, there's a lot of examples where ad targeting has led to results that I think we would all disagree with or dislike or would concern us. You've already admitted that Facebook's own ad tools allow Russians to target users, voters based on racist or anti-Muslim or anti-immigrant views, and that that may have played a significant role in election here in United States.

Just today, Time magazine posted a story saying that wildlife traffickers are continuing to use Facebook tools to advertise illegal sales of protected animal parts, and I am left questioning whether your ad-targeting schools would allow other concerning practices like diet pill manufacturers targeting teenagers who are struggling with their weight, or allowing a liquor distributor to target alcoholics or a gambling organization to target those with gambling problems.

I'll give you one concrete example I'm sure you are familiar with: ProPublica back in 2016 highlighted that Facebook lets advertisers exclude users by race in real estate advertising. There was a way that you could say that this particular ad, I only want to be seen by white folks, not by people of color, and that clearly violates fair-housing laws and our basic sense of fairness in the United States. And you promptly announced that that was a bad idea, you were going to change the tools, and that you would build a new system to spot and reject discriminatory ads that violate our commitment to fair housing.

COONS: And yet a year later, a follow-up story by ProPublica said that those changes hadn't fully been made; it was still possible to target housing advertisement in a way that was racially discriminatory.

And my concern is that this practice of making bold and — and engaging promises about changes and practices, and then the reality of how Facebook has operated in the real world, are in persistent tension.

Several different senators have asked earlier today about the 2011 FTC consent decree that required Facebook to better protect users' privacy.

And there are a whole series of examples where there have been things brought to your attention, where Facebook has apologized and has said we're going to change our practices and our policies. And yet, there doesn't seem to have been as much follow up as would be called for.

At the end of the day, policies aren't worth the paper they're written on if Facebook doesn't enforce them.

And I'll close with a question that's really rooted in an experience I had today, as an avid Facebook user. I woke up this morning and was notified by a whole group of friends across the country, asking if I had a new family, or if there was a fake Facebook post of Chris Coons?

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I went to the one they suggested. It had a different middle initial than mine. And there's my picture with Senator Dan Sullivan's family; same schools I went to, but a whole lot of Russian friends. Dan Sullivan's got a very attractive family, by the way.

SULLIVAN: Keep that for the record there, Mr. Chairman.

(LAUGHTER)

COONS: The friends who brought this to my attention included people I went to law school with in Hawaii and our own attorney general in the state of Delaware.

And fortunately I've got, you know, great folks who work in my office. I brought it to their attention. They pushed Facebook and it was taken down by midday.

But I'm left worried about what happens to Delawareans who don't have these resources. It's still possible to find Russian trolls operating on the platform. Hate groups thrive in some areas of Facebook, even though your policies prohibit hate speech, and you've taken strong steps against extremism and terrorists.

But is a Delawarean who's not in the Senate going to get the same sort of quick response? I've already gotten input from other friends who say they've had trouble getting a positive response when they've brought to Facebook's attention a page that's, frankly, clearly violating your basic principals.

My core question is isn't it Facebook's job to better protect its users? And why do you shift the burden to users to flag inappropriate content and make sure it's taken down?

ZUCKERBERG: Senator, there are a number of important points in there. And I think it's clear that this is an area, content policy enforcement, that we need to do a lot better on over time.

The history of how we got here is we started off in my dorm room with not a lot of resources and not having the A.I. technology to be able to proactively identify a lot of this stuff.

So just because of the sheer volume of content, the main way that this works today is that people report things to us and then we have our team review that.

And as I said before, by the end of this year, we're going to have more than 20,000 people at the company working on security and content review, because this is important.

Over time, we're going to shift increasingly to a method where more of this content is flagged up front by A.I. tools that we develop.

We've prioritized the most important types of content that we can build A.I. tools for today, like terror related content, where I mentioned earlier that our systems that we deploy; we are taking down 99 percent of the ISIS and Al Qaida-related content that

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we take down before a person even flags them to us.

If we fast forward 5 or 10 years, I think we're going to have more A.I. technology that can do that in more areas. And I think we need to get there as soon as possible, which is why we're investing in it.

GRASSLEY: Senator Sasse.

COONS: I couldn't agree more. I just think we can't wait five years ...

GRASSLEY: Senator ...

COONS: ... to get housing discrimination and personally offensive material out of Facebook.

ZUCKERBERG: I agree.

GRASSLEY: Senator Sasse?

SASSE: Thank you, Mr. Chairman.

Mr. Zuckerberg, thanks for being here. At current pace, you're due to be done with the first round of questioning by about 1:00 a.m., so congratulations.

I — I like Chris Coons a lot, with his own family, or with Dan Sullivan's family. Both are great photos. But I want to ask a similar set of questions from the other side, maybe.

I think the line — the conceptual line between mirror-tech company, mirror tools, and an actual content company, I think it's really hard. I think you guys have a hard challenge. I think regulation over time will have a hard challenge. And you're a private company so you can make policies that may be less than First Amendment full spirit embracing in my view. But I worry about that. I worry about a world where when you go from violent groups to hate speech in a hurry — and one of your responses to the opening questions, you may decide, or Facebook may decide, it needs to police a whole bunch of speech, that I think America might be better off not having policed by one company that has a really big and powerful platform.

Can you define hate speech?

ZUCKERBERG: Senator, I think that this is a really hard question. And I think it's one of the reasons why we struggle with it. There are certain definitions that — that we — that we have around, you know, calling for violence or ...

SASSE: Let's just agree on that.

ZUCKERBERG: Yes.

What we find in general is that if you're using social media in order to build relationships, right? So you're — you're sharing content with friends, you're interacting, then that is associated with all of the long-term measures of well-being that you'd intuitively thing of.

Long-term health, long-term happiness, long-term feeling connected, feeling less lonely. But if you're using the Internet and social media primarily to just passively consume content, and you're not engaging with other people, then it doesn't have those positive effects and it could be negative.

SASSE: We're — we're almost at time, so I want to — I want to ask you one more. Do social media companies hire consulting firms to help them figure out how to get more dopamine feedback loops so that people don't want to leave the platform?

ZUCKERBERG: No, Senator. That's not how we talk about this, or — or how we set up our product teams. We want our products to be valuable to people. And if they're valuable, then people choose to use them.

SASSE: Are you aware of other social media companies that do hire such consultants?

ZUCKERBERG: Not sitting here today.

SASSE: Thanks

GRASSLEY: Senator Markey?

MARKEY: Thank you, Mr. Chairman.

In response to Senator Blumenthal's pointed questions, you refused to answer whether Facebook should be required by law to obtain clear permission from users before selling or sharing their personal information.

So I'm going to ask it one more time. Yes or no. Should Facebook get clear permission from users before selling or sharing sensitive information about your health, your finances, your relationships? Should you have to get their permission?

That's, essentially, the consent decree with the Federal Trade Commission that you signed in 2011. Should you have to get permission? Should the consumer have to opt in?

ZUCKERBERG: Senator, we do require permission to use the — the system, and to — to put information in there, and for — for all the uses of it.

I want to be clear. We don't sell information. So regardless of whether we could get permission to do that, that's just not a thing that we're going to go do.

MARKEY: So would you support legislation? I have a bill, Senator Blumenthal referred to it, The Consent Act, that would just put on the books a law that said that Facebook, and any other company that gathers information about Americans, has to get

their permission, their affirmative permission, before it can be reused for other purposes.

Would you support that legislation to make it a national standard for not just Facebook, but for all the other companies out there? Some of them, bad actors. Would you support that legislation?

ZUCKERBERG: Senator, I — I — in general, I think that that principle is exactly right. And I think we should have a — a discussion around how to best apply that.

MARKEY: No, would you support legislation to back that general principle, that opt-in, that getting permission is the standard. Would you support legislation to make that the American standard?

Europeans have passed that as a law. Facebook's going to live with that law beginning on May 25th. Would you support that as the law in the United States?

ZUCKERBERG: Senator, as a principle, yes, I would. I think the details matter a lot, and now that ...

MARKEY: Right. But assuming that we work out the details, you do support opt-in as the standard? Getting permission affirmatively as the standard for the United States? Is that correct?

ZUCKERBERG: Senator, I think that that's the right principle. And a hundred billion times a day in our services, when people go to share content, they choose who they want to share it with affirmatively.

MARKEY: So you — you — you could support a law that enshrines that as the promise that we make to the American people, that permission has to be obtained before their information is used. Is that correct?

ZUCKERBERG: Senator, yes. I said that in principle I think that that makes sense, and the details matter and I look forward to having our team work with you on fleshing that out.

MARKEY: Right. So the next subject, because I want to, again I want to make sure that we kind of drill down here. You earlier made reference to the Child Online Privacy Protection Act of 1999, which I am the author of. So that is the constitution for child privacy protection online in the country, and I'm very proud of that. But, there are no protections additionally for a 13, a 14, or a 15-year-old. They get the same protections that a 30-year-old or a 50-year-old get.

So I have a separate piece of legislation to insure that kinds who are under 16 absolutely have a privacy bill of rights, and that permission has to be received from their parents for their children before any of their information is reused for any other purpose other than that which was originally intended. Would you support a child online privacy bill of rights for kids under 16 to guarantee that that information is not reused for any other purpose without explicit permission from the parents for the kids?

ZUCKERBERG: Senator, I think, as a general principle, I think protecting minors and protecting their privacy is extremely important, and we do a number of things on Facebook to do that already, which I am happy to ...

On the flip side, we've seen with Rohingya, that example of, you know, where the state could use similar data or use this platform to go after people. You talked about what you're doing in that regard, hiring more, you know, traditional — or, local-language speakers. What else are you doing in that regard to ensure that these states don't — or, these governments go after opposition figures or others?

ZUCKERBERG: Senator, there are three main things that we're doing, in Myanmar specifically, and that will apply to — to other situations like that. The first is hiring enough people to do local language support, because the definition of hate speech or things that can be racially coded to incite violence are very language-specific and we can't do that with just English speakers for people around the world. So we need to grow that.

The second is, in these countries there tend to be active civil society, who can help us identify the figures who are — who are spreading hate. And we can work with them in order to make sure that those figures don't have a place on our platform.

The third is that there are specific product changes that we can make in order to — that — that might be necessary in some countries but not others, including things around news literacy — right.

And, like, encouraging people in — in different countries about, you know, ramping up or down. You know, things that we might do around fact-checking of content, specific product-type things that we would implement in different places. But I think that that's something that we're going to have to do in a number of countries.

FLAKE: There are obviously limits, you know, native speakers that you can hire or people that have eyes on the page. Artificial intelligence is going to have to take the bulk of this. How — how much are you investing in working on — on that tool to — to do what, really, we don't have or can't hire enough people to do?

ZUCKERBERG: Senator, I think you're absolutely right that over the long term, building A.I. tools is going to be the scalable way to identify and root out most of this harmful content. We're investing a lot in doing that, as well as scaling up the number of people who are doing content review.

One of the things that I've mentioned is this year we're — or, in the last year, we've basically doubled the number of people doing security and content review. We're going to have more than 20,000 people working on security and content review by the end of this year. So it's going to be coupling continuing to grow the people who are doing review in these places with building A.I. tools, which is — we're — we're working as quickly as we can on that, but some of this stuff is just hard. That, I think, is going to help us get to a better place on eliminating more of this harmful content.

FLAKE: Thank you. You've talked some about this, I know, do you believe that Russian and/or Chinese governments have harvested Facebook data and have detailed data sets on Facebook users? Has your forensic analysis shown you who else, other than Cambridge Analytica, downloaded this kind of data?

ZUCKERBERG: Senator, we have kicked-off an investigation of every app that had access to a large amount of people's data before we locked down the platform in 2014. That's underway, I imagine we'll find some things, and we are committed to

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which we all want, the guy in the dorm room. We all want that to start it — that you are becoming so dominant that we're not able to have that next Facebook. What — what — what are your views on that?

ZUCKERBERG: Well, senator, I agree with the point that when you're thinking through regulation, across all industries, you need to be careful that it doesn't cement in the current companies that are — that are winning.

SULLIVAN: But would you try to do that? Isn't that the normal inclination of a company, to say, hey, I'm going to hire the best guys in town and I'm going to cement in an advantage. You wouldn't do that if we were regulating you.

ZUCKERBERG: Senator, that — that certainly wouldn't be our approach. But — but I think — I think part of the challenge with regulation in general is that when you add more rules that companies need to follow, that's something that a larger company like ours inherently just has the resources to go do, and that might just be harder for a smaller company getting started to be able to comply with.

SULLIVAN: Correct.

ZUCKERBERG: So it's not something that — like going into this, I would look at the conversation as what is the right outcome. I think there are real challenges that we face around content and privacy and in a number of areas, ads transparency, elections ...

SULLIVAN: Let me — let me get — I'm sorry to interrupt, but let me get to one final question. It kind of relates to what you're talking about in terms of content regulation and what exactly — what exactly Facebook is.

You know, you — you mention you're a tech company, a platform, but there's some who are saying that you're the world's biggest publisher. I think about 140 million Americans get their news from Facebook, and when you talk to — when you mentioned that Senator Cornyn — Cornyn, he — you said you are responsible for your content.

So which are you, are you a tech company or are you the world's largest publisher, because I think that goes to a really important question on what form of regulation or government action, if any, we would take.

ZUCKERBERG: Senator, this is a — a really big question. I — I view us as a tech company because the primary thing that we do is build technology and products.

SULLIVAN: But you said you're responsible for your content, which makes ...

ZUCKERBERG: Exactly.

SULLIVAN: ... you kind of a publisher, right?

ZUCKERBERG: Well, I agree that we're responsible for the content, but we don't produce the content. I — I think that when people ask us if we're a media company or a publisher, my understanding of what — the heart of what they're really getting at,

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is do we feel responsibility for the content on our platform.

The answer to that, I think, is clearly “yes.” And — but I don't think that that's incompatible with fundamentally, at our core, being a technology company where the main thing that we do is have engineers and build products.

THUNE: Thank you, Senator Sullivan.

Senator Udall?

UDALL: Thank you, Mr. Chairman. And thank you very much, Mr. Zuckerberg, for being here today. You — you spoke very idealistically about your company, and you talked about the strong values, and you said you wanted to be a positive force in the community and the world.

And you were hijacked by Cambridge Analytica for political purposes. Are you angry about that?

ZUCKERBERG: Absolutely.

UDALL: And — and you're determined — and I assume you want changes made in the law? That's what you've talked about today.

ZUCKERBERG: Senator, the most important thing that I care about right now is making sure that no one interferes in the various 2018 elections around the world.

We have an extremely important U.S. midterm. We have major elections in India, Brazil, Mexico, Pakistan, Hungary coming up. And we're going to take a — a number of measures, from building and deploying new A.I. tools that take down fake news, to growing our security team to more than 20,000 people, to making it so that we verify every advertiser who's doing political and issue ads, to make sure that that kind of interference that the Russians were able to do in 2016 is going to be much harder for anyone to pull off in the future.

UDALL: And — and I think you've said earlier that you support the Honest Ads Act, and so I assume that means you want changes in the law in order to — to effectuate exactly what you talked about?

ZUCKERBERG: Senator, yes.

UDALL: Yeah, yeah.

ZUCKERBERG: We support the Honest Ads Act. We're implementing it.

UDALL: And so are you going to — are you going to come back up here and be a strong advocate, to see that that law is passed?

ZUCKERBERG: Senator, the biggest thing that I think we can do is implement it. And we're doing that.

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to determine whether its privacy practices violated the FTC Act or the consent order that Facebook entered into with the agency in 2011.

I chair the Commerce committee — subcommittee that has jurisdiction over the Federal Trade Commission. I remain interested in Facebook's assertion that it rejects any suggestion of violating that consent order. Part two of that consent order requires that Facebook, quote, “clearly and prominently” display notice and obtain users' affirmative consent before sharing their information with, quote, “any third party.?”

My question is how does the case of approximately 87 million Facebook friends having their data shared with a third party due to the consent of only 300,000 consenting users not violate that agreement?

ZUCKERBERG: Well, Senator, like I said earlier, I mean our view is that — is that we believe that we are in compliance with the consent order, but I think we have a broader responsibility to protect people's privacy even beyond that. And in this specific case, the way that the platform worked, that you could sign into an app and bring some of your information and some of your friends' information is how we explained it would work. People had settings to that effect. We explained and — and they consented to — to it working that way. And the — the system basically worked as it was designed.

The issue is that we designed the system in a way that wasn't good. And now we — starting in 2014, have changed the design of the system to that that way it just massively restricts the amount of — of data access that a developer could get.

(CROSSTALK)

MORAN: The — I'm sorry, the 300,000 people, they were treated in a way that — it was appropriate; they consented. But you're not suggesting that the friends consented?

ZUCKERBERG: Senator, I believe that — that we rolled out this developer platform, and that we explained to people how it worked, and that they did consent to it. It — it makes, I think, to — to go through the way the platform works. I mean, it's — in 2007, we — we announced the Facebook developer platform, and the idea was that you wanted to make more experiences social, right?

So, for example, if you — like, you might want to have a calendar that can have your friends' birthdays on it, or you might want your address book to have your friends' pictures in it, or you might want a map that can show your friends' addresses on it. In order to do that, we needed to build a tool that allowed people to sign in to an app and bring some of their information, and some of their friends' information, to those apps. We made it very clear that this is how it worked, and — and when people signed up for Facebook, they signed up for that as well.

Now, a lot of good use cases came from that. I mean, there were games that were built. There were integrations with companies that, I think, we're familiar with, like Netflix and Spotify. But over time, what became clear was that that also enabled some abuse. And that's why in 2014, we took the step of changing the platform. So now, when people sign in to an app, you do not bring some of your friends' information with you. You're only bringing your own information and you're able to connect with friends who have also authorized that app directly.

MORAN: Let me turn to the bug — your Bug Bounty program. Our subcommittee has had hearings in — a hearing in regard to Bug Bounty. Your press release indicated that was one of the six changes that Facebook initially offered to crack down on platform abuses was to reward outside parties who find vulnerabilities.

One concern I have regarding the utility of this approach is that the vulnerability disclosure programs are normally geared toward identifying unauthorized access to data, not pointing out data-sharing arrangement that likely could harm someone, but technically they abide by complex consent agreements. How do you see the Bug Bounty program that you've announced addressing the issue of that?

ZUCKERBERG: Sorry, could you — could you clarify what — what specifically ...

MORAN: How do you — how do you see that the Bug Bounty program that you are — have announced will deal with the sharing of information not permissible, as compared to just unauthorized access to data?

ZUCKERBERG: Senator, I'm not — I'm not too sure I — I understand this enough to — to speak to — to that specific point, and I can have my team follow up with you on the details of that.

In general, bounty programs are an important part of the security arsenal for hardening a lot of systems. I — I think we should expect that we're going to invest a lot in hardening our systems ourselves, and that we're going to audit and investigate a lot of the folks in our ecosystem.

But even with that, having the ability to enlist other third-parties outside of the company to be able to help us out by giving them an incentive to point out when they see issues, I think is likely going to help us improve the security of the platform overall, which is why we did this.

MORAN: Thank you, Mr. Zuckerberg.

THUNE: Thank you, Senator Moran.

Next up is Senator Booker.

BOOKER: Thank you, Mr. Chairman.

Hello, Mr. Zuckerberg. As you know, much of my life has been focused on low-income communities, poor communities, working-class communities, and trying to make sure they have a fair shake. This country has a very bad history of discriminatory practices towards low-income Americans and Americans of color, from the redlining FHA practices, even to more recently really just discriminatory practices in the mortgage business. I've always seen technology as a promise to democratize our nation, expand access, expand opportunities.

But unfortunately, we've also seen how platforms, technology platforms like Facebook, can actually be used to double down on discrimination and — and give people more sophisticated tools with which to discriminate.

Now in — in 19 — in 2000 — in 2016, ProPublica revealed that advertisers could use ethnic affinity, a users race to market categories to potentially discriminate overall against Facebook users in the areas of housing, employment and credit, echoing a dark history in this country, and — and also in violation of federal law.

In 2016, Facebook committed to fixing this, that the advertisers who have access to this data, to fixing it. But unfortunately a year later as — as — as ProPublica's article showed, they found that the system Facebook built was still allowing housing ads without applying — to go forward without applying these new restrictions that were put on.

Facebook then opted in a system that's very similar to what we've been talking about with Cambridge Analytica, that they could self certify that they were not engaging in these practices and complying with federal law, using this self certification away and — and — to — to overcome and to comply with rather Facebook's anti-discrimination policy.

Unfortunately, in a recent lawsuit, as of February 2018, alleges that discriminatory ads were still being created on Facebook, still disproportionately impacting low-income communities and communities of color.

Given the fact that you allow Cambridge Analytica to self certify in a way that I think — at least I think you've expressed regret over, is self certification the best and strongest way to safeguard — guard against the misuse of your platform and protect the data of users, not let it be manipulated in such a discriminatory fashion.

ZUCKERBERG: Senator, this is a — a — a very important question and, in general, I think over time we're going to move towards more proactive review, with more A.I. tools to help flag problematic content.

In the near term, we have a lot of content on the platform, and we — it's — it's hard to review every single thing up front. We do a quick screen. But I — I agree with you that I think in — in this specific case, I'm not happy with where we are, and I — I think it makes sense to — to really focus on making sure that these areas get more reviews sooner.

BOOKER: And I — and I know you understand that there is a growing distrust and I know a lot of civil rights organizations have met with you about Facebook's sense of urgency to address these issues.

There's a distrust that stems from the fact and I know — I've had conversations with leaders in Facebook about the lack of diversity in the tech sector as well, people who are writing these algorithms, people who are actually policing for this data, or policing for these problems, are they going to be a part of a more diverse group that's looking at this? You're looking to hire, as you said, 5,000 new positions for among other things reviewing content, but we know in your industry, the inclusivity, it — it's a real serious problem that you are an industry that lacks diversity in a very dramatic fashion. It's not just true with Facebook; it's true with the tech area as well. And — and so it's very important for me to — to communicate that larger sense of urgency, and — and what a lot of civil rights organizations are concerned with, and — and we should be working towards more — a more collaborative approach.

BOOKER: And I'm wondering if you'd be open to opening your platform for civil rights organizations to really audit a lot of these companies dealing in areas of credit and housing, to really audit what is actually happening and better have more transparency in working with your platform.

ZUCKERBERG: Senator, I think that's a very good idea. And I think we should follow up on the details of that.

BOOKER: I also want to say that — that there was an investigation. Something's very disturbing to me, is the fact that there have been law enforcement organizations that use Facebook's platform to — to — to surveil African American organizations like Black Lives Matter.

I know you've expressed support for the group, and Philando Castile's killing was broadcast live on Facebook. But there are a lot of communities of color worried that that data can be used to surveil groups like Black Lives Matter, like folks who are trying to organize against substantive issues of discrimination in this country.

Is this something that you're committed to addressing, and to ensuring that the freedoms that civil rights activists and others are not targeted, or their work not being undermined or people not using your platform to unfairly surveil and try to undermine the activities that those groups are doing?

ZUCKERBERG: Yes, Senator. I think that that's very important. We're — we're committed to that.

And in general, unless law enforcement has a very clear subpoena or ability or — or reason to get access to information, we're going to push back on that across the board.

BOOKER: And then I'd just like, for the record — my time has expired ...

GRASSLEY: Yeah.

BOOKER: ... but there's a lawsuit against Facebook about discrimination. And you moved for the lawsuit to be dismissed because no harm was shown. Could you please submit to the record — do you believe that people of color were not recruited for various economic opportunities are being harmed? Can you please clarify why you moved for — to dismiss that lawsuit, for the record?

GRASSLEY: For the record.

Senator Heller's up next.

I'll go to you.

HELLER: All right, Mr. Chairman. Thank you.

Appreciate the time, and thank you for being here. I'm over here. Thanks. And thank you for taking time. I know it's been a long day, and I think you're at the — at the final stretch, here. But I'm glad that you are here.

Yesterday Facebook sent out a notification to 87 million users that information was given to Cambridge Analytica without their consent. My daughter was one of the 87 million, and six of my staff, all from Nevada, received this notification.

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Can you tell me how many Nevadans were among the 87 million that received this notification?

ZUCKERBERG: Senator, I don't have this broken out by state right now. But I can have my team follow up with you to get you the information.

HELLER: Okay, okay. I figured that would be the answer. If, after hearing this — going through this hearing and Nevadans no longer want to have a Facebook account, if — if that's the case, if a Facebook user deletes their account, do you delete their data?

ZUCKERBERG: Yes.

HELLER: My kids have been on Facebook and Instagram for years. How long do you keep a user's data?

ZUCKERBERG: Sorry, can ...

HELLER: How long do you keep a user's data, once they — after — after they've left? If they — if they choose to delete their account, how long do you keep their data?

ZUCKERBERG: I don't know the answer to that off the top of my head. I know we try to delete it as quickly as is reasonable. We have a lot of complex systems, and it work — takes awhile to work through all that.

But I think we try to move as quickly as possible, and I can follow up or have my team follow up ...

HELLER: Yeah.

ZUCKERBERG: ... to get you the — the data on that.

HELLER: Okay. Have you ever said that you won't sell an ad based on personal information? Simply that — that you wouldn't sell this data because the usage of it goes too far?

ZUCKERBERG: Senator, could you clarify that?

HELLER: Have you ever drawn the line on selling data to an advertiser?

ZUCKERBERG: Yes, senator. We don't sell data at all.

So the — the way the ad system work is advertisers can come to us and say, I — I have a message that I'm trying to reach a certain type of people. They might be interested in something, they might live in a place, and then we help them get that message in front of people. But this is one of the — it's — it's widely mischaracterized about our system that we sell data. And it's actually one of the most important parts of how Facebook works is that we do not sell data. Advertisers do not get access to people's individual data.

HELLER: Do you consider the 87 million users — do you consider them victims?

ZUCKERBERG: Senator, I think yes. I mean, they — they did not their information to be sold to Cambridge Analytica by a developer. And — and that happened, and it happened on our watch. So even though we didn't do it, I think we have a responsibility to be able to prevent that and be able to take action sooner. And we're committing to make that we do that going forward.

ZUCKERBERG: Which is why the steps that I — that I announced before are now, they're the two most important things that we're doing are locking down the platform to make sure that developers can't get access to that much data so this can't happen again going forward, which I think is largely the case since 2014, and going backwards we need to investigate every single app that might have had access to a large amount of people's data to make sure that no one else was misusing it. If we find that they are, we're going to get into their systems, do a full audit, make sure they delete it and we're going to tell everyone who's affected.

HELLER: Mr. Chairman, thank you.

THUNE: Thank you, Senator Heller. We'll go to Senator Peters and then into the break and then Senator Tillis coming out of the break. So Senator Peters.

PETERS: Thank you, Mr. Chairman. Mr. Zuckerberg, thank you for being here today. You know, you've talked about your very humble beginnings in starting Facebook in — in your dorm room, which I appreciated that story but certainly Facebook has changed an awful lot over a relatively short period of time. When Facebook launched it's timeline feature, consumers saw their friends post chronologically, was the process.

But Facebook has since then changed to a timeline driven by some very sophisticated algorithms. And I think it has left many people, as a result of that, asking, you know, why — why am I seeing this — this feed and why am I seeing this right now. And now, in light of the Cambridge Analytica issue, Facebook users are asking, I think, some new questions right now.

Can I believe what I'm seeing and who has access to this information about me? So I think it's safe to say, very simply, that Facebook is losing the trust of an awful lot of Americans as a result of this incident. And — and I think an example of this is something that I've been hearing a lot from folks that have been coming up to me and talking about really, kind of the experience they've had, where they're having a conversation with friends.

Not on the phone, just talking. And then they see ads popping up fairly quickly on their Facebook. So I've heard constituents fear that Facebook is mining audio from their mobile devices for the purpose of ad targeting. Which I think speaks to this lack of trust that we're seeing here, but — and I understand there's some technical issues and logistical issues for that to happen.

But for the record, I think it's clear — see, I hear it all the time, including from my own staff. Yes or no, does Facebook use audio obtained from mobile devices to enrich personal information about its users?

ZUCKERBERG: No.

So having — doing the research now to make sure that the — that these systems can have those principles as we're developing them, I think is certainly a — an extremely important thing.

PETERS: Well, you bring up the — the principles. Because, as you're well aware, A.I. systems, especially in very complex environments when you have machine learning, it's sometimes very difficult to understand, as you mentioned, exactly how those decisions were arrived at. There's examples of how decisions are made in a discriminatory basis, and they can compound if you're not very careful about how that occurs.

And so, is your company — you mentioned principles. Is your company developing a set of principles that are going to guide that development?

And would you provide details to us as to what those principles are and how they will help deal with this issue?

ZUCKERBERG: Yes, senator.

I can make sure that our team follows up and gets you the information on that.

And we have a whole A.I. ethics team that is working on developing basically the technology. It's not just about philosophical principles; it's also a technological foundation for making sure that this goes in the direction that we want.

PETERS: Thank you.

THUNE: Thank you, Senator Peters.

We'll recess for five, and come back in. So we'll give Mr. Zuckerberg a quick break here. Thanks.

(RECESS)

THUNE: We're back. Final stretch.

And Senator Tillis is recognized.

TILLIS: Thank you, Mr. Zuckerberg, for being here.

I think you've done a good job. I've been here for most of it — the session, except for about 20 minutes I watched on television back in my office.

I'm was googling earlier — actually, going on my Facebook app on my phone earlier, and I found one of your Facebook page — yeah, one of your Facebook presents is — it was the same one on March 30th, I think you posted a pic of a first stater. But further down, you listed out the facts since the new platform was released in 2007; sort of, a timeline. You start with 2007, then you jump to the Cambridge Analytica issue.

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I actually think that we need to fully examine what Cambridge Analytica did. They either broke a kind of code of conduct. If they broke any other rules or agreements with you all, I hope that they suffer the consequences.

TILLIS: But I think that timeline needs to be updated. And it really needs to go back — I've read a series of three articles that were published in the MIT Technology Review back in 2012, and it talks about how proud the Obama campaign was of exploiting data on Facebook in the 2012 campaign.

In fact, somebody asked you earlier if it made you mad about what Cambridge Analytica did, and you rightfully answered yes, but I think you should probably be equally mad when a former campaign director of the Obama campaign proudly tweeted “Facebook was surprised we were able to suck out the social graph, but they didn't stop us once they realized that was what we were doing.”

So you clearly had some people in your employ that apparently knew it, at least that's what this person said on Twitter, and thank goodness for Wayback and some of the other history-grabber machines. I'm sure we can get this tweet back and get it in the right context. I think when you do your research, it's important to get the whole view. I've worked in data-analytics practice for a good part of my career, and for anybody to pretend that Cambridge Analytica was the first person to exploit data, clearly doesn't work or hasn't worked in the data-analytics field.

So when you go back and do your research on Cambridge Analytica, I would personally appreciate it if you'd start back from the first known high-profile national campaign that exploited Facebook data.

In fact, they published an app that said it would grab information about my friends, their birth dates, locations and likes. So presumably if I downloaded that app that was published by the Obama campaign, I've got 4,900 friends on my Facebook page. I delete the haters and save room for family members and true friends on my personal page, as I'm sure everybody does. And that means if I clicked yes on that app, I would have approved the access of birth dates, locations, and likes of some 4,900 people without their consent. So as you do the chronology, I think it'd be very helpful so that we can take away the partisan rhetoric that's going on like this is a Republican-only issue. It's a — it's a broad based issue that needs to be fixed. And bad actors at either end of the political spectrum need to be held accountable, and I — and I trust that you all are going to work on that.

I think the one thing that I — so for that, I just want to get to the facts, and there's no way you could answer any of the questions, I'm not going to burden you with that. But I think getting that chronology would be very helpful.

The one thing I would encourage people to do is go to Facebook. I'm — I'm a proud member of Facebook, just got a post from my sister on this being National Sibling Day, so I've connected with four or five of my staff while I was giving you my undivided — or family undivided attention. But go to the privacy tab. If you don't want to share something, don't share it. This is a free service. Go on there and say I don't want to allow third party search engines to get in my Facebook page. Go on there and say only my friends can look at it. Go on there and understand what you're signing up for. It's a free app.

Now you need to do more. And I think it would be helpful. I didn't read your disclaimer page or the terms of use, because that is anywhere in there that I could get an attorney and negotiate the terms. So it was a terms of use. I went on there then I used

BALDWIN: Okay.

And he thereby is able to gain access of not only the people who took the quiz but their network, is that correct, too?

ZUCKERBERG: Senator, yes. The terms of the platform at the time allowed for people to share their information and some basic information about their friends as well. And we've since changed that, as of 2014.

BALDWIN: And ...

ZUCKERBERG: Now, that's not possible.

BALDWIN: And so, in total about 87 million Facebook users. You earlier testified about the two types of ways you gain data. One is what is voluntarily shared by Facebook members and users. And the other is in order to — I think you said improve your advertising experience, whatever that exactly means — the data that Facebook collects in order to customize or focus on that.

Did — was Aleksandr Kogan able to get both of those sets or data, or just what was voluntarily entered by the user?

ZUCKERBERG: Yes, that's a good question. It was just a subset of what was entered by the person. And ...

BALDWIN: So, a subset of the 95 categories of data that you keep?

ZUCKERBERG: Yes, when you sign into the app ...

BALDWIN: Okay.

ZUCKERBERG: ... you — the app developer has to say, here are the types of data from you that I'm asking for, including public information like your name and profile, the pages you follow, other interests on your profile, that kind of content.

BALDWIN: Okay.

ZUCKERBERG: The app developer has to disclose that up front, and you agree with it.

BALDWIN: Okay. So, in answer to a couple of other senators' questions, specifically Senator Fischer, you talked about Facebook storing this data and I think you just talked about this data being in the system. I wonder if, outside of the way in which Aleksandr Kogan was able to access this data, whether you — could Facebook be vulnerable to a data breach or hack, why or why not?

ZUCKERBERG: Well, there are many kinds of security threats that a company like ours faces, including people trying to break in to our security systems.

JOHNSON: You haven't even witnessed any?

ZUCKERBERG: Senator, there was a movement where some people were encouraging their friends to delete their account and I think that got shared a bunch.

JOHNSON: So it's kind of safe to say that Facebook users don't seem to be overly concerned about all these revelations, although obviously Congress apparently is.

ZUCKERBERG: Well, senator, I think people are concerned about it. And I think these are incredibly important issues that people want us to address. And I think people have told us that very clearly.

JOHNSON: But it seems like Facebook users still want to use the platform because they enjoy sharing photos and they share the connectivity with family members, that type of thing. And that overrides their concerns about privacy.

You talk about the user owns the data, you know, there are a number — have been a number of proposals of having that data stay with the user and allow the user to monetize it themselves. Your COO, Ms. Sandberg, mentioned possibly, if you can't utilize that data to sell advertising, perhaps we would charge people to go onto Facebook.

JOHNSON: Have you thought about that model, where the user data is actually monetized by the actual user?

ZUCKERBERG: Senator, I'm not sure exactly how — how it would work for it to be monetized by the person directly. In general, where — we believe that the ads model is the right one for us because it aligns with our social mission of trying to connect everyone and bring the world closer together.

JOHNSON: But — but you're aware of people making that kind of proposal, correct?

ZUCKERBERG: Yes. I — Senator, a number of people suggest that — that we should offer a version where people cannot have ads if they pay a monthly subscription, and certainly we consider ideas like that. I think that they're reasonable ideas to — to think through. But overall, the — I think that the ads experience is going to be the best one. I think in general, people like not having to pay for a service. A lot of people can't afford to pay for a service around the world, and this aligns with our mission the best.

JOHNSON: You answered Senator Graham when he asked you if you thought you were monopoly. That you didn't think so. You're obviously a big player in the space. That might be an area for competition, correct, if somebody else wants to create a social platform that allows a user to monetize their own data?

ZUCKERBERG: Senator, yes. There are lots of new social apps all the time. And as I said before, the average American I think uses eight different communication and social apps. So there's a lot of different choice and a lot of innovation and activity going on in this space.

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Thank you, Mr. Zuckerberg, for being here today. I want to talk to a couple of broader issues. I'm concerned that Facebook's profitability rests on two potentially problematic foundations. And we've heard other senators talk about this a little today. The foundations are maximizing the amount of time people spend on your products and collecting people's data.

HASSAN: I've looked at Facebook's 2017 corporate financial statement, where you lay out some of the major risks to your business. One risk is a decrease in, and I quote, "user engagement, including time spent on our products." That concerns me because of the research we've seen suggesting that too much time spent on social media can hurt people's mental health, especially young people.

Another major risk to your business is the potential decline in — and here's another quote — "the effectiveness of our ad targeting or the degree to which users opt out of certain types of ad targeting, including as a result of changes that enhance the user's privacy."

There's clearly tension, as other senators have pointed out, between your bottom line and what's best for your users. You've said in your testimony that Facebook's mission is to bring the world closer together, and you've said that you will never prioritize advertisers over that mission. And I believe that you believe that.

But at the end of the day, your business model does prioritize advertisers over the mission. Facebook is a for-profit company, and as the CEO you have a legal duty to do what's best for your shareholders. So given all of that, why should we think that Facebook, on its own, will ever truly be able to make the changes that we need it to make to protect American's well-being and privacy?

ZUCKERBERG: Well, senator, you've raised a number of important points in there, so just let me respond in ...

HASSAN: Sure.

ZUCKERBERG: ... in a couple of different ways. The first is that I think it's really important to think about what we're doing, is building this community over the long term. Any business has the opportunity to do things that might increase revenue in the short term, but at the expense of trust or building engagement over time. What we actually find is not necessarily that increasing time spent, especially not just in the short term, is going to be best for our business.

It actually — it aligns very closely with — with the well-being research that we've done. That when people are interacting with other people, and posting and basically building relationships, that is both correlated with higher measures of well-being, health, happiness, not feeling lonely, and that ends up being better for the business than when they're doing lower value things like just passively consuming content.

So I think that that's — that's an important point to — to ...

HASSAN: Okay, but — and I understand the point that you're trying to make here, but here's what I'm concerned about. We have heard this point from you over the last decade-plus. Since you've founded Facebook — and I understand it — you've — you founded it pretty much as a solo entrepreneur with your roommate.

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But now, you know, you're sitting here at the head of a bazillion dollar company, and we've heard you apologize numerous times and promise to change, but here we are again, right? So I really firmly believe in free enterprise, but when private companies are unwilling or unable to do what's necessary, public officials have, historically, in every industry, stepped up to protect our constituents and consumers.

You've supported targeted regulations, such as the Honest Ads Act, and that's an important step for election integrity, I'm proud to be a co-sponsor of that bill. But we need to address other, broader issues as well. And today you've said you'd be open to some regulation, but this has been a pretty general conversation. So will you commit to working with Congress to develop ways of protecting constituent privacy and well-being, even if it means that that results in some laws that will require you to adjust your business model?

ZUCKERBERG: Senator, yes. We will commit to that. I think that that's an important conversation to have. Our position is not that regulation is bad. I think the Internet is so important in people's lives, and it's getting more important.

HASSAN: Yes.

ZUCKERBERG: The expectations on Internet companies and technology companies overall are growing, and I think the real question is, "what is the right framework for this?" not "should there be one?"

HASSAN: That is very helpful, and I think the other question — and it doesn't just go to Facebook — is whether the framework should include financial penalties when large providers, like Facebook, are breached and privacy is compromised as a result. Because right now, there is very little incentive for whether it's Facebook or Equifax to actually be aggressive in protecting customer privacy and looking for potential breaches or vulnerabilities in their systems.

So what we hear after the fact, after people's privacy has been breached, after they've taken the harm that comes with that, and considerable inconvenience in addition to the harm. We've heard apologies, but there is no financial incentive right now it seems to me for these companies to aggressively stand in their consumers stead and protect their privacy. And I would really look forward to working with you on that, and getting your considered opinion about it.

ZUCKERBERG: Well senator, we — we look forward to — to discussing that with you. I would disagree however that we have no financial incentive or incentive overall to do this. This episode has clearly hurt us, and has clearly made it harder for us to achieve the social mission that we care about. And we now have to a lot of work around building trust back which — which is — is a really important part of this.

HASSAN: Well, I thank you. My time is up and — and I'll follow up with you on that.

GRASSLEY: Senator Capito.

CAPITO: Thank you, Chairman Grassley. Thank you, Mr. Zuckerberg, for being here today.

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TRANSCRIPT OF MARK ZUCKERBERG'S SENATE HEARING - THE WALL STREET JOURNAL
I — I want to ask just kind of a process question. You've said more than a few times that Facebook users can delete from their own account at any time. Well, we know and of course I do — I've got grandchildren now with children. You tell your children, once you make that mark in — in or in — in the Internet system it never really goes away.

So my question to you is, if once — and I think you answered that — that once an individual deletes the information from their page it's gone forever from Facebook's archives. Is that correct?

ZUCKERBERG: Yes. And I think you raise a good point though, which is that it is — we will delete it from our systems but if you shared something to someone else then we can't guarantee that they don't have it somewhere else.

CAPITO: Okay. So if somebody leaves Facebook and then rejoins and asks Facebook, can you recreate my past, your answer would be?

ZUCKERBERG: If they delete their account, the answer is no. That's why we actually offer two options. We offer deactivation, which allows you to shut down or suspend your account, but not delete the information. Because actually a lot of people want to — at least for some period of time. I mean we hear students with exams coming up want to not be on Facebook because they want to make sure they can focus on the exam. So they deactivate their account temporarily, but then want the ability to turn it back on when they're ready. You can also delete your account, which is wiping everything. If you do that, then you can't get it back.

CAPITO: You can't get it back. It's gone from your archives?

ZUCKERBERG: Yes.

CAPITO: But is it ever really gone?

ZUCKERBERG: From our systems?

CAPITO: From — from the cloud or wherever it — wherever it is. I mean, it always seems to be able to reappear in investigations and other things. Not necessarily Facebook, but some other emails and — and other things of that nature.

What about the information going from the past? The information that's already been in the Cambridge Analytica case? You can't really go back and redo that. So I'm going to assume that what we've been talking with and with the improvements that you're making now at Facebook are from this point forward. Is that a correct assumption?

ZUCKERBERG: Senator, I actually do think we can go back in some cases. And that's why one of the things that I announced is that we're going to be investigating every single app that had access to a large of information before we locked down the platform in 2014. And if we find any pattern of suspicious activity, then we're going to go do a full audit of their systems. And if we find that anyone's improperly using data, than we'll take action to make sure that they delete the data, and we'll inform everyone who — who may have had their data misused.

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CAPITO: Okay, other — other suggestion I would make, because we're kind of running out of time here, is you've heard more than a few complaints, and I join the chorus, of the — the lapse in the time of when you discovered and when you became transparent.

And I understand you sent out two messages just today to — to users. So I would say — you say you regret that decision, that you wish you'd been more transparent at the time, so I would imagine if in the course of your investigation, you find more breaches so to speak, that you will be reinforming your Facebook customers.

ZUCKERBERG: Yes, that is correct. We have already committed that if we find any improper use, we will inform everyone affected.

CAPITO: Okay, thank you. You've said also that you want to have an active view on controlling your ecosystem. Last week the FDA Commissioner Scott Gottlieb, addressed the Drug Summit in Atlanta and spoke on the national opioid epidemic.

My state, I'm from West Virginia, and thank you for visiting and next time you visit, if you would please bring some fiber because we don't have connectivity in — in our rural areas like we really need, and Facebook could really help us with that.

So — so Commissioner Gottlieb called up — called upon social media and Internet service providers, and he mentioned Facebook when he talked about it, to try to disrupt the sale — the sale of illegal drugs and particularly the powerful opioid, Fentanyl, which has been advertised and sold online.

I know you have policies against this, the commissioner is announcing his intention to convene a meeting of chief executives and senior leaders and I want to know — can I get a commitment from you today that Facebook will commit to having a representative with Commissioner Gottlieb to finalize with this meeting?

ZUCKERBERG: Senator, that sounds like an important initiative, and we will send someone. And let me also say that on your point about connectivity, we do have a — a group at Facebook that is working on trying to spread Internet connectivity in rural areas, and we would be happy to follow up with you on that as well.

That's something that I'm very passionate about.

CAPITO: That's good. That's good news. Last question I have, just on the advertising, if somebody advertises on Facebook and somebody purchases something, does Facebook get a percentage or any kind of a fee associated with a successful purchase from an advertiser?

ZUCKERBERG: Senator, no. The way that the system works is people — advertisers bid how much it's worth it to them to show an ad or when an action happens. So it's not that we would get a percent of the sale, but let's — let's just use an example.

So let's say you have — you're an app developer, and you — your goal is you want to get more people to install your app. You could bid in the ad system and say I will pay \$3 anytime someone installs this app.

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And then we basically calculate on — on our side which ads are going to be relevant for people, and we have an incentive to show people ads that are going to be relevant because we only get paid when it delivers a business result, and — and that's how the system works.

CAPITO: So it — it could be one — you could be paid for the advertisement. I mean for the sale.

ZUCKERBERG: We — we get paid when the action of the advertiser wants to — to happen, happens.

CAPITO: All right, thank you.

THUNE: Senator — Senator Cortez Masto?

CORTEZ MASTO: Thank you.

Mr. Zuckerberg, thank you. It's been a long afternoon and I — I appreciate you being here and — and taking the time with every single one of us. I'm going to echo a lot of what I've heard my colleagues say today as well.

I appreciate you being here, appreciate the apology, but stop apologizing and let's make the change. I — I think it's time to really change the conduct. I appreciate the fact that you talked about your principles for Facebook: (inaudible) users on the use of the data, and that users have complete control of their data.

CORTEZ MASTO: But the skepticism that I have and I'm hoping you can help me with this is over the last what, seven years, seven, 14 years — seven years, haven't seen really much change in insuring that the privacy is there and that individual users have control over their data.

So — so let me — let me ask you this. Back in 2009, you made two changes to your privacy policy. And, in fact, prior to that, most users could either identify only friends, or friends of friends as part of their — their privacy, correct? If they wanted to protect their data. They could identify only friends or friends of friends who could see their data. Isn't that correct?

ZUCKERBERG: Senator, I believe that we've had the option for people to share with friends, friends of friends, a custom audience or publicly for a long time. I — I don't remember ...

CORTEZ MASTO: Okay.

ZUCKERBERG: ... exactly when we put that in place, but I believe it was before 2009.

CORTEZ MASTO: So either you can choose only friends or friends of friends to decide how you're going to share that — protect that data, correct?

ZUCKERBERG: Those are two of the options, yes.

4/22/2018
Transcript of Mark Zuckerberg's Senate Hearing - The Washington Post
CORTEZ MASTO: Okay. And in 2011 when the FTC started taking a look at this, they were concerned that if somebody chose only friends, that the individual user was under the impression they could continue to restrict sharing of data to a limited audience, but that wasn't the case.

And, in fact, selecting friends only did not prevent users' information from being shared with third — third-party applications their friend used. Isn't that the case, and that's why the FTC was looking at — at you and making that change? Because there was concern that if you had friends on your page, a third party could access that information. Isn't that correct?

ZUCKERBERG: Senator, I don't remember the exact context that the ...

CORTEZ MASTO: So let me — let me help you here. Because David Vladeck who was — spent nearly four years as director of the Federal Trade Commission's Bureau of Consumer Protection, where he worked, including on the FTC's enforcement case against Facebook, basically identifies in this article that was the case.

That not only did Facebook misrepresent — and that's why there were eight counts of deceptive acts and practices — the actual FTC, in November's 2011 decree, basically stated — required Facebook to give users clear and conspicuous notice and to obtain affirmative — let me jump back here — to do three things. The decree barred Facebook from making any further deceptive privacy claims or — and it required Facebook get consumers' approval before changing the way it shares their data. And most importantly, the third thing, it required Facebook to give users clear and conspicuous notice and to obtain affirmative express consent before sharing their data with third parties. That was part of the FTC consent decree, correct?

ZUCKERBERG: Senator, that sounds right to me.

CORTEZ MASTO: Okay. So at that time, you're on notice that there were concerns about the sharing of data and information — users' data including those friends — with third parties, correct?

ZUCKERBERG: Senator, my understanding ...

CORTEZ MASTO: Well, let me ask you this. Let me do it this way. In response to the FTC consent to make those changes, did you make those changes and what did you do to ensure individuals' user data was protected and they had notice of that information and that potentially third parties would be accessing that and they had to give express consent? What did you specifically do in response to that?

ZUCKERBERG: Senator, a number of things. One of the most important parts of the FTC consent decree that we signed was establishing a robust privacy program at the company, headed by our chief privacy officer, Erin Egan. We're now ...

CORTEZ MASTO: Can you give me specifics? And I know — and — and I've heard this over and over again. I'm running out of time. But here's the concern that I have. It can't be a privacy policy because that's what the consent said it couldn't be.

It had to be something very specific, something very simple, like you've heard from my colleagues. And that did not occur. Had that occurred, we wouldn't be here today talking about Cambridge Analytica.

an impact to talk about that through an ad, that would be labeled as political, which is different than current standards of what is political and issue advocacy.

Is it your intent to label things political that would be in contradiction to federal law?

ZUCKERBERG: Senator, the intent of what we're trying to get at is the foreign election interference we've seen has taken more of the form of issue ads than direct political electioneering advertising. So because of that, we think it's important to extend the verification and transparency to issue ads in order to block the kind of interference that the Russians attempted to do, and I think will likely continue to attempt to do. That's why I think those measures are important to do.

GARDNER: Thank you.

ZUCKERBERG: Thank you, Senator Gardner. Senator Tester.

TESTER: Thank you, Mr. Chairman. I want to thank you for being here today, Mark. I appreciate you coming in. I hope this isn't the last time we see you in front of committee. I know this is — we're approaching five hours, so it's been a little tenuous. Some mental gymnastics for all of us, and I just want to thank you for being here.

Facebook is an American company, and with that, I believe you've got a responsibility to protect American liberties central to our privacy. Facebook allowed a foreign company to steal private information. They allowed a foreign company to steal private information from tens of millions of Americans, largely without any knowledge of their own.

Who and how we choose to share opinions is question of personal freedom. Who we share our likes and dislikes with is a question of personal freedom. This is a troubling episode that completely shatters that's liberty, so that you understand the magnitude of this. Montanans deeply concerned — they are deeply concerned with this breach of privacy and trust.

TESTER: So you've been at this nearly five hours today. So besides taking reactive steps — and I want you to be as concise as you possibly can — what are you doing to make sure what Cambridge Analytica did, never happens again?

ZUCKERBERG: Thank you, senator.

There are three important steps that we're taking here. For Cambridge Analytica, first of all, we need to finish resolving this by doing a full audit of their systems to make sure that they delete all the data that they have and so we can fully understand what happened. There are two sets of steps that we're taking to make sure that this doesn't happen again.

The most important is restricting the amount of accessed information that developers will have going forward. The good news here is that back in 2014, we actually had already made a large change to restrict access on the platform that would have prevented this issue with Cambridge Analytica from happening again today. Clearly we did not do that soon enough.

If we'd done it a couple of years earlier, then we probably wouldn't be sitting here today. But this isn't a change that we had to take now in 2018, it's largely a change that we made back in 2014.

TESTER: Okay.

ZUCKERBERG: There were other parts of the platform that we also similarly can lock down now to make sure that other issues that might have been exploited, in the future won't be able to. And we've taken a number of those steps and I've outlined those in — in my written statement as well.

TESTER: I appreciate that. And you feel confident that the actions you've taken thus far — whether it was ones back in 2014 or the one that you just talked about, about locking the other parts — will adequately protect the folks that use Facebook?

ZUCKERBERG: Senator, I believe so ...

TESTER: Okay.

ZUCKERBERG: ... although security is never a solved problem.

TESTER: That's all I need. You talked about a full audit of the — of Cambridge Analytica systems. Can you do a full audit if that information's stored somewhere — some other country?

ZUCKERBERG: Senator, if — right now, we're waiting on the audit because the U.K. government is doing a government investigation of them.

TESTER: Okay, but ...

ZUCKERBERG: And I do believe that the government will have the ability to get into the systems even if we can't ...

TESTER: If information is stored in the U.K., but what if it's stored some other country? What if the information is stored in some other country? Can — is — is an audit even possible?

ZUCKERBERG: Well, senator, we believe a bunch of the information that we — that we will be able to audit. I think you raise an important question and if we have issues, then we — if we are not able to do an audit to our satisfaction, we are going to take legal action to enable us to do that. And if — and also, I know that the U.K. and U.S. governments are also involved in working on this as well.

TESTER: Yes, I don't — I don't really — I'm telling you, I — I have faith in the U.S. government. I really actually have faith in the U.K. too. I — there have been claims that this information is being stored in Russia. I don't care, it could be stored anywhere in the world. I don't know how you get access to that information. I'm not as smart as you are about tech information.

And so the question really becomes — and I got to move on — but the question is I don't see how you can perform a full audit if they've got stuff stored somewhere else that we can't get access to. That's all. Maybe you have other ideas on how to do that.

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Transcript of Mark Zuckerberg's Senate Hearing - The Washington Post
ZUCKERBERG: Well, I think we'll know once we get in there whether we feel like we can fully investigate everything.

TESTER: Just real quickly. Senator Schatz asked a question earlier about — about data and who owns the data. I want to dig into it a little bit more. You said — and I think multiple times during this hearing — that I own the data on Facebook if it's my data.

ZUCKERBERG: Yes.

TESTER: And — and I'm going to tell you that I think that that sounds really good to me. But in practice — let's think about this for a second. You're making about \$40 billion bucks a year on the data. I'm not making any money on it. It feels like you own the data. And in fact, I would say that the — the data that was — that was breached through Cambridge Analytic, which impacted — and correct me if these numbers are wrong — some 80 million Americans.

TESTER: My guess is that few, if any, knew that that information was being breached. If I own that data, I know it's being breached. So could — could you give me some sort of idea on how you can really honestly say it's my data when, quite frankly, they may have goods on me. I don't — I don't want them to have any information on me.

ZUCKERBERG: Senator, when I say ...

TESTER: Because if I own it, I can stop it.

ZUCKERBERG: Yes. So, senator, when I say it's your data, what we mean is that you have control over how its used on Facebook. You clearly need to give Facebook a license to use it within our system.

TESTER: Yes.

ZUCKERBERG: Or else — or else the service doesn't work.

TESTER: Yes, I know and this license has brought up — been brought up many times a day, and I'm going to be quiet in just one second, Mr. Chairman. But the fact is, is the license is very thick, maybe intentionally, so people get tired of reading it, and don't want to.

Look, Mark, I appreciate you being here. I look forward to having another hearing. Thank you.

THUNE: Senator Young.

YOUNG: Mr. Zuckerberg, thanks so much being here and enduring the many questions today. I think its important you're here, because social media — your social media platform happens to be the ubiquitous social media platform, and there's not a senator that you heard from today that isn't on Facebook, that doesn't communicate with our constituents through Facebook. In a sense, we have to be on it, and so I think its especially important that you're here, not just for Facebook, but really for our country and beyond.

Whether I know you got plenty time around your corporation, through your corporation or privately, anything you can do to reduce this cynicism because we have a — a perfect constitution, maybe it's not perfect, but we got a very good constitution — the longest one written constitution in the history of man — mankind.

And — but if people don't have faith in the institutions of government, and then it's — it's our responsibility to enhance that faith so they have less cynicism in us, you know, we don't have a very strong democracy just because we've got a good constitution.

GRASSLEY: So I hope that everybody will do whatever they can to help enhance respect for government, including speaking to myself. I got to bend over backwards to do what I can so they don't — so I don't add to that cynicism.

So, I'm sorry you had to listen to me.

(LAUGHTER)

And so, this concludes today's hearing. Thanks to all the witnesses (sic) for attending.

The record will be open for 14 days for the members to submit additional written questions and for the witness, Mr. Zuckerberg, to make any corrections to his testimony.

The hearing is adjourned.

List of Panel Members and Witnesses

PANEL MEMBERS:

SENATE COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE

SEN. JOHN THUNE, R-S.D., CHAIRMAN

SEN. ROGER WICKER, R-MISS.

SEN. ROY BLUNT, R-MO.

SEN. DEAN HELLER, R-NEV.

SEN. TED CRUZ, R-TEX.

SEN. DEB FISCHER, R-NEB.

SEN. RON JOHNSON, R-WIS.

EXHIBIT 194

[washingtonpost.com](https://www.washingtonpost.com)

Transcript of Zuckerberg's appearance before House committee

Transcript courtesy of Bloomberg Government

256-326 minutes

From alleged political bias to his personal character, here were the big issues from Facebook CEO Mark Zuckerberg's hearings on Capitol Hill. (Jhaan Elker/The Washington Post)

Facebook chief executive Mark Zuckerberg appeared before the House Energy and Commerce Committee Wednesday for his second day of questioning on the Hill. Below is a partial transcript of the hearing.

[\[Transcript of Mark Zuckerberg's Senate hearing\]](#)

REP. GREG WALDEN (R-ORE.): Okay. I'd ask our guests to please take their seats so we can get started. The Committee on Energy And Commerce will now come to order.

WALDEN: Before my opening statement, just as a reminder to our committee members on both sides, it's another busy day at Energy and Commerce. In addition, as you will recall, to this morning's Facebook hearing, later today, our Health Subcommittee will hold its third in the series of legislative hearings on solutions to combat the opioid crisis.

And, remember, Oversight and Investigations Subcommittee will hold a hearing where we will get an update on the restoration of Puerto Rico's electric infrastructure following last year's hurricane season.

So, just a reminder: When this hearing concludes, I think we have votes on the House floor. Our intent is to get through every — every member before that point, to be able to ask questions. But then, after the votes, we will come back into our subcommittees to do that work. As Ray Baum used to say, “The fun never stops.”

[\[Facebook's Zuckerberg survived 10 hours of questioning by Congress\]](#)

The chair now recognizes himself for five minutes for purposes of an opening statement.

Good morning. Welcome, Mr. Zuckerberg, to the Energy and Commerce Committee in the House. We've called you here today for two reasons. One is to examine the alarming reports regarding breaches of trust between your company, one of the biggest and most powerful in the world, and its users. And the second reason is to widen our lens to larger questions about the fundamental relationship tech companies have with their users.

The incident involving Cambridge Analytica and the compromised personal information of approximately 87 million American users — or mostly American users — is deeply disturbing to this committee. The American people are concerned about how Facebook protects and profits from its users' data.

In short, does Facebook keep its end of the agreement with its

users? How should we, as policymakers, evaluate and respond to these events? Does Congress need to clarify whether or not consumers own or have any real power over their online data? Have edge providers grown to the point that they need federal supervision?

You and your co-founders started a company in your dorm room that's grown to one — be one of the biggest and most successful businesses in the entire world.

Through innovation and quintessentially American entrepreneurial spirit, Facebook and the tech companies that have flourished in Silicon Valley join the legacy of great American companies who built our nation, drove our economy forward, and created jobs and opportunity. And you did it all without having to ask permission from the federal government and with very little regulatory involvement.

The company you created disrupted entire industries and has become an integral part of our daily lives. Your success story is an American success story, embodying our shared values of freedom of speech, freedom of association and freedom of enterprise.

Facebook also provides jobs for thousands of Americans, including my own congressional district, with data centers in Prineville. Many of our constituents feel a genuine sense of pride and gratitude for what you've created, and you're rightly considered one of the era's greatest entrepreneurs.

This unparalleled achievement is why we look to you with a special sense of obligation and hope for deep introspection.

While Facebook has certainly grown, I worry it may not have matured. I think it's time to ask whether Facebook may have moved too fast and broken too many things.

There are critical unanswered questions surrounding Facebook's business model and the entire digital ecosystem regarding online privacy and consumer protection. What exactly is Facebook? Social platform? Data company? Advertising company? A media company? A common carrier in the information age? All of the above? Or something else?

WALDEN: Users trust Facebook with a great deal of information; their name, home town, email, phone number, photos, private messages, and much, much more. But, in many instances, users are not purposefully providing Facebook with data. Facebook collects this information while users simply browse other websites, shop online or use a third-party app.

People are willing to share quite a bit about their lives online, based on the belief they can easily navigate and control privacy settings and trust that their personal information is in good hands. If a company fails to keep its promises about how personal data are being used, that breach of trust must have consequences.

Today we hope to shed light on Facebook's policies and practices surrounding third-party access to and use of user data. We also hope you can help clear up the considerable confusion that exists about how people's Facebook data are used outside of the platform.

We hope you can help Congress, but, more importantly, the American people better understand how Facebook user

information has been accessed by third parties, from Cambridge Analytica and Cubeyou, to the Obama for America presidential campaign.

And we ask that you share any suggestions you have for ways policymakers can help reassure our constituents that data they believe was only shared with friends or certain groups remains private to those circles.

As policymakers, we want to be sure that consumers are adequately informed about how their online activities and information are used. These issues apply not just to Facebook, but equally to the other internet-based companies that collect information about users online.

So, Mr. Zuckerberg, your expertise in this field is without rival. So thank you for joining us today to help us learn more about these vital matters and to answer our questions.

With that, I yield now to the gentleman from New Jersey, the ranking member of the Energy and Commerce Committee, my friend, Mr. Pallone, for five minutes for purposes of an opening statement.

REP. FRANK PALLONE JR. (D-N.J.): Thank you, Mr. Chairman. And I also want to thank you Mr. Zuckerberg for being here today.

Facebook has become integral to our lives. We don't just share pictures of our families, we use it to connect for school, to organize events and to watch baseball games.

Facebook has enabled everyday people to spur national political movements. Most of us in Congress use Facebook to reach our constituents in ways that were unimaginable 10 years ago, and

this is certainly a good thing.

But it also means that many of us can't give it up easily. Many businesses have their only web presence on Facebook, and, for professions like journalism, people's jobs depend on posting on the site.

And this ubiquity comes with a price; for all the good it brings, Facebook can be a weapon for those, like Russia and Cambridge Analytica, that seek to harm us and hack our democracy.

Facebook made it too easy for a single person — in this instance, Aleksandr Kogan — to get extensive personal information about 87 million people. He sold this data — Cambridge Analytical [sic] — who used it to try to sway the 2016 presidential election for the Trump campaign.

And Facebook made itself a powerful tool for things like voter suppression, in part by opening its platform to app developers with little or no oversight.

But it gets worse. The fact is no one knows how many people have access to the Cambridge Analytical [sic] data, and no one knows how many other Cambridge Analyticas are still out there.

Shutting down access to data to third parties isn't enough, in my opinion. Facebook and many other companies are doing the same thing: They're using people's personal information to do highly targeted product and political advertising.

And Facebook is just the latest in a never-ending string of companies that vacuum up our data, but fail to keep it safe. And this incident demonstrates yet again that our laws are not working.

Making matters worse, Republicans here in Congress continue to block or even repeal the few privacy protections we have. In this era of nonstop data breaches, last year, Republicans eliminated existing privacy and data security protections at the FCC.

PALLONE: And their justification that those protections were not needed because the Federal Trade Commission has everything under control — well, this latest disaster shows just how wrong the Republicans are.

The FTC used every tool Republicans have been willing to give it, and those tools weren't enough. And that's why Facebook acted like so many other companies, and reacted only when it got bad press.

We all know this cycle by now. Our data is stolen. The company looks the other way. Eventually, reporters find out, publish a negative story, and the company apologizes. And Congress then holds a hearing, and then nothing happens.

By not doing its job, this Republican-controlled Congress has become complicit in this nonstop cycle of privacy by press release. And this cycle must stop, because the current system is broken.

So I was happy to hear that Mr. Zuckerberg conceded that his industry needs to be regulated, and I agree. We need comprehensive privacy and data security legislation.

We need baseline protections that stretch from Internet service providers, to data brokers, to app developers and to anyone else who makes a living off our data. We need to figure out how to make sure these companies act responsibly, even before the

press finds out.

But, while securing our privacy is necessary, it's not sufficient. We need to take steps immediately to secure our democracy. We can't let what happened in 2016 happen again.

And, to do that, we need to learn how Facebook was caught so flat-footed in 2016. How was it so blind to what the Russians and others were doing on its systems? Red flags were everywhere. Why didn't anyone see them? Or were they ignored?

So today's hearing is a good start. But we also need to hold additional hearings where we hold accountable executives from other tech companies, Internet service providers, data brokers and anyone else that collects our information.

Now, Congresswoman Schakowsky from Illinois and I introduced a bill last year that would require companies to implement baseline data security standards. And I plan to work with my colleagues to draft additional legislation.

But I have to, say Mr. Chairman, it's time for this committee and this Congress to pass comprehensive legislation to prevent incidents like this in the future.

My great fear is that we have this hearing today, there's a lot of press attention — and, Mr. Zuckerberg, you know, appreciate your being here once again — but, if all we do is have a hearing and then nothing happens, then that's not accomplishing anything.

And — and I — you know, I know I sound very critical of the Republicans and their leadership on this — on these privacy issues. But I've just seen it — I've just seen it over and over

again — that we have the hearings, and nothing happens. So excuse me for being so pessimistic, Mr. Chairman, but that's where I am.

I yield back.

WALDEN: I think I thank the gentleman for his opening comments.

(LAUGHTER)

With that, we now conclude with member opening statements. The chair would like to remind members that, pursuant to the committee rules, all members' opening statements will be made part of the record.

Today, we have Mr. Mark Zuckerberg, Chairman and CEO of Facebook Incorporated, here to testify before the full Energy and Commerce Committee. Mr. Zuckerberg will have the opportunity to give a five-minute opening statement, followed by a round of questioning from our members.

So thank you for taking the time to be here, and you are now recognized for five minutes.

ZUCKERBERG: Thank you.

Chairman Walden, Ranking Member Pallone and members of the committee, we face a number of important issues around privacy, security and democracy. And you will rightfully have some hard questions for me to answer.

Before I talk about the steps we're taking to address them, I want to talk for a minute about how we got there. Facebook is an idealistic and optimistic company. For most of our existence, we

focused on all the good that connecting people can bring.

And, as Facebook has grown, people everywhere have gotten a powerful new tool for staying connected to the people they care about most, for making their voices heard and for building community and businesses.

Just recently, we've seen the "Me Too" movement and the March for Our Lives organized, at least part, on Facebook. After Hurricane Harvey, people came together and raised more than \$20 million for relief. And there are more than 70 million small businesses around the world that use our tools to grow and create jobs.

ZUCKERBERG: But it's clear now that we didn't do enough to prevent these tools from being used for harm, as well. And that goes for fake news, foreign interference in elections and hate speech, as well as developers and data privacy. We didn't take a broad enough view of our responsibility, and that was a big mistake.

It was my mistake, and I am sorry. I started Facebook, I run it, and, at the end of the day, I am responsible for what happens here. So, now, we have to go through every part of our relationship with people to make sure that we're taking a broad enough view of our responsibility.

It's not enough to just connect people. We have to make sure those connections are positive. It's not enough to just give people a voice. We need to make sure that voice isn't used to harm other people or spread misinformation. And it's not enough to just give people control of their information. We need to make sure

that the developers that they share it with protect their information too.

Across the board, we have a responsibility to not just give people tools, but to make sure that those tools are used for good.

It's going to take some time to work through all the changes we need to make. But I am committed to getting this right, and that includes the basic responsibility of protecting people's information, which we failed to do with Cambridge Analytica.

So here are a few key things that we're doing to address this situation and make sure that this doesn't happen again.

First, we're getting to the bottom of exactly what Cambridge Analytica did, and telling everyone who may have been affected. What we know now is that Cambridge Analytica improperly obtained some information about millions of Facebook members by buying it from an app developer that people had shared it with.

This information was generally information that people share publicly on their profile pages, like their name and profile picture and the list of pages that they follow. When we first contacted Cambridge Analytica, they told us that they had deleted the data. And then, about a month ago, we heard a new report that suggested that this was not true.

So now we're working with governments in the U.S., the U.K. and around the world to do a full audit of what they've done and to make sure that they get rid of any data that they still have.

Second, to make sure that no other app developers are out there misusing data, we're now investigating every single app that had access to a large amount of people's information on Facebook in

the past. And, if we find someone that improperly used data, we're going to ban them from our platform and tell everyone affected.

Third, to prevent this from ever happening again, we're making sure developers can't access as much information, going forward. The good news here is that we made some big changes to our platform in 2014 that would prevent this specific instance with Cambridge Analytica from happening again today.

But there's more to do, and you can find more of the details of the other steps we're taking in the written statement I provided.

My top priority has always been our social mission of connecting people, building community and bringing the world closer together. Advertisers and developers will never take priority over that for as long as I am running Facebook.

I started Facebook when I was in college. We've come a long way since then. We now serve more than 2 billion people around the world, and, every day, people use our services to stay connected with the people that matter to them most.

I believe deeply in what we're doing, and I know that, when we address these challenges, we'll look back and view helping people connect and giving more people a voice as a positive force in the world.

I realize the issues we're talking about today aren't just issues for Facebook and our community; they're challenges for all of us as Americans. Thank you for having me here today, and I am ready to take your questions.

WALDEN: Thank you, Mr. Zuckerberg.

I'll start out, and we'll go into the questioning phase. We'll go back and forth, as we always do. Remember, it's four minutes today, so we can get to everyone.

Mr. Zuckerberg, you've described Facebook as a company that connects people and as a company that's idealistic and optimistic. I have a few questions about what other types of companies Facebook may be.

Facebook has created its own video series, starring Tom Brady, that ran for six episodes and has over 50 million views. That's twice the number of the viewers that watched the Oscars last month. Also, Facebook's obtained exclusive broadcasting rights for 25 major league baseball games this season.

Is Facebook a media company?

ZUCKERBERG: Thank you, Mr. Chairman.

I consider us to be a technology company, because the primary thing that we do is have engineers who write code and build products and services for other people.

There are certainly other things that we do, too. We — we do pay to help produce content. We build enterprise software, although I don't consider us an enterprise software company. We build planes to help connect people, and I don't consider ourselves to be an aerospace company.

But, overall, when people ask us if we're a media company, what — what I hear is, “Do we have a responsibility for the content that people share on Facebook?” And I believe the answer to that question is yes.

WALDEN: All right, let me ask the next one. You can send money to friends on Facebook Messenger using a debit card or a PayPal account to, quote, “split meals, pay rent and more,” close quote. People can also send money via Venmo or their bank app. Is Facebook a financial institution?

ZUCKERBERG: Mr. Chairman, I do not consider ourselves to be a financial institution, although you're right that we do provide tools for people to send money.

WALDEN: So you've mentioned several times that you started Facebook in your dorm room in 2004; 15 years, 2 billion users and several — unfortunately — breaches of trust later, Facebook's today — is Facebook today the same kind of company you started with a Harvard.edu email address?

ZUCKERBERG: Well, Mr. Chairman, I think we've evolved quite a bit as a company. When I started it, I certainly didn't think that we would be the ones building this broad of a community around the world. I thought someone would do it. I didn't think it was going to be us. So we've definitely grown.

WALDEN: And — and you've recently said that you and Facebook have not done a good job of explaining what Facebook does. And so, back in 2012 and 2013, when a lot of this scraping of user and friend data was happening, did it ever cross your mind that you should be communicating more clearly with users about how Facebook is monetizing their data?

I understand that Facebook does not sell user data, per se, in the traditional sense, but it's also just as true that Facebook's user data is probably the most valuable thing about Facebook. In fact,

it may be the only truly valuable thing about Facebook.

Why wasn't explaining what Facebook does with users' data a higher priority for you as a co-founder and — and now as CEO?

ZUCKERBERG: Mr. Chairman, you're right that we don't sell any data. And I would say that we do try to explain what we do as — as time goes on. It's a — it's a broad system.

You know, every day, about 100 billion times a day, people come to one of our products, whether it's Facebook or Messenger or Instagram or WhatsApp, to put in a piece of content, whether it's a — a photo that they want to share or a message they want to send someone.

And, every time, there's a control right there about who you want to share it with. Do you want to share it publicly, to broadcast it out to everyone? Do you want to share it with your friends, a specific group of people? Do you want to message it to just one — one person or a couple of people? That's the most important thing that we do. And I think that, in the product, that's quite clear.

I do think that we can do a better job of explaining how advertising works. There is a common misperception, as you say, that is just reported — often keeps on being reported, that, for some reason, we sell data.

ZUCKERBERG: I can't be clearer on this topic: We don't sell data. That's not how advertising works, and I do think we could probably be doing a clearer job explaining that, given the misperceptions that are out there.

WALDEN: Given the situation, are — can you manage the issues that are before you? Or does Congress need to intercede? I'm

going to leave that, because I'm out — I'm over my time — that and I want an issue the Vietnam Veterans of America have raised, too. And we'll get back with your staff on that about some fake pages that are up.

But I want to stay on schedule, so, with that, I'll yield to Mr. Pallone for four minutes.

PALLONE: Thank you.

I — Mr. Zuckerberg, you talk about how positive and optimistic you are, and I'm — I guess I'm sorry, because I'm not. I don't have much faith in corporate America, and I certainly don't have much faith in their GOP allies here in Congress.

I really look at everything in — that this committee does, or most of what this committee does, in terms of the right to know. In other words, they — I always fear that people, you know, that go on Facebook — they don't necessarily know what's happening or what's going on with their data.

And so, to the extent that we could pass legislation, which I think we need — and you said that we probably should have some legislation — I want that legislation to give people the right to know, to empower them, to — to, you know, provide more transparency, I guess, is the best way to put. So I'm looking at everything through that sort of lens.

So just let me ask you three quick questions. And I'm going to ask you to answer yes or no, because of the time. Yes or no: Is Facebook limiting the amount or type of data Facebook itself collects or uses?

ZUCKERBERG: Congressman, yes. We limit a lot of the data

that we collect and use.

PALLONE: But, see, I — I don't see that in the announcements you've made. Like, you've made all these announcements the last few days about the changes you're going to make. And I don't really see how that — how those announcements or changes limit the amount or type of data that Facebook collects or uses in an effective way.

But let me go to the second one. Again, this is my concern — that users currently may not know or take affirmative action to protect their own privacy. Yes or no: Is Facebook changing any user default settings to be more privacy-protective?

ZUCKERBERG: Congressman, yes. In — in response to these issues, we've changed a lot of the way that our platform works, so, that way, developers can't get access to as much information.

PALLONE: But see, again, I don't see that in — in the changes you — that you propose. I don't really see any way that these user default settings — you're changing these user default settings in a way that is going to be more privacy protection. But let me — protective.

But let me go to the third one. Yes or no: Will you commit to changing all user default settings to minimize, to the greatest extent possible, the collection and user — and use of users' data? Can you make that commitment?

ZUCKERBERG: Congressman, we try to collect and — and give people the ability ...

(CROSSTALK)

PALLONE: But I'd like you to answer yes or no, if you could. Will you make the commitment to change all the user — to changing all the user default settings to minimize, to the greatest extent possible, the collection and use of users' data?

That's — I don't think that's hard for you to say yes to, unless I'm missing something.

ZUCKERBERG: Congressman, this is a complex issue that I think is — deserves more than a one-word answer.

PALLONE: Well, again, that's disappointing to me, because I think you should make that commitment. And maybe what we could do is follow up with you on this, if possible — if that's okay. We can do that follow-up?

ZUCKERBERG: Yes.

PALLONE: All right.

Now, you said yesterday that each of us owns the content that we put on Facebook and that Facebook gives some control to consumers over their content. But we know about the problems with Cambridge Analytica.

PALLONE: I know you changed your rules in 2014 and again this week, but you still allow third parties to have access to personal data. How can consumers have control over their data when Facebook doesn't have control over the data itself? That's my concern. Last question.

ZUCKERBERG: Congressman, what we allowed — what we allow with our developer platform is for people to choose to sign into other apps and bring their data with them. That's something

a lot of people want to be able to do.

The reason why we built the developer platform in the first place was because we thought it would be great if more experiences that people had could be more social, so if you could have a calendar that showed your friends' birthdays; if you could have an address book that had pictures of your friends in it; if you could have a map that showed your friends' addresses on it.

In order to do that, you need to be able to sign into an app, bring some of your data and some of your friends' data. And that's what we built.

Now, since then, we have recognized that that can be used for abuse, too. So we've limited it, so now people can only bring their data when they go to an app.

But that's something that a lot of people do on a day-to-day basis — is sign into apps and websites with their — with Facebook. And that's something that we're ...

PALLONE: I still don't ...

(CROSSTALK)

WALDEN: We're going to have to move on to our next question.

PALLONE: Yeah, I know. I still think that there's not enough — people aren't empowered enough to really make those decisions in a positive way.

WALDEN: The chair now recognizes a former chairman of the committee, Mr. Barton of Texas, for four minutes.

REP. JOE BARTON (R-TEX.): Well, thank you. And thank you, Mr. Zuckerberg for being here. People need to know that you're

here voluntarily. You're not here because you've been subpoenaed. So we appreciate that.

Sitting behind you — have a gentleman who used to be counsel for the committee, Mr. Jim Barnett. And, if he's affiliated with Facebook, you've got a good one. If he's not, he's just got a great seat. I don't know ...

(LAUGHTER)

... know what it is. I'm going to read you a question that I was asked. I got this through Facebook, and I've got dozens like this.

So, my first question: “Please ask Mr. Zuckerberg, why is Facebook censoring conservative bloggers such as Diamond and Silk? Facebook called them unsafe to the community. That is ludicrous. They hold conservative views. That isn't unsafe.”

What's your response to ...

ZUCKERBERG: Congressman, in that specific case, our team made an enforcement error. And we have already gotten in touch with them to reverse it.

BARTON: Well, Facebook does tremendous good. When — when I met you in my office, eight years ago — you don't remember that. But I've got a picture of you when you had curly hair and Facebook had 500 million users. Now, it's got over 2 billion. That's a success story in — in anybody's book.

It's such an integral part of, certainly, young Americans' lives that you need to work with Congress and the community to ensure that it is a neutral, safe and, to the largest extent possible, private platform. Do you agree with that?

ZUCKERBERG: Congressman, I do agree that we should work to give people the fullest free expression that is possible. That's what — when I talk about giving people a voice, that's what I care about.

BARTON: Okay.

Let's talk about children. Children can get a Facebook account of their own, I believe, starting at age 13. Is that not correct?

ZUCKERBERG: Congressman, that's correct.

BARTON: Okay. Is there any reason that we couldn't have just a no-data-sharing policy, period, until you're 18? Just — if you're a child with your own Facebook account, until you reach the age of 18, you know, it's — it's — you know, you can't share anything.

It's — it's their data, their picture — it doesn't — it doesn't go anywhere. Nobody gets to scrape it; nobody gets to access it. It's absolutely, totally private. Well, it's — for children. What's wrong with that?

ZUCKERBERG: Congressman, we have a number of measures in place to protect minors specifically. We make it so that adults can't contact minors who they — they aren't already friends with. We make it so that certain content that may be inappropriate for minors, we don't show.

The reality that we see is that teens often do want to share their opinions publicly, and that's a service that ...

BARTON: Will we let them opt in to do that?

ZUCKERBERG: Yes, we do.

BARTON: But don't — you know, unless they specifically allow it,

then don't allow it. That's my point.

ZUCKERBERG: Congressman, every time that someone chooses to share something on Facebook — you go to the app; right there, it says, “Who do you want to share with?” When you sign up for a Facebook account, it starts off sharing with just your friends.

If you want to share publicly, you have to specifically go and change that setting to be sharing publicly. Every time ...

BARTON: I'm — I'm about out of time. I — I actually use Facebook, and, you know, I know, if you take the time, you can go to your privacy and click on that. You can go to your settings and click on that.

You can pretty well set up your Facebook account to — to be almost totally private. But you have to really work at it. And my time's expired. Hopefully we can do some questions in writing as a follow-up.

Thanks, Mr. Chairman.

WALDEN: Absolutely. The chair now recognizes the gentleman from Illinois, Mr. Rush, for four minutes for questions.

REP. BOBBY L. RUSH (D-ILL.): Thank you, Mr. Chairman. Mr. Zuckerberg, welcome.

In the 1960s, our government, acting through the FBI and local police, maliciously tricked individuals and organizations into participating in something called COINTELPRO, which was a counterintelligence program where they tracked and shared information amongst civil rights activists, their political, social,

city, even religious affiliations. And I personally was a victim of COINTELPRO.

Your organization, your methodology, in my opinion, is similar. You're truncating the basic rights of the American promise of life, liberty and the pursuit of happiness by the wholesale invasion and manipulation of their right to privacy.

Mr. Zuckerberg, what is the difference between Facebook's methodology and the methodology of the American political pariah, J. Edgar Hoover?

ZUCKERBERG: Congressman, this is an important question because I think people often ask what the difference is between surveillance and what we do. And I think that the difference is extremely clear, which is that, on Facebook, you have control over your information.

The content that you share, you put there. You can take it down at any time. The information that we collect, you can choose to have us not collect. You can delete any of it, and, of course, you can leave Facebook if you want.

I know of no surveillance organization that gives people the option to delete the data that they have, or even know what — what they're collecting.

RUSH: Mr. Zuckerberg, you should be commended that Facebook has grown so big, so fast. It is no longer the company that you started in your dorm room. Instead, it's one of — great American success stories.

That much influence comes with enormous social responsibility, on which you have failed to act and to protect and to consider.

Shouldn't Facebook, by default, protect users' information? Why is the onus on the user to opt in to privacy and security settings?

ZUCKERBERG: Congressman, as I've said, every time that a person chooses to share something on Facebook, they're proactively going to the service and choosing that they want to share a photo, write a message to someone.

And, every time, there is a control right there — not buried in settings somewhere, but right there, when they're — when they're posting ...

RUSH: All right.

ZUCKERBERG: ... about who they want to share it with.

RUSH: Mr. Zuckerberg, I only have a few more seconds. In November 2017, (inaudible) reported that Facebook was — still allowed housing and work advertisements to systematically exclude advertisements to specific racial groups, an explicitly prohibited practice.

This is just one example where Facebook has allowed race — so race — race to improperly play a role. What has Facebook done, and what are you doing, to ensure that you are — that your targeted advertisements and other components of your platform are in compliance with federal laws such as the Civil Rights Act of 1968?

ZUCKERBERG: Congressman, since we learned about that, we've removed the option for advertisers to exclude ethnic groups from targeting.

RUSH: When did you do that?

WALDEN: The gentleman's time has expired.

We need to go now to the gentleman from Michigan, Mr. Upton, for four minutes.

REP. FRED UPTON (R-MICH.): Thank you, Mr. Chairman, and welcome to the committee.

A number of times in the last day or two, you've indicated that, in fact, you're now open to some type of regulation. And we know, of course, that you're the dominant social media platform without any true competitor, in all frankness. And you have hundreds, if not thousands, of folks that are — would be required to help navigate any type of regulatory environment.

Some would argue that a more regulatory environment might ultimately stifle new platforms and innovators some might describe as desperately needed competition; i.e., regulatory complexity helps protect those folks like you. It could create a harmful barrier to entry for some start-ups, particularly ones that might want to compete with you.

So should we policymakers up here be more focused on the needs of start-ups, over large incumbents? And what kind of policy regulation — regulatory environment would you want, instead of managing, maybe, a Fortune 500 company, if you were launching a start-up to — taking on the big guy?

ZUCKERBERG: Congressman, thank you, and let me say a couple of things on this. First, to your point about competition, the average American uses about eight different apps to communicate and stay connected to people.

So there's a lot of competition that we feel every day. And — and

that — that's — that's an important force that — that we — that we definitely feel when running the company.

Second, on your point about regulation, the Internet is growing in importance around the world in people's lives, and I think that it is inevitable that there will need to be some regulation.

So my position is not that there should be no regulation. But I also think that you have to be careful about what regulation you put in place for a lot of the reasons that you're saying.

I think, a lot of times, regulation, by definition, puts in place rules that a company that is larger, that has resources like ours, can easily comply with, but that might be more difficult for a smaller start-up to — to comply with.

ZUCKERBERG: So I think that all things that need to be thought through very carefully when — when thinking through what — what rules we want to put in place.

UPTON: And, to follow up a question with — that Mr. Barton asked about Silk and Diamond — I don't know whether you know about this particular case — I have a former state rep who's running for state senate. He's the former Michigan Lottery commissioner, so he's a guy of — of fairly good political prominence.

He is a — he announced for state senate just in the last week, and he had what I thought was a rather positive announcement. It's — and I'll read to you precisely what it was.

“I'm proud to announce my candidacy for state senate. Lansing needs conservative west Michigan values, and, as our next state senator, I will work to strengthen our economy, limit government,

lower our auto insurance rates, balance the budget, stop sanctuary cities, pay down government debt, be a pro-life, pro-2nd-Amendment lawmaker.”

And it was rejected. And the response from you all was it wasn't approved because it doesn't follow our advertising policies. We don't allow ads that contain shocking, disrespectful or sensational content, including ads that depict violence or threats of violence. I'm not sure where the threat was, based on what he tried to post.

ZUCKERBERG: Congressman, I'm not sure either. I'm not familiar with that specific case. It's quite possible that we made a mistake, and we'll follow up afterward to — on that.

UPTON: Okay.

ZUCKERBERG: Overall — yeah, we have — by the end of this year, we'll have about 20,000 people at the company who work on security and content-review-related issues.

But there's a lot of content flowing through the systems and a lot of reports, and, unfortunately, we don't always get these things right when people report it to us.

UPTON: Okay. Thank you.

WALDEN: Gentleman's time's expired.

Chair recognizes the gentlelady from California, Ms. Eshoo, for four minutes.

REP. ANNA G. ESHOO (D-CALIF.): Thank you, Mr. Chairman. Good morning, Mr. Zuckerberg.

First, I believe that our democratic institutions are undergoing a stress test in our country. And I believe that American companies

owe something to America.

I think the damage done to our democracy, relative to Facebook and its platform being weaponized, are incalculable. Enabling the cynical manipulation of American citizens for the purpose of influencing an election is deeply offensive, and it's very dangerous. Putting our private information on offer without concern for possible misuses, I think, is simply irresponsible.

I invited my constituents, going into the weekend, to participate in this hearing today by submitting what they want to ask you. And so my questions are theirs.

And, Mr. Chairman, I'd like unanimous consent to place all of their questions in the record.

WALDEN: Without objection.

ESHOO: So these are a series of just yes-no questions.

Do you think you have a moral responsibility to run a platform that protects our democracy? Yes or no.

ZUCKERBERG: Congresswoman, yes.

ESHOO: Have users of Facebook who are caught up in the Cambridge Analytica debacle been notified?

ZUCKERBERG: Yes. We are starting to notify people this week. We started Monday, I believe.

ESHOO: Will Facebook offer to all of its users a blanket opt-in to share their privacy data with any third-party users?

ZUCKERBERG: Congresswoman, yes. That's how our platform works. You have to opt in to sign in to any app before you use it.

ESHOO: Well, let — let me just add that it is a minefield in order to do that. And you have to make it transparent, clear, in pedestrian language, just once, “This is what we will do with your data. Do you want this to happen, or not?”

So I — I think that this is being blurred. I — I think you know what I mean by it. Are you aware of other third-party information mishandlings that have not been disclosed?

ZUCKERBERG: Congresswoman, no, although we are currently going through the process of investigating every ...

(CROSSTALK)

ESHOO: So you're not sure?

ZUCKERBERG: ... that had access to a large amount of data.

ESHOO: What does that mean?

ZUCKERBERG: It means that we're going to look into every app that had a large amount of access to data in the past, before we lock down the platform. I ...

ESHOO: So you're not aware.

(CROSSTALK)

ZUCKERBERG: ... because there are tens of thousands of apps, we will find some ...

(CROSSTALK)

ESHOO: All right. I — I only have four minutes.

ZUCKERBERG: ... and, when we find them ...

ESHOO: Was your data included in the data sold to the malicious

third parties? Your personal data?

ZUCKERBERG: Yes.

ESHOO: It was.

Are you willing to change your business model in the interest of protecting individual privacy?

ZUCKERBERG: Congresswoman, we are — have made and are continuing to make changes to reduce the amount of ...

ESHOO: No, are you willing to change your business model in the interest of protecting individual privacy?

ZUCKERBERG: Congresswoman, I'm not sure what that means.

ESHOO: Well, I'll follow up with you on it.

When did Facebook learn that Cambridge Analytica's research project was actually for targeted psychographic political campaign work?

ZUCKERBERG: Congresswoman, it might be useful to clarify what actually happened here. A developer does research ...

(CROSSTALK)

ESHOO: Well, no. I — I don't have time for a long answer, though. When did Facebook learn that? And, when you learned it, did you contact their CEO immediately? And, if not, why not?

ZUCKERBERG: Congresswoman, yes. When we learned in 2015 that a Cambridge University researcher associated with the academic institution that built an app that people chose to share their data with ...

ESHOO: We know what happened with them. But I'm asking you.

ZUCKERBERG: Yes. I'm answering your question.

ESHOO: Yes. All right.

ZUCKERBERG: When — when we learned about that, we ...

ESHOO: So, in 2015, you learned about it?

ZUCKERBERG: Yes.

ESHOO: And you spoke to their CEO immediately?

ZUCKERBERG: We shut down the app.

ESHOO: Did you speak to their CEO immediately?

ZUCKERBERG: We got in touch with them, and we asked them to — to — we commanded that they delete any of the data that they had, and their chief data officer told us that they had.

WALDEN: The gentlelady's time is expired.

ESHOO: Thank you.

WALDEN: Chair now recognize gentleman from Illinois, Mr. Shimkus, for four minutes.

REP. JOHN SHIMKUS (R-ILL.): Thank you, Mr. Chairman. Thank you for being here, Mr. Zuckerberg.

Two things: First of all, I want to thank Facebook. You streamlined our Congressional Baseball Game last year. We've got the managers here, and I was told that, because of that, we raised an additional \$100,000 for D.C. literacy and feeding kids and stuff.

So that's a — the other thing is, I — I usually put my stuff up on the TV. I don't want to do it very much, because my dad — and

he'd be mad if he went international, like you are — and he's been on Facebook for a long time. He's 88. It's been good for connecting with kids and grandkids.

I just got my mother involved on an iPad and — because she can't handle a keyboard. And so — and I did this last week. So the — in this world — activity — I still think there is a positive benefit for my parents to be engaged on this platform.

So — but there's issues, as being raised today. And so I'm going to go into a couple of those. Facebook made — developed access to user and friend data back in — your main update was in 2014. So the question is, what triggered that update?

ZUCKERBERG: Congressman, this is — this is an important question to clarify.

So, in 2007, we launched the platform in order to make it so that people could sign in to other apps, bring some of their information and some of their friends' information, to have social experiences.

This created a lot of innovative experiences — new games, companies like Zynga. There were companies that you're — that you're familiar with, like Netflix and Spotify — had integrations with this that allowed social experiences in their apps.

But, unfortunately, there were also a number of apps that used this for abuse, to collect people's data ...

SHIMKUS: So, if I can interrupt, it's just — you identified that there was possibly social scraping going on?

ZUCKERBERG: Yeah, there was abuse. And that's why, in 2014,

we took the step of fundamentally changing how the platform works. So, now, when you sign into an app, you can bring your information, and, if a friend has also signed into the app, then we'll — then the app can know that you're friends, so you can have a social experience in that app.

But, when you sign into an app, it now no longer brings information from other people.

SHIMKUS: Yeah. Let me go to your announcement of audits. Who's going to conduct the audit? We're talking about — are there other Cambridge Analytics [sic] out there?

ZUCKERBERG: Yes, Congressman. Good question. So we're going to start by doing an investigation, internally, of every single app that had access to a large amount of information, before we lock down the platform.

If we detect any suspicious activity at all, we are working with third-party auditors — I imagine there will have to be a number of them, because there are a lot of apps — and they will conduct the audit for us.

SHIMKUS: Yeah, I think we would hope that you would bring in a third party to help us ...

ZUCKERBERG: Yes.

SHIMKUS: ... clarify and have more confidence.

The last question I have is, in yesterday's hearing, you talked a — a little about Facebook tracking in different scenarios, including logged-off users. Can you please clarify as — how that works? And how does tracking work across different devices?

ZUCKERBERG: Yes, Congressman. Thank you for giving me the opportunity to clarify that.

So one — one of the questions is — is, what information do we track, and why, about people who are not signed into Facebook. We track certain information for security reasons and for ads reasons.

For security, it's to make sure that people who are not signed into Facebook can't scrape people's public information. You can — even when you're not signed in, you can look up the information that people have chosen to make public on their page, because they wanted to share it with everyone. So there's no reason why you should have to be logged in.

But, nonetheless, we don't want someone to be able to go through and download every single public piece of information. Even if someone chose to make it public, that doesn't mean that it's good to allow someone to aggregate it. So, even if someone isn't logged in, we track certain information, like how many pages they're accessing, as a security measure.

The second thing that we do is we provide an ad network that third-party websites and apps can run in order to help them make money. And those ads — you know, similar to what Google does and what the rest of the industry does — it's not limited to people who are just on Facebook.

So, for the purposes of that, we may also collect information to make it so that those ads are more relevant and work better on those websites. There's a control that — for that second class of information around ad targeting — anyone can turn off, has

complete control over it.

For obvious reasons, we do not allow people to turn off the — the measurement that we do around security.

WALDEN: The gentleman's time has expired.

We now turn to the gentleman from New York, Mr. Engel, for four minutes.

REP. ELIOT L. ENGEL (D-N.Y.): Thank you, Mr. Chairman.

Mr. Zuckerberg, you have roots in my district, the 16th congressional district of New York. I know that you attended Ardsley High School and — and grew up in Westchester County.

As you know, Westchester has a lot to offer, and I hope that you might commit to returning to Westchester County, perhaps to do a forum on — on this and some other things. I hope you would consider that. We'll — we'll be in touch — in touch with you. But I know that Ardsley High School's very proud of you.

You mentioned yesterday that Facebook was deceived by Aleksandr Kogan when he sold user information to Cambridge Analytica. Does Facebook, therefore, plan to sue Aleksandr Kogan, Cambridge University or Cambridge Analytica, perhaps, for unauthorized access to computer networks, exceeding access to computer networks or breach of contract? And why or why — why not?

ZUCKERBERG: Congressman, it's something that we're looking into. We already took action by banning him from the platform, and we're going to be doing a full audit to make sure that he gets rid of all the data that — that he — that he has, as well.

To your point about Cambridge University, what we've found now is that there's a whole program associated with Cambridge University where a number of researchers, not just Aleksandr Kogan — although, to our current knowledge, he's the only one who's sold the data to Cambridge Analytica — there were a number of other researchers who were building similar apps.

So we do need to understand whether there was something bad going on at Cambridge University overall that will require a stronger action from us.

ENGEL: You mentioned before, in your remarks, hate speech. We've seen the scale and reach of extremism balloon in the last decade, partially because of the expansion of social platforms.

Whether it's a white supremacist rally in Charlottesville that turned violent, or it's ethnic cleansing in Burma that resulted in the second-largest refugee crisis in the world, are you aware of any foreign or domestic terrorist organizations, hate groups, criminal networks or other extremist networks that have scraped Facebook user data?

And, if they have, and if they do it in the future, how would you go about getting it back or deleting it?

ZUCKERBERG: Congressman, we're not aware of any specific groups like that, that have — that have engaged in this. We are, as I've said, conducting a full investigation of any apps that had access to a large amount of data. And, if we find anything suspicious, we'll tell everyone affected.

We do not allow hate groups on Facebook, overall. So, if — if there's a group that — their primary purpose or — or a large part

of what they do is spreading hate, we will ban them from the platform, overall.

ENGEL: So do you adjust your — your algorithms to prevent individuals interested in violence or nefarious activities from being connected with other like-minded individuals?

ZUCKERBERG: Sorry. Can you repeat that?

ENGEL: Do you adjust your algorithms to prevent individuals interested in violence or bad activities from being connected with other like-minded individuals?

ZUCKERBERG: Congressman, yes. That's certainly an important thing that — that we need to do.

ENGEL: Okay. And, finally, let me say this. Many of us are very angry about Russian influence in the — in the 2016 presidential elections and Russian influence over our presidential elections.

Does Facebook have the ability to detect when a foreign entity is attempting to buy a political ad? And is that process automated? Do you have procedures in place to inform key government players when a foreign entity is attempting to buy a political ad or when it might be taking other steps to interfere in an election?

ZUCKERBERG: Congressman, yes. This is an extremely important area. After we were slow to identify the Russian information operations in 2016, this has become a top priority for our company — to prevent that from ever happening again, especially this year, in 2018, which is such an important election year with the U.S. midterms, but also major elections in India, Brazil, Mexico, Hungary, Pakistan and a number of other places.

So we're doing a number of things that — that I'm — that I'm happy to talk about, or follow up with afterward, around deploying new A.I. tools that can proactively catch fake accounts that Russia or others might create to spread misinformation.

And one thing that I'll — that I'll end on here, just because I — I know we're — we're running low on time, is, since the 2016 election, there have been a number of significant elections, including the French presidential election, the German election and, last year, the U.S. Senate Alabama special election.

ZUCKERBERG: And the A.I. tools that we deployed in those elections were able to proactively take down tens of thousands of fake accounts that may have been trying to do the activity that you're — that you're talking about. So our tools are getting better.

For as long as Russia has people who are employed, who are trying to perpetrate this kind of interference, it will be hard for — for us to guarantee that we're going to fully stop everything.

But it's an arms race, and I think that we're making ground and are — are doing better and better and are confident about how we're going to be able to do ...

(CROSSTALK)

WALDEN: Gentleman's time has expired.

ENGEL: Thank you.

WALDEN: Chair recognizes the chairman of the Health Subcommittee, Mr. — Dr. Burgess of Texas, for four minutes.

REP. MICHAEL C. BURGESS (R-TEX.): Thank you, Mr. Chairman, and thanks to our witness for — for being here today.

Mr. Chairman, I have a number of articles that I ask unanimous consent to insert into the record. I know I won't have time to get to all of my questions.

WALDEN: Without objection. And we put the slide up you requested.

BURGESS: And so I'm going to be submitting some questions for the record that are referencing these articles. One is "Friended: How the Obama Campaign Connected with Young Voters," by Michael Scherer; "We Already Know How to Protect Ourselves from Facebook," and I hope I get this name right — Zeynep Tufekci; and "It's Time to Break Up Facebook," by Eric Wilson, who, in the interest of full disclosure ...

WALDEN: Without objection.

BURGESS: ... was a former staffer. And I will be referencing those articles in — in some written questions.

I consulted my technology guru, Scott Adams, in the form of Dilbert, going back 21 years ago. And, when you took the shrink-wrap off of a piece of software that you bought, you were automatically agreeing to be bound by the terms and conditions.

So we've gone a long way from taking the shrimp wrap — shrink wrap off of a — off of an app. But I don't know that things have changed so much.

And, I guess, does Facebook have a position — a — a position that you recommend for elements of a company's terms and conditions that you encourage consumers to look at before they click on the acceptance?

ZUCKERBERG: Congressman, yes.

I think that it's really important for the service that people understand what they are doing and signing up for and how the service works. We have laid out all of what we do in the terms of service, because that's what is legally required of us.

BURGESS: Let me just ask you, because we're going to run short on time, do you have — have you laid out for people what it — would be indicative of a good actor, versus a less-than-good actor, in someone who's developed a — one of these applications?

ZUCKERBERG: Congressman, yes.

We have a developer terms of service, which is separate from the normal terms of service for — for individuals using the service.

BURGESS: Is the average consumer able to determine what elements would indicate poor or weak consumer protections, just by their evaluation of the terms and conditions? Do you think that's possible?

ZUCKERBERG: Congressman, I'm not sure what you mean by that.

BURGESS: Well, can you — can someone — can the average person — the average layperson look at the terms and conditions and make the evaluation, “Is this a strong enough protection for me to enter into this arrangement?”

Look, I'm as bad as anyone else. I see an app, I want it, I download it, I breeze through the stuff. Just take me to the — to

the good stuff in the app. But, if a consumer wanted to know, could they know?

ZUCKERBERG: Congressman, I think you're raising an important point, which is that I think, if someone wanted to know, they could. But I think that a lot of people probably just accept terms of service without taking the time to read through it.

I view our responsibility not as just legally complying with laying it out and getting that consent, but actually trying to make sure that people understand what's happening throughout the product.

That's why, every single time that you share something on Facebook or one of our services, right there is a control in line, where you control who — who you want to share with, because I don't just think that this is about a terms of service. It's contextual.

You — you want to present people with the information about what — what they might be doing and give them the relevant controls in line, at the time that they're making those decisions, not just have it be in the background sometime, or up front — make a one-time decision.

BURGESS: Yeah, let me move onto something else.

Mr. Pallone brought up the issue of — he wanted to see more regulation. We actually passed a bill through this committee last Congress dealing with data breach notification — not so much for Facebook, but for the credit card breaches — a good bill.

Many of the friends on the other side of the dais voted against it. But it was Ms. Blackburn's bill, and I think it's one we should consider again, in light of what is going on here.

But you also signed a consent decree back in 2011. And, you know, when I read through that consent decree, it's — it's pretty explicit. And there is a significant fine of \$40,000 per violation, per day. And, if you've got 2 billion users, you can see how those fines would mount up pretty quickly.

So, in the course of your audit, are you — are you extrapolating data for the people at the Federal Trade Commission for that — the terms and conditions of the consent decree?

WALDEN: It's time.

ZUCKERBERG: That is — I'm not sure what you mean by extrapolating data.

BURGESS: Well, you're — you've said — you've referenced there are audits that are ongoing. Are you making that information from those audits available to our friends at the — at the agency, at the Federal Trade Commission?

ZUCKERBERG: Congressman, as you know, the FTC is investigating this. And we are certainly going to be complying with them and working with them on that investigation.

WALDEN: Gentleman's time has expired.

Chair recognizes the gentleman from Texas, Mr. Green, for four minutes.

REP. GENE GREEN (D-TEX.): Thank you, Mr. Chairman, and welcome to our committee.

I want to follow up on what my — my friend from North Texas talked about on — on his cartoon. Next month, the General Data Protection Regulation — the GDPR — goes into effect in the

European Union.

The GDPR is pretty prescriptive on — prescriptive on how companies treat consumer data. And it makes it clear that consumers need to be in control of their own data.

Mr. Zuckerberg, Facebook has committed to abiding to these consumer protections in Europe, and you face large penalties if they don't. In recent days, you've said that Facebook intends to make the same settings available to users everywhere, not only in Europe.

Did I understand correctly that Facebook would not only make the same settings available, but that it will make the same protections available to Americans that they will the Europeans?

ZUCKERBERG: Yes, Congressman. All the same controls will be available around the world.

GREEN: Okay. And you commit today that Facebook will extend the same protections to Americans that European users — users will receive under the GDPR?

ZUCKERBERG: Yes, Congressman. We believe that everyone around the world deserves good privacy controls. We've had a lot of these controls in place for years. The GDPR requires us to do a few more things, and we're going to extend that to the world.

GREEN: There are many requirements in the GDPR, so I'm just going to focus on a few of them.

The GDPR requires that the company's request for user consent — to be requested in a clear and concise way, using language that is understandable, and be clearly distinguishable from other

pieces of information, including terms and conditions.

How will that requirement be implemented in the United States?

ZUCKERBERG: Congressman, we're going to put, at the top of everyone's app when they sign in, a tool that walks people through the settings and gives people the choices and — and asks them to make decisions on how they want their settings set.

GREEN: One of the GDPR's requirements is data portability. Users must be able to — permitted to request a full copy of their information and be able to share that information with any companies that they want to.

I know Facebook allows users in the U.S. to download their Facebook data. Does Facebook plan to use the currently existing ability of users to download their Facebook data as the means to comply with the GDPR's data portability requirement?

ZUCKERBERG: Congressman, I think we may be updating it a little bit. But, as you say, we've had the ability to download your information for years now. And people have the ability to see everything that — that they have in Facebook, to take that out, delete their account and move their data anywhere that they want.

GREEN: Does that download file include all the information Facebook has collected about any given individual?

In other words, if I download my Facebook information, is there other information accessible to you within Facebook that I wouldn't see on that document, such as browsing history or other inferences that Facebook has drawn from users for advertising purposes?

ZUCKERBERG: Congressman, I believe that all of your information is in that — that file.

GREEN: GDPR also gives users the right to object to the processing of their personal data for marketing purposes, which, according to Facebook's website, includes custom micro-target audiences for advertising.

Will the same right be object — to object be available to Facebook users in the United States? And how will that be implemented?

ZUCKERBERG: Congressman, I'm not sure how we're going to implement that yet. Let me follow up with you on that.

GREEN: Okay. Thank you, Mr. Chairman.

And again, is the small — Facebook conducted, a couple years ago, an effort in our district in Houston for our small businesses. And it was one of the most successful outreach I've seen. So I appreciate that outreach to helping small businesses use Facebook to market their products.

Thank you, Mr. Chairman.

WALDEN: Thank the gentleman.

The chair now recognizes the gentlelady from Tennessee, Ms. Blackburn, for four minutes.

REP. MARSHA BLACKBURN (R-TENN.): Thank you, Mr. Chairman.

Mr. Zuckerberg, I tell you, I think your cozy community, as Dr. Mark Jameson recently said, is beginning to look a whole lot like “The Truman Show,” where people's identities and relationships

are made available to people that they don't know. And then that data is crunched and it is used and they are fully unaware of this.

So I've got to ask you, I think what we're getting to here is, who owns the virtual you? Who owns your presence online?

And I'd like for you to comment. Who do you think owns an individual's presence online? Who owns their virtual you? Is it you or is it them?

ZUCKERBERG: Congresswoman, I believe that everyone owns their own content online. And that's — the first line of our terms of service, if you read it, says that.

BLACKBURN: And where does privacy rank as a corporate value for Facebook?

ZUCKERBERG: Congresswoman, giving people control of their information and how they want to set their privacy is foundational to the whole service. It's not just a — kind of an add-on feature, something we have to ...

BLACKBURN: Okay.

ZUCKERBERG: ... comply with.

BLACKBURN: Well ...

ZUCKERBERG: The reality is, if you have a photo — if you just think about this in your day-to-day life ...

BLACKBURN: No, I can't let you filibuster right now.

A constituent of mine who's a benefits manager brought up a great question in a meeting at her company last week. And she said, you know, health care, you've got HIPAA, you've got

Gramm-Leach-Bliley, you've got the Fair Credit Reporting Act. These are all compliance documents for privacy for other sectors of the industry. She was stunned, stunned, that there are no privacy documents that apply to — to you all.

And we've heard people say that — you know, and you've said you're considering, maybe you need more regulation. What we think is, we need for you to look at new legislation. And you're hearing there'll be more bills brought out in the next few weeks. But we have had a bill. The BROWSER Act, and I'm certain that you're familiar with this, is bipartisan. And I thank Mr. Lipinski and Mr. Lance and Mr. Flores for their good work on this legislation.

We've had it for over a year and certainly we've been working on this issue for about four years. And what this would do is have one regulator, one set of rules for the entire ecosystem.

And will you commit to working with us to pass privacy legislation, to pass the BROWSER Act? Will you commit to doing that?

ZUCKERBERG: Congresswoman, I'm not directly familiar with the details of what you just said. But I certainly think that regulation in this area ...

BLACKBURN: Okay, let's get — let's get familiar with the details.

As you have heard, we need some rules and regulations. This is only 13 pages. The BROWSER Act is 13 pages, so you can easily become familiar with it. And we would appreciate your help.

And I've got to tell you, as Mr. Green just said, as you look at the E.U. privacy policies, you're already doing much of that, if you're

doing everything you claim. Because you will have to allow consumers to control their data, to change, to erase it.

You have to give consumers opt-in so that mothers know — my constituents in Tennessee want to know that they have a right to privacy. And we would hope that that's important to you all.

I want to move on and ask you something else. And please get back to me once you've reviewed the BROWSER Act. I would appreciate hearing from you.

We've done one hearing on the algorithms. I chair Communications and Technology Subcommittee here. We're getting ready to do a second one on the algorithms. We're going to do one next week on prioritization.

So I'd like to ask you, do you subjectively manipulate your algorithms to prioritize or censor speech?

ZUCKERBERG: Congresswoman, we don't think about what we're doing as censoring speech.

I think that there are — there are types of content like terrorism that I think that we all agree we do not want to have on our service. So we build systems that can identify those and can remove that content, and we're very proud of that work.

BLACKBURN: Let me tell you something right now: I — Diamond and Silk is not terrorism.

WALDEN: Gentlelady's time's expired.

Chair recognizes gentlelady from Colorado, Ms. DeGette, for four minutes.

REP. DIANA DEGETTE (D-COLO.): Thank you very much, Mr.

Chairman.

Mr. Zuckerberg, we appreciate your contrition. And we appreciate your commitment to resolving these past problems.

From my perspective, though, and my colleagues on both sides of the aisle in this committee, we're interested in looking forward to preventing this kind of activity; not just with Facebook but with others in your industry.

And as has been noted by many people already, we've been relying on self-regulation in your industry for the most part. We're trying to explore what we can do to prevent further breaches.

So I'm going to ask you a whole series of fairly quick questions. They should only require yes-or-no answers.

Mr. Zuckerberg, at the end of 2017, Facebook had a total shareholder equity of just over \$74 billion. Is that correct?

ZUCKERBERG: Sorry, Congresswoman, I'm not familiar with ...

DEGETTE: At the end of 2017, Facebook had a total shareholder equity of over \$74 billion, correct?

ZUCKERBERG: Of over that?

DEGETTE: That's correct. You're the CEO, do you know ...

ZUCKERBERG: The market cap of the company was greater than that, yes.

DEGETTE:

Greater than \$74 billion.

Last year, Facebook earned a profit of \$15.9 billion on \$40.7 billion in revenue, correct? Yes or no.

ZUCKERBERG: Yes.

DEGETTE: Now, since the revelations surrounding Cambridge Analytica, Facebook has not noticed a significant increase in users deactivating their accounts. Is that correct?

ZUCKERBERG: Yes.

DEGETTE: Now, since the revelations surrounding Cambridge Analytica, Facebook has also not noticed a decrease in user interaction on Facebook. Correct?

ZUCKERBERG: Yes, that's correct.

DEGETTE: Okay. Now, I want to take a minute to talk about some of the civil and regulatory penalties that we've been seeing.

I'm aware of two class-action lawsuits that Facebook has settled relating to privacy concerns: Lane v. Facebook was settled in 2010. That case resulted in no money being awarded to Facebook users. Is that correct?

ZUCKERBERG: Congresswoman, I'm not familiar with the details of that.

DEGETTE: Do you — you're — you're the CEO of the company, correct?

ZUCKERBERG: Yes.

DEGETTE: Now, there — this — this major lawsuit was settled. Do you know — do you know about the lawsuit?

ZUCKERBERG: Congresswoman, I — I get briefed on — on these things ...

(CROSSTALK)

DEGETTE: Do you know about this lawsuit, Lane v. Facebook?
Yes or no?

ZUCKERBERG: I'm not familiar with the details of it.

DEGETTE: Okay. If you can supplement — I'll just tell you, there was this lawsuit, and the users got nothing.

In another case, Fraley v. Facebook, it resulted in a 2013 settlement fund of \$20 million being established, with \$15 individual payment — payouts to Facebook users, beginning in 2016. Is that correct?

ZUCKERBERG: Congresswoman, I'm not familiar with ...

(CROSSTALK)

DEGETTE: You don't know about that one either.

ZUCKERBERG: I — I ...

DEGETTE: Okay. Well, I'll tell you it happened.

ZUCKERBERG: ... I discuss them with — with our team, but I don't remember the exact details of them.

DEGETTE: Okay. Now, as the result of a 2011 FTC investigation into Facebook's privacy policy — do you know about that one?

ZUCKERBERG: The FTC investigation?

DEGETTE: Yes.

ZUCKERBERG: Yes.

DEGETTE: Okay. You entered into a consent decree with the FTC which carried no financial penalty for Facebook. Is that correct?

ZUCKERBERG: Congresswoman, I don't remember if we had a financial penalty.

DEGETTE: You're the CEO of the company, you entered into a consent decree, and you don't remember if you had a financial penalty?

ZUCKERBERG: I — I remember the consent decree. The consent decree is extremely important to how we operate the company.

DEGETTE: Yes. I would think a financial penalty would be, too.

Okay, well, the reason you probably don't remember is because the FTC doesn't have the authority to issue financial penalties for first-time violations.

The reason I'm asking these questions, sir, is because we continue to have these abuses and these — and these data breaches, but, at the same time, it doesn't seem like future activities are prevented.

And so I think one of the things that we need to look at in the future, as we work with you and others in the industry, is putting really robust penalties in place in case of — of improper actions.

And that's why I ask these questions.

WALDEN: The gentlelady's time is expired.

Chair recognizes the gentleman from Louisiana, the whip of the House, Mr. Scalise, for four minutes.

REP. STEVE SCALISE (R-LA.): Thank you, Mr. Chairman. And, Mr. Zuckerberg, I appreciate you coming here. I know, as some of my colleagues mentioned, you came here voluntarily, and we

appreciate the opportunity to have this discussion, because, clearly, what your company's been able to do has revolutionized the way that people can connect.

And there's a tremendous benefit to our country. Now it's a worldwide platform, and it's — it's helped create a shortage of computer programmers. So, as a former computer programmer, I think we would both agree that we need to encourage more people to go into the computer sciences, because our country is a world leader, thanks to your company and so many others.

But it obviously raises questions about privacy and data and how the data is shared and what is a user's expectation of where that data goes. So I want to ask a few questions.

First, would you agree that we need more computer programmers and people to go into that field?

ZUCKERBERG: Congressman, yes.

SCALISE: That's a public service announcement we just made, so appreciate you ...

(LAUGHTER)

... joining me in that.

And Mr. Shimkus's question — it was really a follow-up to a question yesterday that — that you weren't able to answer, but it was dealing with how Facebook tracks users, especially after they log off.

And you had said, in relation to Congressman Shimkus's question, that there is data mining, but it goes on for security purposes. So my question would be, is that data that is mined for

security purposes also used to sell as part of the business model?

ZUCKERBERG: Congressman, I believe that those are — are — that we collect different data for those. But I can follow up on the details of — of that.

SCALISE: All right. If you could follow up, I would appreciate that. Getting into this — this new realm of content review, I know some of the people that work for Facebook — Campbell Brown said, for example, “This is changing our relationship with publishers and emphasizing something that Facebook has never done before: It's having a point of view.”

And you mentioned the Diamond and Silk example, where there — you — you, I think, described it as a mistake. Were the people who made that mistake held accountable in any way?

ZUCKERBERG: Congressman, let me follow up with you on that. That situation developed while I was here, preparing to testify, so I'm not ...

SCALISE: Okay.

(CROSSTALK)

ZUCKERBERG: ... details on it.

SCALISE: I do want to ask you about a study that was done dealing with the algorithm that Facebook uses to describe what is fed to people through the news feed.

And what they found was, after this new algorithm was implemented, that there was a tremendous bias against conservative news and content, and a favorable bias toward

liberal content.

And, if you can look at that, that shows a 16-point disparity, which is concerning. I would imagine you're not going to want to share the algorithm itself with us. I'd encourage you if you wanted to do that. But who develops the algorithm?

I wrote algorithms before, and you can determine whether or not you want to write an algorithm to sort data, to compartmentalize data; but you can also put a bias in, if that's the directive. Was there a directive to put a bias in? And, first, are you aware of this bias that many people have looked at and analyzed and seen?

ZUCKERBERG: Congressman, this is a really important question. There is absolutely no directive in any of the changes that we make to have a bias in anything that we do. To the contrary, our goal is to be a platform for all ideas ...

(CROSSTALK)

SCALISE: And I know we're — we're almost out of time. So, if you can go back and look and determine if there was a bias — whoever developed that software — you have 20,000 people that work on some of this data analysis — if you can look and see if there is a bias and let us know if there is and what you're doing about it, because that is disturbing, when you see that kind of disparity.

Finally, there has been a lot of talk about Cambridge and what they've done and the last campaign. In 2008 and 2012, there was also a lot of this done.

One of the lead digital heads of the Obama campaign said recently, “Facebook was surprised we were able to suck out the

whole social graph, but they didn't stop us once they realized that was what we were doing. They came to office in the days following the election recruiting and were very candid that they allowed us to do things they wouldn't have allowed someone else to do, because they were on our side.”

That's a direct quote from one of the heads of the Obama digital team. What — what would she mean by they — Facebook — were on our side?

ZUCKERBERG: Congressman, we didn't allow the Obama campaign to do anything that any developer on the platform wouldn't have otherwise been able to do.

(CROSSTALK)

SCALISE: So she was making an inaccurate statement, in your point of view?

ZUCKERBERG: Yes, I ...

(CROSSTALK)

WALDEN: Gentleman's time has expired.

SCALISE: ... the comments and look forward to those answers. Yield back the balance of my time.

WALDEN: Chair now recognizes the gentleman from Pennsylvania, Mr. Doyle, for four minutes.

REP. MIKE DOYLE (D-PA.): Thank you, Mr. Chairman. Mr. Zuckerberg, welcome.

Facebook uses some of the most advanced data processing techniques and technologies on the planet, correct?

(CROSSTALK)

ZUCKERBERG: Congressman, we pride ourselves on — on doing good technical work, yes.

DOYLE: Thank you. And — and you use these technologies to flag spam, identify offensive content and track user activity, right?

ZUCKERBERG: Among other things.

DOYLE: But not — 2015 when, the Guardian first reported on Cambridge Analytica using Facebook user data — was that the first time Facebook learned about these allegations?

ZUCKERBERG: Congressman, in 2015, when we heard that the developer on our platform, Aleksandr Kogan ...

DOYLE: Was that the first time you heard about it, when it was ...

ZUCKERBERG: That — that Aleksandr Kogan had ...

DOYLE : ... reported by The Guardian?

ZUCKERBERG: ... sold data to Cambridge Analytica?

DOYLE: When The Guardian made the report, was that the first time you heard about it?

ZUCKERBERG: Yes.

DOYLE: Thank you.

So the — you weren't tuning — learn about these violations through the press?

ZUCKERBERG: Congressman, sometimes we do. I generally think that ...

DOYLE: Let me ask you this. You have the capability to audit

developers' use of Facebook user data and — and do more to prevent these abuses. But the problem at Facebook not only persisted; it proliferated.

In fact, relatives (sic) to other types of problems you had on your platform, it — it seems as though you turned a blind eye to this. Correct?

ZUCKERBERG: Congressman, I disagree with that assessment. I do think that, going forward, we need to take a more proactive view of — of policing what the developers do. But, looking back, we've had an app review process. We investigate ...

DOYLE: But, Mr. Zuckerberg ...

ZUCKERBERG: ... tens of thousands of apps a year.

DOYLE: ... it seems to us that — that — it seems like you were more concerned with attracting and retaining developers on your platform than you were with ensuring the security of Facebook user data.

Let me switch gears. Your company is subject to a 20-year consent decree with the FTC since 2011. Correct?

ZUCKERBERG: Congressman, we have a consent decree, yes.

DOYLE: And that decree emerged out of a number of practices that Facebook engaged in that the FTC deemed to be unfair and deceptive.

One such practice was making Facebook users' private information public without sufficient notice or consent; claiming that Facebook certified the security and integrity of certain apps when, in fact, it did not; and enabling developers to access

excessive information about a user and their friends. Is that correct?

ZUCKERBERG: Congressman, I'm not — I'm not familiar with all of the things that the FTC said, although I'm very familiar with the FTC ...

DOYLE: But these were part of the — the consent decree.

(CROSSTALK)

ZUCKERBERG: ... order, itself.

DOYLE: So I think — I'm — I'm just concerned that, despite this consent decree, Facebook allowed developers access to an unknown number of user profiles on Facebook for years — potentially hundreds of million, potentially more — and not only allowed, but partnered with individuals and app developers such as Aleksandr Kogan, who turned around and sold that data on the open market and to companies like Cambridge Analytica.

Mr. Zuckerberg, you've said that you plan to audit tens of thousands of developers that may have improperly harvested Facebook user data. You also said that you planned to give all Facebook users access to some user controls that will be made available in the E.U. under the GDPR.

But it strikes me that there's a real trust gap here. This developer data issue is just one example. But why should we trust you to follow through on these promises when you have demonstrated repeatedly that you're willing to flout both your own internal policies and government oversight when the needs suit you?

ZUCKERBERG: Congressman, respectfully, I disagree with that

characterization. We've had a review process for apps for years. We've reviewed tens of thousands of apps a year and taken action against a number of them.

Our process was not enough to catch a developer who sold data ...

DOYLE: I see my time is almost over.

ZUCKERBERG: ... that they had in their ...

DOYLE: I just want to say, Mr. Chairman ...

(CROSSTALK)

ZUCKERBERG: ... outside of our system.

DOYLE: ... that, to my mind, the only way we're going to close this trust gap is through legislation that creates and empowers a sufficiently resourced expert oversight agency with rulemaking authority to protect the digital privacy and ensure ...

WALDEN: Gentleman's ...

DOYLE: ... that companies protect our users' data. With that, I yield back.

WALDEN: ... Gentleman's time's expired.

Chair recognizes the chairman of the Subcommittee on Digital Commerce and Consumer Protection, Mr. Latta of Ohio, for four minutes.

REP. ROBERT E. LATTA (R-OHIO): Well thank you, Mr. Chairman. And — and, Mr. Zuckerberg, thanks very much for being with us today.

First question I have is, can you tell the Facebook users that the

Russians and the Chinese have not used the same methods as other third parties to scrape the entire social network for their gain?

ZUCKERBERG: Congressman, we have not seen that activity.

LATTA: None at all?

ZUCKERBERG: I — not that I am aware of.

LATTA: Okay.

Let me ask this question. You know, it's a little bit that's been going on — when you made your opening statement in regards to what you'd like to see done with the — with the company and — and steps going — moving forward, there's been a couple questions, you know, about that you're going to be investigating the apps.

How many apps are there out there that you'd have to investigate?

ZUCKERBERG: There are tens of thousands of apps that had access to a large amount of people's information before we locked down the platform in 2014. So we're going to do an investigation that first involves looking at their patterns of API access and what those companies were doing.

And then, if we find anything suspicious, then we're going to bring in third-party auditors to go through their technical and physical systems to understand what they did.

And, if they — we find that they misused any data, then we'll ban them from our platform, make sure they delete the data and tell everyone affected.

LATTA: Just to follow up on that, then, how long would it take to then investigate each of those apps, once you're doing that? Because, again, when you're talking about tens of thousands and you're going through that entire process, then how long will it take to go through each one of those apps?

ZUCKERBERG: Yes, Congressman. It's going to take many months to do this full process.

LATTA: Okay.

ZUCKERBERG: And it's going to — it's going to be an expensive process with a lot of auditors. But we think that this is the right thing to do at this point.

You know, before, we'd thought that, when developers told us that they weren't going to sell data, that that was — that that was a good representation. But one of the big lessons that we've learned here is that, clearly, we cannot just take developers' word for it. We need to go and enforce that.

LATTA: Okay. We were talking about audits, as there have been some questions about this. On the audits, in 2011, Facebook signed — it did sign that consent order with the Federal Trade Commission for the privacy violations.

Part of that consent order requires Facebook to submit third-party privacy audits to the FTC every two years. First, are you aware of the audits? And, second, why didn't the audits disclose or find these issues with the developer's access to users' data?

ZUCKERBERG: Yes, Congressman, I'm — I'm aware of the audits that we do. We do audits every other year. They're ongoing. The audits have not found material issues with our

privacy programs in place at the company.

I think the broader question here is — we have had this FTC consent decree, but we take a broader view of what our responsibility for people's privacy is.

And our — our view is that this — what a developer did — that they represented to us that they were going to use the data in a certain way, and then, in their own systems, went out and sold it — we do not believe is a violation of the consent decree. But it's clearly a breach of people's trust.

And the standard that we hold ourselves to is not just following the laws that are in place. But we also — we just want to take a broader view of this in protecting people's information.

LATTA: Let me — I'm about out of time here.

Are you aware that Facebook did provide the auditors with all the information they requested for — when doing the FTC audits?

ZUCKERBERG: Sorry, can you repeat that?

LATTA: Yeah. Did we — did Facebook provide the auditors with all the information it requested when they were preparing the audit for the FTC?

ZUCKERBERG: Congressman, I believe we do provide the audits to the FTC.

LATTA: Okay. So — but all the information is provided. And were you ever personally asked to provide information or feedback in these audits to the FTC?

ZUCKERBERG: Congressman, not personally, although I'm briefed on all of the audits by our team.

LATTA: Okay.

Mr. Chair, my time's expired and I yield back.

WALDEN: Gentleman yields back.

Chair recognizes the gentlelady from Illinois, Ms. Schakowsky, for four minutes.

REP. JAN SCHAKOWSKY (D-ILL.): Thank you, Mr. Chairman.

You know, you have a long history of growth and success, but you also have a long list of apologies. In 2003, it started at Harvard. “I apologize for any harm done as a result of my neglect.” 2006: “We really messed this one up.” 2007: “We simply did a bad job. I apologize for it.” 2010: “Sometimes we move too fast.” 2011: “I'm the first to admit that we're made — that we've made a bunch of mistakes.”

2017 — this is in — in connection with the Russian manipulation of the election and the data that was — came from Facebook initially: “I am — I ask for forgiveness. I will work to do better.” So it seems to me from this history that self-regulation — this is proof to me that self-regulation simply does not work.

I have a bill — the Secure and Protect Americans' Data Act — that I hope you will take a look at, very simple bill about setting standards for how you have to make sure that the data is protected, deadlines on when you have to release that information to the public. Certainly, it ought to go to the FTC, as well.

But, in response to the questions about the apps and the investigation that you're going to do, you said you don't

necessarily know how long. Have you set any deadline for that? Because we know, as my colleague said, that there are tens of thousands — there's actually been 9 million apps. How long do we have to wait for that kind of investigation?

ZUCKERBERG: Congresswoman, we expect it to take many months.

SCHAKOWSKY: Years?

ZUCKERBERG: I hope not.

SCHAKOWSKY: Okay.

I want to ask you — yesterday — following up on your response to Senator Baldwin's question, you said yesterday that Kogan also sold data to other firms. You named Eunoia Technologies.

How many are there total? And what are their names? Can we get that? And how many are total — are there total?

ZUCKERBERG: Congresswoman, we can follow up with you to make sure you get all that information.

SCHAKOWSKY: Yeah, but order of magnitude?

ZUCKERBERG: I don't believe it was a large number. But, as we complete the audits we will know more.

SCHAKOWSKY: What's a large number?

ZUCKERBERG: A handful.

SCHAKOWSKY: Has Facebook tried to get those firms to delete user data and its derivatives?

ZUCKERBERG: Yes, Congresswoman. In 2015, when we first learned about it, we immediately demanded that the app

developer and the firms that he sold it to delete the data. And they all represented to us that they had.

It wasn't until about a month ago that new reports surfaced that suggested that they hadn't, which is what has kicked off us needing to now go do this full audit and investigation and investigate all these other apps that have come up.

SCHAKOWSKY: And were derivatives deleted?

ZUCKERBERG: Congresswoman, we need to complete the investigation and audit before I can confirm that.

SCHAKOWSKY: You are looking at the ...

(CROSSTALK)

ZUCKERBERG: What they represented to us is that they have. But we need to now get into their systems and confirm that before I want to stand up here confidently and say what they've done.

SCHAKOWSKY: So Mr. Green asked about the General Data Protection Regulation on May 25th that's going to go into effect by the E.U. And your response was — let me ask: Is your response that exactly the protections that are guaranteed, not the — what did he say? Yeah, not just the controls, but all the rights that are guaranteed under the General Data Protection Regulations will be applied to Americans, as well?

ZUCKERBERG: Congresswoman, the GDPR has a bunch of different, important pieces. One is around offering controls over specific — over every use of people's data.

SCHAKOWSKY: Right, that's one. Yes.

ZUCKERBERG: That, we're doing.

The second is around pushing for affirmative consent and putting a control in front of people that walks people through their — their choices.

SCHAKOWSKY: Exactly.

ZUCKERBERG: We're going to do that too. The second — although that might be different, depending on the laws in specific countries and different places — but we're going to put a tool at the top of everyone's app that walks them through their settings and helps them understand what is going on.

SCHAKOWSKY: It sounds like it will not be exact. And let me say, as we look at the distribution of information ...

WALDEN: The gentlelady's time ...

SCHAKOWSKY: ... that who's going to protect us from Facebook is also a question.

Thank you. I yield back.

WALDEN: Gentlelady's time's expired.

Chair recognizes the gentlelady from Washington state, the conference chairman.

REP. CATHY MCMORRIS RODGERS (R-WASH.): Yeah, turn on the — thank you. And thank you, Mr. Zuckerberg, for joining us.

Today is clearly timely. There's a number of extremely important questions Americans have about Facebook, including questions about safety and security of their data, about the process by which their data is made available to third parties, about what

Facebook is doing to protect consumer privacy as we move forward.

But one of the issues that is concerning me and I'd like to dig a little deeper into is how Facebook treats content on its platform. So, Mr. Zuckerberg, given the extensive reach of Facebook and its widespread use as a tool of public expression, do you think Facebook has a unique responsibility to ensure that it has clear standards regarding the censorship of content on its platform?

And do you think Facebook adequately and clearly defines what these standards are for its users?

ZUCKERBERG: Congresswoman, yes, I feel like we have a very important responsibility to outline what the content policies are and the community standards are.

This is one of the areas that, frankly, I'm worried we're not doing a good enough job at right now, especially because, as an American-based company where about 90 percent of the people in our community are outside of the U.S., where there are different social norms and different cultures, it's not clear to me that our current situation of how we define community standards is going to be effective for articulating that around the world.

So we're looking at different ways to evolve that, and I think that this is one of the more important things that we will do.

MCMORRIS RODGERS: Okay.

And, even focusing on content for here in America, I'd like to shift gears just a little bit and talk about Facebook's recent changes to its news feed algorithm.

Your head of news partnerships recently said that Facebook is, quote, “taking a step to define what quality news looks like and give that a boost so that, overall, there is a less — there is less competition from news.”

Can you tell me what she means by “less competition from news”? And also, how does Facebook objectively determine what is acceptable news and what safeguards exist to ensure that, say, religious or conservative content is treated fairly?

ZUCKERBERG: Yes, Congresswoman. I'm not sure specifically what that person was referring to, but I can walk you through what the algorithm change was, if that's useful.

MCMORRIS RODGERS: Well, maybe I'll just go on to my other questions, then.

There's an issue of content discrimination, and it's not a problem unique to Facebook. There's a number of high-profile examples of edge providers engaging in blocking and censoring religious and conservative political content.

In November, FCC Chairman Pai even said that edge providers routinely block or discriminate against content they don't like.

This is obviously a serious allegation.

How would you respond to such an allegation? And what is Facebook doing to ensure that its users are being treated fairly and objectively by content reviewers?

ZUCKERBERG: Congresswoman, the principle that we're a platform for all ideas is something that I care very deeply about. I'm worried about bias, and we take a number of steps to make sure that none of the changes that we make are targeted at — in

any kind of biased way.

And I'd be happy to follow up with you and go into more detail on that, because I agree that this is a serious issue.

MCMORRIS RODGERS: Over Easter, a Catholic university's ad with a picture of a historic San Damiano cross was rejected by Facebook. Though Facebook addressed the error within days, that it happened at all is deeply disturbing.

Could you tell me what was so shocking, sensational or excessively violent about the ad to cause it to be initially censored? Given that your company has since said that it did not violate terms of service, how can users know that their content is being viewed and judged accordingly — to objective standards?

ZUCKERBERG: Congresswoman, it sounds like we made a mistake there, and I apologize for that. And, unfortunately, with the amount of content in our systems and the current systems that we have in place to review, we make a relatively small percent of mistakes in content review. But that can be — that's — that's too many. And this is an area where we need to improve.

What I — what I will say is that I wouldn't extrapolate from a few examples, to assuming that the overall system is biased. I — I get how people can — can look at that and draw that conclusion, but I don't think that that reflects the — the way that we're trying to build the system or what we've seen.

WALDEN: Gentlelady's ...

MCMORRIS RODGERS: Thank you. And I — I just — this — this is — important issue in building trust.

ZUCKERBERG: I agree.

MCMORRIS RODGERS: And that is going to be important as we move forward.

Thank you, and I yield back.

WALDEN: Gentlelady's time is expired.

Chair recognizes the gentleman from North Carolina, Mr. Butterfield, for four minutes.

REP. G.K. BUTTERFIELD (D-N.C.): Thank you, Mr. Chairman, and thank you, Mr. Zuckerberg, for your testimony here today.

Mr. Zuckerberg, you have stated that your goal with Facebook is to build strong communities. And, certainly, that sounds good. You've stated here today, on the record, that you did not live up to the privacy expectations. And I appreciate that.

But this committee — and you must know this — this committee is counting on you to right a wrong. And I hope you get it. In my opinion, Facebook is here to stay, and so you have an obligation to protect the data that you collect and the data that you use. And Congress has the power to regulate your industry, and we have the power to penalize misconduct.

But I want to go in a different direction today, sir. You and your team certainly know how I feel about racial diversity in corporate America. And Sheryl Sandberg and I talk about that all of the time.

Let me ask you this — and — and the Congressional Black Caucus has been very focused on — on holding your industry accountable — not just Facebook, your industry — accountable

for increasing African American inclusion at all levels of the industry.

And I know you've — have a number of diversity initiatives. In 2017, you've increased you black representation from 2 percent to 3 percent. While this is a small increase, it's better than none. And this does not nearly meet the definition of building a racially diverse community.

CEO leadership — and I have found this to be absolutely true — CEO leadership on issues of diversity is the only way that the technology industry will change.

So will you commit, sir, to convene — personally convene a meeting of CEOs in — in your sectors, many of them — them — all of them, perhaps are your friends — and to do this very quickly to develop a strategy to increase racial diversity in the technology industry?

ZUCKERBERG: Congressman, I think that that's a good idea and we should follow up on it. From the conversations that I have with my fellow leaders in the tech industry, I — I know that this something that we all understand that the whole industry is behind on. And Facebook is certainly a big part of that issue.

And we care about this not just from the justice angle, but because we know that having diverse, different viewpoints is what will help us serve our community better, which is ultimately what we're here to do. And I think we know that the industry is behind on this and want to ...

(CROSSTALK)

BUTTERFIELD: Well, we've talked with you over the years about

this. And, while there has been some marginal improvement, we — we must do better than we have done.

Recently, you appointed an African-American — our friend, Ken Chenault — to your board. And, of course, Erskine Bowles is already on your board, who is also a friend. But — but we've — we've got to concentrate more on board membership for African Americans, and also minorities at the entry level in — within your company.

I was looking at your website a few minutes ago, and it looks like you list five individuals as leadership in your company, but none of them is African American.

I was just looking at it — not only you and Sheryl, but David (sic), Mike and Chris — that is your leadership team. And this does not reflect America. Can you improve the numbers on your leadership team to be more diverse?

ZUCKERBERG: Congressman, this is an issue that we're — we're focused on. We have a broader leadership than just five people. I mean ...

BUTTERFIELD: Not on your website.

ZUCKERBERG: I understand that.

BUTTERFIELD: We can do better than that, Mr. Zuckerberg. We certainly can.

Do you plan to add an African-American to your leadership team in the foreseeable future? And will you commit that you will continue to work with us, the Congressional Black Caucus, to increase diversity within your company that you're so proud of?

ZUCKERBERG: Congressman, we will certainly work with you. This is an important issue.

BUTTERFIELD: We also find that companies' failure to retain black employees contributes to their low presence at technology companies. And there is little transparency in retention numbers.

So will you commit to providing numbers on your retention — that's the big word — retention of your employees, disaggregated by race, in your diversity update, starting this year? Can we get that data? That — that's — that's the starting point.

ZUCKERBERG: Congressman, we — we try to include a lot of important information in the diversity updates. I will go discuss that with my team after I get back from this hearing.

BUTTERFIELD: I'm out of time, sir. I'll take this up with your team in another setting.

(CROSSTALK)

BUTTERFIELD: We'll be out there in a few weeks. Thank you. I yield back.

WALDEN: The gentleman's time has expired. Chair now recognizes the chairman of the Oversight and Investigations Subcommittee, gentleman from Mississippi, Mr. Harper, for four minutes.

(CROSSTALK)

REP. GREGG HARPER (R-MISS.): Thank you, Mr. Chairman. Thank you, Mr. Zuckerberg for being here. And we don't lose sight of the fact that you're a great American success story. It is a part of everyone's life and business — sometimes, maybe too

often. But I thank you for taking the time to be here.

And our concern is to make sure that it's — it's fair. We worry because we're — we're looking at possible government regulation here. Certainly, this self-governing, which has had some issues and how you factor that — and — and we — you know, we're trying to keep up with the algorithm changes on — on how you determine the prioritization of the news feeds.

And you look at, well, it's got to be — it needs to be trustworthy and reliable and relevant — well, who's going to determine that? That also has an impact. And, even though you say you don't want the bias, it does — it is dependent upon who's setting what those standards are in that.

And so I want to ask you a couple questions, if I may. And this is a quote from Paul Grewal, Facebook's V.P. and general counsel — said, “Like all app developers, Mr. Aleksandr Kogan requested and gained access to information from people after they chose to download his app.”

Now, under Facebook policy, in 2013, if Cambridge Analytica had developed the This is Your Digital Life app, they would have had access to the same data they purchased from Mr. Kogan. Would that be correct?

ZUCKERBERG: Congressman, that's correct. And a different developer could have built that app.

HARPER: Okay. Now according to PolitiFact.com, and this is a quote, “The Obama campaign and Cambridge Analytica both gained access to huge amounts of information about Facebook users and their friends, and in neither case did the friends of app

users consent,” close quote.

This data that Cambridge Analytica acquired was used to target voters with political messages, much as the same type of data was used by the Obama campaign to target voters in 2012.

Would that be correct?

ZUCKERBERG: Congressman, the big difference between these cases is that, in — in the Kogan case, people signed into that app expecting to share the data with Kogan, and then he turned around and, in violation of our policies and in violation of people's expectations, sold it to a third-party firm — to Cambridge Analytica, in this case.

HARPER: Sure.

ZUCKERBERG: I — I think that we — we were very clear about how the platform worked at the time — that anyone could sign into an app and they'd be able to bring their information, if they wanted, and some information from their friends.

People had control over that. So, if you wanted, you could — you could turn off the ability to sign into apps, or turn off the ability for your friends to be able to bring your information. The platform worked the way that we had designed it at the time.

I think we now know that we should have a more restrictive platform where people cannot also bring information from their friends, and can only bring their own information. But that's the way that system worked at the time.

HARPER: And — and, whether in violation of the agreement or not, you — you agree that users have an expectation that their information would be protected and remained private, and not be

sold.

And so that's something — the — the reason that we're here today. You know, and I can certainly understand the general public's outrage if they're concerned regarding the way Cambridge Analytica required their information.

But, if people are outraged because they use that for political reasons, would that be hypocritical? Shouldn't they be equally outraged that the Obama campaign used the — the data of Facebook users without their consent in 2012?

ZUCKERBERG: Congressman, what I think people are — are rightfully very upset about is that an app developer that people had shared data with sold it to someone else and, frankly, we didn't do enough to prevent that or understand it soon enough.

HARPER: Thank you.

ZUCKERBERG: And now we have to go through and — and put in place systems that prevent that from happening again and — making sure that we have sufficient controls in place in our ecosystem so, that way, developers can't abuse people's data.

HARPER: Thank you, Mr. Zuckerberg.

My time is expired — yield back.

WALDEN: Gentleman yields back the balance of his time.

Gentlelady from California, Ms. Matsui, is recognized for four minutes.

REP. DORIS MATSUI (D-CALIF.): Thank you, Mr. Chairman, and welcome, Mr. Zuckerberg. Thank you very much here.

You know, I was just thinking about Facebook and how you developed your platform — first, from a social platform with — amongst friends and colleagues and joining a community. And a lot of that was based upon trust, because you knew your friends, right?

But that evolved into this business platform, and one of the pillars still was trust. And I think you would all — I think everybody here would agree that trust is in short supply here, and that's why we're here today.

Now, you've constantly maintained that consumers own the data they provided to Facebook and should have control over it. And I appreciate that, and I just want to understand more about what that means.

To me, if you own something, you ought to have to — say about how and when it's used. But, to be clear, I don't just mean pictures, email addresses, Facebook groups or pages.

I understand the data and information consumers provided to Facebook can be, and perhaps is, used by algorithms to form assumptions and inferences about users to better target ads to the individuals.

Now, do you believe that consumers actually own their data, even when that data has been supplemented by a data broker — assumptions algorithms have made about that user or otherwise?

And this is kind of the question that Ms. Blackburn has come up with — our own comprehensive profile, which is kind of our virtual self.

ZUCKERBERG: Congresswoman, I — I believe that people own

all of their own content. Where this gets complicated is — let's say I take a photo and I share it with you. Now, is that my photo, or is it your photo?

I — I would take the position that it's our photo, which is why we make it so that you can bring — it's — that I can bring that — that photo to another app, if I want, but you can't.

MATSUI: But, once it gets to the data broker, though — so there are certain algorithms and certain assumptions made. What happens after that?

ZUCKERBERG: Sorry. Can you clarify that?

MATSUI: Well, what I mean is — is that, if you supplement this data — you know, you say you're owning it, but you supplement this — when other data brokers, you know, use their own algorithms to supplement this and make their own assumptions, then what happens there? Because that is — to me, somebody else is taking that over. How can you say that we own that data?

ZUCKERBERG: Congresswoman, all the data that you put in, all the content that you share on Facebook is yours. You control how it's used. You can remove it at any time. You can get rid of your account and get rid of all of it at once. You can ...

(CROSSTALK)

MATSUI: So — but you can't claw it back once it gets out there, right? I mean, that's really — we might own our own data, but, once it's used in advertising, we lose control over it. Is that not right?

ZUCKERBERG: Congresswoman, I — I disagree with that,

because one core tenet of our advertising system is that we don't sell data to advertisers. Advertisers don't get access to your data.

There's a — there's a core misunderstanding about how that system works, which is that — let's say if you're — if you're a shop, and you're selling muffins, right, it's — you might want to target people in a specific town who might be interested in baking, or — or some demographic.

But we don't send that information to you. We just show the message to the right people. And that's a really important, I think, common misunderstanding ...

MATSUI: Yeah. I understand that.

ZUCKERBERG: ... about how this system works.

MATSUI: But Facebook sells ads based at least on part of data users provide to Facebook. That's right. And the more data that Facebook collects — allows you to better target ads to users or classes of users.

So, even if Facebook doesn't earn money from selling data, doesn't Facebook earn money from advertising based on that data?

ZUCKERBERG: Yes, Congresswoman, we run ads. That's the — the business model is running ads. And we use the data that people put into the system in order to make the ads more relevant, which also makes them more valuable.

But it's — what we hear from people is that, if they're going to see ads, they want them to be good and relevant ...

(CROSSTALK)

MATSUI: But we're not controlling that data.

ZUCKERBERG: No, you have complete control over that.

WALDEN: The gentlelady's time is expired.

As previously agreed, we will now take a five-minute recess, and committee members and — and our witness need to plan to be back in about five minutes. We stand in recess.

(RECESS)

WALDEN: We'll call the Energy and Commerce Committee back to order and recognize the gentleman from New Jersey, Mr. Lance, for four minutes for purposes of questions.

REP. LEONARD LANCE (R-N.J.): Thank you very much, Mr. Chairman.

Mr. Zuckerberg, you are here today because you are the face of Facebook, and you have come here voluntarily. And our questions are based upon our concern about what has occurred and how to move forward.

I'm sure you have concluded, based upon what we've asked, that we are deeply offended by censoring of content inappropriately by Facebook. It — examples have been raised: a Roman Catholic university, a state senate candidate in Michigan.

I would be offended if this censoring were occurring on the left, as well as the right, and I want you to know that. And do you take from what we have indicated so far that, in a bipartisan fashion, Congress is offended by inappropriate censoring of content?

ZUCKERBERG: Congressman, yes. This is extremely important. And I think the — the point that you raise is particularly important

— that we've heard in — today a number of examples of — where we may have made content review mistakes on conservative content. But I can assure you that there are a lot of folks who think that we make content moderation or content review mistakes of liberal content, as well.

LANCE: Fair enough. My point is that we don't favor censoring in any way, so long as it doesn't involve hate speech or violence or terrorism. And, of course, the examples today indicate quite the contrary, number one.

Number two, Congresswoman Blackburn has mentioned her legislation. I'm a co-sponsor of the BROWSER legislation. I commend it to your attention, to the attention of your company. It is for the entire ecosystem. It is for ISPs and edge providers. It is not just for one or the other.

It is an opt-in system, similar to the system that exists in your — might I respectfully request of you, Mr. Zuckerberg, that you and your company review the BROWSER legislation? And I would like your support for that legislation after your review of it.

ZUCKERBERG: We will review it and get back to you.

LANCE: Thank you very much.

Your COO, Sheryl Sandberg, last week, appeared on the Today program. And she admitted the possibility that additional breaches in personal information could be discovered by the current audits.

Quote, "We're doing an investigation. We're going to do the audits. And, yes, we think it's possible. That's why we're doing the audits." Then the COO went on to say, "Facebook cared

about privacy all along, but I think we got the balance wrong.” Do you agree with the statement of your COO?

ZUCKERBERG: Yes, Congressman, I do. We were trying to balance two equities: on the one hand, making it so that people had data portability, the ability to bring their data to another app in order to have new experiences in other places, which I think is a value that we all care about.

On the other hand, we also need to balance making sure that everyone's information is protected. And I think that we — we didn't get that balance right up front.

LANCE: Thank you. I — I certainly concur with the statement of the COO, as affirmed by you today, that you got the balance wrong.

And then, regarding Cambridge Analytica, the fact that 300,000 individuals or so gave consent, but that certainly didn't mean they gave consent to — to 87 million friends — do you believe that that action violated your consent agreement with the Federal Trade Commission?

ZUCKERBERG: We do not believe it did. But, regardless, we take a broader view of what our responsibility is to protect people's privacy. And, if a developer who people gave their information to — in this case, Aleksandr Kogan — then goes and, in violation of — of his agreement with us, sells the data to Cambridge Analytica, that's a big issue.

And I think people have a right to be very upset. I'm upset that that happened. And we need to make sure that we put in place the systems to prevent that from happening again.

LANCE: Thank you. I think you may have violated the agreement with the Federal Trade Commission, and I'm sure that will be determined in the future. Thank you, Mr. Chairman.

WALDEN: Thank the gentleman from New Jersey, recognize the gentlelady from Florida, Ms. Castor, for four minutes.

REP. KATHY CASTOR (D-FLA.): Thank you, Mr. Chairman.

Welcome, Mr. Zuckerberg.

For all of the benefits that Facebook has provided in building communities and connecting families, I think a devil's bargain has been struck.

And, in the end, Americans do not like to be manipulated. They do not like to be spied on. We don't like it when someone is outside of our home, watching. We don't like it when someone is following us around the neighborhood or, even worse, following our kids or stalking our children.

Facebook now has evolved to a place where you are tracking everyone. You are collecting data on just about everybody. Yes, we understand the Facebook users that — that proactively sign in, they're in part of the — that platform, but you're following Facebook users even after they log off of that platform and application, and you are collecting personal information on people who do not even have Facebook accounts. Isn't that right?

ZUCKERBERG: Congresswoman, I believe that we ...

CASTOR: Yes or no?

ZUCKERBERG: Congresswoman, I — I'm not sure — I don't

think that that's what we're tracking.

CASTOR: No, you're collecting — you have already acknowledged that you are doing that for security purposes, and commercial purposes. So you are — you're collecting data outside of Facebook. When someone goes to a website, and it has the Facebook like or share, that data is being collected by Facebook, correct?

ZUCKERBERG: Congresswoman ...

CASTOR: Yes or no.

ZUCKERBERG: That's right, that we — that we understand, in order to show which of your friends liked a page ...

CASTOR: Yeah, so for people who don't even have Facebook — I don't think that the average American really understands that today, something that fundamental, and that you're tracking everyone's online activities. Their searches, you can track what people buy, correct?

ZUCKERBERG: Congressman — Congresswoman ...

CASTOR: You're collecting that data, what people purchase online, yes or no?

ZUCKERBERG: I — I — I actually — if they share it with us. But Congresswoman, overall, I — I'm ...

CASTOR: Because it has a share button, so it's — it's — it's gathering. Facebook has the application. In fact, you've patented applications to do just that, isn't that correct? To collect that data?

ZUCKERBERG: Congresswoman, I don't think any of those buttons share transaction data. But broadly, I — I disagree with

the characterization.

(CROSSTALK)

CASTOR: But they — they track you. You want — you're collecting medical data, correct, on — on people that — that are on the Internet, whether they're Facebook users or not, right?

ZUCKERBERG: Congresswoman, yes, we collect some data for security purposes, and ...

(CROSSTALK)

CASTOR: And you're collecting — you watch where we go. Senator Durbin had a — had a funny question yesterday about where you're staying, and you didn't want to share that, but you — Facebook also gathers that data about where we travel, isn't that correct?

ZUCKERBERG: Congresswoman, everyone has control over how that works.

CASTOR: I'm going to get to that, but yes, you are — would you just acknowledge if yes, Facebook is — that's the business you're in, gathering data and aggregating that data, right?

ZUCKERBERG: Congresswoman, I disagree with that characterization.

CASTOR: You're not — are you saying you do not gather data on — on where people travel, based upon their Internet, and the — the ways they sign in, and things like that?

ZUCKERBERG: Congresswoman, the primary way that Facebook works is that people choose to share data, and they share content because they're trying to communicate.

(CROSSTALK)

CASTOR: Primary, but the — the other way that Facebook gathers data is you buy data from data brokers, outside of the platform, correct?

ZUCKERBERG: Congresswoman, we just announced two weeks ago that we were going to stop interacting with data brokers, and even though that's an industry norm, to make it so that the advertising can be more relevant ...

CASTOR: But I think in the end, I think what — see, it's — it's practically impossible these days to remain untracked in America. For all the benefits Facebook has brought, and — and the Internet, and that's not part of the bargain. And current laws have not evolved, and the Congress has not adopted, laws to — to address digital surveillance, and Congress should act. And I do not believe that the controls, the opaque agreement, consent agreements and settings are an adequate substitute for fundamental privacy protections for consumers.

Now some ...

WALDEN: The gentle — the gentlelady's time.

CASTOR: Thank you. I yield back my time.

WALDEN: The gentlelady's time ...

CASTOR: Let that stand. And I'd like to ask unanimous consent that I put my constituents' questions in the record.

WALDEN: Without objection.

CASTOR: Thank you.

WALDEN: Chair now recognizes the gentlemen from Kentucky, Mr. Guthrie, for (inaudible) minutes.

REP. BRETT GUTHRIE (R-KY.): Thank you, Mr. Chairman. Thanks for being here.

When I first got into public office, the Internet was really kicking off, and I had a lot of people complain about ads, just the inconvenience of ads, trying to get the — and the cumbersome of the Internet. I remember telling someone one time, being from Kentucky, a basketball fan. I said “There's nothing I hate worse than the four-minute timeout, the TV timeout. It's flow of the game, and everything. But because of the four-minute timeout, I get to watch the game for free, so that's something I'm willing to accept to move for free.

What you're not really willing to accept is that your data's just out there, and it — it's being used. But it's being used in the — in the right way, and it's — it's funny, because I was going to ask this question anyway. My — my friend and I was planning a family trip to Florida, and I searched a town in Florida, and all of a sudden, I started getting ads for a brand of hotel that I typically stay in, and a great hotel at the price available to the public, because it was on the Internet, that I was willing to pay and stay there. So I thought it was actually convenient. Instead of getting just an ad to someplace I'll never go, I got an ad specifically to a place I was — I was looking to go, so I thought that was convenient. And it wasn't Facebook, although my wife used Facebook to message my mother-in-law this weekend for where we're meeting up, so it's very valuable. We get to do that for free, because your business model relies on consumer-driven data.

This wasn't Facebook. It was a search engine, but they use consumer — consumer-driven data to target an ad to me, so you're not unique in Silicon Valley, or in this Internet world in doing this type of targeted ads, are you?

ZUCKERBERG: No, Congressman. You're — you're right. I mean, this is ad-based business models have been a common way that people have been able to offer free services for a long time. And our social mission of trying to help connect everyone in the world relies on having a service that can be affordable for everyone; that everyone can use. And that's why the ads business model is in service of the social mission that we have, and you know, I think sometimes that gets lost, but I think that's a really important point.

GUTHRIE: But — but you're different in that instead of getting just a broad — When I'm watching the — the Hilltoppers on basketball, the person advertising me doesn't know anything about me. I'm just watching the ad, so there's no data, no agreement, or no risk, I guess, there.

But with you, there — there is consumer-driven data. But if we were to greatly reduce or stop — or just greatly reduce, through legislation, the use of consumer-driven data for targeting ads, what do you think that would do to the Internet, just — and when I say Internet, I mean everything, not just Facebook.

ZUCKERBERG: Well, Congressman, it would make the ads less relevant. So what we ...

GUTHRIE: So if you had less revenue, what would that do to ...

ZUCKERBERG: And — yeah. It would — it would reduce — it

would have a number of effects. For people using the services, it would make the ads less relevant to them. For businesses, like the small businesses that use advertising, it would make advertising more expensive, because now they would have to reach — they would have to pay more to reach more people, and efficiently, because targeting helps small businesses be able to afford and — and reach — and reach people as effectively as big companies have typically had the ability to do for a long time.

It would affect our revenue some amount too, but I think one — there are a couple of points here that are lost. One is that we already give people a control to not use that data and ads, if they want. Most people don't do that. I think part of the reason for that is that people get that if they are going to see ads, that they want them to be relevant.

But the other thing is that our — a lot of what our business — what makes the ads work, or what makes the business good is just that people are very engaged with Facebook. We have more than a billion people who spend almost an hour a day across all our services.

GUTHRIE: I have 30 seconds, so I appreciate the answer to that. But if — so — so I didn't opt out, and so forth, and all of a sudden, I say, “You know, this just doesn't work for me, so I want to delete — ” You told Congressman Rush that you could delete. What happens to the data? I — I've already — it's fair. It's been used. It's — Cambridge Analytics may have it. So what happens when I say, “Facebook, take my data off your platform”?

ZUCKERBERG: If you delete your account, we immediately make it so that your account is — is no longer available, once

you're — once you're done deleting it. So no one can find you on the service. We wouldn't be able to re-create your account from that.

We do have data centers and systems that are redundant, and we have backups in case something bad happens. And, over a number of days, we'll — we'll go through and make sure that we flush all the content out of the system.

But, as soon as you delete your account, effectively, that content is — is dismantled and we wouldn't be able to put your account back together if we wanted to.

WALDEN: Gentleman's time ...

GUTHRIE: Thank you. My time's expired. I appreciate it.

WALDEN: Recognize the gentleman from Maryland, Mr. Sarbanes, for four minutes.

REP. JOHN SARBANES (D-MD.): Thank you, Mr. Chairman. Good morning, Mr. Zuckerberg.

I wanted to get something in the record quickly, before I move to some questions. You had suggested in your testimony over the last couple of days that Facebook notified the Trump and Clinton campaigns of Russian attempts to hack in to those campaigns.

But representatives of both campaigns, in the last 24 hours, have said that didn't happen. So we're going to follow up on that and find out what the real story is.

ZUCKERBERG: Do you want me to ...

SARBANES: No, I'd like — I'd like to move on. You can provide a response to that in writing, if you would.

Let me ask you, is it true that Facebook offered to provide what I guess you referred to as “dedicated campaign embeds” to both of the presidential campaigns?

ZUCKERBERG: Congressman, I can quickly respond to the first point, too.

(CROSSTALK)

SARBANES: Just say yes or no, were there embeds ...

(CROSSTALK)

SARBANES: ... I need to get to that because I don't have time. Were there embeds in the two campaigns, or offers of embeds?

ZUCKERBERG: Congressman ...

SARBANES: Yes or no.

ZUCKERBERG: ... we ...

SARBANES: Were there embeds offered to the Trump campaign and the Clinton campaign?

ZUCKERBERG: We offer sales support to every campaign.

SARBANES: Okay. So sales support — I'm going to refer to that as embeds. And I gather that Mr. Trump's campaign ultimately accepted that offer. Is that correct? Yes or no.

ZUCKERBERG: Congressman, the — the Trump campaign had sales support ...

SARBANES: Okay. So they had embeds.

(CROSSTALK)

SARBANES: I'm going to refer to those as embeds.

What I'd like you to do, if you could — we're not going to have time for you to do this now — but, if you could provide to the committee both the initial offer terms, and then any subsequent offer terms that were presented to each candidate, in terms of what the embed services would be, that would be very helpful.

Do you know how many ads were approved for display on Facebook for each of the presidential candidates — by Facebook?

ZUCKERBERG: Congressman, I do not, sitting here off the top of my head.

SARBANES: Okay. Let me tell you what they were, because I do. President Trump's campaign had an estimated 5.9 million ads approved, and Secretary Clinton, 66,000 ads.

So that's a delta of about 90 times as much on the Trump campaign, which raises some questions about whether the ad approval processes were maybe not processed correctly or inappropriately bypassed in the final months and weeks of the election by the Trump campaign. And what I'm worried about is that the embeds may have helped to facilitate that.

Can you say with absolute certainty that Facebook or any of the Facebook employees working as campaign embeds did not grant any special approval rights to the Trump campaign to allow them to upload a very large number of Facebook ads in that final stretch?

ZUCKERBERG:

Congressman, we apply the same standard to all campaigns.

SARBANES: Can you say that there were not special approval rights granted? Is that what you're saying — there were not special approval rights granted by any of the embeds — or support folks, as you call them — in that Trump campaign?

ZUCKERBERG: Congressman ...

SARBANES: Yes or no.

ZUCKERBERG: ... what I'm — yes. What I'm saying is that ...

SARBANES: Okay. All right. If you're saying yes ...

(CROSSTALK)

ZUCKERBERG: ... following the same standards.

SARBANES: ... if you're saying yes, then I'll take you at your word.

The reason this is important and the reason we need to get to the bottom of it is because it could be a serious problem if these kinds of services were provided beyond what is offered in the normal course, because that could result in violation of campaign finance law, because it would be construed as an in-kind contribution — corporate contribution from Facebook, beyond what — the sort of ad-buy opportunity you would typically provide.

The reason I'm asking you these questions is because I'm worried that that embed program has the potential to become a tool for Facebook to solicit — solicit favor from policymakers, and that, then, creates the potential for real conflict of interest.

And I think a lot of Americans are waking up to the fact that Facebook is becoming sort of a self-regulated superstructure for

political discourse. And the question is, are we, the people, going to regulate our political dialogue? Or are you, Mark Zuckerberg, going to end up regulating the political discourse?

WALDEN: Gentleman's time ...

SARBANES: So we need to be free of that undue influence.

I thank you for being here ...

WALDEN: ... gentleman's time's expired.

SARBANES: ... and I yield back my time.

WALDEN: Chair recognizes the gentleman from Texas, Mr. Olson, for four minutes.

ZUCKERBERG: Mr. Chairman, do you mind, for the record, if I just answer the first point for — for ...

WALDEN: That's fine.

ZUCKERBERG: ... take 10 seconds.

WALDEN: Go ahead.

ZUCKERBERG: When I was referring to the campaigns yesterday, I meant the DNC and RNC. So I may have misspoken, and maybe, technically, that's called the committees. But that — those were the folks who I was referring to.

WALDEN: Thank you for that clarification.

We'll now go to Mr. Olson from Texas for four minutes.

REP. PETE OLSON (R-TEX.): I thank the chair. And, Mr. Zuckerberg, I know we both wish we met under a different set of circumstances.

When the story broke, you were quoted as saying, “I started Facebook. I run it. I'm responsible for what happens here,” end quote. You said those same words in your opening statement an hour and a half ago.

I know you believe that in your heart. It's not just some talking point, some canned speech, because, my four years — five — I'm sorry, nine years in the Navy, I know the best commanding officers, the best skippers, the best CEOs have that exact same attitude.

If Facebook was a Navy ship, your privacy has taken a direct hit. Your trust is severely damaged. You're taking on water and your future may be a fine with a number, per The Washington Post, with four commas in it.

Today, over \$1 billion in fines coming your way. As you know, you have to reinforce your words with actions. I have a few questions about some anomalies that have happened in the past.

First of all, back in 2012, apparently, Facebook did an experiment on 689,003 Facebook users. You reduced positive posts from users' friends and limited so-called “downer” posts from other friends. They see — fed positive information to one group, and, another group, negative information.

The goal was to see how the tone of these posts would affect behavior. I look at this Forbes article, the L.A. Times, about un-legal — illegal human experimentation without permission. I want to talk about that.

It seems that this is disconnecting people, in stark contrast to your mission to connect people. Explain to us how you guys

thought this idea was a good idea — experimenting with people, giving them more negative information, positive information.

ZUCKERBERG: Well, Congressman, I view our responsibility as not just building services that people like to use, but making sure that those services are also good for people and good for society overall.

At the time, there were a number of questions about whether people seeing content that was either positive or negative on social networks was affecting their mood.

And we felt like we had a responsibility to understand whether that was the case, because we don't want to have that effect, right? We don't want to have it so that — we want use of social media and our products to be good for people's well-being.

I mean, we continually make changes to — to that effect, including, just recently, this year, we did a number of research projects that showed that when social media is used for building relationships — and so when you're interacting with people, it's associated with a lot of positive effects of — of well-being that you'd expect. It — it makes you feel more connected, less lonely, it correlates with long term measures of happiness and health.

Whereas if you're using social media or the Internet just to passively consume content, then that doesn't have those same positive effects or can even be negative. So we've tried to shift the product more towards helping people interact with friends and family as a result of that. So that's the kind of — an example of the kind of work that we — that we do.

OLSON: One last question. I believe I've heard you employ

27,000 people thereabouts. Is that correct?

ZUCKERBERG: Yes.

OLSON: I've also been told that about 20,000 of those people, including contractors, do work on data security. Is that correct?

ZUCKERBERG: Yes. The 27,000 number is full time employees. And the security and content review includes contractors, of which there are tens of thousands. Or will be. Will be by the time that we hire those.

(CROSSTALK)

OLSON: Okay, so roughly at least half your employees are dedicated to security practices. How can Cambridge Analytica happen with so much of your workforce dedicated to these — these causes. How'd that happen?

ZUCKERBERG: Well, Congressman, the — the issue with Cambridge Analytica and Alexander Kogan happened before we ramped those programs up dramatically. But one thing that I think is important to understand overall is just the sheer volume of content on Facebook makes it so that we can't — no amount of people that we can hire will be enough to review all of the content.

We need to rely on and build sophisticated A.I. tools that can help us flag certain content. And we're getting good in certain areas. One of the areas that I mentioned earlier was terrorist content, for example, where we now have A.I. systems that can identify and — and take down 99 percent of the al-Qaeda and ISIS-related content in our system before someone — a human even flags it to us. I think we need to do more of that.

WALDEN: Gentleman's time is expired.

Chair recognizes the gentleman from California, Mr. McNerney for four minutes.

REP. MCNERNEY (D-CALIF.): I thank the Chairman. Mr. Zuckerberg, I — I thank you for agreeing to testify before the House and Senate committees. I know it's a long, grueling process and I appreciate your cooperation. I'm a mathematician that spent 20 years in industry and government, developing technology including algorithms. Moreover, my constituents are impacted by these issues. So I'm deeply committed and invested here.

I'm going to follow up on an earlier question. Is there currently a place that I can download all of the Facebook information about me, including the websites that I have visited?

ZUCKERBERG: Yes, Congressman. We have a “download your information” tool. We've had it for years. You can go to it in your settings and download all of the content that you have on Facebook.

MCNERNEY: Well, my staff just this morning downloaded their information and their browsing history is not in there. So are you saying that Facebook does not have browsing history?

ZUCKERBERG: Congressman, that would be correct. If — if we don't have content in there, then that means that — that you don't have it on Facebook. Or you haven't put it there.

MCNERNEY: So I'm — I'm — I'm not quite on board with this. Is there any other information that Facebook has obtained about me, whether Facebook collected it or obtained it from a third

party that would not be included in the download?

ZUCKERBERG: Congressman, my understanding is that all of your information is included in your “download your information.”

MCNERNEY: Okay, I'm going to follow up with this afterwards.

Mr. Zuckerberg, you indicated that the European users will have GDPR protection on May 25th, and the American users will have those similar protections. When will the American users have those protections?

ZUCKERBERG: Congressman, we're working on doing that as quickly as possible. I don't have the exact date yet.

MCNERNEY: So it will not be on May 25th?

ZUCKERBERG: We're working on it.

MCNERNEY: Thank you.

Your company and many companies with an online presence have a staggering amount of personal information. The customer is not really in the driver's seat about how their information is used or monetized. The data collectors are in the driver seat. Today, Facebook is governed by weak federal privacy protections. I've introduced legislation that would help address this issue.

The My Data Act would give the FTC rulemaking authority to provide consumers with strong data privacy and security protections. Without this kind of legislation, how can we be sure that Facebook won't continue to be careless with users' information?

ZUCKERBERG: Well, Congressman, let me first just set aside that my position isn't that there should be no regulation.

MCNERNEY: Correct.

ZUCKERBERG: But regardless of what the laws are that are in place, we have a very strong incentive to protect people's information. This is the core thing that Facebook is, is about 100 billion times a day people come to our service to share a photo or share a message or ...

(CROSSTALK)

MCNERNEY: Well, I mean I hear — I hear — I hear you saying this, but the history isn't there. So I — I think we need to make sure that there's regulations in place to give you the proper motivation to — to stay in line with data protection. One of the problems here in my mind is that Facebook's history, the privacy — user privacy and security have not been given as high priority as corporate growth. And you've admitted as much.

Is Facebook considering changing it's management structure to ensure that privacy and security have sufficient priority to prevent these problems in the future?

ZUCKERBERG: Congressman, this is an incredibly high priority for us. What I was saying before, that the core use of the product every day, about 100 billion times, is that people come and try to share something with a specific set of people. That works because people have confidence that if they send a message, it's going to go to the person that they want. If they want to share a photo with their friends, it's going to go to the people they want. That's incredibly important. We've built a — a robust privacy program. We have a chief privacy officer ...

MCNERNEY: That's a — that's a little bit off — off track from

what I'm trying to get at. The privacy protections clearly failed in a couple of cases that are high profile right now. And part of the blame that — that seems to be out there is that the management structure for privacy and security don't have the right level of — of profile in — in Facebook to get your attention to make sure that they get the proper resources.

WALDEN: Gentleman's time — gentleman's time is expired.

Chair recognizes the gentleman from West Virginia, Mr. McKinley, for four minutes.

REP. DAVID B. MCKINLEY (R-W.VA.): Thank you for coming, Mr. Zuckerberg.

I've got a yes or no question, if you could give that. Should Facebook — should Facebook enable illegal online pharmacies to sell drugs such as Oxycodone, Percocet, Vicodin without a prescription?

ZUCKERBERG: Congressman, I believe ...

MCKINLEY: That's — that's a yes — yes or no. Do you think you should be able to do —

ZUCKERBERG: No, of course not.

MCKINLEY: And — there — there are 35,000 online pharmacies operating, and according to the FDA, they think there may be 96 percent of them are operating illegally. And on November of last year, CNBC had an article say that you were surprised by the breadth of this opioids crisis. And as you can see from these photographs, opioids are still available on your site, that they're — without a prescription on your site. So contradicts just what

you just said, just a minute ago.

And — and when on last week, FDA Commissioner Scott Gottlieb has testified before our office, said that the Internet firms simply aren't taking practical steps to find and remove these illegal opioids listings. And he specifically mentioned Facebook. Are you aware of that, his quote?

ZUCKERBERG: Congressman, I'm not ...

MCKINLEY: Answer yes or no ...

(CROSSTALK)

ZUCKERBERG: ... aware of his quote, but I heard that he — that he said something. And let me just speak to this for a second ...

(CROSSTALK)

MCKINLEY: If I could — no, we don't — so, in your opening statement — and I appreciated your remark — you said, “It's not enough to give people a voice. We have to make sure that people aren't using it” — Facebook — “to hurt people.”

Now, America's in the midst of one of the worst epidemics that it's ever experienced, with this — with this drug epidemic. And it's all across this country; it's not just in West Virginia.

But your platform is still being used to circumvent the law and allow people to buy highly addictive drugs without a prescription. With all due respect, Facebook is actually enabling an illegal activity, and in so doing, you are hurting people. Would you agree with that statement?

ZUCKERBERG: Congressman, I think that there are a number of areas of content that we need to do a better job policing on our

service.

Today, the primary way that content (inaudible) — regulation works here, and review, is that people can share what they want openly on the service, and then, if someone sees an issue, they can flag it to us, and then we will review it.

Over time, we're shifting to a mode where ...

(CROSSTALK)

MCKINLEY: You can — you can find out, Mr. Zuckerberg. You know which pharmacies are operating legally and illegally. But you're still continuing to take that — allow that to be posted on — on Facebook and allow people to get this — this scourge that's ravaging this country — is being enabled because of Facebook.

So my question to you, as we close, on this — you've said before you were going to take down those ads, but you didn't do it.

We've got statement after statement about things — you're going to take those down within days, and they haven't gone down.

That, what I just put up, was just from yesterday. It's still up. So my question to you is, when are you going to stop — take down these posts that are done — on — with illegal digital pharmacies? When are you going to take them down?

ZUCKERBERG: Congressman, right now, when people report the posts to us, we will take them down and have people ...

MCKINLEY: Why do they have to — if you got all these 20,000 people — you know that they're up there. Where is your require — where is your accountability to allow this to be occurring — this — ravaging this country?

ZUCKERBERG: Congressman, I agree that this is a terrible issue, and, respectfully, when there are tens of billions or 100 billion pieces of content that are shared every day, even 20,000 people reviewing it can't look at everything.

What we need to do is build more A.I. tools that can proactively find that content.

MCKINLEY: If — you have been — said before you were going to take them down, and you haven't. And they're still up.

WALDEN: Gentleman's time has expired.

Chair recognizes the gentleman from Vermont, Mr. Welch, for four minutes.

REP. PETER WELCH (D-VT.): Thank you, Mr. Chairman.

Mr. Zuckerberg, you acknowledge candidly that Facebook made a mistake. You did an analysis of how it happened. You've promised action. We're at the point where the action will speak much louder than the words.

But, Mr. Chairman, this Congress has made a mistake. This event that happened, whether it was Facebook or some other platform, was foreseeable and inevitable. And we did nothing about it.

Congresswoman Blackburn and I had a — a group, a privacy working group, six meetings with many of the industry players. There was an acknowledgment on both sides that privacy was not being protected, that there was no reasonable safeguard for Americans' privacy. But there was an inability to come to a conclusion.

So we also have an obligation. And, in an effort to move forward, Mr. Zuckerberg, I've framed some questions that hopefully will allow a reasonable yes or no answer to see if there's some common ground to achieve the goal you assert you have, and we certainly have: the obligation to protect the privacy of American consumers.

First, do you believe that consumers have a right to know and control what personal data companies collect from them?

ZUCKERBERG: Yes.

WELCH: Do you believe that consumers have a right to control how and with whom their personal information is shared with third parties?

ZUCKERBERG: Congressman, yes, of course.

WELCH: And do you believe that consumers have a right to secure and responsible handling of their personal data?

ZUCKERBERG: Yes, Congressman.

WELCH: And do you believe that consumers should be able to easily place limits on the personal data that companies collect and retain?

ZUCKERBERG: Congressman, that seems like a reasonable principle to me.

WELCH: Okay. And do you believe that consumers should be able to correct or delete inaccurate personal data that companies have obtained?

ZUCKERBERG: Congressman, that one might be more interesting to debate, because ...

WELCH: Well, then, let's get — you get back to us with specifics on that. I think they do have that right.

Do you believe that consumers should be able to have their data deleted immediately from Facebook when they stop using the service?

ZUCKERBERG: Yes, Congressman, and they have that ability.

WELCH: Good.

And do you believe that the Federal Trade Commission, or another properly resourced governmental agency with rulemaking authority, should be able to determine on a regular basis what is considered personal information, to provide certainty for consumers and companies what information needs to be protected most tightly?

ZUCKERBERG: Congressman, I certainly think that that's an area where we should discuss some sort of oversight.

WELCH: There's not a big discussion here. Who gets the final say? Is it the private market companies, like yours? Or is there a governmental function here that defines what privacy is?

ZUCKERBERG: Congressman, I think that's — this is an area where some regulation makes sense. You proposed a very specific thing, and I think the details matter.

WELCH: All right. Let me ask you this. I've appreciated your testimony.

Will you work with this committee to help put us — to help the U.S. put in place our own privacy regulation that private — prioritizes consumer's right to privacy, just as the E.U. has done?

ZUCKERBERG: Congressman, yes, and I'll make sure that we work with — with you to flesh this out.

WELCH: All right.

And you have indicated that Facebook has not always protected the privacy of their users throughout the company's history. And it seems, though, from your answers, that consumers — you agree that consumers do have a fundamental right to privacy that empowers them to control the collection, the use, the sharing of their personal information online.

And, Mr. Chairman — and thank you. Mr. Chairman, privacy cannot be based just on company policies, whether it's Facebook or any other company. There has to be a willingness on the part of this Congress to step up and provide policy protection to the privacy rights of every American consumer.

I yield back.

WALDEN: Gentleman yields back.

Chair recognizes the gentleman from Illinois, Mr. Kinzinger, for four minutes.

REP. ADAM KINZINGER (R-ILL.): Thank you, Chairman. And, Mr. Zuckerberg, thank you for being here.

Given the global reach of Facebook, I'd like to know about the company's policies and practices with respect to information sharing with foreign governments, if you don't mind.

What personal data does Facebook make available from Facebook, Instagram, WhatsApp to Russian state agencies, including intel and security agencies?

ZUCKERBERG: Congressman, in — in general, the way we approach data and law enforcement is, if we have knowledge of imminent harm — physical harm that might happen to someone, we try to reach out to local law enforcement in order to help prevent that.

I think that that is less built out around the world. It is more built out in the U.S. So, for example, on that example, we built out specific programs in the U.S.

(CROSSTALK)

ZUCKERBERG: We have 3,000 people that are help — that are focused on making sure that, if we detect that someone is at risk of harming themselves, we can get them the appropriate ...

(CROSSTALK)

KINZINGER:

What about, like — what about Russian intel agencies?

ZUCKERBERG: The — the second category of — of information is when there is a valid legal process served to us. In general, if a government puts something out that's overly broad, we're going to fight back on it. We view our duty as protecting people's information.

But, if there is valid service, especially in the U.S., we will, of course, work with law enforcement. In general, we are not in the business of providing a lot of information to the Russian government.

KINZINGER: Do you know — is this data only from accounts located in or operated from these individual countries? Or does it

include Facebook's global data?

ZUCKERBERG: Sorry, can you repeat that?

KINZINGER: Yeah. Is the data only from the accounts located in or operated from those countries, in terms of Russia or anything? Or does it include Facebook's global data?

ZUCKERBERG: Well, Congressman, in general, countries do not have jurisdiction to have any valid legal reason to request data of someone outside of their country.

KINZINGER: But where is it stored? Where is the data — do they have access to data only stored in ...

ZUCKERBERG: We don't store any data in Russia.

KINZINGER: Okay, so it's the global data.

ZUCKERBERG: Yes.

KINZINGER: So let me just ask — you mentioned a few times that we're in an arms race with Russia, but is it one-sided if Facebook, as an American-based company, has given the opposition everything it needs in terms of, you know, where it's storing its data?

ZUCKERBERG: Sorry, Congressman, could you repeat that?

KINZINGER: So you mentioned a few times that we're in an arms race with Russia.

ZUCKERBERG: Yes.

KINZINGER: If you're giving Russian intelligence service agencies, potentially, even on a valid request, access to global data that's not in Russia, is that kind of a disadvantage to us and

an advantage to them?

ZUCKERBERG: Congressman, let me be more precise in my testimony.

KINZINGER: Sure. Yeah, please.

ZUCKERBERG: I have no specific knowledge of any data that we've ever given to Russia. In general, we'll work with valid law enforcement requests in different countries, and we can get back to you on what that might mean with Russia, specifically. But I have no knowledge, sitting here, of any time that we would have given them information.

KINZINGER: That would be great.

Now, I've got another unique one I want to bring up. So I was just today — and I'm not saying this as a “Woe is me,” but I think this happens to a lot of people — there have been — my pictures have been stolen and used in fake accounts all around, and, in many cases, people have been extorted for money.

We report it when we can, but we're in a tail chase. In fact, today, I just Googled — or I just put on your website, “Andrew Kinzinger,” and he looks a lot like me, but it says he's from London and lives in L.A. and went to Locke High School, which isn't anything like me at all.

These accounts pop up a lot, and, again, it's using my pictures, but extorting people for money. And we hear about it from people that call and say, “Hey, I was duped,” or whatever.

Can I — I know you can't control everything. I mean, it's — you have a huge platform, and — but can you talk about, maybe,

some movements into the future to try to prevent that, in terms of maybe recognizing somebody's picture and if it's fake?

ZUCKERBERG: Yes, Congressman. This is an important issue, and it's — fake accounts, overall, are a big issue, because that's how a lot of the — the other issues that we see around fake news and foreign election interference are happening, as well.

So, long-term, the solution here is to build more A.I. tools that find patterns of people using the services that no real person would do. And we've been able to do that in order to take down tens of thousands of accounts, especially related to election interference leading up to the French election, the German election and, last year, the U.S. Alabama Senate state election — Senate election — special election.

And that's an area where we should be able to extend that work and develop more A.I. tools that can do this more broadly.

KINZINGER: Okay. Thank you.

WALDEN: The gentleman's time has expired.

Chair recognizes the gentleman from New Mexico, Mr. Lujan, for four minutes.

REP. BEN RAY LUJÁN (D-N.M.): Thank you, Mr. Chairman, and I want to pick up where Mr. Kinzinger dropped off, here.

Mr. Zuckerberg, Facebook recently announced that — a search feature allowing malicious actors to scrape data on virtually all of Facebook's 2 billion users.

Yes or no: In 2013, Brandon Copley, the CEO of Giftnix, demonstrated that this feature could easily be used to gather

information at scale.

Well, the answer to that question is yes.

Yes or no: This issue of scraping data was again raised in 2015 by a cyber security researcher, correct?

ZUCKERBERG: Congressman, I'm not specifically familiar with that. The feature that we identified — I think it was a few weeks ago, or a couple weeks ago, at this point — was a search feature that allowed people to look up some information that people had publicly shared on their profiles.

LUJAN: Well ...

ZUCKERBERG: So names, profile pictures, public information.

LUJAN: If I may, Mr. Zuckerberg, I will recognize that Facebook did turn this feature off. My question, and the reason I'm asking about 2013 and 2015, is Facebook knew about this in 2013 and 2015, but you didn't turn the feature off until Wednesday of last week — the same feature that Mr. Kinzinger just talked about, where this is essentially a tool for these malicious actors to go and steal someone's identity and put the finishing touches on it.

So, again, you know, one of your mentors, Roger McNamee, recently said your business is based on trust, and you are losing trust. This is a trust question. Why did it take so long, especially when we're talking about some of the other pieces that we need to get to the bottom of?

Your failure to act on this issue has made billions of people potentially vulnerable to identity theft and other types of harmful, malicious actors.

So, on to another subject, Facebook has detailed profiles on people who have never signed up for Facebook. Yes or no?

ZUCKERBERG: Congressman, in general, we collect data of people who have not signed up for Facebook for security purposes, to prevent the kind of scraping that you were just referring to.

LUJAN: So these are called shadow profiles? Is that what they've been referred to by some?

ZUCKERBERG: Congressman, I'm not — I'm not familiar with that ...

(CROSSTALK)

LUJAN: I'll refer — I'll refer to them as shadow profiles for today's hearing. On average, how many data points does Facebook have on each Facebook user?

ZUCKERBERG: I do not know off the top of my head.

LUJAN: So the average for non-Facebook platforms is 1,500. It's been reported that Facebook has as many as 29,000 data points for an average Facebook user.

You know how many points of data that Facebook has on the average non-Facebook-user?

ZUCKERBERG: Congressman, I do not off the top of my head, but I can have our team get back to you afterwards.

LUJAN: I appreciate that.

It's been admitted by Facebook that you do collect data points on non-average users. So my question is, can someone who does

not have a Facebook account opt out of Facebook's involuntary data collection?

ZUCKERBERG: Congressman, anyone can turn off and opt out of any data collection for ads, whether they use our services or not.

But, in order to prevent people from scraping public information, which — again, the search feature you brought up only showed public information — people's names and profiles and things that they had made public. But, nonetheless, we don't want people aggregating even public information.

LUJAN: But — so ...

(CROSSTALK)

ZUCKERBERG: ... block that, so we need to know when someone is trying to repeatedly access our services ...

LUJAN: If I may, Mr. Zuckerberg, I'm about out of time.

It may surprise you that we have not talked about this a lot today. You said everyone controls their data, but you're collecting data on people that are not even Facebook users, that have never signed a consent, a privacy agreement — and you're collecting their data.

And it may surprise you that, on Facebook's page, when you go to “I don't have a Facebook account and would like to request all my personal data stored by Facebook,” it takes you to a form that says, “Go to your Facebook page, and then, on your account settings, you can download your data.”

So you're directing people who don't have access — don't even

have a Facebook page to have to sign up for a page to reach their data. We've got to fix that.

The last question that I have is have you disclosed to this committee or to anyone all the information Facebook has uncovered about Russian interference on your platform?

ZUCKERBERG: Congressman, we're working with the right authorities on that, and I'm happy to answer specific questions here, as well.

WALDEN: The gentleman's time is expired.

LUJAN: Thank you Mr. Chair.

WALDEN: The chair now recognizes the gentleman from Virginia, Mr. Griffith, for four minutes.

REP. H. MORGAN GRIFFITH (R-VA.): Thank you very much, Mr. Chairman. I appreciate — appreciate you being here.

Let me state up front that I share the privacy concerns that you've heard from a lot of us, and I appreciate your statements and willingness to, you know, help us figure out a solution that's good for the American people. So I appreciate that.

Secondly, I have to say that it's my understanding that, yesterday, Senator Shelley Moore Capito, my friend in my neighboring state of West Virginia, asked you about Facebook's plans with rural broadband, and you agreed to share that information with her at some point in time, get her up to date and up to speed.

I was excited to hear that you were excited about that and passionate about it. My district is very similar to West Virginia, as it borders it and we have a lot of rural areas. Can you also agree,

yes or no, to update me on that when the information is available?

ZUCKERBERG: Yes, Congressman. We will certainly follow up with you on this.

Part of the mission of connecting everyone around the world means that everyone needs to be able to be on the Internet. And, unfortunately, too much of the Internet infrastructure today is too expensive for the current business models of carriers to support a lot of rural communities with the quality of service that they deserve.

So we are building a number of specific technologies, from planes that can beam down Internet access, to repeaters and mesh networks to make it so that — that all these communities can be served. And we'd be happy to follow-up with you on this to ...

(CROSSTALK)

GRIFFITH: I appreciate that. And we've got a lot of drone activity going on in our district, whether it's University of Virginia in Wise, or Virginia Tech. So we'd be happy to help out there, too.

Let me — let me switch gears. You talked about trying to ferret out misinformation. And the question becomes, who decides what is misinformation?

So, when the — some of my political opponents put on Facebook that, you know, they think Morgan Griffith is a bum, I think that's misinformation. What say you?

(LAUGHTER)

ZUCKERBERG: Congressman, without weighing in on that specific piece of content, let me outline the way that we approach fighting fake news in general.

There are three categories of fake news that we fight. One are basically spammers. They're economic actors, like — like the Macedonian trolls that I think we have all heard about — basically, folks who do not have an ideological goal. They're just trying to write the most sensational thing they can, in order to get people to click on it so they can make money on ads. It's all economics.

So the way to fight that is we make it so they can't run our ads, they can't make money. We make it so we can detect what they're doing and show it in less in news feeds, so they can make less money. When they stop making money, they just go and do something else, because they're economically inclined.

The second category are basically state actors, right, so what we've found with Russian interference. And those people are setting up fake accounts. So, for that, we need to build A.I. systems that can go and identify a number of their fake account networks.

And, just last week, we traced back the Russian activity to — to specific — a fake account network that Russia had in Russia to influence Russian culture and other Russian-speaking countries around them.

And we took down a number of their fake accounts and pages, including a news organization that was sanctioned by Russian — by the Russian government as a Russian state news

organization. So that's a pretty big action. But removing fake accounts is the other way that we can fake — stop the spread of false information.

GRIFFITH: And I appreciate that. My time is running out.

I do want to point this out, though, as part of that: You know, who is going to decide what is misinformation? We've heard about the Catholic University and the cross. We've heard about a candidate. We've heard about the conservative ladies; a firearms shop, lawful, in my district had a similar problem. It has also been corrected.

And so I wonder if the industry has thought about — not only are we looking at it, but has the industry thought about doing something like Underwriters Laboratories, which was set up when electricity was new to determine whether or not the devices were safe?

Have you all thought about doing something like that, so it's not Facebook alone, but the industry, saying, “Wait a minute, this is probably misinformation,” and setting up guidelines that everybody can agree are fair?

ZUCKERBERG: Yes, Congressman. That's actually the third category that I was going to get to next, after economic spammers and state actors with fake accounts.

One of the things we're doing is working with a number of third parties who — so, if people flag things as — as false news or — or incorrect, we run them by third-party fact checkers, who are all accredited by the — this Pointer Institute of Journalism. There are ...

WALDEN: Gentleman's time ...

ZUCKERBERG: ... firms of all — of all leanings around this, who do this work, and that's — that's an important part of the effort.

WALDEN: Gentleman's time is expired.

GRIFFITH: I yield back.

WALDEN: Chair now recognizes the gentleman from New York, Mr. Tonko, for four minutes.

REP. PAUL TONKO (D-N.Y.): Thank you.

Mr. Zuckerberg, I want to follow up on a question asked by Mr. McNerney, where he talked about visiting websites and the fact that Facebook can track you, and, as you visit those websites, you can have that deleted.

I'm informed that there's not a way to do that. Or are you telling us that you are announcing a new policy?

ZUCKERBERG: Congressman, my understanding is that, if there's — if we have information from you visiting other places, then you have a way of getting access to that and deleting it and making sure that we don't store it anymore.

In the specific question that the — the other congressman asked, I think it's possible that we just didn't have the information that he was asking about in the first place, and that's why it wasn't there.

TONKO: Well, 3 billion user accounts were breached at Yahoo in 2013, 145 million at eBay in 2014, 143 million at Equifax in 2017, 78 million at Anthem in 2015, 76 million at JPMorgan Chase in 2014 — the list goes on and on.

The security of all that private data is gone, likely sold many times over to the highest bidder on the dark web. We live in an information age. Data breaches and privacy hacks are not a question of if. They are a question of when.

But the case with Facebook is slightly different. The 87 million accounts extracted by Cambridge Analytica are just the beginning, with, likely, dozens of other third parties that have accessed this information. As far as we know, the dam is still broken.

As you have noted, Mr. Zuckerberg, Facebook's business model is based on capitalizing on the private personal information of your users. Data security should be a central pillar of this model.

And, with your latest vast breach of privacy and the widespread political manipulation that followed it, the question that this committee must ask itself is what role the federal government should play in protecting the American people and the democratic institutions that your platform, and others like it, have put at risk.

In this case you gave permission to mine the data of some 87 million users, based on the deceptive consent — consent of just a fraction of that number. When they found out I was going to be speaking with you today, my constituents asked me to share some of their concerns in person.

How can they protect themselves on your platform? Why should they trust you again with their likes, their loves, their lives? Users trusted Facebook to prioritize user privacy and data security, and that trust has been shattered.

I'm encouraged that Facebook is committed to making changes, but I am indeed wary that you are only acting now out of concern for your brand and only making changes that should have been made a long time ago.

We have described this as an arms race, but, every time we saw what precautions you have or, in most cases, have not taken, your company is caught unprepared and ready to issue another apology. I'm left wondering again why Congress should trust you again. We'll be watching you closely to ensure that Facebook follows through on these commitments.

Many of my constituents have asked about your business model, where users are the product. Mary of Half Moon, in my district, called it infuriating. Andy of Schenectady, New York, asked, "Why doesn't Facebook pay its users for their incredibly valuable data?"

Facebook claims that users rightly own and control their data, yet their data keeps being exposed on your platform, and these breaches cause more and more harm each time.

You have said that Facebook was built to empower its users. Instead, users are having their information abused with absolutely no recourse. In light of this harm, what liability should Facebook have? When users' data is mishandled, who is responsible and what recourse do users have? Do you bear that liability?

ZUCKERBERG: Congressman, I think we're responsible for protecting people's information, for sure. But one thing that you said that I — that I want to provide some clarity on ...

TONKO: Do you bear the liability?

ZUCKERBERG: Well, you said earlier — you referenced that you thought that we were only taking action after this came to light. Actually, we made significant changes to the platform in 2014 that would have made this incident with Cambridge Analytica impossible to happen again today.

I wish we'd made those changes a couple of years earlier, because this poll app got people to use it back in 2013 and 2014. And, if we had made the changes a couple of years earlier, then we would have — then we ...

(CROSSTALK)

WALDEN: Gentleman's time has expired. Chair recognizes ...

TONKO: Mr. Chairman, if I might ask that other questions that my constituents have be answered by unanimous consent.

WALDEN: Sure. Without objection, of course. That's — that goes for all members.

Chair recognizes the gentleman from Florida, Mr. Bilirakis, for four minutes.

REP. GUS BILIRAKIS (R-FLA.): Thank you. Thank you, Mr. Chairman — appreciate it. And thanks for your testimony, Mr. Zuckerberg.

Well, first of all, I wanted to follow up with Mr. — Mr. McKinley's testimony. This is bad stuff, Mr. Zuckerberg, with regard to the illegal online pharmacies.

When are the — those ads — I mean, when are you going to take those off? I think we need an answer to that. I think they

need to get off — we need to get these off as soon as possible.

Can you give us an answer, a clear answer as to when these pharmacies — we have an epidemic here with regard to the opioids. I think we're owed a clear answer, a definitive answer as to when these ads will be off — offline.

ZUCKERBERG: Congressman, if people flag those ads for us, we will take them down now.

BILIRAKIS: Now?

ZUCKERBERG: Yes.

BILIRAKIS: By the end of the day?

ZUCKERBERG: If people flag them for us, we will look at them as quickly as we can ...

(CROSSTALK)

BILIRAKIS: Well, you have knowledge now, obviously. You have knowledge — you have knowledge of those ads. Will you begin to take them out — down today?

ZUCKERBERG: The ads that are flagged for us, we will review and take down, if they violate our policies, which I believe the ones ...

(CROSSTALK)

BILIRAKIS: They clearly do. I — if they're illegal, they clearly violate your laws.

(CROSSTALK)

ZUCKERBERG: ... but — but what I think really needs to happen here is not just us reviewing content that gets flagged for us. We

need to be able to build tools that can proactively go out and identify what might be these — these ads for — for opioids, before people even have to flag them for us to review.

BILIRAKIS: I agree.

ZUCKERBERG: And that's — that's going to be a longer term thing, in order to build that solution. So — but, today, if someone flags the ads for us, we will take them down.

BILIRAKIS: Work on those tools as soon as possible, please.

Okay. Next question. A constituent of mine in District 12 of Florida, the Tampa Bay area, came to me recently with what was clear — a clear violation of your privacy policy. In this case, a third-party organization publicly posted personal information about my constituent on his Facebook page.

This included his home address, voting record, degrading photos and other information. In my opinion, this is cyber bullying. For weeks, my constituent tried reaching out to Facebook on multiple occasions through its report feature, but the offending content remained. It was only when my office got involved that the posts were removed almost immediately for violating Facebook policy.

BILIRAKIS: How does Facebook's self-reporting policy work to prevent misuse? And why did it take an act of Congress — a member of Congress to get, again, a clear privacy violation removed from Facebook? If you can answer that question, I'd appreciate it, please.

ZUCKERBERG: Congressman, that clearly sounds like a big issue and something that would violate our policies. I don't have specific knowledge of that case, but what I imagine happened,

given what you just said, is that they reported it to us and one of the people who reviews content probably made an enforcement error.

And then, when you reached out, we probably looked at it again and realized that it — that it violated the policies, and took it down. We have a number of steps that we need to take to improve the accuracy of our enforcement.

BILIRAKIS: Absolutely.

ZUCKERBERG: That's — that's a big issue. And we have to check content faster ...

BILIRAKIS: It has to be consistent.

ZUCKERBERG: ... and we need to — to be able to do better at this. I think the same solution to the opioid question that you raised earlier, of doing more with automated tools, will lead to both faster response times, and more accurate enforcement of the policies.

BILIRAKIS: Can you give us a timeline as to when will this be done? I mean, this is very critical for — I mean, listen, my family uses Facebook, my friends, my constituents. We all use Facebook. I use Facebook. It's wonderful ...

WALDEN: Gentleman's time ...

BILIRAKIS: ... for us seniors to connect with our relatives.

WALDEN: ... gentleman's time has expired.

BILIRAKIS: Yeah, I'm sorry. Can I submit for the record my additional questions?

WALDEN: Yes, sir.

BILIRAKIS: Thank you. Thank you so much ...

(CROSSTALK)

WALDEN: Without objection.

The chair recognizes the gentlelady from New York, Ms. Clarke, for four minutes.

REP. YVETTE D. CLARKE (D-N.Y.): I thank you, Mr. Chairman. And thank you for coming before us, Mr. Zuckerman (sic).

Today, I want to take the opportunity to represent the concerns of the newly formed Tech Accountability Caucus, in which I serve as a co-chair with my colleagues, Representative Robin Kelly, Congressman Emanuel Cleaver and Congresswoman Bonnie Watson Coleman, but, most importantly, people in our country and around the globe who are in vulnerable populations, including those who look just like me.

My first question to you is, as you may be aware, there have been numerous media reports about how more than 3,000 Russian ads were bought on Facebook to incite racial and religious division and chaos in the U.S. during the 2016 election.

Those ads specifically characterized and weaponized African American groups like Black Lives Matter, in which ads suggested, through propaganda — or fake news, as people call it these days — that they were a rising threat.

Do you think that the lack of diversity, culturally competent personnel in your C suite and throughout your organization, in which your company did not detect or disrupt and investigate

these claims, are a problem in this regard?

ZUCKERBERG: Congresswoman, I agree that we need to work on diversity. In this specific case, I don't think that that was the issue, because we were, frankly, slow to identifying the whole Russian misinformation operation, and not just that specific example.

Going forward, we're going to address this by verifying the identity of every single advertiser who's running political or issue-oriented ads, to make it so that foreign actors or people trying to spoof their identity or say that they're someone that they're not cannot run political ads or run large pages of the type you're talking about.

CLARKE: So, were they — whether they were Russian or not, when you have propaganda, how are you addressing that? Because this was extremely harmful during the last election cycle and it — and can continue to be so in the — in the upcoming elections and throughout the year, right?

I'm concerned that there are not eyes that are culturally competent looking at these things and being able to see how this would impact on civil society. If everyone within the organization is monolithic, then you can miss these things very easily.

And we've talked about diversity forever, with your organization. What can you say today, when you look at how all of this operates, that you can do immediately to make sure that we have the types of viewing or reviewing that could enable us to catch this in its tracks?

ZUCKERBERG: Congresswoman, we announced a change in

how we're going to review ads and big pages so that, now, going forward, we're going to verify the identity and location of every advertiser who's running political or issue ads or — and the identities ...

(CROSSTALK)

CLARKE: Good. We — we'd like you to get back to us with a timeline on that. This is ...

(CROSSTALK)

ZUCKERBERG: That will be in place for these elections.

CLARKE: Okay. Fabulous.

When Mr. Kogan sold the Facebook-based data that he acquired through the quiz app to Cambridge Analytica, did he violate Facebook's policies at the time?

ZUCKERBERG: Yes, Congresswoman.

CLARKE: When the Obama campaign collected millions of Facebook users' data through their own app during the 2012 election, did it violate Facebook's policies at the time?

ZUCKERBERG: No, Congresswoman, it did not.

CLARKE: I hope you understand that this distinction provides little comfort to those of us concerned about our privacy online. Regardless of political party, Americans desperately need to be protected. Democrats on this committee ...

WALDEN: Gentlelady's time ...

CLARKE: ... have been calling for strong privacy and data security legislation for years. We really can't wait.

Mr. Chairman, I yield back. Thank you, Mr. Zuckerberg.

WALDEN: Gentlelady's time has expired.

Chair recognizes the gentleman from Ohio, Mr. Johnson, for four minutes.

REP. BILL JOHNSON (R-OHIO): Thank you, Mr. Chairman. Mr. Zuckerberg, thanks for joining us today.

Let me add my list — my name to the list of folks that you're going to get back to on the rural broadband Internet access question. Please add my name to that list.

ZUCKERBERG: Of course.

JOHNSON: I got a lot of those folks in my district.

You know, you're a — you're a real American success story. There's no question that you and Facebook have revolutionized the way Americans — in fact, the world — communicate and interconnect with one another.

I think the reason that — one of the reasons that you were able to do that is because nowhere other than here in America, where a young man in college can pursue his dreams and ambitions on his own terms without a big federal government overregulating them and telling them what they can and cannot do, could you have achieved something like this.

But, in the absence of — of federal regulations that would reel that in, the only way it works for the betterment of society and people is with a high degree of responsibility and trust. And you've acknowledged that there have been some breakdowns in responsibility.

And I think, sometimes — and I'm a technology guy. I have two degrees in computer science. I'm a software engineer. I'm a patent holder. So I know the challenges that you face in terms of managing the technology.

But, oftentimes, technology folks spend so much time thinking about what they can do, and little time thinking about what they should do. And so I want to talk about some of those “should do” kind of things.

You heard earlier about faith-based material that had been — that had been taken down, ads that had been taken down. You admitted that it was a mistake. That was in my district, by the way — Franciscan University, a faith-based university, was the one that did that.

JOHNSON: How is your content filtered and determined to be appropriate, or not appropriate, and policy-compliant? Is it an algorithm that does it? Or is there a team of a gazillion people that sit there and look at each and every ad, that make that determination?

ZUCKERBERG: Congressman, it's a combination of both. So, at the end of the day, we have — we have community standards that are written out, and try to be very clear about what's — what is acceptable.

And we have a large team of people. As I said, by the end of this year, we're going to have about 20,000 — more than 20,000 people working on security and content review across the company.

But, in order to flag some content quickly, we also build technical

systems in order to take things down. So, if we see terrorist content, for example, we'll flag that, and we can — we can take that down.

JOHNSON: What do — what you do when you — when you find someone or something that's made a mistake? I mean, I've heard you say several times today that you know a mistake has been made. What — what kind of accountability is there when mistakes are made?

Because, every time a mistake like that is made, it's a little bit of a chip away from the trust and the responsibility factors. How do you hold people accountable in Facebook, when they make those kind of mistakes of taking stuff down that shouldn't be taken down, or leaving stuff up that should not be left up?

ZUCKERBERG: Congressman, for content reviewers specifically, their performance is going to be measured by whether they do their job accurately, and ...

JOHNSON: Do you ever fire anybody when they do stuff like that?

ZUCKERBERG: I — I'm — I'm sure we do. As is part of the normal course of — of running a company, you — you're hiring and firing people all the time to grow your capacity, and — and to ...

(CROSSTALK)

JOHNSON: What happened to the — what happened to the person that took down the Franciscan University ad and didn't put it back up until the media started getting involved?

ZUCKERBERG: Congressman, I'm not specifically aware of that case.

JOHNSON: Could you take that question for me? My time is expired. Can you take that question for me and — and get me that answer back, please?

ZUCKERBERG: We will.

JOHNSON: Okay, thank you very much. I yield back.

WALDEN: The gentleman's time's expired.

The chair recognizes the gentleman from Iowa, Mr. Loeb sack.

REP. DAVID LOEBSACK (D-IOWA): Thank you, Mr. Chairman. I want to thank you and the ranking member for holding this hearing today, and I want to thank Mr. Zuckerberg for being here today, as well.

Add my name to the rural broadband list, as well. I have one-fourth of Iowa, the southeast part of Iowa. We definitely need more help on that front. Thank you.

You may recall, last year, Mr. Zuckerberg, that you set out to visit every state in the country, to meet different people, and one of those places you visited was, in fact, Iowa — my home state of Iowa. And you did visit the district that I probably represent, and you met some of my constituents.

As you began your tour, you said that you believed in connecting the world and giving everyone a voice, and that, quote — you wanted, quote, “to personally hear more of those voices.”

I'm going to do the same thing in just a second that a number of my colleagues did, and just ask you some questions that were

submitted to my Facebook page by some of my constituents.

I do want to say at the outset, though — and I do ask for unanimous consent to enter all those questions on the record, Mr. Chair ...

WALDEN: Without objection.

LOEBSACK: ... I think trust that has been the issue today. There's no question about it. I think that's what — what I'm hearing from my constituents. That's what we're hearing from our colleagues.

That's really the question: How can we be guaranteed that, for example, when you agree to some things today, that you're going to follow through, and that we're going to be able to hold you accountable.

And — and without, perhaps, constructing too many rules and regulations — we'd like to keep that to a minimum if we possibly can. But I do understand that you have agreed that we're going to have to have some rules and regulations so that we can protect people's privacy, so that we can protect that use of the consumer data.

So, going forward from there, I've just got a — a few questions I'll probably have an opportunity to get to. The first one goes to the business model issue, because you're publicly traded. Is that correct?

ZUCKERBERG: Yes.

LOEBSACK: And you're the CEO.

ZUCKERBERG: Yes.

LOEBSACK: Right.

And so I've got Lauren from Solon who asks, "Is it possible for Facebook to exist without collecting and selling our data?" Is it possible to exist?

ZUCKERBERG: Congressman, we don't sell people's data. So I think that that's an important thing to clarify up front. And then, in terms of collecting data, I mean, the whole purpose of the service is that you can share the things that you want with the people around you, right, or — and your friends. So ...

LOEBSACK: Is it — is it possible for you to be in business without sharing the data? Because that's what you have done, whether it was selling or not — sharing the data, providing it to Cambridge Analytica and other folks along the way.

Is it possible for your business to exist without doing that?

ZUCKERBERG: Well, Congressman, it would be possible for our business to exist without having a developer platform. It would not be possible for our business to — or — or our products or our services or anything that we do to exist without having the opportunity for people to go to Facebook, put in the content that they want to share and who they want to share it with, and then go do that. That's the core thing that ...

(CROSSTALK)

LOEBSACK: Okay, thank you. I — I appreciate that.

And then Brenda from Muscatine — she has a question, obviously, related to trust, as well, and that is, how will changes promised this time be proven to be completed? She'd like to

know. How's that going to happen?

If there are changes — you said there have been some changes — how can she and those folks in our districts, and throughout America — not just members of Congress, but how can folks in our districts hold you accountable? How do they know that those changes are, in fact, going to happen? That's what that question's about.

ZUCKERBERG: Congressman, for the developer platform changes that we announced, they're implemented. We're putting those into place. We announced a bunch of specific things. It's on our — our blog, and I wrote it in my written testimony, and that stuff is happening.

We're also going back and investigating every single app that had access to a large amount of data before we locked down the platform in the past. We will tell people if we find anything that misused their data, and we will tell people when the investigation is complete.

LOEBSACK: Thank you.

And, finally, Chad from Scott County wants to know, “Who has my data, other than Cambridge Analytica?”

ZUCKERBERG: Congressman, part of what I just said is that we're going to do an investigation of every single app that had access to a large amount of people's data. If you — if you signed into another app, then that probably has access to some of your data.

And part of the investigation that we're going to do is — is to determine whether those app developers did anything improper,

or shared that data further, beyond that. And, if we find anything like that, we will tell people that their — that their data was misused.

WALDEN: The gentleman's time is expired.

(CROSSTALK)

LOEBSACK: ... thank you, Mr. Chair.

WALDEN: Chair recognizes the gentleman from Missouri, Mr. Long, for four minutes.

REP. BILLY LONG (R-MO.): Thank you, Mr. Chairman, and thank you, Mr. Zuckerberg, for being here today on a voluntary basis. I want to put that out here — you were not subpoenaed to be here, as Mr. Barton offered up a little bit ago.

We've had — you're the only witness at the table today. We've had 10 people at that table, to give you an idea of what kind of hearings we've had in here. Not too long ago, we had 10, and I'd say that, if we invited everyone that had read your terms of agreement — terms of service, we could probably fit them at that table.

I also would say that I had — represent 751,000 people, and, out of that 751,000 people, the people in my area that are really worked up about this — Facebook, and about this hearing today — would also fit with you there at the table.

So I'm not getting the outcry from my constituents about what's going on with Cambridge Analytica and — and this user agreement and everything else. But there are some things that I think you need to be concerned about. One question I'd like to

ask before I move into my questioning is what was FaceMash, and is it still up and running?

ZUCKERBERG: No, Congressman. FaceMash was a — a prank website that I launched in college, in my dorm room, before I started Facebook. There was a movie about this — or it said it was about this. It was of unclear truth. And the — the claim that FaceMash was somehow connected to the development of Facebook — it isn't. It wasn't.

(CROSSTALK)

LONG: It's coincidental. The timing was the same, right? Just coincidental.

ZUCKERBERG: It was in 2003.

(CROSSTALK)

ZUCKERBERG: ... took it down, and it actually has nothing to do with Facebook.

LONG: You put up pictures of two women, and decide which one was the better — more attractive of the two, is that right?

ZUCKERBERG: Congressman, that is an accurate description of the prank website that I made when I was a sophomore in college.

LONG: Okay. Okay, I just — but, from that beginning — whether it was actually the beginning of Facebook or not — you've come a long way. Jan Schakowsky — Congresswoman Schakowsky, this morning, said self-regulation simply does not work.

Mr. Butterfield, Representative Butterfield, said that you need more African American inclusion on your board of directors. If I

was you — a little bit of advice — Congress is good at two things: doing nothing, and overreacting.

So far, we've done nothing on Facebook. Since your inception in that Harvard dorm room, many years ago, we've done nothing on Facebook. We're getting ready to overreact. So take that as just a shot across the bow, warning to you.

You've got a good outfit there, on your front row, behind you, that — they're very bright folks. You're Harvard-educated. I have a Yale hat that costs me \$160,000 — that's as close as I ever got to an Ivy League school.

But I'd like to show you, right now, a — a little picture here. You recognize these folks?

ZUCKERBERG: I do.

LONG: Who are they?

ZUCKERBERG: I — I believe — is that Diamond and Silk?

LONG: That is Diamond and Silk, two biological sisters from North Carolina. I might point out they're African American. And their content was deemed by your folks to be unsafe.

So, you know, I don't know what type of picture this is — if it was taken in a police station, or what, in a lineup — but apparently they've been deemed unsafe. Diamond and Silk have a question for you, and that question is, what is unsafe about two black women supporting President Donald J. Trump?

ZUCKERBERG: Well, Congressman, nothing is unsafe about that. The specifics of — of this situation, I — I'm not as up to speed on as — as I probably would be ...

(CROSSTALK)

LONG: ... you have 20,000 employees, as you said, to check content. And I would suggest, as good as you are with analytics, that those 20,000 people use some analytical research and see how many conservative websites have been pulled down, and how many liberal websites.

One of our talk show hosts at home — Nick Reed — this morning, on the radio, said that, if Diamond and Silk were liberal, they'd be on the late-night talk show circuit, back and forth. They're humorous, they have their opinion, not that you have to agree or that I have to agree — to agree — don't agree — with them.

But the fact that they're conservative — and I would just remember — if you don't remember anything else from this hearing here today, remember we do nothing and we overreact.

WALDEN: Gentleman's time ...

LONG: And we're getting ready to overreact. So I would suggest you go home and review all these other things people have accused you of today, get with your good team — they're behind you ...

WALDEN: ... gentleman's time's expired.

LONG: ... you're the guy to fix this. We're not. You need to save your ship. Thank you.

WALDEN: Gentleman's time has expired.

REP. JAN SCHAKOWSKY (D-ILL.): Mr. Chairman, since my name was mentioned, can I just respond?

WALDEN: Well I — I'd tell you, I'd — if we could move on, just because we're going to run out of time for members down dais to be able to ask their questions ...

SCHAKOWSKY: Okay, I'm going to — I consider Billy Long a good friend. Let me just say that I don't think it was a breach of decorum, and I just take issue with his saying that a very modest bill that I've introduced is an overreach. That's all.

LONG: I didn't say it was an overreach. All I said was that — I was just letting — reminding with several ...

(CROSSTALK)

WALDEN: I now recognize the gentleman from Oregon, Mr. Schrader, for questions for four minutes.

REP. KURT SCHRADER (D-ORE.): Thank you, Mr. Chairman, I appreciate that. Mr. Zuckerberg, again, thank you for being here — appreciate your — your good offices and voluntarily coming before us.

You have testified that you voluntarily took Cambridge Analytica's word that they had deleted information, found out subsequently that they did not delete that information, have sent in your own forensics team, which I — I applaud.

I just want to make sure — get some questions answered here. Can you tell us that they were not told — they were told not to destroy any data — misappropriated data they may find?

ZUCKERBERG: Congressman, so you're right that, in 2015, when we found out that the app developer, Aleksandr Kogan, had sold data to Cambridge Analytica, we reached out to them. At

that point, we demanded that they delete all the data that they had.

They told us, at that point, that they had done that. And then, a month ago, we heard a new report that said that they actually hadn't done that.

SCHRADER: But I'm talking about the direction you've given your forensic team. Now, if they find stuff, they are not to delete it at this point in time? Or are they going to go ahead and delete it?

ZUCKERBERG: The audit team that we are sending in?

SCHRADER: Right.

ZUCKERBERG: The first order of business is to understand exactly what happened. And ...

(CROSSTALK)

SCHRADER: I'm worried about the — the information being deleted without law enforcement having an opportunity to actually review that.

Will you commit to this committee that neither Facebook nor its agents have removed any information or evidence from Cambridge Analytica's offices?

ZUCKERBERG: Congressman, I do not believe that we have. And ...

(CROSSTALK)

SCHRADER: How about Mr. Kogan's office, if I may ask?

ZUCKERBERG: ... one specific point on this is that our audit in the — of Cambridge Analytica — we have paused that in order to

cede to the U.K. government, which is conducting its own government audit, which, of course — an investigation which, of course ...

(CROSSTALK)

SCHRADER: Yes, where I'm — with all due respect, what I'm getting at is I'd like to have the information available for the U.K. or U.S. law enforcement officials, and I did not hear you commit to that.

Will you commit to the committee that Facebook has not destroyed any data or records that may be relevant to any federal, state or international law enforcement investigation?

ZUCKERBERG: Congressman, yes. What I'm saying is that the U.K. government is going to complete its investigation before we go in and do our audit. So they will have full access to all the information.

SCHRADER: You suspended your audit, pending the U.K.'s investigation?

ZUCKERBERG: Yes, we've — we've — we've paused it, pending theirs.

SCHRADER: So it's my understanding that you and other Facebook executives have the ability to rescind or delete messages that are on people's websites.

To be clear, I just want to make sure that, if that is indeed the case — that, after you've deleted that information — that, somehow, law enforcement — particularly relevant to this case — would still have access to those messages.

ZUCKERBERG: Congressman, yes. We have a document retention policy at the company where, for some people, we delete emails after a period of time, but we, of course, preserve anything that there's a legal hold on.

SCHRADER: Great. Well, I appreciate that.

While you've testified very clearly that you do not sell information — it's not Facebook's model; you do the advertising and obviously have other means of revenue — but it's pretty clear others do sell that information.

Doesn't that make you somewhat complicit in what they're doing, your allowing them to sell the information that they glean from your website?

ZUCKERBERG: Well, Congressman, I would disagree that we allow it. We actually expressly prohibit any developer that people ...

(CROSSTALK)

SCHRADER: How do you — how do you enforce that? That's my concern. How do you enforce that? Complaint only is what I've heard so far tonight.

ZUCKERBERG: Yes, Congressman. Some of it is — is in response to reports that we get, and some of it is we do spot checks to make sure that the apps are actually doing what they — what they say they're doing. And, going forward, we're going to increase the number of audits that we do, as well.

SCHRADER: So last question is it's my understanding, based on the testimony here today, that, even after I'm off of Facebook —

that you guys still have the ability to follow my web interactions.
Is that correct?

ZUCKERBERG: Congressman ...

SCHRADER: I've logged out of Facebook. Do you still have the ability to follow my interactions on the web?

ZUCKERBERG: ... Congressman, you have control over what we do for — for ads and the information collection around that. On security, there may be specific things about how you use Facebook, even if you're not logged in, that we — that we keep track of, to make sure that people aren't abusing the systems.

ZUCKERBERG: ... Congressman, you have control over what we do for — for ads and the information collection around that. On security, there may be specific things about how you use Facebook, even if you're not logged in, that we — that we keep track of, to make sure that people aren't abusing the systems.

WALDEN: Gentleman's time has expired.

And, just for our — our members who haven't had a chance to ask questions, we will pause at 1:30 — well, we will have votes at 1:40. We will continue the hearing after a — a brief pause, and we'll — we'll coordinate that.

We'll go now to Dr. Bucshon.

REP. LARRY BUCSHON (R-IND.): Thank you, Mr. Chairman.
Thank you, Mr. Zuckerberg, for being here.

There are plenty of anecdotal examples, including from family members of mine, where people will be verbally discussing items, never having actively been on the Internet at the time, and then,

the next time they get on Facebook or other online apps, ads for things that they were verbally discussing with each other will show up.

And I know you said in the Senate that Facebook doesn't listen — specifically listen to what people are saying through their — through their phone, whether that's a Google phone or whether it's Apple or another one.

However, the other day, my mother-in-law and I were discussing her brother, who had been deceased for about 10 years, and, later on that evening, on — on her Facebook site, she had a — she had, set to music, kind of a in memoriam picture collage that came up Facebook, specifically to her brother. And that happened the other night.

So, if you don't — you're not listening to us on the phone, who is? And do you have specific contracts with — with these companies that will provide data that you — is being acquired verbally through our — through our phones or, now, through things like Alexa or other — other products?

ZUCKERBERG: Congressman, we're not collecting any information verbally on the microphone, and we don't have contracts with anyone else who is.

The only time that we might use the microphone is when you're recording a video or doing something where you intentionally are trying to record audio. But we don't have anything that is trying to listen to what's going on in the background.

BUCSHON: Okay, because, I mean — like I said, I mean, you've talked to people that this has happened to. My son who lives in

Chicago was — him and his colleagues were talking about a certain type of suit, because they're business guys, and, the next day, he had a bunch of ads for different suits on — on that, when he went onto the Internet.

So it's pretty obvious to me that someone is — is listening to the audio on — on our phones, and that — I see that as a pretty big issue. And the reason is — is because — and you may not be, but I see this as a pretty big issue for — because, for example, if you're in your doctor's office, if you're in your corporate boardroom, your office or even personal areas of your home, that's potentially an issue.

And I'm glad to hear that Facebook isn't listening, but — but I'm skeptical that someone isn't. And I — I see this as an industry-wide issue that you could potentially help address.

And the final thing I'll just ask is that, when you have, say, an executive session or whatever, your corporate board, and you have decisions to be made, do you allow the people in the room to have their phones on them?

ZUCKERBERG: Congressman, we do. I don't think we have a policy that says that your phone can't be on. And, again, I'm not that — I'm not familiar with — Facebook doesn't do this, and I'm not familiar with other companies that — that do, either.

My understanding is that a lot of these cases that you're talking about are a coincidence, or someone is — might be talking about something, but then they also go to a website or interact with it on Facebook, because they were talking about it, and then maybe they'll see the ad because of that, which is a much clearer

statement of the — the intent.

BUCSHON: Okay. Because, if — if that's the case, then — I mean, I know, for convenience, companies have developed things like Alexa, and I don't want to — and other companies are developing things like that.

But it just seems to me that the whole — part of the whole point of those product is not just for your own convenience, but, when you're verbally talking about things and then you're not on the Internet, they're able to collect information on the type of activities that — that you're engaging in.

So I'd — I'd implore the industry to — to look into that and make sure that, in addition to physical — exploring the Internet and collecting data, that data being ...

(CROSSTALK)

BUCSHON: ... taken verbally not be allowed. Thank you.

WALDEN: The gentleman's time is expired.

Chair recognizes the gentleman from Massachusetts, Mr. Kennedy, for four minutes.

REP. JOSEPH KENNEDY III (D-MASS.): Thank you, Mr. Chairman. Mr. Zuckerberg, thank you for being here. Thank you for your patience and — over both days of testimony.

You spoke about the framing of your testimony about privacy, security, and democracy. I want to ask you about privacy and democracy, because I think, obviously, those are linked.

You have said over the course of questioning yesterday and today that users own all of their data. So I want to make sure that

we drill down on that a little bit, but I think our colleagues have tried.

That includes, I believe, that the Facebook — that — the information that Facebook requires users to make public — so that would be a profile picture, gender, age range — all of which is public-facing information. That's right?

ZUCKERBERG: Yes.

KENNEDY: Okay. So can advertisers, then — understanding that you, Facebook, maintain the data; you're not selling that to anybody else — but advertisers clearly end up having access through that — through agreements with you about how they, then, target ads to me, to you, to any other user.

Can advertisers in any way use nonpublic data — so data that individuals would not think is necessarily public — so that they can target their ads?

ZUCKERBERG: Congressman, the way this works is — let's say you have a business that is selling skis, Okay, and you have on your profile that you are interested in skiing. But let's say you haven't made that public, but you share it with your — with your friends, all right?

So, broadly, we don't tell the advertiser that — “Here's a list of people who like skis.” They just say, “Okay, we're trying to sell skis. Can you reach people who like skis?” And then we match that up on our side, without sharing any of that information with the advertisers.

KENNEDY: Understood. They don't — you don't share that, but they get access to that information so that — if they know — they

want to market skis to me, because I like skis.

On the realm of data that is accessible to them, does that include — does Facebook include deleted data?

ZUCKERBERG: Congressman, no. And I — I also would push back on the idea that we're giving them access to the data. We allow them to reach people who have said that on Facebook, but we're not giving them access to data.

KENNEDY: Fair, fair.

So can advertisers, either directly or indirectly, get access to or use the metadata that Facebook collects in order to more specifically target ads?

So that would include — I know you've talked a lot about how Facebook would use access to information for folks that — well, I might be able to opt in or out about your ability to track me to other websites. Is that used by those advertisers, as well?

ZUCKERBERG: Congressman, I'm not sure I understand the question. Can you — can you give me an example of what you mean?

KENNEDY: So does — essentially, does — the advertisers that are using your platform — do they get access to information that the user doesn't actually think is either, one, being generated, or, two, is public?

Understanding that, yes, if you dive into the details of your — your platform, users might be able to shut that off, but I think one of the challenges with trust here is that there's an awful lot of information that's generated, that people don't think that they're

generating, and that advertisers are being able to target because Facebook collects it.

ZUCKERBERG: Yes.

So, Congressman, my understanding is that the targeting options that are — that are available for advertisers are generally things that are based on what people share.

Now, once an advertiser chooses how they want to target something, Facebook also does its own work to help rank and determine which ads are going to be interesting to which people.

ZUCKERBERG: So we may use metadata or other behaviors of what you've shown that you're interested in on news feed or other places in order to make our systems more relevant to you. But that's a little bit different from giving that as an option to an advertiser, if that makes sense.

KENNEDY: Right. But, then, I guess, the question back to — and I've only got 20 seconds. I think one of the rubs that you're hearing is I don't understand how users, then, own that data. I think that's part of the rub.

Second, you focus a lot of your testimony and the questions on the individual privacy aspects of this. But we haven't talked about the societal implication of it.

And I think, while I applaud some of the reforms that you're putting forward, the underlying issue here is that your platform has become a — a ...

WALDEN: Gentleman's time ...

KENNEDY: ... mix of — two seconds — news, entertainment,

social media that is up for manipulation. We've seen that with a foreign actor. If the changes to individual privacy don't seem to be sufficient to address that underlying issue ...

WALDEN: Gentleman's time has expired.

KENNEDY: ... I'd love your comments on that at the appropriate time. Thank you.

WALDEN: Chair recognizes the gentleman from Texas, Mr. Flores, for four minutes.

REP. BILL FLORES (R-TEX.): Thank you Mr. Chairman. Mr. Zuckerberg, thank you for being here today. I'm up here, top row. I'm certain there are other things you'd rather be doing.

The activities of Facebook and other technology companies should not surprise us. I mean, we've seen it before — and again, don't take this critically. But we saw a large oil company become a monopoly back in the late 1800s, early 1900s. We saw a large telecommunications company become a near-monopoly in the '60s, '70s and '80s.

And, just as Facebook — and these companies were founded by bright entrepreneurs. Their companies grew. And, eventually, they sometimes became detached from everyday Americans. And what happened is policymakers then had to step in and reestablish the balance between those — those folks and everyday Americans.

You didn't intend for this to happen. It did happen, and I appreciate that you've apologized for it. And one of the things I appreciate about Facebook — it appears you're proactively trying to address the situation.

Just as we addressed those monopolies in the past, we're faced with that similar — that situation today. We need to — and this — this goes beyond Facebook. This has to do with the edge providers. It has to do with social media organizations and also with ISPs.

Back to — to Facebook in particular, though, we heard examples yesterday, during the Senate hearing, and also today, during this hearing, so far, about ideological bias among the users of Facebook.

In my Texas district, I have a retired schoolteacher whose conservative postings were banned or stopped. The good news is I was able to work with Facebook's personnel and get her reinstated. That said, the Facebook centers still seem to be trying to stop her postings. And I — anything you can do in that regard to fix that bias will go a long way.

I want to move a different direction; that's to talk about the future. Congress needs to consider policy responses, as I said earlier. And I want to call this policy response Privacy 2.0 and Fairness 2.0.

With respect to fairness, I think the technology companies should be ideologically agnostic regarding their users' public-facing activities. The only exception would be for potentially violent behavior.

I'll ask — my — my question is, on this, do you agree that Facebook and other technology platforms should be ideologically neutral?

ZUCKERBERG: Congressman, I — I agree that we should be a

platform for all ideas, and that we should focus on that.

FLORES: Good.

ZUCKERBERG: I ...

FLORES: I've got to — I've got limited time.

With respect to privacy, I think that we need to set a baseline. When we talk about a virtual person that each technology user establishes online — their name, address, their online purchases, geolocation, data, websites visited, pictures, et cetera — I think that the individual owns the virtual person they set up online.

My second question is this. You've said earlier that each user owns their virtual presence. Do you think that this concept should apply to all technology providers, including social media platforms, edge providers and ISPs?

ZUCKERBERG: Congressman, yes. In general, I mean, I think that people own their ...

(CROSSTALK)

FLORES: Thank you. I'm not trying to catch you off. You can provide more information supplementally, after, if you don't mind.

In this regard, I believe that Congress enact — if Congress enacts privacy standards for technology providers, just as we have for financial institutions, health care, employed benefits, et cetera, the policy should state that the data of technology users should be held privately unless they specifically consent to the use of the data by others.

This release should be based on the absolute transparency as to what data will be used, how it will be processed, where — how —

where it will be stored, what algorithms will be applied to it, who will have access to it, if it will be sold and to whom it might be sold.

The disclosure of this information and the associated opt-in actions should be easy to understand and easier for nontechnical users to execute. The days of the long-scrolling fine-print disclosures with a single check mark at the bottom should end.

In this regard, based on my use of ...

WALDEN: Gentleman's ...

FLORES: ... Facebook, I think you've come a long way toward meeting that objective. I think we must move further. I'll have two questions to submit later.

And thank you — if you can expand on your responses to my earlier questions later, thank you.

WALDEN: Gentleman's time has expired.

Chair recognizes the gentleman from California for four minutes, Mr. Cardenas.

REP. TONY CÁRDENAS (D-CALIF.): Thank you very much. Seems like we've been here forever, don't you think?

Well, thank you, Mr. Chairman, Ranking Member, for holding this important hearing. I'm of the opinion that, basically, we're hearing from one of the leaders — the CEO of one of the biggest corporations in the world — but yet almost entirely in an environment that is unregulated, or, for basic terms, that — the lanes in which you're supposed to operate in are very wide and broad, unlike other industries.

Yet, at the same time, I have a chart here of the growth of Facebook. Congratulations to you and your shareholders. It shows that, in 2009, your net value of the company was less than — or revenue was less than a billion dollars. And then you look all the way over to 2016 — it was in excess of \$26 billion.

And then, in 2017, apparently, you're about close to \$40 billion. Are those numbers relatively accurate about the growth and the phenomenon of Facebook?

ZUCKERBERG: Congressman, these sound relatively accurate.

CARDENAS: Okay.

It — just so you know, just brought to my attention — my staff texted me a little while ago that the CEO of Cambridge Analytica apparently stepped down, some time today. I don't know if anybody of your team there whispered that to you, but my staff just reported that.

That's interesting. The fact that the CEO of Cambridge Analytica stepped down — does that in and of itself solve the issue and the controversy around what they did?

ZUCKERBERG: Congressman, I don't think so. There are — there are a couple of big issues here. One is what happened specifically with Cambridge Analytica — how were they able to buy data from a developer that people chose to share it with? And how do we make sure that that can't happen again?

CARDENAS: But some of that information did originate with Facebook, correct?

ZUCKERBERG: People had it on Facebook, and then chose to

share theirs and some of their friends' information with this developer, yes.

CARDENAS: Something was brought to my attention most recently that apparently safe book — Facebook does, in fact, actually buy information to add or augment the information that you have on some of your users, to build, around them, their profile.

ZUCKERBERG: Congressman, we just recently announced that we were stopping working with data brokers as part of the ad system. It's ...

CARDENAS: But you did do that to build your company, in the past?

ZUCKERBERG: It's — it's an industry standard ad practice, and, recently, upon examining all of our systems, we decided that's not a thing that we want to be a part of, even if everyone else is doing it.

CARDENAS: But you did engage in that, as well — not just everybody else, but Facebook yourselves — you did engage in that?

ZUCKERBERG: Yes, until we announced that we're shutting it down. Yes.

CARDENAS: Okay. It's my understanding that, when The Guardian decided to report on the Cambridge Analytica consumer data issue, Facebook threatened to sue them if they went forward with their — their story. It appears — did it happen something like that? Facebook kind of warned them, like, “Hey, maybe you don't want to do that”?

ZUCKERBERG: Congressman, I don't believe that. I think that there may have been a specific factual inaccuracy that we ...

CARDENAS: So, in other words, you checking The Guardian and saying, "You're not going to want to go out with that story because it's not 100 percent factual" — that's ...

(CROSSTALK)

ZUCKERBERG: ... that specific point, yes.

CARDENAS: Okay. Now — but, however, they did go through with their story, regardless of the warnings or the threats of Facebook saying that "You don't — not going to want to do that."

When they did — did do that — and only then did Facebook actually apologize for that incident, for that 89 million users' information, unfortunately, ending up in their hands. Isn't that the case?

ZUCKERBERG: Congressman, you're right that we apologized after they posted the story. They had the — most of the details of what was — of what was right there.

CARDENAS: Okay.

ZUCKERBERG: And I don't think we objected to that.

CARDENAS: Thank you.

ZUCKERBERG: There was a specific thing ...

(CROSSTALK)

CARDENAS: Okay. But I only have a few more seconds.

My — my main point is this: I think it's time that you, Facebook — if you want to truly be a leader in all the sense of the word and

recognize that you can, in fact, do right by American users of Facebook and when it comes information, unfortunately, getting in the wrong hands — you can be a leader.

Are you committed to actually being a leader in that sense?

WALDEN: Chairman — the gentleman's time.

CARDENAS: Can you give a two second answer?

WALDEN: Sure.

ZUCKERBERG: Congressman, I'm — I am definitely committed to taking a broader view of our responsibility. That's what my testimony is about, making sure that we don't just give people tools, but make sure that they're used for good.

CARDENAS: Thank you very much. Thank you, Mr. Chairman.

WALDEN: And, with that, we will recess for about five minutes, 10 minutes. We'll recess for 10 minutes and then resume the hearing.

(RECESS)

WALDEN: All right, we're going to reconvene the Energy and Commerce Committee, and we will go next to the gentlelady from Indiana, Ms. Brooks, for four minutes to resume questioning.

REP. SUSAN BROOKS (R-IND.): Thank you, Mr. Chairman, and thank you, Mr. Zuckerberg, for being here today. It's so critically important that we hear from you and your company because we do believe that is critically important for you to be a leader in these solutions.

One thing is that has been talked about just very little, but I think

is very important and I want to make sure there is appropriate attention on how the platform of Facebook but even other platforms — and you've mentioned it a little bit — how you help us in this country keep our country safe from terrorists. And so it's a — I talked with lots of people who actually continue to remain very concerned about recruitment of their younger family members, and now we're seeing around the globe and enhanced recruitment of women as well to join terrorist organizations. And so I'm very, very concerned. I'm a former U.S. attorney.

And so when 9/11 happened, you didn't exist. Facebook did not exist, but since the evolution, after 9/11, we know that al-Shabab, al-Qaeda, ISIS, has used social media like we could not even imagine.

So can you please talk about — and then you talked about the fact that if there is content that is objectionable or is a danger that people report it to you, but what if they don't? What if everybody assumes that someone is reporting something to you. So I need you to help assure us as well as the American people, what is Facebook's role, leadership role, in helping us fight terrorism and help us stop the recruitment, because it is still a grave danger around the world?

ZUCKERBERG: Congresswoman, thanks for the question.

Terrorist content and propaganda has no place in our network and we have developed a number of tools that have now made it so that 99 percent of the ISIS and al-Qaeda content that we take down is identified by the systems and taken down before anyone our system even flags it for us.

So that's an example of removing harmful content that we're

proud of, and I think is a model for other types of harmful content as well.

BROOKS: Can I ask though — and I appreciate, and I heard you say 99 percent — and yet I didn't go out and, you know, look for this, but yet, as recently as March 29th ISIS content was discovered on Facebook, which included an execution video, March 29th.

On April 9th there were five pages located, on April 9th, of Hezbollah content, and so forth.

And so, what is the mechanism that you're using? Is it artificial intelligence? Is it the 20,000 people? What are you using to — because it's not — I appreciate that no system is perfect, but yet this is just within a week.

ZUCKERBERG: Congressman, it's a good question, and it's a combination of technology and people. We have a counterterrorism team at Facebook.

BROOKS: How large is it?

ZUCKERBERG: Two hundred people are just focused on counterterrorism, and there are other content reviewers who are reviewing content that gets flagged to them as well. So those are folks who are working specifically on that. I think we have capacity in 30 languages that we're working on.

In addition to that we have a number of A.I. tools that we're developing, like the ones that I mentioned that can proactively go flag the content.

BROOKS: And so you might have those people looking for the

content. How are they helping block the recruiting?

ZUCKERBERG: Yes so there's ...

BROOKS: Is it still — your platform as well as Twitter and then WhatsApp is how they then begin to communicate which I understand you own. Is that correct?

ZUCKERBERG: Yes.

BROOKS: So how are we stopping the recruiting and the communications?

ZUCKERBERG: So we identify what might be the patterns of communication or messaging that they might put out and then design systems that can proactively identify that and flag those for our teams. That way we can go and take those down.

BROOKS: Thank you. My time is up. I thank you and please continue to work with us and all the governments who are trying to fight terrorism around the world.

ZUCKERBERG: Thank you. We will.

And, Mr. Chairman, if you don't mind before we go to the next question, there was something I wanted to correct in my testimony from earlier, when I went back and talked to my team afterwards.

WALDEN: Sure.

ZUCKERBERG: I'd said that if — if — this was in response to a question about whether web logs that — that we had about a person would be able to download your information. I had said that they were. And I clarified with my team that in fact, the Web logs are not and download your information. We only store them

temporarily, and we convert the Web logs into a set of ad interests, that you might be interested in those ads, and we put that in the “download your information” instead, and you have complete control over that. So I just wanted to clarify that one for the record.

WALDEN: I appreciate that. Thank you.

We go now to the gentleman from California, Mr. Ruiz.

REP. RAUL RUIZ (D-CALIF.): Thank you, Mr. Chairman, and thank you, Mr. Zuckerberg, for appearing before the committee today.

The fact, is Mr. Zuckerberg, Facebook failed its customers. You said as much yourself. You've apologized and we appreciate that.

We as Congress have a responsibility to figure out what went wrong here and what could be done differently to better protect consumers private digital data in the future.

So my first question for you, Mr. Zuckerberg, is why did Facebook not notify the FTC in 2015 when you first discovered this had happened, and was it the legal opinion of your current company that you are under no obligation to notify the FTC, even with the 2011 consent order in place?

ZUCKERBERG: Congressman, in retrospect, it was a mistake and we should and I wish we had identified — notified and told people about it.

RUIZ: Did you think that ...

ZUCKERBERG: The reason why we didn't ...

RUIZ: ... the rules were kind of lax, that you were sort of debating

whether you needed to or something?

ZUCKERBERG: Yes, Congressman, I don't believe that — that we necessarily had a legal obligation to do so. I just think it was probably ...

RUIZ: Okay.

ZUCKERBERG: ... I think that it was the right thing to have done. The reason why we didn't do it at the time ...

RUIZ: Well — well — well, you answered my question. Would you agree that for Facebook to continue to be successful, it needs to continue to have the trust of its users?

ZUCKERBERG: Absolutely.

RUIZ: Great. So does this not, perhaps, strike you as a weakness with the current system; that you are not required to notify the FTC of a potential violation of your own consent decree with them, and that you did not have clear guidelines for what you as a company needed to do in this situation to maintain the public's trust, and act in their best interest?

ZUCKERBERG: Congressman, regardless of what the laws or regulations are that are in place, we take a broader view of our responsibilities around privacy, and I think that we should have notified people, because it would have been the right thing to do, and I've committed ...

(CROSSTALK)

RUIZ: I'm just trying to think of the other CEO who might not have such a broad view, and might interpret the different legal requirements, maybe, differently. So that's why I'm asking these

questions. I'm — I'm — I'm also taking a broad view as a Congressman here, to try to fix this problem.

So from what we've learned over the past two days of hearings, it just doesn't seem like the FTC has the necessary tools to do what needs to be done to protect consumer data and consumer privacy, and we can't exclusively rely on companies to self-regulate in the best interest of consumers. So Mr. Zuckerberg, would — would it be helpful if there was an entity clearly tasked with overseeing how consumer data is being collected, shared and used, and which could offer guidelines, at least guidelines for companies like yours to ensure your business practices are not in violation of the law, something like a digital consumer protection agency?

ZUCKERBERG: Congressman, I think it's an idea that deserves a lot of consideration. I think — I — I'm not the type of person who thinks that there should be no regulation, especially because the Internet is getting to be so important in people's lives around the world. But I think the details on this really matter, and whether it's an agency, or a law that is passed, or the FTC has certain abilities, I — I that is — is is all something that we should be ...

RUIZ: Well, one of the things that we're realizing is that there's a lot of holes in the system; that — that, you know, we don't have the toolbox, you don't have the toolbox to monitor 9 million apps, and tens of thousands of — of data collectors, and there's no specific mechanism for you to collaborate with those that can help you prevent these things from happening. And so I think that — that perhaps if we — if we started having these discussions about what would have been helpful for you to build your toolbox,

and for us to build our toolbox, so that we can prevent things like Cambridge Analytica, things like identity thefts, things like what, you know, what we're seeing — what we've heard about today.

So thank — you know, I just want to thank you for your thoughts and testimony. So it's clear to me that this is the beginning of many, many conversations on the topic, and I look forward to working with you and the committee to — to better protect consumer privacy.

ZUCKERBERG: Congressman, we look forward to following up, too.

RUIZ: Thank you.

WALDEN: Now go to gentleman from Oklahoma, Mr. Mullin, for four minutes.

REP. MARKWAYNE MULLIN (R-OKLA.): Thank you, Mr. Chairman, and sir, thank you for being here. I appreciate you using the term “Congressman” and “Congresswoman.” My name's Markwayne Mullin, and feel free to use that name.

Sir, I — I just want to tell you, first of all, I want to commend you on your ability to not just invent something, but to see it through its — through its growth. We see a lot of venturers have the ability to do that, but to manage it, and to see that — see it through its tremendous growth period takes a lot of talent, and you can show — by your showing here today, you — you handle yourself well, so — so thank you on that. And you also do that by hiring the right people, so I commend you on doing that, also. You hire people, obviously, based on their ability to get the job done.

Real quick, a couple questions I have, and I'll give you time to answer it. Isn't it the consumers' responsibility to some degree to control the content to which they release?

ZUCKERBERG: Congressman, I believe that people should have the ability to choose to share their data how they want, and they need to understand how that's working. But I — I agree with what you're saying, that people want to have the ability to move their data to another app, and we want to give them the tools to — to do that.

MULLIN: Right. And — and does the device settings, does it really help you protect what information is released? For instance, there's been a lot of talk about them searching for something, maybe on Google, and then the advertisement pops up on Facebook. Isn't there a setting on most devices to where you can close out the browser without Facebook interacting with that?

ZUCKERBERG: Yes, Congressman. On — on most devices, the way the operating systems is architected would prevent something that you do in another app like Google from being visible to — to the Facebook app.

MULLIN: See, I — I come from the — from the background of believing that everything I do, I assume is open for anybody to take when I'm on the Internet. I — I understand that it is — it is privacy concerns, but you're still releasing it to something farther than a pen and pad. So once I'm — once I'm on the Web, or I'm on an app, then that information is subject to — to going, really, anyplace. All I can do is protect it the best I can by my settings.

And so what I'm trying to get to is, as a — as an individual, as a user of Facebook, how can someone control keeping the content within the realm that they want to keep it, without it being collected? You say that, you know, you don't sell it. However, you do — you do sell advertisement. As a business owner, I have a demographic that I go after, and I search advertisers that — that market to that demographic. So you collect information for that purpose, right?

ZUCKERBERG: Congressman, yes, we — we collect information to make sure that the ad experience on Facebook can be relevant and valuable to small businesses ...

MULLIN: Sure.

ZUCKERBERG: ... and — and others who want to reach people.

MULLIN: Value-based. But if I don't — If I'm a customer or a user of Facebook, and I don't want that information to be shared, how do I keep that from happening? Is there settings within the app that I need to go to to set — to block all that?

ZUCKERBERG: Congressman, yes, there is. There is a setting, so if you don't want any data to be collected around advertising, you can — you can turn that off, and then we won't do it.

In general, we offer a lot of settings over every type of information that you might want to share on Facebook, in every way that you might interact with the system, from here's the content that you put on your page, to here is who can see your interests, to here's how you might show up in — in search results if people look for you, to here's how the — how you might be able to sign into developer apps, and login with Facebook, and — and

advertising. And we — we try to make the controls as easy to understand as possible. You know, it's a — it's a broad service. People use it for a lot of things, so there are a number of controls, but we try to make it as easy as possible, and — and to put those controls in front of people so that they can configure the experience in a way that they want.

MULLIN: Would that have kept apps from seeking our information, if that's ...

WALDEN: The gentleman's time.

MULLIN: Thank you. I appreciate it. Thank you, Chairman.

ZUCKERBERG: Thank you.

WALDEN: Recognize now the gentleman from California for four minutes.

PETERS: Thank you, Mr. Chairman. Thank you, Mr. Zuckerberg, for being with us today, and I — you know, it's been a long day.

I want to — I — I think we can all agree that technology has outpaced the law, with respect to the protection of private information. I wonder if you think it would be reasonable for Congress to define the legal duty of privacy that's owed by private companies to their customers, with respect to their personal information.

ZUCKERBERG: Congressman, I think that that makes sense to discuss, and I agree with the broader point that I think you're making, which is that the Internet and technology overall is just becoming a much more important part of all of our lives.

The — the companies in the technology industry are — are

growing ...

PETERS: Right, that's what I mean by it's outpaced, and I — I wonder, I want to take — I would also want to take you at your work, I believe you're sincere that you personally place a high value on consumer privacy and that — that personal commitment is significant at Facebook today coming from you, given your position, but I also observe, and you'd agree, that the performance on privacy has been inconsistent.

I wonder, you know, myself whether that's because it's not a bottom line issue. It — it — it appears that the shareholders are interested in — in maximizing profits, privacy neither — certainly doesn't drive profits I don't think, but also may interfere with profits if you have to sacrifice your ad revenues because of privacy concerns.

Would it not be appropriate for — for us once we define this — this duty to assess financial penalties in a way that would sufficiently send a signal to the shareholders and to your employees — who you must be frustrated with too — that the privacy you're so concerned about is a bottom line issue at Facebook?

ZUCKERBERG: Congressman, it's certainly something that we can consider, although one thing that I would push back on is I think it is often characterized as maybe these mistakes happen because there's some conflict between what people and business interests. I actually don't think that's the case. I think a lot of these hard decisions come down to different interests between different people.

So for example, on the one hand people want the ability to sign into apps and bring some of their information and bring some of their friend's information in order to have a social experience. And on the other hand, everyone wants their information locked down and completely private. And the question is — it's not a business question as much as which of those equities do you weigh more?

PETERS: I think part of it is that, but — but part of it also what happened with Cambridge Analytica, some of this data got away from us, and I'd suggest to you that if — if there were financial consequences to that that made a difference to the business, not people dropping their Facebook accounts, they would get more attention.

And it's not so much a — a business model choice — I congratulate you on your business model — but it's that these issues aren't getting the — the bottom line attention that — that I think would have given — made them a priority with respect of Facebook.

Let me just follow up in my final time on a — on an exchange you had with Senator Graham yesterday about regulation and — and I — I think Senator said, do you as a company welcome regulation, and you said, if it's the right regulation, then yes. Question, do you think that the Europeans have it right? And you said, I think they get some things right. I wanted you to elaborate on what the Europeans got right, and what do you think they got wrong?

ZUCKERBERG: Congressman, well there are — there are a lot of things that the — that the Europeans do, and — and I think

that — I think that GDPR in general is — is going to be a very positive step for the Internet, and it codifies a lot of the things in there are things that we've done for a long time. Some of them are things that — that I think would be — would be good steps for us to take. So for example, the controls that — that this requires, are generally controls, privacy controls that we've offered around the world for years.

Putting the tools in front of people repeatedly, not just having them in settings, but putting them in front of people and getting — and making sure that people understand what the controls are and that they get affirmative consent, I think it's a good thing to do that we've done periodically in the past, but I think it makes sense to do more, and I think that's something the GDPR will — will require us to do and — and will be positive.

PETERS: Anything you think they got wrong?

ZUCKERBERG: I would — I need to think about that more.

PETERS: Well I would appreciate it if you could respond in writing. I really — again, really appreciate you being here.

Thank you Mr. Chairman.

WALDEN: Thank you. We'll go now to the gentleman from North Carolina, Mr. Hudson, for four minutes.

HUDSON: Thank you. Thank you, Mr. Zuckerberg, for being here. This is a long day. You're here voluntarily, and we sure appreciate you — you being here.

I can say from my own experience, I've hosted two events with Facebook in my district in North Carolina working with small

business and finding ways they can increase their customer base on Facebook, and it's been very beneficial to us, so I thank you for that.

I do want to pin this slightly and frame the discussion in other light for my question. One of the greatest honors I have as I represent the men and women of Fort Bragg, epicenter of the universe, home of the airborne special operations, you visited last year.

ZUCKERBERG: I did.

HUDSON: Very well received, so you understand that due to the sense of nature of some of the operations these soldiers conduct, many are discouraged or even prohibited from having a social media presence.

However, there are others who — who still have profiles or some who may have deleted their profiles upon entering military service. Many have family members who have Facebook profiles. And as we've learned, each one of these user's information may have been shared without their consent.

There's no way that Facebook can guarantee the safety of this information on another company's server that they sell this information. If private information can be gathered by apps without explicit consent of the user, they're almost asking to be hacked.

Are you aware of the national security concerns that would come from allowing those who seek to harm our nation access to information such as the geographical location of members of our Armed Services? Is this something that you're — you're looking

at?

ZUCKERBERG: Congressman, I'm not — I'm not specifically aware of — of that threat, but in general, there are a number of national security and election integrity-type issues that we focus on, and we try to take a very broad view of that. And the more input that we can get from the intelligence community as well, encouraging us to — to look into specific things, the more effectively we can do that work.

HUDSON: Great, well I'd love to follow up with you on that. It's been said many times here that you refer to Facebook as a platform of all ideas — or a platform for all ideas. I know you've heard from many yesterday and today about concerns regarding Facebook censorship of content, particularly content that may promote Christian beliefs of conservative political beliefs.

I have to bring up Diamond & Silk again because they're actually from my district, but — but I think you've addressed these concerns, but I think it's also become very apparent, and I hope it's become very apparent to you, that this is a very serious concern.

I actually asked on my Facebook page for my constituents to give me ideas of things they'd like for me to ask you today, and the most common question was about personal privacy.

So this is something that I — I think there is an issue, there — there's issues that your company, in terms of trust with consumers, that I think you need to deal with. I think you recognize that based on your testimony today.

But my question to you is, what is the standard that Facebook

uses to determine what is offensive or controversial, and how has that standard been applied across Facebook's platform?

ZUCKERBERG: Congressman, this is an important question. So there are a couple of standards. The strongest one is things that will cause physical harm, or threats of physical harm, but then there is a broader standard of — of hate speech and speech that might make people feel just broadly uncomfortable or unsafe in the community.

HUDSON: That's probably the most difficult to define, so I guess my question is how do you apply — what standards do you apply to try to determine what's hate speech versus what's just speech you may disagree with?

ZUCKERBERG: Congressman, that's a very important question, and I think is — is one that we struggle with continuously, and the question of, what is hate speech versus what is legitimate political speech is, I — I think, something that we get criticized both from the left and the right on what the definitions are that we have.

It's — it is — it's nuanced, and what we try to — we try to lay this out in our community standards, which are public documents, that we can make sure that you and your — your office get to look through the definitions on this, but this is an area where I think society's sensibilities are also shifting quickly, and it's also very different and ...

(CROSSTALK)

HUDSON: I'm just running out of time here. I hate to cut you off. But let me just say that, you know, based on the statistics Mr.

Scalise shared and the anecdotes we can provide you, it seems like there's still a challenge when it comes to conservative (inaudible), and I hope you will address that.

(CROSSTALK)

ZUCKERBERG: I agree.

HUDSON: With that, Mr. Chairman, I'll stop talking.

WALDEN: Gentleman's time's expired. We now go to the gentleman from New York, Mr. Collins for four minutes.

COLLINS: Thank you, Mr. Chairman. And I wasn't sure where I would be going with this, but when you're number 48 out of 54 members you know you can do a lot of listening, and I've tried to do that today. And to — to frame where I am now, I think, first of all, thank you for coming. And there's a saying, you don't know what you know until you know it. And I really think you've done a — a great benefit to Facebook and yourself in particular as we now have heard, without a doubt, Facebook doesn't sell data. I think the narrative would be, of course you sell data. And now we all know across America you don't sell data. I think that's very good for you, a very good clarification.

The other one is that the whole situation we're here is because a third-party app developer, Aleksandr Kogan, didn't follow through on the rules. He was told he can't sell the data. He gathered the data, and then he did what he's not supposed to and he sold that data. And it's very hard to anticipate a bad actor doing what they're doing until after they've done it, and clearly you took actions after 2014.

So one real quick question is, what did change in, you know, 10

or 20 or 30 seconds? What data was being collected before you locked down the platform, and how did that change to today?

ZUCKERBERG: Congressman, thank you.

So, before 2014 when we announced the change, a — someone could sign into an app and share some of their data, but also could share some basic information about their friends. And in 2014 the major change was we said, now you're not going to be able to share any information about your friends. So if you and your friend both happen to be playing a game together or on an app that — listening to music together, then that app could have some information from both of you because you both had signed in and authorized that app. But other than that, people wouldn't be able to share information from their friends.

So that the basic issue here were 300,000 people used this poll and came — and the app and then ultimately sold it to Cambridge Analytica and Cambridge Analytica had access to as many as 87 million people's information wouldn't be possible today. Today if 300,000 people used an app, the app might have information about 300,000 people.

COLLINS: And — and I think that's a very good clarification as well because people were wondering how does 300,000 become 87 million. So that — that's also something that's good to know. And — and you know, I guess my last minute as I've heard the tone here, I've got to give you all the credit in the world. You — I could tell from the tone, we would say the other side sometimes when we point to our left, but when the representative from Illinois to quote her said, “Who is going to protect us from Facebook?” I mean that threw me back in my chair. I mean, that

was certainly an aggressive — we'll — we'll use the polite word “aggressive,” but I think out of bounds kind of comment. Just my opinion.

And I've said I was interviewed by a couple of folks in the break and I said, you know, as I'm listening to you today I'm quite confident that you truly are doing good. You believe in what you're doing. 2.2 billion people are using your platform. And I sincerely know in my heart that you do believe in — in keeping all ideas equal, and you may vote a certain way or not but that doesn't matter.

You've got 27,000 employees and I think the fact is that you're operating under a Federal Trade Commission consent decree from 2011. That's a real thing, and it goes for 20 years. So when someone said, do we need more regulations, or do we need more legislation? I said no.

Right now what we have is Facebook with a CEO that — that's mind is in the right place doing the best you can with 27,000 people, but the consent decree does what it does. I mean, there would be significant financial penalties were Facebook to ignore that consent decree.

So I think as I'm hearing this meeting going back and forth, I for one think it was beneficial. It's good. I don't think we need more regulations and legislation now, and I want to congratulate you, I think, on doing a good job here today in presenting your case, and we now know we didn't know before hand. So thank you again.

ZUCKERBERG: Thank you.

WALDEN: Okay. Now I think we go next in order to Mr. Walberg actually, who was here when the gavel dropped. So we will go to Mr. Walberg for four minutes.

WALBERG: Well, thank you, Mr. Chairman. I appreciate that. And I — Mr. Zuckerberg, I appreciate you being here as well. It has been interesting to listen to all of the comments from both sides of the aisle. To get an idea of the breadth, length, depth, the vastness of our World Wide Web, social media and more specifically Facebook.

I want to ask three starter questions. Don't think they'll take a long answer but I'll let you — let you answer. Earlier you indicated that there were bad actors, and that triggered your platform policy changes in 2014, but you didn't identify who those bad actors were. Who were they?

ZUCKERBERG: Congressman, I — I don't sitting here today remember a lot of the specifics of — of early on, but we saw generally a bunch of app developers who were asking for permissions to access people's data in ways that weren't connected to the functioning of an app. So they'd just say, Okay, if you want to log in to my app, you — you would have to share all this content, even though the app doesn't actually use that in any reasonable way. So we looked at that and said, hey, this isn't — this isn't right.

Or we should review these apps and make sure that if an app developer's going to ask someone to access their data that they actually have a reason why they want to access to it. And over time, that we — we made a series of changes that culminated in the major change in 2014 that I referenced before where

ultimately we made it so now a person could sign in but not bring their friends information with them anymore.

WALBERG: Secondly, is there any way, any way, that Facebook can with any level of certainty ensure Facebook users that every single app on it's platform is not misusing their data?

ZUCKERBERG: Congressman, it would be difficult to ever guarantee that any single — that — that — that there are — that there are no bad actors. Every problem around security is — is sort of an arms race, where you have people who are trying to abuse systems, and our responsibility is to make that as hard as possible and to take the — the necessary precautions for a company of our scale. And I think that the responsibility that we have is growing with our scale and we need to make sure that we ...

WALBERG: And I think that — I think that's an adequate answer. It's a truthful answer. Can you assure me that ads and content are not being denied based on particular views?

ZUCKERBERG: Congressman, yes politically. Although I — I — I think what you — when I hear that what I hear is kind of normal political speech. We certainly are not going to allow ads for terrorist content for example so ...

WALBERG: Let me — let me ...

ZUCKERBERG: ... banning those views.

(CROSSTALK)

WALBERG: And I wanted to bring up a — a screen grab that we had, again going back to Representative Upton earlier on was his

constituent, but was my legislative director for a time. It was his campaign ad that he was going to boost his post, and he was rejected. It was rejected as being — it said here, ad wasn't approved because it doesn't allow — doesn't follow advertising policies, we don't allow ads that contain shocking, disrespectful or sensational content, including ads that depict violence or threats of violence. Now, as I read that, I also know that you have since — or Facebook has since declared no, that was a mistake; an algorithm problem that went on there.

But that's our concern that we have, that it wouldn't be because he had his picture with a veteran, it wouldn't be because he wanted to reduce spending, but pro-life, second amendment, those things and conservative, that causes us some concerns.

So I guess what I'm saying here, I believe that we ought to have a light touch in regulation. And when I hear some of my friends on the other side of the aisle decry the fact of what's going on now, and they were high-fiving what took place in 2012 with President Obama and what he was capable of doing in bringing in and grabbing, for use in a political way.

I would say the best thing we can do is have these light-of-day hearings, let you self-regulate as much as possible with a light touch coming from us but recognizing that, in the end, your Facebooks or subscribers are going to tell you what you need to do ...

WALDEN: Gentleman's time ...

WALBERG: So thank you for your time and thank you for the time you've given me.

WALDEN: Yes. Now recognize the gentlelady from California, Ms. Walters, for four minutes.

WALTERS: Thank you. Thank you, Mr. Chairman. And thank you, Mr. Zuckerberg, for being here. One of my biggest concerns is the misuse of consumer data and what controls users have over their information. You have indicated that Facebook users have granular control over their own contact — content and who can see it.

As you can see on the screen, on the left is a screenshot of the on-off choice for apps which must be on for users to use apps that require a Facebook login and which allows apps to collect your information.

On the right is a screenshot of what a user sees when they want to change the privacy settings on a post, photo or other content. Same account, same user. But which control governs? The app platform access or the user's decision as to who they want to see a particular post?

ZUCKERBERG: Sorry, could you repeat that?

WALTERS: So, which — which app governs, Okay? Or which control governs? The app platform access or the user's decision as to who they want to see a particular post? So if you look up there on the screen.

ZUCKERBERG: Congresswoman, so when you're using the service, if you share a photo, for example, and you say "I only want my friends to see it," then in news feed and Facebook, only your friends are going to see it. If you then go to a website and then you want to sign into that website, that website can ask you

and say “Hey, here are the things that — that I want to get access to in order for you to use the website.”

If you sign in after seeing that screen where the website is asking for certain information, then you are also authorizing that website to have access to that information. If you've turned off the platform completely, which is what the control is that you have on the left, then you wouldn't be able to sign in to another website. You'd have to go reactivate this before that would even work.

WALTERS: Okay, do you think that the average Facebook user understands that is how it works? And how would they find this out?

ZUCKERBERG: Congresswoman, I think that these, that the settings when you're signing into an app are quite clear in terms of, every time you go to sign into an app, you have to go through a whole screen that says “Here's the app, here's your friends who use it, here are the pieces of information that it would like to have access to.” You make a decision whether you sign in, yes or no. And until you say “I want to sign in,” nothing gets shared.

Similarly, in terms of sharing content, every single time that you go to upload a photo, you have to make a decision — it's right there at the top, it says “are you sharing this with your friends or publicly or with some group,” and every single time that's — that's quite clear. So in those cases, yes, I think that this is quite clear.

WALTERS: Okay, so these user control options are in different locations. And it seems to me that putting all privacy control options in a single location would be more user-friendly. Why

aren't they in the same location?

ZUCKERBERG: Congresswoman, we typically do two things. We have a settings page that has all of your settings in one place in case you want to go and play around or configure your settings. But the more important thing is putting the settings in line when you're trying to make a decision. So if you're going to share a photo now, we think that your setting about who you want to share that photo with should be in line right there.

If you're going to sign into an app, we think that the — it should be very clear right in line when you're signing into the app what permissions that app is asking for. So we do both. It's both in one place in settings if you want to go to it, and it's in line in the relevant place.

WALTERS: Okay. California has been heralded by many on this committee for its privacy initiatives. Given that you and other major tech companies are in California and we are still experiencing privacy issues, how do you square the two?

ZUCKERBERG: Can you repeat that?

WALTERS: So, given that you and other major tech companies are in California and we're still experiencing privacy issues, how do you square the two?

ZUCKERBERG: What was the other piece?

WALTERS: California's been heralded by many in this committee for its privacy initiatives.

ZUCKERBERG: Well, Congresswoman, I think that privacy is not something that you can ever — it's — our understanding of the

issues between people and how they interact online only grows over time. So I think we'll figure out what the social norms are and the rules that we want to put in place. Then five years from now, we'll come back and we'll have learned more things and either that'll just be that social norms have evolved and the company's practices have evolved or we'll put rules in place.

But I think that our understanding of this is going to evolve over quite a long time. So I would expect that even if a state like California's forward-leaning, that's not necessarily going to mean that we fully understand everything or have solved all the issues.

WALDEN: Gentle — gentlelady's time has expired. Recognize the gentlelady from Michigan, Ms. Dingell for four minutes.

DINGELL: Thank you, Mr. Chairman. Mr. Zuckerberg, thank you for your patience. I am a daily Facebook user. Much to my staff's distress, I do it myself. And because we need a little humor, I'm even married to a 91-year-old man that's thinking of Twitter.

But I know Facebook's value. I've used it for a long time. But with that value also comes obligation. We've all been sitting here for more than four hours.

Some things are striking during this conversation. As CEO, you didn't know some key facts. You didn't know about major court cases regarding your privacy policies against your company. You didn't know that the FTC doesn't have fining authority and that Facebook could not have received fines for the 2011 consent order. You didn't know what a shadow profile was. You didn't know how many apps you need to audit.

You did not know how many other firms have been sold data by

Dr. Kogan other than Cambridge Analytica and Eunoia Technologies, even though you were asked that question yesterday. And yes, we were all paying attention yesterday. You don't even know all the kinds of information Facebook is collecting from its own users.

Here's what I do know. You have trackers all over the Web.

DINGELL: On practically every website you go to, we all see the Facebook Like or Facebook Share buttons. And with the Facebook pixel, people browsing the Internet may not even see that Facebook logo. It doesn't matter whether you have a Facebook account. Through those tools, Facebook is able to collect information from all of us. So I want to ask you, how many Facebook like buttons are there on non-Facebook Web pages?

ZUCKERBERG: Congresswoman, I don't know the answer to that off the top my head, but we'll get back to you.

DINGELL: Is the number over hundred million?

ZUCKERBERG: I believe we've served the like button on pages more than that, but I don't know the number of pages that have the like button on actively.

DINGELL: How many share buttons are there on non-Facebook Web pages?

ZUCKERBERG: I don't know the answer to that exactly off the top my head either, but that's something that we can follow up with you on.

DINGELL: And do we think that's over 100 million likely? How many chunks of Facebook pixel code are there on non-Facebook

Web page?

ZUCKERBERG: Congresswoman, you're asking some specific stats that I don't know off the top of my head, but we can follow up with you and get back to you on all of these.

DINGELL: Can you commit to get the committee, the European Union is asking for 72 hours on transparency? Do you think we could get that back in committee in 72 hours?

ZUCKERBERG: Congresswoman, I will talk to my team and we will follow up.

DINGELL: I know you're still reviewing, but do you know now whether there are other fourth parties that had access to the data from someone other than Dr. Kogan? Or is this something we're going to find out in a press release down the road? I think what worries all of us and you've heard it today is it has taken almost three years to hear about that. And I am convinced that there are other people out there.

ZUCKERBERG: Congresswoman, as I've said a number of times, we're now going to investigate every single app that access to a large amount of people's information in the past before we lock down the platform.

I do imagine that we will find some apps that — that were either doing something suspicious or misused people's data, if we find them, then we will ban them from the platform, take action to make sure they delete the data and make sure that everyone involved is informed.

DINGELL: And you will make it public quickly? Not three years.

ZUCKERBERG: As soon as we find them.

DINGELL: So I just — I'm going to conclude because my times almost up that I worry that when I hear companies value our privacy, it's meant in monetary terms, not the moral obligation to protect it. Data protection and privacy are like clean air and clean water, there need to be clear rules of the road.

WALDEN: Gentlelady's time has expired. Chair recognizes the gentleman from Pennsylvania, Mr. Costello, for four minutes.

COSTELLO: Thank you, Mr. Chairman. I would echo Congressman Collins comments as well. Mr. Zuckerberg, I think that we as Americans have a concept of digital privacy rights and privacy that aren't necessarily codified.

And we're trying to sift through how do we actually make privacy rights in a way that are intelligible for tech and understandable to the community at large? And so my questions are oriented in that fashion. First, if you look at GDPR, the E.U. — the law that's about to take effect, what pieces of that do you feel would be properly placed in American jurisprudence?

In other words, right to erasure, right to get our data back, right to rectify, could you share with us how you see that playing out, not just for you, but for the smaller companies. Because I do believe you have a sincere interest in seeing small tech companies prosper.

ZUCKERBERG: Yes, Congressman. So there are a few parts of GDPR that I think are important and — and good. One is making sure that people have control over how each piece of information that they share used.

So people should have the ability to know what a company knows about them, to control and have a setting about who can see it and to be able to delete it whenever they want. The second set of things is making sure that people actually understand what the tools are that are available.

So not just having it in some settings page somewhere, but put the tools in front of people so that they can make a decision. And that both builds trust and makes inside people's experiences are configured in the way that they want.

That's something that we've done a number of times over the years at Facebook. But with GDPR, we will now be doing more and around the whole world. The third piece is there are some very sensitive technologies that I think are important to enable innovation around like face recognition, but that you want to make sure that you get special consent for.

Right, it's if we — if we make it too hard for American companies to innovate in areas like facial recognition, then we will lose to Chinese companies and other companies around the world where — that are able innovate in that.

COSTELLO: Do you feel you should be able to deploy AI for facial recognition for a non-FB user?

ZUCKERBERG: Congressman, I think that that's a — that's a good question. And I think that this is something that probably — that — that we should — that people should have control over, how it is used and that we're going to be rolling out and asking people whether they want us to use it for them around the world as part of this — this push that's upcoming. But I think in general

for — for sensitive technologies like that, I do think you want a special consent.

COSTELLO: Right.

ZUCKERBERG: And I think that's a — that would be a valuable thing to consider.

COSTELLO: Two — two quick ones. Does — is Facebook, in utilizing that platform, ever a publisher in your mind?

ZUCKERBERG: Congressman ...

COSTELLO: You would say you're responsible for content, right, you said that yesterday. Are you ever a publisher, as the term is legally used?

ZUCKERBERG: Congressman, I'm not familiar with how the term is legally used.

COSTELLO: Would you ever be legally responsible for the content that is put onto your platform?

ZUCKERBERG: Well, Congressman, let me put it this way, there is content that we fund, specifically in video today.

COSTELLO: Right.

ZUCKERBERG: And when we're commissioning a video to be created, then I certainly think we have full responsibility ...

COSTELLO: Agreed.

ZUCKERBERG: ... of owning — of owning that content.

COSTELLO: Which is what I think Chairman's Walden question was upfront. Right.

ZUCKERBERG: But the vast majority of the content on Facebook is not something that we commissioned. For that, I think our responsibility is to make sure that the content on Facebook is not harmful, that people are seeing things that are relevant to them and that encourage interaction and building relationships with the people around them. And that, I think, is — is the primary responsibility that we have.

COSTELLO: My big concern, I'm going to run out of time, is that a — is someone limits their data to not being used for something that it might potentially be used for that they have no idea what it — how it might actually socially benefit.

And I'm out of time, but I would like for you to share at later point in time, how the data that you get might be limited by user and your inability to use that data may actually prevent the kind of innovation that would bring about positive social change in this country.

Because I do believe that was the intention and objective to — of your company. And I do believe you perform it very, very, very well in a lot of ways. Thank you. I yield back.

ZUCKERBERG: Thank you.

WALDEN: Gentleman yields back. We go now to the gentleman Georgia, Mr. Carter, for four minutes.

CARTER: Thank you, Mr. Chairman. Thank you, Mr. Zuckerberg for being here. You're almost done. When you get to me, that means you're getting close to the end. So congratulations. Thank you for being here. We do appreciate it.

You know, you wouldn't be here if it wasn't for the — the privacy

— people's information and the privacy, and — and the fact that we had — you had this laps. You know all about fake news, you know all about foreign intervention. I know you're concerned about that. I want to talk about just a — a few different subjects, if you will.

And I'd like to ask you just some yes or no questions, please excuse my redundancy. I know that some members have already asked you about some of these subjects, but I would like to ask you. Mr. Zuckerberg, did you know that 91 people die every day because opioid addiction? Yes or no, did you know that? Ninety one people every day.

ZUCKERBERG: I did not know that specifically.

CARTER: Did you know that there's — it's estimated to be between two and a half to 11 and a half million people in this country right now who are addicted to opioids?

ZUCKERBERG: Yes.

CARTER: Okay, did you know that the average age of Americans has decreased for the first time in decades as a result of — what people are saying is a result of the opioid epidemic?

ZUCKERBERG: Yes, especially among certain demographics.

CARTER: Absolutely. I ask you this because some of the other members have mentioned that — about the ads for fentanyl and other illicit drugs that are on the Internet, and the — where you can buy them, and about your responsibility to — to monitor that and make sure that's not happening.

I had the opportunity this past week to speak at the Prescription

Drug Abuse and Heroin Summit in Atlanta that Representative Hal Rogers started some years ago. Also we had the FDA Commissioner there, and he mentioned the fact that he's going to meeting with CEO's of Internet companies to discuss this problem.

I hope that you will be willing to at least have someone there to meet with him so that we can get your help in this, this is extremely important.

ZUCKERBERG: Congressman, I will make sure that someone is there. (Inaudible).

CARTER: Okay, let me ask you another question. Mr. Zuckerberg, did you know that there are groups of conservations — there are conservation groups that have provided evidence to the Securities and Exchange Commission that endangered wildlife goods, in particular ivory is extensively traded on closed groups on Facebook?

ZUCKERBERG: Congressman, I was not specifically aware of that, but I think we — we know that — that there are issues with content like this, that we need more proactive monitoring for.

CARTER: Okay, let me — all right, well let me ask you, did you know that there are some conservation groups that assert that there's so much ivory being sold on Facebook that it's literally contributing to the extent — to the extinction of the elephant species?

ZUCKERBERG: Congressman, I have not heard that.

CARTER: Okay, and — and did you know that the American — or excuse me, the Motion Picture Association of America is

having problems with piracy of movies and of their products, and that not only is this challenging their profits, but their very existence. Did you know that that was a problem?

ZUCKERBERG: Congressman, I believe that has been an issue for a long time.

CARTER: It has been. It has been, so you did know that. Well the reason I ask you this is that I just want to make sure that I understand you have an understanding of a commitment. Look I — you said earlier, may have been yesterday that hate speech is difficult to discern.

And I get that, I understand that and you're absolutely right. But these things are not and we need your help with this. Now I will tell you there are members of this body who would like to see the Internet monitored as a utility.

I am not one of those, I believe that that would be the worst thing we could do. I believe it would stifle innovation, I don't think you can legislate morality and I don't want to try and do that. But we need a commitment from you that these things that can be controlled like this, that you will help us.

And that you'll work with law enforcement to — to help us with this. Look, you love America, I know that, we all know that. We need your help here. We don't — I don't want Congress to have to act. You — you want to see a mess, you let the federal government get into this.

You'll see a mess, I assure you.

WALDEN: Gentleman's ...

CARTER: Please, we — we need your help with this. And I just need that commitment, can I get that commitment?

ZUCKERBERG: Congressman yes, we take this very seriously. That's a big part of the reason overall these content issues why, by the end of this year, we're going to have more than 20,000 people working on security and content review.

And we need to build more tools, too.

CARTER: Thank you very much.

WALDEN: Gentleman's time has expired. Chair recognizes, Mr. Duncan, for four minutes.

DUNCAN: Thank you Mr. Chairman. Usually I'm last, but today I think we have one behind me that came in late. Mr. Zuckerberg, I want to ...

WALDEN: Only by two minutes, did he come in late.

(LAUGHTER)

DUNCAN: I want to thank you for all the work you've done. And I want to let you know that I've been on Facebook since 2007. Started as a state legislator, used Facebook to communicate with my constituents. And it has been an invaluable tool for me in communicating.

We can actually do in real time multiple issues as we deal with them in here in Congress, answer questions. It's almost like a town hall in real time. I also want to tell you that your staff here at the Governmental Affairs Office, Chris Herndon and others do a fabulous job in keeping us informed.

So I want to thank you for that. Before this hearing when we

heard about it, we asked our constituents and our friends on Facebook, what would they want me to ask you? And the main response was addressing the perceived, and in many instances confirmed bias and viewpoint discrimination against Christians and conservatives on your platform.

Today, listening to this, I think the two main issues are user privacy and censorship. Constitution of the United States and the First Amendment says, "Congress shall make no law respecting an establishment of religion, nor prohibiting the free exercise thereof. Nor will they abridge the freedom of speech of the press, the right of people to assemble or address the Congress for address of grievances — or petition Congress to address for grievances." I've got a copy of the Constitution I want to give you at the end of this hearing.

The reason I say all that, this is maybe a rhetorical question but why not have a community standard for free speech and free exercise of religion that is simply a mirror of the First Amendment, with algorithms that are viewed — that have a viewpoint that is neutral? Why not do that?

ZUCKERBERG: Well Congressman, I think that we can all agree that certain content like terrorist propaganda should have no place on our network. And the First Amendment, my understanding of it, is that that kind of speech is allowed in the world.

I just don't think that it is the kind of thing that we want to allow to spread on the Internet. So once you get into that, you're already — you're deciding that you — you take this value that you care about safety. And that we don't want people to be able to spread

information that can cause harm.

And I think that that — it — our general responsibility is to — is to allow the broadest spectrum of free expression as we can ...

DUNCAN: And I appreciate — I appreciate that answer. You're right about propaganda and other issues there. And I believe the Constitution generally applies to government and says that Congress shall make no law respecting — talks about religion.

And then we don't want to bridge the freedom of speech or the press. But the standard has been applied to private businesses, whether those are newspapers or other media platform. And I would argue that social media has now become a media platform to be considered in a lot of ways the same as other press media.

So I think the First Amendment probably does apply and will apply. What will you do — and let me ask you this, what will you do to restore the First Amendment rights of Facebook users and ensure that all users are treated equally, regardless of whether they're conservative, moderate, liberal or whatnot?

ZUCKERBERG: Well Congressman, I think that we — we make a number of mistakes in content review today that I don't think only focus on one political persuasion. And I think it's unfortunate that when those happen, people think that we're focused on them.

And it happens in different political groups, and it's — we have ...

DUNCAN: In the essence of time, conservatives are the ones that raise the awareness that their content has been pulled. I don't see the same awareness being raised by liberal organizations, liberal candidates or liberal policy statements.

So I think — and I think you've been made aware of this over the last two days, probably need to go back and make sure that those things are treated equal. And I would appreciate if you do that. Again, I appreciate the platform, I appreciate the work that you do.

And we stand willing and able to help you here in Congress, because Facebook is an invaluable part of what we do and how we communicate, so thanks for being here.

ZUCKERBERG: Thank you.

DUNCAN: I yield back.

WALDEN: And for our final four minutes of questioning comes from Mr. Cramer, North Dakota, former head of the Public Utility Commission there. We welcome your comments. Go ahead.

CRAMER: Thank you, and thanks for being here, Mr. Zuckerberg.

And you know, “Don't eat the fruit of this tree” is the only regulation that was ever initiated before people started abusing freedom. Since then, millions of regulations, laws and rules have been created in response to an abuse of freedom. Oftentimes, that response is a — is more extreme than the abuse, and that's what I fear could happen, based on some of the things I've heard today in response to this.

So this national discussion is very important. First of all, it's not — not only for these two days, but that it continues, lest we over-respond, Okay?

Now, that said, I think that the consumer and industry, and

whatever industry it is, your company or others — others like yours, share that responsibility. So I appreciate both your patience and your preparation coming in today.

But in response to the questions from a few my colleagues related to the — the illegal drug ads, I have to admit that there were times when I was thinking, “His answers aren't very reassuring to me.”

And I'm wondering what your answer would be as to how quickly you could take down an illegal drug site, if there was a million-dollar per post, per day regulation fine tied to it. In other words, give it your best. I mean, don't wait for somebody to flag it. Look for it. Make it a priority. It's certainly far more dangerous than a couple of conservative Christian women on — on TV. So please, be better than this.

ZUCKERBERG: Congressman, I agree that this is very important, and I — I miscommunicated if I left the impression that we weren't proactively going to work on tools to take down this content, and we're only going to rely on people to flag it for us.

Right now, I think underway, we have efforts to focus not only on ads, which has been most of the — the majority of the questions, but a lot of people share this stuff in groups, too, and the — the free part of the products that aren't paid, and we need to get that content down, too.

I understand how big of an issue this is. Unfortunately, the enforcement isn't — isn't perfect. We do need to make it more proactive, and I'm committed to doing that.

CRAMER: And I don't expect it to be perfect, but I do expect it to

be a higher priority than conservative thought. Speaking of that, I think in — in some of your responses to Senator Cruz yesterday, and some responses today, related to liberal bias, you've — you've sort of implied the fact that while you have these 20,000 enforcement folks, you've implied that the Silicon Valley — perhaps this was more yesterday — that Silicon Valley is a very liberal place, and so the talent pool perhaps leans left, and it's biased.

Let me suggest that you look someplace perhaps in the middle of the North American continent for some people, maybe even your next big investment of — of capital could be in — in some place like, say, Bismarck, North Dakota, or Williston, where you have visited, where people tend to be pretty common sense, and probably, perhaps, even more diverse than Facebook in — in some respects. If the talent pool is a problem, then let's look for a different talent pool, and maybe we can even have a nice, big center someplace.

I want to then close with this, because you testified yesterday, and the opening statement by the ranking member of the committee bothered me, in that suddenly there is this great concern that the providers, particularly Facebook, other large ads providers, and — and content providers should be hyper-regulated, when all along, we — we, as Republicans, have been talking about net neutrality.

We — we talked about earlier this year, when we — or last year, when we rolled back the Internet service provider privacy stuff that seemed tilted heavily in your favor, and against them. Don't you think that ubiquitous platforms like Google, and Facebook,

and — and many others have — should have the same responsibility to privacy as an Internet service provider?

ZUCKERBERG: Congressman, let me answer that in a second, and before — before I get to that, on your last point, the content reviewers who we have are not primarily located in — in — in Silicon Valley. So I think that — that's — that was an important point, and ...

CRAMER: It is.

ZUCKERBERG: ... I do worry about the general bias of people in Silicon Valley. But the — the majority of the folks doing content review are — are around the world in different places.

To your question about net neutrality, I think that there's a big difference between Internet service providers and platforms on top of them. And the big reason is that, well, I just think about my own experience.

When I was starting Facebook, I had one choice of an Internet service provider. And if I had to potentially pay extra in order to make it so that people could have Facebook as an option for something that they used, then I'm not sure that we'd be here today. Platforms, there are just many more.

So it may be true that a lot of people choose to use Facebook. The average American, I think, uses about eight different communication and social network apps to stay connected to people. And just as clearly correct or true that there are more choices on platforms. So even though they can reach large-scale, I think the pressure of just having one or two in a place does require us to think a little bit ...

CRAMER: I would submit to you that I have fewer choices in — on the platform, in — in your type of a platform, than they do Internet service providers, even in rural North Dakota.

With that, thank you, Mr. Chairman.

WALDEN: I suppose you don't want to hang around for another round of questions? Just kidding. Mr. Zuckerberg ...

CRAMER: Isn't he funny?

WALDEN: Staff, several of them, just passed out behind you.

You know, on a serious note as we close, I would welcome your suggestions of other technology CEOs we might benefit from hearing from in the future for a hearing on these issues, as we look at net neutrality, as we looked at privacy issues. These are all important. They are very controversial. We're fully cognizant of that. We want to get it right, and — and so we appreciate your comments and — and testimony today.

There are no other members that haven't asked you questions, and we're not doing a second round, so seeing that, I just want to thank you for being here. I know we agreed to be respectful of your time. You have been respectful of our questions, and we appreciate your answers and your candor.

As you know, some of our members weren't able to ask all the questions they had, so they'll probably submit those in — in writing, and we would — we would like to get answers to those back in a timely manner.

I'd also like to include the following documents be submitted for the record by unanimous consent: a letter from the American

Civil Liberties Union, a letter from NetChoice, a letter from the Vietnam Veterans of America, which I referenced in my opening remarks.

A letter from Public Knowledge, a letter and an FTC complaint from Electronic Privacy Information Center, a letter from the Motion Picture Association of America, a letter from ACT, the App Association, a letter from the Committee for Justice, a letter from the Transatlantic Consumer Dialogue, and a letter from the Civil Society Groups, and a letter from the National Council of Negro Women.

Pursuant to committee rules, I remind members they have 10 business days to submit additional questions for the record, and I ask that the witness submit their responses within 10 business days upon receipt of those questions. Without objections, our — our committee is now adjourned.

List of Panel Members and Witnesses

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Facebook's FTC consent decree deal: What you need to know

"Consent decree" was one of the buzzwords in Mark Zuckerberg's testimony this week, but what does it mean? We break down Facebook's 2011 settlement with the FTC.

BY MARGUERITE REARDON / APRIL 14, 2018 5:00 AM PDT



Mark Zuckerberg, Facebook's 33-year-old multibillionaire CEO, may have schooled Congress in two marathon-length hearings this week during his discussion of the Cambridge Analytica data leak that



exposed millions of Facebook users' personal data, but his company isn't out of the woods yet.

Among its biggest concerns is a Federal Trade Commission investigation into whether Facebook violated a 2011 settlement with the government promising to enact reforms to address concerns over how it tracked and shared data about its users. If the company's found to have violated the agreement, it could face penalties of up to \$40,000 per user per day, which could in theory add up to billions, if not trillions of dollars.

Zuckerberg came to Washington this week in an attempt to do damage-control following revelations last month that an app developer named Aleksandr Kogan had sold data for as many as 87 million Facebook users to the UK-based political consulting and data mining firm Cambridge Analytica, which had ties to the Trump presidential campaign.

In question is whether Facebook should be on the hook for allowing an app developer to share personal data of millions of Facebook users without their consent, which many experts argue is a violation of its 2011 agreement with the government. The FTC has already opened an investigation into

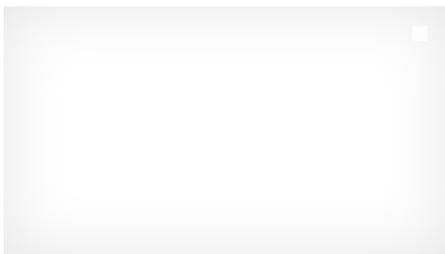


Facebook co-founder, Chairman and CEO Mark Zuckerberg testifies Wednesday before the House Energy and Commerce Committee.

Chip Somodevilla / Getty Images

Facebook to determine if the company has been following the terms laid out in the 20-year agreement.

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To help you understand what the 2011 FTC consent decree is and why it matters, CNET has put together this FAQ.

What's a 'consent decree'?

It's an agreement or settlement that resolves a legal dispute between two parties without the admission of guilt or liability.

By agreeing to this consent decree in 2011, Facebook didn't admit it had broken the law. But the agreement itself does carry the force of

law going forward, which means that if Facebook breaks the terms, it's breaking the law and penalties can be assessed.

What did the consent decree between the FTC and Facebook involve?

In the 2011 complaint, the FTC accused Facebook of breaking its promise to keep its users' data private. Facebook had assured users that third-party applications only had access to data required for them to function. But in fact, applications had access to almost all of a users' personal information.

Under the settlement, Facebook agreed to get consent from users before sharing their data with third parties. It also required Facebook to establish a "comprehensive privacy program" and to have a third-party conduct audits every two years for the next 20 years to certify its program is effective.

Did Facebook violate this consent decree?

The FTC is currently investigating to answer this question. But many experts, including former FTC officials, say it looks like it has. David Vladeck, the former director of the FTC's Bureau of Consumer Protection, who worked on the [FTC's enforcement case against Facebook](#), writes in a Harvard Law Review blog "Facebook's apparent violations ... of the decree is troubling." He suggested that even aside from the consent decree, the way Facebook allowed Kogan to harvest user data "plainly violated the Federal Trade Commission Act's [prohibition](#) against 'deceptive acts or practices.'"

And then there's the questions of the third-party audits that Facebook was supposed to be doing in order to verify it was protecting user data.

Zuckerberg explained during the hearing that when Facebook discovered Kogan had sold the data to Cambridge Analytica, the company asked the firm to delete the information. But Facebook didn't verify that it had actually done that. The company also didn't notify users that their data had been shared without their permission. Vladeck said that's a blatant violation of the consent decree.

"It doesn't appear that Facebook had even the most basic compliance framework to safeguard access to user data," he said in his blog post. "It is entirely predictable that if app developers are not held to their promises about data collection and sharing, they might not be candid with Facebook about their intentions. Yet it seems that Facebook made no effort to establish the bona fides of developers, much less verify or audit what user data app developers actually harvested and shared."

Does Facebook think it has violated the consent decree?

No. Zuckerberg told Congress this week that Facebook didn't willingly share data with Cambridge Analytica without users' consent. Instead, the company argues that Kogan deceived the company by saying the

data was collected for "academic research," and then improperly sold the data to Cambridge Analytica and other firms.

In other words, Facebook users gave their consent when they signed on to the app, and its system acted as it should. But it was Kogan who violated the company's terms when he sold the information to Cambridge Analytica. As for all the friends of people who used the app and whose data Kogan was able to suck up through his app presumably without their permission, Zuckerberg said Facebook hasn't allowed app developers to get access to friends' data since 2014.

Zuckerberg at one point explicitly said he didn't think Facebook had violated the consent decree.

So it came up a lot during the testimony?

Oh, yeah. But if Zuckerberg's comments are any indication of how closely the company has followed the agreement, Facebook could be in trouble. On several occasions, he made it clear that he didn't know key details of the agreement.

He told Rep. Mike Doyle, a Democrat from Pennsylvania, that he was "not familiar with all of the things the FTC said."

Zuckerberg also had difficulty answering questions about how long it takes Facebook to delete user data from its servers as well as questions about why the company didn't inform the FTC or its users when it discovered the mishandling of the data in 2015. All of these issues are covered under the consent decree.

When pressed by Rep. Diana DeGette, a Democrat from Colorado, about whether Facebook paid a fine as part of its settlement with the FTC, Zuckerberg replied: "Congresswoman, I don't remember if we had a financial penalty."

"You're the CEO of the company, you entered into a consent decree and you don't remember if you had a financial penalty?" she asked.

Wait, so does Facebook pay a penalty as part of the original consent decree?

No. As DeGette [informed Zuckerberg during the hearing](#) when he couldn't answer whether the company paid a penalty, the FTC cannot levy a fine for a company's first offense.

What's the possible penalty now?

The agency could fine Facebook up to \$40,000 per violation per day. With 87 millions users involved, the social media giant could be looking at a fine that theoretically reaches into trillions of dollars.

But experts say the agency is unlikely to levy such a hefty penalty. After all, the goal isn't to put Facebook out of business. That said, the fine will have to be large enough to deter Facebook and other companies from being so lackadaisical about protecting consumer data.

"I'd be shocked if the FTC didn't fine them," said Ernesto Falcon, legislative counsel with the Electronic Frontier Foundation. "But if it's going to mean anything, they have to feel it. It can't be a fee that's easily absorbed and that Facebook can treat as though its business as usual."

When will this be wrapped up?

It could take years for the FTC to complete its investigation.

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US TECH POLICY

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EXHIBIT 196

<http://www.businessinsider.com/mark-zuckerberg-shares-great-regret-facebook-2018-4>

Mark Zuckerberg revealed one of his 'great regrets' — and the timing doesn't seem like an accident



[Kaylee Fagan](#)

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Justin Sullivan/Getty

- Facebook CEO Mark Zuckerberg said he regrets not having a bigger impact on "the way that mobile platforms developed" in the last decade.
- Because Facebook was a small company when iOS and Android were first emerging, he says "that just wasn't a thing we were working on."
- The perspective comes as Facebook is [trying to get past a backlash](#) about certain ways its product has harmed society.

Mark Zuckerberg, at 33 years old, is [worth billions of dollars](#) and has built a product that's used by 2 out of every 7 people on the planet.

But that doesn't mean the man has no regrets.

During Facebook's Q1 [conference call](#) on Wednesday, Zuckerberg revealed one of his "great regrets" about his stewardship of the company. Facebook, in Zuckerberg's view, did not play enough of a role developing and influencing the mobile technology that's become society's primary means of computing.

"Frankly, we haven't been a hardware company or an operating system company," Zuckerberg said during the call.

Smartphones and other mobile gadgets are designed around apps, instead of people, the Facebook CEO explained. Were Facebook not so busy building its own service at the dawn of the smartphone age a decade ago, it would have been able to show everyone a better way.

"One of my great regrets in how we've run the company so far is I feel like we didn't get to shape the way that mobile platforms developed as much as would have been good," Zuckerberg said.

Zuckerberg made the comments in response to a question about Facebook's Oculus virtual reality headset — a product that Zuckerberg believes could lay the foundation for a new and improved "people first" computing platform.

It's a convenient time for Facebook to make this point

Facebook's struggles with mobile have impacted the company before, most notably when Facebook was slow to move its advertising business to mobile after [its 2012 IPO and its stock tanked](#).

But it's tough not to view his comments in the context of the current backlash facing the company, including Facebook's role in spreading misinformation and the [misuse of its users' private data](#). Zuckerberg spent two days on Capitol Hill earlier this month [getting grilled by lawmakers](#) about Facebook's responsibility.

To hear Zuckerberg tell it now, Facebook is merely a bystander struggling to get buy in a mobile world created by other companies. And as Facebook looks for ways to recast its role in the current narrative and to shield itself from the blame, Zuckerberg's "regret" could have some nice benefits.

Here are Zuckerberg's full comments from the call:

"One of my great regrets in how we've run the company so far is I feel like we didn't get to shape the way that mobile platforms developed as much as would have been good, because they were developed contemporaneously with Facebook early on. iOS and Android came out around 2007, we were a really small company at that point, so that just wasn't a thing we were working on.

The way that I think about this is that people should really be at the center of how we design technology. It shouldn't be designed around apps, it should be designed around our relationships, because that's what matters to people, and that's not the world we're on, on mobile."

EXHIBIT 197

Reps say ‘we have yet to receive any responses’ to questions from Zuckerberg testimony

House Democrats unveil a new set of questions for Facebook

By [Russell Brandom](#) | [@russellbrandom](#) | Apr 25, 2018, 6:13pm EDT



Photo by Chip Somodevilla/Getty Images

When Mark Zuckerberg testified before Congress earlier this month, he left a lot of questions in his wake. [More than 20 times](#), he responded to Congressional inquiries by saying that he didn't have the information on hand but that his team would follow up with more information after the hearing had closed.

But 13 days after the hearings, congressional democrats on the House Energy and Commerce committee say still they haven't heard anything from Facebook.

"It's been two weeks since our hearing and we have yet to receive responses to questions that Mr. Zuckerberg could not answer on that day," Rep. Frank Pallone, Jr. (D-NJ) said. "Furthermore, our

**“WE HAVE YET TO
RECEIVE ANY
RESPONSES”**

Committee staff met with Facebook staffers two weeks prior to the hearing, and there are still a lot of unanswered questions from that meeting." Facebook declined to comment.

A formal deadline for Facebook's responses has yet to be set by the committee and the window is still open for representatives to add new questions. As a result, it's not entirely surprising that Facebook hasn't yet replied. Still, Pallone said the lack of further information was hampering Congressional efforts to develop new privacy regulations. "It simply should not take this long to respond to this Committee's questions about critical privacy and data security issues," Pallone said. "This information is critical as the Committee looks to develop comprehensive privacy and data security legislation that would include any company that collects and uses consumers' data."

Today, the committee sent [a new list of questions](#) to Facebook in an effort to nail down information that was not available during the hearings. There are 113 separate questions on the list, many of which include multiple sub-questions, largely dealing with information collected and held by Facebook that is not explicitly shared by users. That information, which includes [both shadow profiles and broader ad-tracking](#), was largely skimmed over during Zuckerberg's testimony.

Congress is already considering multiple bills that would place further regulatory restrictions on Facebook, including [the Honest Ads Act](#), which would place stronger disclosure requirements on online political ads, and [the CONSENT Act](#),

which would require explicit opt-in consent for data collection. [Earlier this week](#), Senators introduced a new bill called the Social Media Privacy Protection and Consumer Rights Act, which would give US users the right to see all the data a given site holds on them, and delete any or all of it on request.

EXHIBIT 198

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<https://www.wsj.com/articles/facebook-has-a-new-data-policyheres-the-short-version-1524230950>

TECH | PERSONAL TECHNOLOGY

Facebook Has a New Data Policy—Here's the Short Version

You didn't read Facebook's previous data privacy policy, and you probably won't read this new one either. So we picked out the highlights.



Facebook's new user-data policy clarifies a lot that was vague in the prior version. PHOTO: MICHAEL CANDELORI/PACIFIC PRESS/ZUMA PRESS

By Katherine Bindley and Wilson Rothman

April 20, 2018 9:29 a.m. ET

Facebook Inc. [FB 8.89%](#) ▲ just updated and expanded its data policy for the first time since late 2016. What contained around 2,700 words now has 4,200. It clarifies a lot that was vague in the prior version—in light of the company's recent scandals, it needed to. There are now more specifics about how your data is collected, why it is stored and when it is deleted.

Much improved, the new policy actually makes for a read that is finally consumable. But if you just want the freshest and most interesting stuff pulled from the fine print,

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How Facebook Gathers Your Data

- Information “you provide” Facebook isn’t just things like posts and photos, but can include the location metadata inside photos, and even what is seen through the camera in its apps—for instance when you use filters and masks. The company says its systems automatically process content and communications to analyze context.
- Facebook uses your address book, call log or SMS log to suggest people you may know. This only happens if you choose to upload, sync or import this info, says the policy. However, the company can collect your phone number and additional information from other people uploading their contacts.
- Facebook logs when you are using its products, when you last used them and what posts, videos and other content you viewed—not just what you liked, shared or searched.
- Among your phone’s attributes that Facebook logs are battery level, signal strength, even available storage. This is to help the company determine ways to make its apps run better and potentially save battery life.
- On your computer, Facebook logs your browser type and its plugins. It also tracks whether a window is in the foreground or background, and the movements of your mouse. (Creepy? The policy says it is to help determine you are a human, not a robot.)
- While Facebook can obtain your location when you provide it access to GPS, for instance, the company doesn’t stop tracking your location when you turn off location services. The policy says it can get your location from other data points, including IP addresses and nearby Wi-Fi access points and cell towers.
- In addition to collecting information about the devices you use Facebook on, the company says it can also collect information about other devices that are nearby or “on your network.” The policy says it is to make it easier, for instance, to stream video from your phone to your TV.
- Facebook acknowledges that it tracks you via outside website and app developers—including device information, the sites you visit, purchases you make and more. This happens whether or not you are logged into Facebook.
- The policy confirms that the company tracks you even if you don’t have a Facebook

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•Facebook says it also gets information about you from third-party data collectors. The company says it requires each of these partners to have lawful rights to collect, use and share your data.



Facebook CEO Mark Zuckerberg apologized to lawmakers in Washington, D.C., on April 10 for privacy lapses on the Facebook platform. PHOTO: AL DRAGO/BLOOMBERG NEWS

How Facebook Uses Your Data

- The company uses your information across its multiple products (Facebook, Instagram, Messenger and WhatsApp), so that it might suggest you follow someone on Instagram who is already a Facebook friend.
- If an account is, for instance, sending spammy texts in WhatsApp, the company will “process information” from that account to “take appropriate action” on its related accounts in Facebook, Instagram and Messenger.
- Facebook now recognizes that some data categories have special protections under the laws of certain countries. These could include facial recognition, racial or ethnic origin, religious and political views, philosophical beliefs and trade-union membership.
- Facebook might introduce face-recognition technology on Instagram. If it does, it will “let you know first” and give you opt-in control instead of turning it on automatically.
- The company says it uses location data—where you live, where you work, what businesses are close by, even people who are near you—to “personalize and improve” its products.

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effectiveness of ads, combat harmful conduct, fight spam and even perform research, such as tracking the “migration patterns” of people during a crisis.

FURTHER READING

How Your Facebook Data Might Be Shared or Removed

- Facebook Knows More About You Than You Can Control
- How to Find Out If Your Facebook Data Was Shared
- Facebook warns users to “consider who you choose to share with,” because people can take screenshots, download pictures or reshare the content with others on—or off—Facebook’s products.

- Friends and others in your networks can see signals telling them whether or not you’re active on Facebook, Instagram or Messenger, or when you were last on them.
- Your list of friends is no longer automatically part of what is shared with outside developers, though they can request it. Facebook won’t share other information about your friends and followers with outside apps and websites (unless your friends and followers also use the app or website).
- If you’ve logged into an outside app or website using Facebook, but haven’t used the app or website in three months, its developers will lose access to your Facebook and Instagram data.
- Outside developers can only ask for your name, Instagram username and bio, profile photo and email address without any additional permission. If they want anything more, they have to make a case and get Facebook’s approval. According to Facebook’s developer page, the company might allow an app to pull “hometown” if it “personalizes” the experience based on where someone grew up.
- The data Facebook holds is stored or deleted on a “case-by-case determination.” For example, your search history is deleted after six months; if you upload a photo of your driver’s license or passport for account verification, it is deleted in 30 days.
- If you delete your account—which includes photos and status updates—you won’t be able to recover that information later.

What Isn’t Covered

The new data policy may be more illuminating than its predecessors, but there are key questions for which it still does not provide answers. So we dug a little deeper...

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request your information through this help center page, just click "This doesn't

answer my question" then "I don't have a Facebook account," then fill out the form.

(Note: We haven't tried this yet.)

- If I choose to turn off personalized ads, why does Facebook continue to track me? Why can't I opt out? Facebook's not-so-satisfying answer (found elsewhere): Because the websites and apps that use Facebook's tracking tools send information on everybody, and don't know who is using Facebook products or not.

- Can I see, let alone control, the data that Facebook collects about me from other users?
No.

Write to Wilson Rothman at Wilson.Rothman@wsj.com

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EXHIBIT 199

<https://www.parliament.uk/business/committees/committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/fake-news-post-facebook-evidence-17-19/>

Committee to push for Zuckerberg evidence after Facebook CTO fails to answer questions fully



26 April 2018

Following the questioning of Mike Schroepfer, Facebook's Chief Technology Officer, today at a public session of the Digital, Culture, Media and Sport Committee, MPs are still pressing to take evidence from Facebook CEO Mark Zuckerberg.

- [Watch today's evidence session with Facebook](#)

MPs found the majority of Mr Schroepfer's answers about Facebook's business practices, including their policies on the privacy and protection of users' data and their relationship with Cambridge Analytica and associated companies, to be unsatisfactory.

Mr Schroepfer, who was appearing as a witness in the Committee's inquiry into Fake News, failed to answer fully on nearly 40 separate points, including:

- Whether Facebook knew about Cambridge Analytica when Facebook gave evidence to the Committee on February 8th
- How much money was made and kept from dark ads, and whether there is any archive or record kept by Facebook of dark ads
- The fact that an individual adapting their privacy settings cannot absolutely block all categories of ads

- How many developers there were at the time before they made these 2014 policy changes between 2011-2014
- Why they moved one and a half billion accounts to Facebook Inc from Facebook Irl a month before GDPR came into force
- Facebook using the data of individuals who are not on Facebook.
- What changes they are about to make ahead of GDPR in terms of becoming fully compliant as Mr Schroepfer emphasised

Mr Schroepfer promised to have his team follow up with the Committee a total of nearly 40 times on these points and others. This is especially disappointing to the Committee considering that in his testimony to Congress Mark Zuckerberg also failed to give convincing answers to some questions.

Although Mr Schroepfer is the most senior official from Facebook ever to appear before a UK Parliamentary Committee, the company has so far declined to send Mr Zuckerberg despite repeated requests from the Chair of the Committee, Damian Collins MP.

Chair's comment

Damian Collins MP, Chair of the DCMS Committee, said:

“Mr Schroepfer, Mark Zuckerberg’s right hand man whom we were assured could represent his views, today failed to answer many specific and detailed questions about Facebook’s business practices. We will be asking him to respond in writing to the committee on these points; however, we are mindful that it took a global reputational crisis and three months for the company to follow up on questions we put to them in Washington D.C. on February 8th.

“We believe that, given the large number of outstanding questions for Facebook to answer, Mark Zuckerberg should still appear in front of the Committee. We note, in particular, reports that he intends to travel to Europe in May to give evidence to the European Parliament, and will request that he appears in front of the DCMS Committee before the 24th May.

“There are over 40 million Facebook users in the UK and they deserve to hear answers from Mark Zuckerberg about the company he created and whether it is able to keep their users’ data safe.

“As an American citizen living in California, Mr Zuckerberg does not normally come under the jurisdiction of the UK Parliament, but he will the next time he enters the country. We hope that he will respond positively to our request, but if not the Committee will resolve to issue a formal summons for him to appear when he is next in the UK.”

EXHIBIT 200

http://nymag.com/selectall/2018/04/cant-log-into-tinder-blame-facebook.html?utm_source=tw&utm_medium=s3&utm_campaign=sharebutton-t

April 4, 2018 3:51 pm

Facebook Broke Tinder and Everybody Was Horny and Mad About It

By [Madison Malone Kircher@4evrmalone](#)

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Facebook announced some changes to data-privacy policies and its [API](#) on the platform on Wednesday afternoon. (It also announced that an estimated 87 million people, up from the original figure of 50 million, were breached in the Cambridge Analytica fiasco.) Not long after, Tinder users on Twitter started reporting that they'd been logged out of the app and were unable to log back into it. Instead, they found themselves trapped in a feedback loop between the two platforms.

Users were first asked to log in to Facebook and then asked to provide “additional Facebook permissions” to “create fuller profiles, verify authenticity and provide support.” Tapping “Ask me” on that permission request only sent users back to the original notification asking them to log in to Facebook.

tinder has put me in an endless loop of having to log in with facebook

were my lines that bad

— Jordan McMahon (@TypingPixels) [April 4, 2018](#)

“This was part of the changes that we announced today, and we are working with Tinder to address this issue,” a Facebook representative told Select All. In the meanwhile, maybe try sliding into some Twitter DMs? Seems like everybody who got booted from Tinder is there, complaining about Tinder, anyway.

***Update, April 5, 2018, 8:35 a.m.:** Tinder’s log-in problem was fixed later on Wednesday night. “A technical issue prevented some users from accessing our service earlier today. We found a resolution and quickly resumed service. We ask our users to ensure that they have updated the app and are running the most recent version,” a Tinder representative told Select All.*

EXHIBIT 201

1 DURIE TANGRI LLP
SONAL N. MEHTA (SBN 222086)
2 smehta@durietangri.com
LAURA E. MILLER (SBN 271713)
3 lmiller@durietangri.com
CATHERINE Y. KIM (SBN 308442)
4 ckim@durietangri.com
217 Leidesdorff Street
5 San Francisco, CA 94111
Telephone: 415-362-6666
6 Facsimile: 415-236-6300

7 Attorneys for Defendant
Facebook, Inc.

8
9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN MATEO

11 SIX4THREE, LLC, a Delaware limited liability
company,

12
13 Plaintiff,

14 v.

15 FACEBOOK, INC., a Delaware corporation and
DOES 1-50, inclusive,

16 Defendant.
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Case No. CIV 533328

**Assigned for all purposes to Hon. Marie S.
Weiner, Dept. 2**

**DEFENDANT FACEBOOK, INC.'S FIRST
SUPPLEMENTAL RESPONSES AND
OBJECTIONS TO PLAINTIFF SIX4THREE,
LLC'S THIRD SET OF DEMANDS FOR
INSPECTION OF DOCUMENTS**

FILING DATE: April 10, 2015
TRIAL DATE: Vacated

1 **PROPOUNDING PARTY: PLAINTIFF SIX4THREE, LLC**

2 **RESPONDING PARTY: DEFENDANT FACEBOOK, INC.**

3 **SET NO.: THREE**

4 Defendant Facebook, Inc. (“Facebook”) hereby objects and responds as follows to the Third Set
5 of Demands for Inspection of Documents (“Requests for Production”) propounded by Plaintiff
6 Six4Three, LLC (“Plaintiff”).

7 **GENERAL OBJECTIONS AND LIMITATIONS**

8 Each and every Request for Production (“Request”) is subject to the General Objections and
9 Limitations set forth herein (“General Objections”), in addition to the specific objections and limitations
10 set forth in the respective responses. The General Objections and Limitations form part of the response
11 to each Request for Production and are set forth to avoid duplication for each response. Facebook makes
12 the following General Objections to each Request for Production:

13 1. Facebook objects to the Requests for Production to the extent they seek the content of
14 communications of Facebook users on the grounds that the federal Stored Communications Act, 18
15 U.S.C. §§ 2701, *et seq.*, (“SCA”) prohibits service providers such as Facebook from disclosing the
16 contents of electronic communications in electronic storage or that are carried or maintained on a remote
17 computing service.

18 2. Facebook objects to the Requests for Production to the extent they seek records and
19 information subject to the SCA, pertaining to users of Facebook’s services, who should be provided with
20 notice and an opportunity to object prior to the disclosure of any reasonably available basic subscriber
21 information.

22 3. Facebook objects to the Requests for Production to the extent that they seek documents
23 that Facebook is legally or contractually prohibited from disclosing, including documents that would
24 require Facebook to breach a confidentiality contract, protective order, settlement, or other duty to a third
25 party to maintain confidentiality.

26 4. Facebook objects to the Requests for Production to the extent they are unduly burdensome
27 and oppressive in the context of this action.

1 5. Facebook objects to the Requests for Production to the extent they call for the production
2 of documents protected by the attorney-client privilege, the settlement privilege, the work-product
3 doctrine, or any other applicable privilege. Such documents will not be provided in response to the
4 Requests for Production, and any inadvertent production thereof shall not be deemed a waiver of any
5 privilege with respect to such documents, or of any work-product doctrine protections attaching to such
6 documents.

7 6. Facebook objects to the Requests for Production to the extent they seek documents and
8 things not within the possession, custody, or control of Facebook. An objection on this ground does not
9 constitute a representation or admission that such documents do in fact exist.

10 7. Facebook objects to the Requests for Production to the extent they seek documents
11 already in Plaintiff's possession, custody, or control.

12 8. Facebook objects to the Requests for Production, the instructions, and the definitions to
13 the extent they seek to impose obligations upon it beyond those required or permitted by the California
14 Code of Civil Procedure.

15 9. Facebook objects to the definitions of "DOCUMENTS" and "COMMUNICATIONS" to
16 the extent they impose any obligations with respect to the production of electronically stored information
17 that are different from or in addition to those imposed by the California Code of Civil Procedure.
18 Facebook further objects to these definitions to the extent that they include electronically stored
19 information that is (1) not reasonably accessible by Facebook because of undue burden or expense; (2)
20 obtainable from another source that is less burdensome, expensive or more convenient; and/or (3)
21 unreasonably cumulative or duplicative, or where the likely burden or expense of producing the
22 electronically stored information outweighs the likely benefit.

23 10. Facebook objects to the definitions of "FACEBOOK," "DEFENDANT," "YOU," and
24 "YOUR" on the grounds that they are overbroad and call for information covered by the attorney-client
25 and work product privileges.

26 11. All of the following responses are based solely upon such information that is presently
27 available and specifically known to Facebook. Thus, Facebook's responses are made without prejudice
28 to Facebook's right subsequently to add, modify, or otherwise change or amend these responses.

1 Accordingly, Facebook reserves the right to change any of its objections and/or responses to the Requests
2 for Production as new information is discovered. Furthermore, Facebook specifically reserves the right
3 to:

- 4 a. introduce other information, documents, and things in this action that it may discover or
5 upon which it may come to rely;
- 6 b. use documents or things that it may later determine to have been responsive to the
7 Requests; and
- 8 c. revise, correct, supplement, or clarify any of its written responses at any time.

9 The foregoing General Objections are hereby incorporated into each and every objection/response
10 below. Subject to, preserving, and without waiving, the General Objections, Facebook responds as
11 follows:

12 **SPECIFIC OBJECTIONS AND RESPONSES TO REQUESTS FOR PRODUCTION**

13 **REQUEST FOR PRODUCTION NO. 71:**

14 All DOCUMENTS AND COMMUNICATIONS CONCERNING complaints received by
15 Facebook regarding 643's App, including, but not limited to, the complaints themselves.

16 **RESPONSE TO REQUEST FOR PRODUCTION NO. 71:**

17 Facebook incorporates each of the General Objections as if they were stated in full and further
18 objects to this Request as overly broad and unduly burdensome in seeking "All DOCUMENTS AND
19 COMMUNICATIONS CONCERNING complaints received by Facebook regarding 643's App."
20 Facebook further objects to this Request to the extent that it calls for information covered by the
21 attorney-client and work-product privileges. Facebook further objects to this Request as seeking
22 documents that are not relevant to the subject matter of this litigation and not reasonably calculated to
23 lead to the discovery of admissible evidence.

24 Subject to and without waiving the foregoing objections, Facebook states that pursuant to the
25 parties' agreement regarding custodians and search terms, Facebook has already searched the custodial
26 documents it agreed to search using all of the search terms agreed to by the parties, including

- 27 • 643
- 28 • Six4Three

- Pikini*

and has produced non-privileged documents responsive to those search terms.

FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 71:

Facebook incorporates each of the General Objections as if they were stated in full and further objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND COMMUNICATIONS CONCERNING complaints received by Facebook regarding 643’s App.” Facebook further objects to this Request to the extent that it calls for information covered by the attorney-client and work-product privileges. Facebook further objects to this Request as seeking documents that are not relevant to the subject matter of this litigation and not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving the foregoing objections, Facebook states that pursuant to the parties’ agreement regarding custodians and search terms, Facebook has already searched the custodial documents it agreed to search using all of the search terms agreed to by the parties, including

- 643
- Six4Three
- Pikini*.

Facebook further states that following that reasonable search, it has not found any documents responsive to this Request.

REQUEST FOR PRODUCTION NO. 75:

All versions and updates of the file containing the “preliminary audit” (FB-00061614) Konstantinos Papamiltiadis refers to in FB-00061367 to FB-00061368 specifying the breakdown of the types of competitive applications, and the specific applications, affected by the closing of Graph API, including the final audit file.

RESPONSE TO REQUEST FOR PRODUCTION NO. 75:

Facebook incorporates each of the General Objections as if they were stated in full and further objects to this Request as overly broad and unduly burdensome in seeking “All versions and updates of the file.” Facebook further objects to this Request to the extent that it calls for information covered by the attorney-client and work-product privileges. Facebook further objects to this Request as seeking

1 documents that are not relevant to the subject matter of this litigation and not reasonably calculated to
2 lead to the discovery of admissible evidence. Facebook further objects to this Request as vague and
3 ambiguous, particularly as to the term “file containing the ‘preliminary audit’ (FB-00061614)
4 Konstantinos Papamiltiadis refers to in FB-00061367 to FB-00061368,” because FB-00061367-68 does
5 not contain any references to a “preliminary audit.” Facebook further objects to this Request as vague
6 and ambiguous as to the terms “breakdown of the types of competitive applications,” “competitive
7 applications . . . affected by the closing of Graph API,” “specific applications, affected by the closing of
8 Graph API,” and “closing of Graph API,” because Facebook did not close Graph API. Facebook further
9 objects to this Request as vague and ambiguous as to the term “final audit file.”

10 Subject to and without waiving the foregoing objections, Facebook states that pursuant to the
11 parties’ agreement regarding custodians and search terms, Facebook has already searched the custodial
12 documents it agreed to search using the search terms agreed to by the parties and has produced non-
13 privileged documents responsive to this Request that were identified in that search.

14 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 75:**

15 Facebook incorporates each of the General Objections as if they were stated in full and further
16 objects to this Request as overly broad and unduly burdensome in seeking “All versions and updates of
17 the file.” Facebook further objects to this Request to the extent that it calls for information covered by
18 the attorney-client and work-product privileges. Facebook further objects to this Request as seeking
19 documents that are not relevant to the subject matter of this litigation and not reasonably calculated to
20 lead to the discovery of admissible evidence. Facebook further objects to this Request as vague and
21 ambiguous, particularly as to the term “file containing the ‘preliminary audit’ (FB-00061614)
22 Konstantinos Papamiltiadis refers to in FB-00061367 to FB-00061368,” because FB-00061367-68 does
23 not contain any references to a “preliminary audit.” Facebook objects to the description of FB-00061614
24 as a “preliminary audit . . . specifying the breakdown of the types of competitive applications, and the
25 specific applications, affected by the closing of Graph API,” but understands this Request to be seeking
26 “[a]ll versions and updates of the file” identified as FB-00061614. Facebook further objects to this
27 Request as vague and ambiguous as to the terms “breakdown of the types of competitive applications,”
28 “competitive applications . . . affected by the closing of Graph API,” “specific applications, affected by

1 the closing of Graph API,” and “closing of Graph API,” because Facebook did not close Graph API.
2 Facebook further objects to this Request as vague and ambiguous as to the term “final audit file.”

3 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
4 regarding the scope of this Request, Facebook states that pursuant to the parties’ agreement regarding
5 custodians and search terms, Facebook has already searched the custodial documents it agreed to search
6 using the search terms agreed to by the parties and has not found any documents responsive to this
7 Request.

8
9 Dated: July 31, 2017

AS TO OBJECTIONS:

DURIE TANGRI LLP

10
11
12 By: _____


CATHERINE Y. KIM

13 Attorney for Defendant
14 Facebook, Inc.

1 **PROOF OF SERVICE**

2 I am a citizen of the United States and resident of the State of California. I am employed in San
3 Francisco County, State of California, in the office of a member of the bar of this Court, at whose
4 direction the service was made. I am over the age of eighteen years, and not a party to the within action.
5 My business address is 217 Leidesdorff Street, San Francisco, CA 94111.

6 On July 31, 2017, I served the following documents in the manner described below:

7 **DEFENDANT FACEBOOK, INC.’S FIRST SUPPLEMENTAL RESPONSES AND**
8 **OBJECTIONS TO PLAINTIFF SIX4THREE, LLC’S THIRD SET OF DEMANDS**
9 **FOR INSPECTION OF DOCUMENTS**

- 10 (BY U.S. MAIL) I am personally and readily familiar with the business practice of Durie
11 Tangri LLP for collection and processing of correspondence for mailing with the United
12 States Postal Service, and I caused such envelope(s) with postage thereon fully prepaid to
13 be placed in the United States Postal Service at San Francisco, California.
- 14 (BY MESSENGER SERVICE) by consigning the document(s) to an authorized courier
15 and/or process server for hand delivery on this date.
- 16 (BY FACSIMILE) I am personally and readily familiar with the business practice of
17 Durie Tangri LLP for collection and processing of document(s) to be transmitted by
18 facsimile and I caused such document(s) on this date to be transmitted by facsimile to the
19 offices of addressee(s) at the numbers listed below.
- 20 (BY OVERNIGHT MAIL) I am personally and readily familiar with the business
21 practice of Durie Tangri LLP for collection and processing of correspondence for overnight
22 delivery, and I caused such document(s) described herein to be deposited for delivery to a
23 facility regularly maintained by Federal Express for overnight delivery.
- 24 BY ELECTRONIC SERVICE: By electronically mailing a true and correct copy through
25 Durie Tangri’s electronic mail system from jposada@durietangri.com to the email
26 addresses set forth below.
- 27 (BY PERSONAL DELIVERY) I caused such envelope to be delivered by hand to the
28 offices of each addressee below.

1 On the following part(ies) in this action:

2 Basil P. Fthenakis
3 CRITERION LAW
4 2225 E. Bayshore Road, Suite 200
5 Palo Alto, CA 94303
6 Telephone: 650-352-8400
7 Facsimile: 650-352-8408
8 bpf@criterionlaw.com

6 David S. Godkin
7 James Kruzer
8 BIRNBAUM & GODKIN, LLP
9 280 Summer Street
10 Boston, MA 02210
11 Telephone: 617-307-6100
12 godkin@birnbaumgodkin.com
13 kruzer@birnbaumgodkin.com

Attorneys for Plaintiff
Six4Three, LLC

12 I declare under penalty of perjury under the laws of the United States of America that the
13 foregoing is true and correct. Executed on July 31, 2017, at San Francisco, California.

14
15 
16 Jennifer Posada

EXHIBIT 202

1 DURIE TANGRI LLP
SONAL N. MEHTA (SBN 222086)
2 smehta@durietangri.com
LAURA E. MILLER (SBN 271713)
3 lmiller@durietangri.com
CATHERINE Y. KIM (SBN 308442)
4 ckim@durietangri.com
217 Leidesdorff Street
5 San Francisco, CA 94111
Telephone: 415-362-6666
6 Facsimile: 415-236-6300

7 Attorneys for Defendant
Facebook, Inc.

8
9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN MATEO

11 SIX4THREE, LLC, a Delaware limited liability
company,

12 Plaintiff,

13 v.

14 FACEBOOK, INC., a Delaware corporation and
15 DOES 1-50, inclusive,

16 Defendant.

Case No. CIV 533328

**Assigned for all purposes to Hon. Marie S.
Weiner, Dept. 2**

**DEFENDANT FACEBOOK, INC.'S
SUPPLEMENTAL RESPONSES AND
OBJECTIONS TO PLAINTIFF SIX4THREE,
LLC'S THIRD SET OF DEMANDS FOR
INSPECTION OF DOCUMENTS**

FILING DATE: April 10, 2015
TRIAL DATE: Vacated

1 **PROPOUNDING PARTY: PLAINTIFF SIX4THREE, LLC**

2 **RESPONDING PARTY: DEFENDANT FACEBOOK, INC.**

3 **SET NO.: THREE**

4 Defendant Facebook, Inc. (“Facebook”) hereby objects and responds as follows to the Third Set
5 of Demands for Inspection of Documents (“Requests for Production”) propounded by Plaintiff
6 Six4Three, LLC (“Plaintiff”).

7 **GENERAL OBJECTIONS AND LIMITATIONS**

8 Each and every Request for Production (“Request”) is subject to the General Objections and
9 Limitations set forth herein (“General Objections”), in addition to the specific objections and limitations
10 set forth in the respective responses. The General Objections and Limitations form part of the response
11 to each Request for Production and are set forth to avoid duplication for each response. Facebook makes
12 the following General Objections to each Request for Production:

13 1. Facebook objects to the Requests for Production to the extent they seek the content of
14 communications of Facebook users on the grounds that the federal Stored Communications Act, 18
15 U.S.C. § 2701, *et seq.*, (“SCA”) prohibits service providers such as Facebook from disclosing the
16 contents of electronic communications in electronic storage or that are carried or maintained on a remote
17 computing service.

18 2. Facebook objects to the Requests for Production to the extent they seek records and
19 information subject to the SCA, pertaining to users of Facebook’s services, who should be provided with
20 notice and an opportunity to object prior to the disclosure of any reasonably available basic subscriber
21 information.

22 3. Facebook objects to the Requests for Production to the extent that they seek documents
23 that Facebook is legally or contractually prohibited from disclosing, including documents that would
24 require Facebook to breach a confidentiality contract, protective order, settlement, or other duty to a third
25 party to maintain confidentiality.

26 4. Facebook objects to the Requests for Production to the extent they are unduly burdensome
27 and oppressive in the context of this action.

28 ///

1 5. Facebook objects to the Requests for Production to the extent they call for the production
2 of documents protected by the attorney-client privilege, the settlement privilege, the work-product
3 doctrine, or any other applicable privilege. Such documents will not be provided in response to the
4 Requests for Production, and any inadvertent production thereof shall not be deemed a waiver of any
5 privilege with respect to such documents, or of any work-product doctrine protections attaching to such
6 documents.

7 6. Facebook objects to the Requests for Production to the extent they seek documents and
8 things not within the possession, custody, or control of Facebook. An objection on this ground does not
9 constitute a representation or admission that such documents do in fact exist.

10 7. Facebook objects to the Requests for Production to the extent they seek documents
11 already in Plaintiff's possession, custody, or control.

12 8. Facebook objects to the Requests for Production, the instructions, and the definitions to
13 the extent they seek to impose obligations upon it beyond those required or permitted by the California
14 Code of Civil Procedure.

15 9. Facebook objects to the definitions of "DOCUMENTS" and "COMMUNICATIONS" to
16 the extent they impose any obligations with respect to the production of electronically stored information
17 that are different from or in addition to those imposed by the California Code of Civil Procedure.
18 Facebook further objects to these definitions to the extent that they include electronically stored
19 information that is (1) not reasonably accessible by Facebook because of undue burden or expense; (2)
20 obtainable from another source that is less burdensome, expensive or more convenient; and/or (3)
21 unreasonably cumulative or duplicative, or where the likely burden or expense of producing the
22 electronically stored information outweighs the likely benefit.

23 10. Facebook objects to the definitions of "FACEBOOK," "DEFENDANT," "YOU," and
24 "YOUR" on the grounds that they are overbroad and call for information covered by the attorney-client
25 and work product privileges.

26 11. All of the following responses are based solely upon such information that is presently
27 available and specifically known to Facebook. Thus, Facebook's responses are made without prejudice
28 to Facebook's right subsequently to add, modify, or otherwise change or amend these responses.

1 Accordingly, Facebook reserves the right to change any of its objections and/or responses to the Requests
2 for Production as new information is discovered. Furthermore, Facebook specifically reserves the right
3 to:

- 4 a. introduce other information, documents, and things in this action that it may discover or
5 upon which it may come to rely;
- 6 b. use documents or things that it may later determine to have been responsive to the
7 Requests; and
- 8 c. revise, correct, supplement, or clarify any of its written responses at any time.

9 The foregoing General Objections are hereby incorporated into each and every objection/response
10 below. Subject to, preserving, and without waiving, the General Objections, Facebook responds as
11 follows:

12 **SPECIFIC OBJECTIONS AND RESPONSES TO REQUESTS FOR PRODUCTION**

13 **REQUEST FOR PRODUCTION NO. 91:**

14 All DOCUMENTS AND COMMUNICATIONS to and/or from Mark Zuckerberg concerning
15 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
16 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
17 2012 to April 30, 2014.

18 **RESPONSE TO REQUEST FOR PRODUCTION NO. 91:**

19 Facebook incorporates each of the General Objections as if they were stated in full and further
20 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
21 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
22 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
23 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
24 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
25 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
26 to this Request as improperly seeking to expand the number of document custodians to Facebook’s CEO,
27 because Facebook denies he had a specific role in the decision to open Graph API beyond the decision-
28 making authority inherent in his role as CEO. Facebook further objects to this Request as vague and

1 ambiguous, particularly as to the term “Facebook’s data reciprocity policy.” Facebook further objects to
2 this Request as improperly seeking to prescribe search terms / parameters on Facebook.

3 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
4 “data reciprocity policy,” and so no such documents and communications exist.

5 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 91:**

6 Facebook incorporates each of the General Objections as if they were stated in full and further
7 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
8 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
9 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
10 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
11 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
12 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
13 to this Request as improperly seeking to expand the number of document custodians to Facebook’s CEO,
14 because Facebook denies he had a specific role in the decision to open Graph API beyond the decision-
15 making authority inherent in his role as CEO. Facebook further objects to this Request as vague and
16 ambiguous, particularly as to the term “Facebook’s data reciprocity policy.” For the purposes of this
17 Response, Facebook understands the term “Facebook’s data reciprocity policy” to refer to an alleged
18 policy whereby Facebook offered unspecified “unfair competitive advantages” and/or “special access” to
19 data in exchange for “unrelated advertising purchases” or unspecified “other valuable consideration.”
20 *See* TAC ¶¶ 2, 7, & 145. Facebook further objects to this Request as improperly seeking to prescribe
21 search terms / parameters on Facebook.

22 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
23 regarding Facebook’s understanding of the term “Facebook’s data reciprocity policy,” Facebook states
24 that it does not have a “data reciprocity policy,” and so no such documents and communications exist.

25 **REQUEST FOR PRODUCTION NO. 92:**

26 All DOCUMENTS AND COMMUNICATIONS to and/or from Christopher Cox concerning
27 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
28

1 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
2 2012 to April 30, 2014.

3 **RESPONSE TO REQUEST FOR PRODUCTION NO. 92:**

4 Facebook incorporates each of the General Objections as if they were stated in full and further
5 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
6 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
7 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
8 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
9 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
10 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
11 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Chief
12 Product Officer, because Facebook denies he had a specific role in the decision to open Graph API
13 beyond the decision-making authority inherent in his role as CPO. Facebook further objects to this
14 Request as vague and ambiguous, particularly as to the term “Facebook’s data reciprocity policy.”
15 Facebook further objects to this Request as improperly seeking to prescribe search terms / parameters on
16 Facebook.

17 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
18 “data reciprocity policy,” and so no such documents and communications exist.

19 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 92:**

20 Facebook incorporates each of the General Objections as if they were stated in full and further
21 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
22 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
23 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
24 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
25 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
26 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
27 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Chief
28 Product Officer, because Facebook denies he had a specific role in the decision to open Graph API

1 beyond the decision-making authority inherent in his role as CPO. Facebook further objects to this
2 Request as vague and ambiguous, particularly as to the term “Facebook’s data reciprocity policy.” For
3 the purposes of this Response, Facebook understands the term “Facebook’s data reciprocity policy” to
4 refer to an alleged policy whereby Facebook offered unspecified “unfair competitive advantages” and/or
5 “special access” to data in exchange for “unrelated advertising purchases” or unspecified “other valuable
6 consideration.” See TAC ¶¶ 2, 7, & 145. Facebook further objects to this Request as improperly seeking
7 to prescribe search terms / parameters on Facebook.

8 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
9 regarding Facebook’s understanding of the term “Facebook’s data reciprocity policy,” Facebook states
10 that it does not have a “data reciprocity policy,” and so no such documents and communications exist.

11 **REQUEST FOR PRODUCTION NO. 93:**

12 All DOCUMENTS AND COMMUNICATIONS to and/or from Samuel Lessin concerning
13 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
14 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
15 2012 to April 30, 2014.

16 **RESPONSE TO REQUEST FOR PRODUCTION NO. 93:**

17 Facebook incorporates each of the General Objections as if they were stated in full and further
18 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
19 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
20 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
21 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
22 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
23 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
24 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Vice
25 President of Product Management, because Facebook denies he had a specific role in the decision to open
26 Graph API beyond the decision-making authority inherent in his role as Vice President of Product
27 Management. Facebook further objects to this Request as vague and ambiguous, particularly as to the
28

1 term “Facebook’s data reciprocity policy.” Facebook further objects to this Request as improperly
2 seeking to prescribe search terms / parameters on Facebook.

3 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
4 “data reciprocity policy.” Facebook nonetheless has searched Samuel Lessin’s documents for the period
5 from September 1, 2011 through April 30, 2015, using the search term “data w/7 reciproc!” and will
6 produce non-privileged responsive documents that hit on that search term.

7 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 93:**

8 Facebook incorporates each of the General Objections as if they were stated in full and further
9 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
10 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
11 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
12 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
13 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
14 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
15 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Vice
16 President of Product Management, because Facebook denies he had a specific role in the decision to open
17 Graph API beyond the decision-making authority inherent in his role as Vice President of Product
18 Management. Facebook further objects to this Request as vague and ambiguous, particularly as to the
19 term “Facebook’s data reciprocity policy.” For the purposes of this Response, Facebook understands the
20 term “Facebook’s data reciprocity policy” to refer to an alleged policy whereby Facebook offered
21 unspecified “unfair competitive advantages” and/or “special access” to data in exchange for “unrelated
22 advertising purchases” or unspecified “other valuable consideration.” See TAC ¶¶ 2, 7, & 145.

23 Facebook further objects to this Request as improperly seeking to prescribe search terms / parameters on
24 Facebook.

25 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
26 regarding Facebook’s understanding of the term “Facebook’s data reciprocity policy,” Facebook states
27 that it does not have a “data reciprocity policy,” and so no such documents and communications exist.

28 ///

1 **REQUEST FOR PRODUCTION NO. 94:**

2 All DOCUMENTS AND COMMUNICATIONS to and/or from Javier Olivan concerning
3 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
4 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
5 2012 to April 30, 2014.

6 **RESPONSE TO REQUEST FOR PRODUCTION NO. 94:**

7 Facebook incorporates each of the General Objections as if they were stated in full and further
8 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
9 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
10 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
11 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
12 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
13 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
14 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Vice
15 President of Growth, because Facebook denies he had a specific role in the decision to open Graph API
16 beyond the decision-making authority inherent in his role as Vice President of Growth. Facebook further
17 objects to this Request as vague and ambiguous, particularly as to the term “Facebook’s data reciprocity
18 policy.” Facebook further objects to this Request as improperly seeking to prescribe search terms /
19 parameters on Facebook.

20 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
21 “data reciprocity policy,” and so no such documents and communications exist.

22 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 94:**

23 Facebook incorporates each of the General Objections as if they were stated in full and further
24 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
25 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
26 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
27 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
28 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation

1 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
2 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Vice
3 President of Growth, because Facebook denies he had a specific role in the decision to open Graph API
4 beyond the decision-making authority inherent in his role as Vice President of Growth. Facebook further
5 objects to this Request as vague and ambiguous, particularly as to the term “Facebook’s data reciprocity
6 policy.” For the purposes of this Response, Facebook understands the term “Facebook’s data reciprocity
7 policy” to refer to an alleged policy whereby Facebook offered unspecified “unfair competitive
8 advantages” and/or “special access” to data in exchange for “unrelated advertising purchases” or
9 unspecified “other valuable consideration.” See TAC ¶¶ 2, 7, & 145. Facebook further objects to this
10 Request as improperly seeking to prescribe search terms / parameters on Facebook.

11 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
12 regarding Facebook’s understanding of the term “Facebook’s data reciprocity policy,” Facebook states
13 that it does not have a “data reciprocity policy,” and so no such documents and communications exist.

14 **REQUEST FOR PRODUCTION NO. 95:**

15 All DOCUMENTS AND COMMUNICATIONS to and/or from Ilya Sukhar concerning
16 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
17 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
18 2012 to April 30, 2014.

19 **RESPONSE TO REQUEST FOR PRODUCTION NO. 95:**

20 Facebook incorporates each of the General Objections as if they were stated in full and further
21 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
22 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
23 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
24 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
25 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
26 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
27 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Head
28 of Developer Products, because Facebook denies he had a specific role in the decision to open Graph API

1 beyond the decision-making authority inherent in his role as Head of Developer Products. Facebook
2 further objects to this Request as vague and ambiguous, particularly as to the term “Facebook’s data
3 reciprocity policy.” Facebook further objects to this Request as improperly seeking to prescribe search
4 terms / parameters on Facebook.

5 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
6 “data reciprocity policy.” Facebook nonetheless has searched Ilya Sukhar’s documents for the period
7 from September 1, 2011 through April 30, 2015, using the search term “data w/7 reciproc!” and will
8 produce non-privileged responsive documents that hit on that search term.

9 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 95:**

10 Facebook incorporates each of the General Objections as if they were stated in full and further
11 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
12 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
13 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
14 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
15 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
16 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
17 to this Request as improperly seeking to expand the number of document custodians to Facebook’s Head
18 of Developer Products, because Facebook denies he had a specific role in the decision to open Graph API
19 beyond the decision-making authority inherent in his role as Head of Developer Products. Facebook
20 further objects to this Request as vague and ambiguous, particularly as to the term “Facebook’s data
21 reciprocity policy.” For the purposes of this Response, Facebook understands the term “Facebook’s data
22 reciprocity policy” to refer to an alleged policy whereby Facebook offered unspecified “unfair
23 competitive advantages” and/or “special access” to data in exchange for “unrelated advertising
24 purchases” or unspecified “other valuable consideration.” See TAC ¶¶ 2, 7, & 145. Facebook further
25 objects to this Request as improperly seeking to prescribe search terms / parameters on Facebook.

26 Subject to and without waiving the foregoing objections, and subject to the foregoing clarification
27 regarding Facebook’s understanding of the term “Facebook’s data reciprocity policy,” Facebook states
28 that it does not have a “data reciprocity policy,” and so no such documents and communications exist.

1 **REQUEST FOR PRODUCTION NO. 96:**

2 All DOCUMENTS AND COMMUNICATIONS to and/or from Michael Vernal concerning
3 Facebook’s data reciprocity policy, including all documents that refer to “data reciprocity” or
4 “reciprocity” (as those terms are used, for example, in FB-00235810 and FB-00423236), from June 1,
5 2012 to April 30, 2014.

6 **RESPONSE TO REQUEST FOR PRODUCTION NO. 96:**

7 Facebook incorporates each of the General Objections as if they were stated in full and further
8 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
9 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
10 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent
11 that it calls for information covered by the attorney-client and work-product privileges. Facebook further
12 objects to this Request as seeking documents that are not relevant to the subject matter of this litigation
13 and not reasonably calculated to lead to the discovery of admissible evidence. Facebook further objects
14 to this Request as improperly seeking to expand the number of document custodians. Facebook further
15 objects to this Request as vague and ambiguous, particularly as to the term “Facebook’s data reciprocity
16 policy.” Facebook further objects to this Request as improperly seeking to prescribe search terms /
17 parameters on Facebook.

18 Subject to and without waiving the foregoing objections, Facebook states that it does not have a
19 “data reciprocity policy,” and so no such documents and communications exist. Facebook nonetheless
20 will search Michael Vernal’s documents for the period from June 1, 2012 to April 30, 2014, using all
21 search terms previously agreed to by the parties as well as the additional term

- 22 • “data reciprocity”

23 and will produce non-privileged documents responsive to that search term.

24 **FIRST SUPPLEMENTAL RESPONSE TO REQUEST FOR PRODUCTION NO. 96:**

25 Facebook incorporates each of the General Objections as if they were stated in full and further
26 objects to this Request as overly broad and unduly burdensome in seeking “All DOCUMENTS AND
27 COMMUNICATIONS . . . concerning Facebook’s data reciprocity policy” or that use the word
28 “reciprocity” over a period of nearly two years. Facebook further objects to this Request to the extent

1 I, Allison Hendrix, as an authorized representative of Facebook, Inc. ("Facebook"), certify and
2 declare under penalty of perjury under the laws of the State of California that I have read and reviewed
3 Defendant Facebook, Inc.'s Supplemental Responses and Objections to Plaintiff Six4Three, LLC's Third
4 Set of Demands for Inspection of Documents (Nos. 91-96), and believe them to be true and accurate
5 based on the information available to Facebook at the present time.

6 Executed on October 20, 2017, at Menlo Park, California.

7 

8
9 Allison Hendrix

1 **PROOF OF SERVICE**

2 I am a citizen of the United States and resident of the State of California. I am employed in San
3 Francisco County, State of California, in the office of a member of the bar of this Court, at whose
4 direction the service was made. I am over the age of eighteen years, and not a party to the within action.
5 My business address is 217 Leidesdorff Street, San Francisco, CA 94111.

6 On October 20, 2017, I served the following documents in the manner described below:

7 **DEFENDANT FACEBOOK, INC.'S SUPPLEMENTAL RESPONSES AND**
8 **OBJECTIONS TO PLAINTIFF SIX4THREE, LLC'S THIRD SET OF DEMANDS**
9 **FOR INSPECTION OF DOCUMENTS**

- 10 (BY U.S. MAIL) I am personally and readily familiar with the business practice of Durie
11 Tangri LLP for collection and processing of correspondence for mailing with the United
12 States Postal Service, and I caused such envelope(s) with postage thereon fully prepaid to
13 be placed in the United States Postal Service at San Francisco, California.
- 14 (BY MESSENGER SERVICE) by consigning the document(s) to an authorized courier
15 and/or process server for hand delivery on this date.
- 16 (BY FACSIMILE) I am personally and readily familiar with the business practice of
17 Durie Tangri LLP for collection and processing of document(s) to be transmitted by
18 facsimile and I caused such document(s) on this date to be transmitted by facsimile to the
19 offices of addressee(s) at the numbers listed below.
- 20 (BY OVERNIGHT MAIL) I am personally and readily familiar with the business
21 practice of Durie Tangri LLP for collection and processing of correspondence for overnight
22 delivery, and I caused such document(s) described herein to be deposited for delivery to a
23 facility regularly maintained by Federal Express for overnight delivery.
- 24 BY ELECTRONIC SERVICE: By electronically mailing a true and correct copy through
25 Durie Tangri's electronic mail system from jcotton@durietangri.com to the email
26 addresses set forth below.
- 27 (BY PERSONAL DELIVERY) I caused such envelope to be delivered by hand to the
28 offices of each addressee below.

1 On the following part(ies) in this action:

2 Basil P. Fthenakis
3 CRITERION LAW
4 2225 E. Bayshore Road, Suite 200
5 Palo Alto, CA 94303
6 Telephone: 650-352-8400
7 Facsimile: 650-352-8408
8 bpf@criterionlaw.com

9 David S. Godkin
10 James Kruzer
11 BIRNBAUM & GODKIN, LLP
12 280 Summer Street
13 Boston, MA 02210
14 Telephone: 617-307-6100
15 godkin@birnbaumgodkin.com
16 kruzer@birnbaumgodkin.com

17 *Attorneys for Plaintiff*
18 *Six4Three, LLC*

19 I declare under penalty of perjury under the laws of the United States of America that the
20 foregoing is true and correct. Executed on October 20, 2017, at San Francisco, California.

21
22
23
24
25
26
27
28


Janelle Cotton

EXHIBIT 203



FILED
SAN MATEO COUNTY

DEC 05 2017

Clerk of the Superior Court
By JM
DEPUTY CLERK

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO
COMPLEX CIVIL LITIGATION

SIX4THREE LLC,

Plaintiff,

vs.

FACEBOOK, INC., and DOES 1
through 50,

Defendants.

Case No. CIV 533328

Assigned for All Purposes to
Hon. Marie S. Weiner, Dept. 2

CASE MANAGEMENT ORDER #9

Pursuant to command of the Court of Appeal granting an Alternative Writ in favor of Plaintiff Six4Three LLC on December 4, 2017 (A152116),

IT IS HEREBY ORDERED as follows:

Case Management Order #3 is AMENDED to GRANT Plaintiff's Motion for Leave to File Third Amended Complaint. Previously the Court granted the motion to allow additional causes of action but denied the motion to add individuals as defendants. Technically this is now Moot because Plaintiff already filed its Fourth Amended Complaint.

Given the spirit and intent of the Court of Appeal's decision granting the writ, Plaintiff shall file and serve a Fifth Amended Complaint (or substitute individual defendants as Doe Defendants to the existing Fourth Amended Complaint) on or before **January 12, 2018**. For purposes of judicial economy and expense to the parties, the Court anticipates ruling on the existing demurrer and motion pertaining to the Fourth Amended Complaint, set for hearing on January 9, 2018, and holding off on requiring the filing of a further amended pleading to add the individuals until then, so that Plaintiff has the opportunity to incorporate any rulings into the next pleading, if so desired. This does not foreclose the ability of Plaintiff to instead Doe in these new Defendants.

DATED: December 5, 2017



HON. MARIE S. WEINER
JUDGE OF THE SUPERIOR COURT

SERVICE LIST
Stx4Three v. Facebook, CIV 533328
as of May 3, 2017

Attorneys for Plaintiffs:

BASIL FTHENAKIS
CRITERION LAW
2225 East Bayshore Road, Suite 200
Palo Alto, CA 94303
(650) 352-8400

DAVID GODKIN
JAMES KRUGER
BIRNBAUM & GODKIN LLP
280 Summer Street
Boston, MA 02210
(617) 307-6100

Attorneys for Defendant:

JOSHUA LERNER
SONAL MEHTA
LAURA MILLER
CATHERINE KIM
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
(415) 362-6666

EXHIBIT 204

1 DURIE TANGRI LLP
SONAL N. MEHTA (SBN 222086)
2 smehta@durietangri.com
JOSHUA H. LERNER (SBN 220755)
3 jlerner@durietangri.com
LAURA E. MILLER (SBN 271713)
4 lmiller@durietangri.com
CATHERINE Y. KIM (SBN 308442)
5 ckim@durietangri.com
217 Leidesdorff Street
6 San Francisco, CA 94111
Telephone: 415-362-6666
7 Facsimile: 415-236-6300

8 Attorneys for Defendants
Facebook, Inc., Mark Zuckerberg, Christopher Cox, Javier
9 Olivan, Samuel Lessin, Michael Vernal, and Ilya Sukhar

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA

11 COUNTY OF SAN MATEO

12 SIX4THREE, LLC, a Delaware limited liability
company,

13 Plaintiff,

14 v.

15 FACEBOOK, INC., a Delaware corporation;
16 MARK ZUCKERBERG, an individual;
CHRISTOPHER COX, an individual;
17 JAVIER OLIVAN, an individual;
SAMUEL LESSIN, an individual;
18 MICHAEL VERNAL, an individual;
ILYA SUKHAR, an individual; and
19 DOES 1-50, inclusive,

20 Defendants.

Case No. CIV 533328

**Assigned for all purposes to Hon. Marie S.
Weiner, Dept. 2**

**DEFENDANTS MARK ZUCKERBERG,
CHRISTOPHER COX, JAVIOR OLIVAN,
SAMUEL LESSIN, MICHAEL VERNAL, AND
ILYA SUKHAR'S PEREMPTORY
CHALLENGE PURSUANT TO CALIFORNIA
CODE OF CIVIL PROCEDURE SECTION
170.6; DECLARATION OF JOSHUA LERNER**

Dept: 2 (Complex Civil Litigation)
Judge: Honorable Marie S. Weiner

FILING DATE: April 10, 2015
TRIAL DATE: April 25, 2019

1 Defendants MARK ZUCKERBERG, CHRISTOPHER COX, JAVIOR OLIVAN, SAMUEL
2 LESSIN, MICHAEL VERNAL, and ILYA SUKHAR (collectively the “Individual Defendants”) hereby
3 exercise their peremptory challenge pursuant to California Code of Civil Procedure section 170.6. The
4 Individual Defendants respectfully request that the entire action, which has been assigned for all purposes
5 to the Honorable Marie W. Weiner, be reassigned to a different judge, and that no matters hereinafter
6 arising in the action be heard by or assigned to Judge Weiner on the grounds that she is prejudiced
7 against the interests of the Individual Defendants and/or their attorneys in this matter.

8 California Code of Civil Procedure section 170.6 provides in pertinent part that in a “trial of a
9 civil cause that has been assigned to a judge for all purposes, the motion shall be made to the assigned
10 judge or to the presiding judge by a party within 15 days after notice of all purpose assignment, or if the
11 party has not yet appeared in the action, then within 15 days after the appearance.”

12 On January 16, 2018, the Individual Defendants were served with the Fifth Amended Complaint
13 filed by Plaintiff SIX4THREE, LLC. The Individual Defendants have not yet appeared in this action.

14 This peremptory challenge is based on the matters contained herein, on California Code of Civil
15 Procedure section 170.6 and on the attached supporting declaration of Joshua H. Lerner.

16 Dated: January 19, 2018

DURIE TANGRI LLP

17
18 By: _____



JOSHUA H. LERNER

19 Attorneys for Defendants
20 Mark Zuckerberg, Christopher Cox, Javier Olivan,
21 Samuel Lessin, Michael Vernal, and Ilya Sukhar
22
23
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1 **DECLARATION OF JOSHUA H. LERNER**

2 I, Joshua H. Lerner, hereby declare as follows:

3 1. I am an attorney duly admitted to practice before this Court. I am an attorney with Durie
4 Tangri LLP, attorneys of record for Defendants Facebook, Inc., Mark Zuckerberg, Christopher Cox,
5 Javier Oliven, Samuel Lessin, Michael Vernal, and Ilya Sukhar. I have personal knowledge of the facts
6 set forth herein, except as to those stated on information and belief and, as to those, I am informed and
7 believe them to be true. If called as a witness, I could and would competently testify to the matters stated
8 herein. I make this declaration in support of Defendants Mark Zuckerberg, Christopher Cox, Javier
9 Oliven, Samuel Lessin, Michael Vernal, and Ilya Sukhar's Peremptory Challenge Pursuant to California
10 Code of Civil Procedure Section 170.6.

11 2. The Honorable Marie W. Weiner has been assigned for all purposes to the above-
12 captioned action. With all due respect to the Court, the judge is prejudiced against the interests of
13 Defendants Mark Zuckerberg, Christopher Cox, Javier Oliven, Samuel Lessin, Michael Vernal, and Ilya
14 Sukhar and/or their attorneys in this matter, such that Defendants believe they cannot have a fair and
15 impartial hearing or trial before the judge.

16 3. On January 18, 2018, Defendants Mark Zuckerberg, Christopher Cox, Javier Oliven,
17 Samuel Lessin, Michael Vernal, and Ilya Sukhar were served with the Fifth Amended Complaint.

18 4. Defendants Mark Zuckerberg, Christopher Cox, Javier Oliven, Samuel Lessin, Michael
19 Vernal, and Ilya Sukhar have not yet appeared in this action.

20 5. No defendant has previously exhausted their peremptory challenge permitted under
21 California Code of Civil Procedure Section 170.6 in this litigation.

22 I declare under penalty of perjury under the laws of the State of California that the foregoing is
23 true and correct.

24 Executed this 19th day of January, 2018, in San Francisco, California.

25 
26 JOSHUA LERNER

1 **PROOF OF SERVICE**

2 I am a citizen of the United States and resident of the State of California. I am employed in San
3 Francisco County, State of California, in the office of a member of the bar of this Court, at whose
4 direction the service was made. I am over the age of eighteen years, and not a party to the within action.
5 My business address is 217 Leidesdorff Street, San Francisco, CA 94111.

6 On January 19, 2018, I served the following documents in the manner described below:

7 **DEFENDANTS MARK ZUCKERBERG, CHRISTOPHER COX, JAVIOR OLIVAN,
8 SAMUEL LESSIN, MICHAEL VERNAL, AND ILYA SUKHAR'S PEREMPTORY
9 CHALLENGE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE
SECTION 170.6; DECLARATION OF JOSHUA LERNER**

- 10 (BY MESSENGER SERVICE) by consigning the document(s) to an authorized courier
and/or process server for hand delivery on this date.
- 11 BY ELECTRONIC SERVICE: By electronically mailing a true and correct copy through
12 Durie Tangri's electronic mail system from jposada@durietangri.com to the email
addresses set forth below.

13 On the following part(ies) in this action:

14 **VIA MESSENGER AND EMAIL**

15 Basil P. Fthenakis
16 CRITERION LAW
2225 E. Bayshore Road, Suite 200
17 Palo Alto, CA 94303
Telephone: 650-352-8400
18 Facsimile: 650-352-8408
bpf@criterionlaw.com

19 **VIA EMAIL ONLY**

20 David S. Godkin
21 James Kruzer
BIRNBAUM & GODKIN, LLP
280 Summer Street
22 Boston, MA 02210
Telephone: 617-307-6100
godkin@birnbaumgodkin.com
23 kruzer@birnbaumgodkin.com

24 *Attorneys for Plaintiff
Six4Three, LLC*

25 I declare under penalty of perjury under the laws of the United States of America that the
26 foregoing is true and correct. Executed on January 19, 2018, at San Francisco, California.

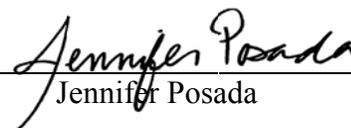
27 
28 _____
Jennifer Posada

EXHIBIT 205

**ENDORSED FILED
SAN MATEO COUNTY**

DEC 11 2017

Clerk of the Superior Court
By TERRI MARAGOLAS
DEPUTY CLERK

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO
COMPLEX CIVIL LITIGATION

SIX4THREE LLC,

Plaintiff,

vs.

FACEBOOK, INC., and DOES 1
through 50,

Defendants.

Case No. CIV 533328

Assigned for All Purposes to
Hon. Marie S. Weiner, Dept. 2

CASE MANAGEMENT ORDER #11

On September 11, 2017, hearing was held on Defendant Facebook's Motion for Summary Adjudication of Issues based upon its affirmative defense of contractual limitations of liability, in Department 2 of this Court before the Honorable Marie S. Weiner. Basil Fthenakis of Criterion Law and David Godkin of Birnbaum & Godkin LLP appeared on behalf of Plaintiff Six4Three LLC; and Joshua Lerner and Laura Miller of Durie Tangri LLP appeared on behalf of Defendant Facebook Inc. Natalie Naugle, Esq., in-house counsel at Facebook Inc., also appeared.

Upon due consideration of the briefs and evidence presented, and the oral argument of counsel for the parties, and having taken the matter under submission,

IT IS HEREBY ORDERED as follows:

1. Defendant Facebook's motion for summary adjudication of its affirmative defense as to the first cause of action for violation of Business & Professions Code Section 17200 in the Third Amended Complaint, that the contractual limitation of liability clause in Facebook's Statement of Rights and Responsibilities applies, and thus limits recovery under the first cause of action to the greater of \$100 or the amount that Plaintiff Six4Three paid to Defendant Facebook is DENIED.
2. Defendant Facebook's motion for summary adjudication of its affirmative defense as to the second cause of action for breach of contract, that the contractual limitation of liability clause in Facebook's Statement of Rights and Responsibilities applies, and thus limits recovery under the second cause of action to the greater of \$100 or the amount that Plaintiff Six4Three paid to Defendant Facebook is GRANTED.
3. Defendant Facebook's motion for summary adjudication of its affirmative defense as to the eighth cause of action for negligent interference with prospective economic relations, that the contractual limitation of liability clause in Facebook's Statement of Rights and Responsibilities applies, and thus limits recovery under the eighth cause of action to the greater of \$100 or the amount that Plaintiff Six4Three paid to Defendant Facebook is GRANTED.
4. Defendant's Reply Separate Statement is STRICKEN as to "Responses" to UMF Nos. 1-26, as procedurally improper, as Section 437c and the California Rules of Court do not allow a "response" to the opposing parties "response" to the moving UMFs.

The Reply as to Responses to *new* and additional material facts UMF Nos. 27-132 raised by the opposition is procedurally proper and is not stricken.

5. In regard to Defendant's Objections to Plaintiff's evidence in opposition to the motion, Objections Nos. 1-83 are SUSTAINED on the basis that Plaintiff's Third Amended Complaint is not admissible evidence upon which the *Plaintiff* can rely in opposing a motion under Section 437c. (A Defendant *can* as a judicial admission.) Each evidentiary objection pertains to a specific paragraph in the 3AC. Objections Nos. 84-94 are SUSTAINED on the basis that the Supplemental memorandum in support of Plaintiff's Motion for Leave to file a Third Amended Complaint is not admissible evidence, and any facts stated therein are not admissible by mere incorporation by reference. Objections Nos. 95-99 are OVERRULED. Objection No. 101 is SUSTAINED, as Plaintiff cannot use its own answers to discovery requests as substantive evidence against Defendant. Objections Nos. 102-103 are OVERRULED. Objection Nos. 104 is SUSTAINED. Objection Nos. 105-122, the evidentiary objections are OVERRULED, but the Court agrees that these are not "material" facts as they do not aid this Court in determining the issues presented by this motion.

THE COURT FINDS as follows:

Contractual Limitation of Liability Clause

In May 2007, Defendant Facebook launched its Facebook Platform. In order to have access to the Facebook Platform for free, app developers were required to agree to a Statement of Rights and Responsibilities (SRR), and Plaintiff Six4Three agreed to the SRR with Defendant in December 2012. (UMF 5, 8, 9.) The Facebook Platform included the ability for Plaintiff and other app developers to have access to data of third

parties. (UMF No. 1, 2.) Plaintiff developed an “app” which searched, collected, and provided photo of people in bathing suits posted by Facebook users and their “friends”. (UMF 18, 19.) Starting in January 2015, Defendant no longer allowed such data access *for free* to Plaintiff.

Plaintiff alleges that at the time of developing its app using the Facebook Platform and entering into the contract with Facebook in December 2012, Defendant had already internally decided (but not yet implemented) to remove access to that data for free, and instead require the developer to provide substantial financial consideration to justify continued access. (See response to UMF 4.)

The SRR contains a Limitation of Liability clause, as follows:

We will not be liable to you for any lost profits or other consequential, special, indirect, or incidental damages arising out of or in connection with this statement or Facebook, even if we have been advised of the possibility of such damages. Our aggregate liability arising out of this statement or Facebook will not exceed the greater of one hundred dollars (\$100) or the amount you have paid us in the past twelve months.

(Miller Dec., Ex. 3, Bates no. FB_0000024 (capitalization omitted). *See* UMF No. 6.)

In paragraph 85 of its Third Amended Complaint, Plaintiff specifically alleges that it entered into the SRR Contract with Defendant Facebook and that this is the operative contract upon which it has sued.

The Contractual Limitation of Liability is Enforceable as to Plaintiff's Claims for Non-Intentional Torts and Breach of Contract

Generally, “a limitation of liability clause is intended to protect the wrongdoer defendant from unlimited liability.” [Citation.] Clauses of

this type “have long been recognized as valid in California.” [Citation.]

With respect to claims for breach of contract, limitation of liability clauses are enforceable unless they are unconscionable, that is, the improper result of unequal bargaining power or contrary to public policy. {Citation.]

Furthermore, they are enforceable with respect to claims for ordinary negligence unless the underlying transaction “affects the public interest” under the criteria specified in *Tunkl v. Regents of University of California* (1963) 60 Cal.2d 92, 98-100. [Citation.] However, limitation of liability clauses are ineffective with respect to claims for fraud and misrepresentation. [Citation.]

Food Safety Net Services v. Eco Safe Systems USA, Inc. (2012) 209 Cal.App.4th 1118, 1126 (affirming grant of summary judgment on claims for negligence and breach of contract based upon contractual limitation of liability clause).

Defendant Facebook made a prima facie showing that the parties mutually entered into the SRR Contract, and that the Limitation of Liability clause is part of the contract. As set forth above, the clause would generally apply and limit claims for non-intentional torts and for breach of contract.

Defendant Failed to Make a Prima Facie Showing as to Section 17200

The first cause of action is for violation of Business & Professions Code Section 17200, which is a statutory claim. Defendant’s Only authority for its proposition that a liability of liability clause can apply to a *statutory* claim, and specifically Section 17200 is a non-binding district court decision from 14 years ago.

Regardless of whether or not a liability of liability clause can apply to a statutory claim, *this particular* clause cannot be applied to limit the *statutory* remedies provided for violation of Section 17200.

First, the Limitation of Liability clause here expressly limits “damages”. The law is well established in California that “damages” are not a remedy under Section 1720 – only restitution and injunctive relief under Section 17203. Bank of the West v. Superior Court (1992) 2 Cal.4th 1254, 1266; Stern, Bus. & Prof. Code § 17200 Practice Guide (Rutter, Mar. 2017 Update) ¶ 8:102.) “The only nonpunitive monetary relief available under the Unfair Business Practices Act is the disgorgement of money that has been wrongfully obtained or, in the language of the statute, an order restoring money ... which may have been acquired by means of unfair competition.” Bank of the West, 2 Cal.4th at p. 1266. Plaintiff is entitled by statutory to restitution of money paid to the Defendant if liability for violation of Section 17200 is proven.

Second, this particular clause limits recovery to the greater of \$100 “or the amount you have paid us in the past twelve months”. Even if construed, for the sake of argument, to limit the amount of monetary restitution, the Court has equitable powers to determine the remedy and there is no legal authority for the argument to limit restitution to only “the past twelve months.” The remedy of restitution under Section 17200 *cannot* be limited to a twelve-month period as stated in the Limitation of Liability clause here. Section 17200 is an *equitable* claim, and the Court’s discretion is broad. Cortez v. Purolator Air Filtration Products Co. (2000) 23 Cal.4th 163, 180. Further, the statute provides that remedies under Section 17200 are cumulative to other remedies and penalties available under all other laws. (B&P Code §17205.)

The Court finds that Defendant did not make a prima facie showing that the Limitation of Liability clause applies to Plaintiff's cause of action for violation of Section 17200.

Plaintiff has the Burden of Showing that Civil Code Section 1668 Bars Enforcement

As for application of the Limitation of Liability clause to Plaintiff's cause of action for breach of contract and cause of action for negligent interference, the burden shifts to Plaintiff to demonstrate an exception or non-applicable of the limitation.

Plaintiff argues that Civil Code Section 1668 "voids" the enforceability of the Limitation of Liability clause. Civil Code Section 1668 provides:

All contracts which have for their object, directly or indirectly, to exempt anyone from responsibility for his own fraud, or willful injury to the person or property of another, or violation of law, whether willful or negligent, are against the policy of the law

Plaintiff asserts that because it has *also alleged* causes of action for fraud and intentional wrongdoing that Section 1668 shields any other causes of action. For this proposition, Plaintiff relies upon a non-binding district court decision in Civic Center Drive Apartments Ltd. Partnership v. Southwestern Bell Video Services (N.D.Cal. 2003) 295 F.Supp.2d 1091.

That nonbinding case is also distinguishable, particularly given that it did not involve a free service. In that case, the parties also were disputing the terms of the agreement itself and fighting over its enforceability and interpretation – which are not issues here. It also appears to be outdated.

In Lewis v. YouTube LLC (2015) 244 Cal.App.4th 118, the Sixth Appellate District held that a limitation of liability clause in the terms of agreement between a website provider and a user regarding *a free service* allowing people to post videos is enforceable to bar a cause of action for breach of contract.

“Limitation of liability clauses ‘have long been recognized as valid in California.’ [Citation.]” [Citation.] As in the present case, these clauses are appropriate where one party is offering a service for free to the public. [Citation.]” Lewis, at p. 125.

Similarly in Draana LLC v. Google Inc. (N.D. Cal. 2017), again involving YouTube as a subsidiary of Google for removal of a video from the website, the court applied the contractual limitation of liability clause. Plaintiff Draana made the same argument as Plaintiff here: “Darna LLC argued that all of its claims, except for its negligent interference claim, constituted ‘intentional torts’. [Cite.] Thus, it argued, the limitation-of-liability clause could not apply to those claims because such application would contravene Section 1668 of the Civil Code.” Id., at p. 1124. That trial court then held that Section 1668 applied to one cause of action, but not another – thus rejecting that plaintiff’s argument made by Plaintiff here. The district court then went on to hold that Section 1668 does *not* vitiate the enforceability of a limitation of liability clause against a breach of contract claim. Id., at p. 1125.

Plaintiff Fails to Demonstrate Unconscionability or Violation of Public Interest

In its opposition, Plaintiff *does not* assert that the Limitation of Liability clause is unconscionable. Rather, Plaintiff argues that it should not be enforced because it is in violation of Section 1668 (which is addressed above), and that the SRR is a matter affecting “public interest” and thus the clause is unenforceable under *Tunkl*.

Tangentially, Plaintiff also makes an argument that pleading in a complaint that a defendant had scienter makes a limitation of liability clause unenforceable. The single case cited in support of Plaintiff's argument, *Klein v. Asgrow Seed Co.*, only stated *in dicta* that it would be against public policy: "We hold its liability, regardless of absence of privity, was direct and primary. The reason: Misrepresentation of the seed sold was deliberate; there was an express warranty; *there was no agreement or custom negating that warranty by disclaimer or limitation of liability at the time of the sale; had there been one it would have been against public policy*; each buyer relied upon the warranty in each of the sales." *Klein v. Asgrow Seed Co.* (1966) 246 Cal.App.2d 87, 90 (emphasis added).) This is not binding authority, nor persuasive.

In regard to "public interest":

The *Tunkl* court enumerated six factors to be considered in determining whether an exculpatory contract involves the public interest within the meaning of this rule: "In placing particular contracts within or without the category of those affected with a public interest, the courts have revealed a rough outline of that type of transaction in which exculpatory provisions will be held invalid. Thus the attempted but invalid exemption involves a transaction which exhibits some or all of the following characteristics. [1] It concerns a business of a type generally thought suitable for public regulation. [2] The party seeking exculpation is engaged in performing a service of great importance to the public, which is often a matter of practical necessity for some members of the public. [3] The party holds himself out as willing to perform this service for any member of the public who seeks it, or at least for any member coming within certain established

standards. [4] As a result of the essential nature of the service, in the economic setting of the transaction, the party invoking exculpation possesses a decisive advantage of bargaining strength against any member of the public who seeks his services. [5] In exercising a superior bargaining power the party confronts the public with a standardized adhesion contract of exculpation, and makes no provision whereby a purchaser may pay additional reasonable fees and obtain protection against negligence. [6] Finally, as a result of the transaction, the person or property of the purchaser is placed under the control of the seller, subject to the risk of carelessness by the seller or his agents.”

Gavin W. v. YMCA of Metropolitan Los Angeles (2003) 106 Cal.App.4th 662, 671, citing Tunkl v. Regents of University of California (1963) 60 Cal.2d 92.

The cases cited by Plaintiff to demonstrate the public interest overriding an exculpatory provision are distinguishable as follows:

- *Tunkl v. Regents of University of Cal.* (1963) 60 Cal.2d 92, 94: Where the patient was required to execute an exculpatory provision for admission to a charitable research hospital (Opp., p 13:10 – 14:5);
- *Gavin W. v. YMCA of Metropolitan Los Angeles* (2003) 106 Cal.App.4th 662, 671: Child care services are "subject to comprehensive public regulation" and "are of vital importance to the public" (Opp., p. 14:7-9);
- *Belshaw v. Feinstein* (1968) 258 Cal.App.2d 711, 726: "[T]he instant releases concerned physicians and a hospital, all suitable for and subjects of public regulation. Defendants, being the only physicians in this area capable of performing stereotaxic surgery and holding themselves out as willing to perform

their services for the members of the public needing them, constituted a practical and crucial necessity to those members of the public who had special need of the doctors' specialized treatment. The doctors exercised a decisive advantage in bargaining, when plaintiff signed the release he placed himself completely in the control of the defendants and the hospital and subjected himself to the risk of carelessness on the part of defendants." (Opp., p. 14:9-11); and

- *Gardner v. Downtown Porsche Audi* (1986) 180 Cal.App.3d 713, 718: Auto repair shops are regulated through licensing by the Bureau of Automotive Repair of the State Department of Consumer Affairs and are "engaged in performing a service of great importance to the public, and, moreover, one which is a matter of practical necessity for nearly all not just some members of the public" (Opp., p. 14:11-13).

Here, although Facebook is popular (UMF no 54), access to data through Facebook Platform, and specifically photographs posted by others, does not fall within the "public interest" exception. Defendant provided this as a free services. Plaintiff has not demonstrated with admissible evidence that Defendant is regulated by the FTC. (UMF no. 55.) Moreover, although social media has become quite prevalent, Defendant is not the only social media platform available (i.e. Snap Chat, Instagram, Twitter). In addition, its services cannot be equated to those affecting the health and safety of public as identified in the cases above. Specific to Plaintiff's app, it is unclear how culling photos of friends wearing bikinis posted on Facebook constitutes a matter of "public interest" that would vitiate a contractual limitation of liability clause. There is no "essential nature" about access to data *for free*. This case *does not* involve a situation of barring access to information or allowing for the purpose of access to data. The photos

still exist on the sites of the people who posted them, and the change is that the Facebook Platform does not collect and provide the photos to Plaintiff for free anymore.

Plaintiff's Assertion that the Negligent Interference Claim Does Not Sound in "Negligence" Is Rejected.

Plaintiff also makes the odd argument that the Limitation of Liability clause does not apply to its cause of action for negligent interference because that clause fails to explicitly mention negligence (pp. 15:4 – 16:7). Defendant appears correct that Plaintiff cites to older legal authority to support its argument that the clause needs to specifically identify negligence to apply.

“An analysis based on the "active-passive dichotomy" or on the absence or presence of a specific reference to "negligence" is not dispositive.

[Citation.] It is manifest that it is the intent of the parties which the court seeks to ascertain and make effective. Where . . . the circumstances of the claimed wrongful conduct dictate that damages resulting therefrom were intended to be dealt with in the agreement, there is no room for construction of the agreement. It speaks for itself. [Citation.] Whether a release bars recovery against a negligent party turns primarily on contractual interpretation, and it is the intent of the parties as expressed in the agreement that should control. [Citation.] Our analysis is not based on the mechanical application of some formula. The presence or absence of the words "negligence" or "bodily injury" is not dispositive. We look instead to the intention of the parties as it appears in the release forms before the court.”

Sanchez v. Bally's Total Fitness Corp. (1998) 68 Cal.App.4th 62, 66–67, quoting from Hobe v. San Diego Unified School District (1990) 224 Cal.App.3d 1559, 1567.

When a release expressly releases the defendant from any liability, it is not necessary that the plaintiff have had a specific knowledge of the particular risk that ultimately caused the injury. [Citation.] If a release of all liability is given, the release applies to any negligence of the defendant. “It is only necessary that the act of negligence, which results in injury to the releasor, be reasonably related to the object or purpose for which the release is given.” [Citation.]

Benedek v. PLC Santa Monica, LLC (2002) 104 Cal.App.4th 1351, 1357; see also, Sweat v. Big Time Auto Racing, Inc. (2004) 117 Cal.App.4th 1301, 1304–05.

In our case, the Limitation of Liability clause is clear that it limits Defendant's liability for any reason "arising out of the [SRR's]," except when not allowed by applicable law. (Miller Dec., Ex. 3, bates no. FB_0000024.)

There Are No Material Disputes Facts

In regard to the particular issues presented by this motion for summary adjudication on the basis of the contractual Limitation of Liability clause, the substantive *material* facts are not in dispute. Of the 26 Undisputed Material Facts presented by Defendant in support of this motion, Plaintiff disputes Nos. 4, 12, 21, 25, and 26 -- none of which appears to create a triable issue of material fact: **UMF nos. 4, 21:** Plaintiff cites solely to the allegations of the unverified Third Amended Complaint, which is not factual evidence. **UMF no. 12:** The dispute as to whether Scaramellino served as Plaintiff's legal advisor is not material for purposes of ruling on this motion regarding the Limitation of Liability clause, which principals of Plaintiff admitted that they knew about

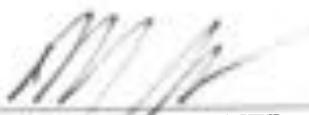
and read. **UMF no. 25:** Plaintiff's attempt to dispute the Defendant's UMF that "it considered developing its app to with other social networks" does not create a triable issue of material fact, and only clarifies that Plaintiff "determined that other platforms were neither comparable nor viable as alternatives to Facebook." **UMF no. 26:** Similar to UMF no. 25, Plaintiff's attempt to dispute that it "chose not to develop its app to integrate with other social networks and sites" does not create a triable issue of material fact, and only clarifies that Plaintiff "determined that the other platforms were neither comparable nor viable [alternatives]."

In opposition, Plaintiff proffers approximately 105 additional material facts as follows: (1) UMF nos. 27–61 in support of the § 17200 claim; (2) UMF nos. 62–97 in support of the breach of contract claim; and (3) UMF nos. 98–132 in support of the negligent interference with prospective economic relations claim. A significant number of Plaintiff's UMF are not supported by any evidence. **UMF nos. 27, 53, 55, 89, 91, 126:** Plaintiff cites solely to its unverified Third Amended Complaint to support these UMFs, which is not factual evidence and therefore does not create a triable issue of material fact. **UMF nos. 40, 46 – 48, 52, 76, 82 – 84, 88, 111, 117 – 119, 123:** Plaintiff cites solely to its Supplemental Memo to support these UMFs, which is also not vidence and does not create a triable issue of material fact.

Furthermore, in **UMFS nos. 28 – 30, 32 – 39, 41 – 45, 49, 50, 57, 58, 60, 61, 63 – 66, 68 – 75, 77 – 81, 85, 86, 93, 94, 96, 97, 100, 101, 103 – 110, 112 – 116, 120, 121, 128, 129, 132,** Plaintiff cites to its Supplemental Memo regarding a separate motion for

leave to amend in addition to other evidence not presented here. This is not procedurally proper, and "evidence" cannot be incorporated by reference.

DATED: December 8, 2017



HON. MARIE S. WEINER
JUDGE OF THE SUPERIOR COURT

SERVICE LIST
Six4Three v. Facebook, CIV 533328
as of May 3, 2017

Attorneys for Plaintiffs:

BASIL FTHENAKIS
CRITERION LAW
2225 East Bayshore Road, Suite 200
Palo Alto, CA 94303
(650) 352-8400

DAVID GODKIN
JAMES KRUGER
BIRNBAUM & GODKIN LLP
280 Summer Street
Boston, MA 02210
(617) 307-6100

Attorneys for Defendant:

JOSHUA LERNER
SONAL MEHTA
LAURA MILLER
CATHERINE KIM
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
(415) 362-6666

AFFIDAVIT OF MAILING

**ENDORSED FILED
SAN MATEO COUNTY**

CASE NUMBER: CIV 533328

DEC 11 2017

SIX4THREE LLC, vs. FACEBOOK, INC. and DOES 1 through 50

Clerk of the Superior Court
By TERRI MARAGOULAS
DEPUTY CLERK

DOCUMENT: CASE MANAGEMENT ORDER #11

I declare, under penalty of perjury, that on the following date I deposited in the United State Post Office Mail Box at Redwood City, California a true copy of the foregoing document, enclosed in an envelope, with the proper and necessary postage prepaid thereon, and addressed to the following:

BASIL FTHENAKIS
CRITERION LAW
2225 East Bayshore Road, Suite 200
Palo Alto, CA 94303

DAVID GODKIN
JAMES KRUGER
BIRNBAUM & GODKIN LLP
280 Summer Street
Boston, MA 02210

JOSHUA LERNER
SONAL MEHTA
LAURA MILLER
CATHERINE KIM
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111

**Executed on: December 11, 2017
at Redwood City, California**

**RODINA M. CATALANO
CLERK OF THE SUPERIOR COURT
TERRI MARAGOULAS**

By: _____
**Terri Maragoulas
Deputy Clerk**

EXHIBIT 206

Six4Three, LLC vs. Facebook, Inc., et al.

**Reporter's Transcript of Proceedings
September 11, 2017**

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN MATEO

SIX4THREE, LLC, a Delaware)	
limited liability company,)	
)	
Plaintiff,)	
)	No. CIV 533328
vs.)	
)	
FACEBOOK, INC., a Delaware)	
corporation and DOES 1-50,)	
inclusive,)	
)	
Defendant.)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Department 2, Judge Marie S. Weiner
Monday, September 11, 2017
Redwood City, California

Reported By:
Hanna Kim, CLR, CSR No. 13083
Job No. 10035421

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN MATEO

SIX4THREE, LLC, a Delaware)	
limited liability company,)	
)	
Plaintiff,)	
)	No. CIV 533328
vs.)	
)	
FACEBOOK, INC., a Delaware)	
corporation and DOES 1-50,)	
inclusive,)	
)	
Defendant.)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS,
heard before the Honorable Judge Marie S.
Weiner, Presiding, in Department 2 of the
Superior Court of California, San Mateo
County, 400 County Center, Redwood City,
California, on Monday, September 11, 2017,
before Hanna Kim, Certified Shorthand
Reporter No. 13083.

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A-P-P-E-A-R-A-N-C-E-S:

For Plaintiff, Six4Three:

BIRNBAUM & GODKIN, LLP

BY: DAVID S. GODKIN, ESQ.

280 Summer Street

Boston, Massachusetts 02210

617.307.6100

godkin@birnbaumgodkin.com

-and-

CRITERION LAW

BY: BASIL P. FTHENAKIS, ESQ.

2225 E. Bayshore Road, Suite 200

Palo Alto, California 94303

650.352.8400

For Defendant Facebook:

DURIE TANGRI

BY: JOSHUA H. LERNER, ESQ.

BY: LAURA MILLER, ESQ.

217 Leidesdorff Street

San Francisco, California 94111-3007

415.362.6666

jlerner@durietangri.com

lmiller@durietangri.com

1 REPORTER'S TRANSCRIPT OF PROCEEDINGS, DEPT. 2

2 SEPTEMBER 11, 2017, 9:00 A.M. - 11:25 A.M.

3 --o0o--

4 THE COURT: We're here on Six4Three versus
5 Facebook, Civil Case 533328.

6 Appearances for the record.

7 MR. GODKIN: Good morning, Your Honor.
8 David Godkin, Birnbaum & Godkin in Boston,
9 representing the Plaintiff, Six4Three.

10 MR. FTHENAKIS: Good morning, Your Honor.
11 Basil Fthenakis, attorney-at-law, co-counsel for
12 Plaintiff.

13 MR. LERNER: Good morning, Your Honor.
14 Joshua Lerner of Durie Tangri on behalf of Facebook.
15 And with me today, Madeleine Otto, also from
16 Facebook. Ms. Miller has the current pleasure of
17 the traffic from the city to the court, but she
18 should be here shortly.

19 THE COURT: All right.

20 (Counsel enters courtroom, 9:01 a.m.)

21 MR. LERNER: That's Ms. Miller.

22 THE COURT: You want to check in?

23 MS. MILLER: Yes, I do.

24 THE COURT: Just state your appearance for
25 the record.

1 MS. MILLER: Laura Miller for Defendant
2 Facebook.

3 THE COURT: And someone brought a court
4 reporter?

5 MR. LERNER: Yes, Your Honor. As we
6 discussed the last time, the parties agreed to do
7 that, understanding the burdens on the Court. We
8 have the issues with appeals and whatnot, so we --
9 we're sharing costs on that and -- and have brought
10 a reporter.

11 THE COURT: That's fine, as long as you
12 know that our court reporter is still the official
13 court reporter for the purposes of having the
14 official record.

15 MR. LERNER: Understood, Your Honor.

16 THE COURT: Okay. All right. We'll start
17 with the motion for summary adjudication, and I will
18 hear from the moving parties.

19 MR. LERNER: Thank you, Your Honor. I
20 won't repeat everything that's in the papers. Just
21 to focus in on the issues, I think, if one looks at
22 the undisputed facts that we are moving on here,
23 there's no dispute that the parties entered into
24 this agreement. There is no dispute that it's in
25 all caps and it was no surprise. There is no

1 dispute that it was reviewed by their Yale law
2 graduate and their other executives. There's no
3 dispute that this is not an essential service. No
4 court or legislature has ever found that social
5 media is even close to an essential service. They
6 haven't even found that social media is something
7 like a recreational activity, which courts have held
8 is not something that should be inspected under
9 public policy.

10 And, finally, for the sake of clarity,
11 we're not moving on the fraud and interference
12 claims. If you take all of those undisputed facts
13 and you look at the --

14 THE COURT: But you're moving on negligent
15 interference, right?

16 MR. LERNER: Correct, and that's because
17 the cases I cited --

18 THE COURT: Okay. Well, you just said
19 "interference," and I want to be sure that we're
20 understanding.

21 MR. LERNER: Thank you, Your Honor.
22 That's correct.

23 THE COURT: All right. So there's three
24 causes of action that you're seeking to adjudicate.

25 MR. LERNER: Correct.

1 THE COURT: Go ahead.

2 MR. LERNER: If you take the undisputed
3 facts, that I just summarized and apply the law in
4 this area, we're not aware of any case that hasn't
5 applied the limitation of liability in a case like
6 this one to these claims.

7 If you look, for example, at cases that
8 the Plaintiffs cite involving healthcare, childcare,
9 other issues that have been described by the courts
10 as essential services that are necessary to human
11 beings, then yes, you can find cases that would
12 support their argument. But you can't find them in
13 this area.

14 And -- and the Courts have explained that
15 the core of their argument, which is that, simply
16 alleging fraud or 17200 argument would invalidate
17 the entire limitation of liability, it's just not
18 correct.

19 As summarized somewhat recently in the
20 FiTeq case that we cited, the parties there had a
21 fraud in the inducement claim. I know that the
22 plaintiff here talks a lot about fraud in the
23 inducement, but they don't actually have a fraud in
24 the inducement claim presumably because they can't
25 meet those elements. But, even if they did, the

1 Court there explained that "to the extent the
2 plaintiff is arguing that the entire clause is
3 invalid because it cannot apply to fraud or other
4 intentional conduct," plaintiff misreads the law.
5 That's just not the law.

6 What courts do is, they look at the
7 exculpatory clause, and they apply it to each of the
8 individual claims, one by one. And all of the
9 cases, that we've cited in response to their
10 argument, show courts doing that: They parse the
11 application and apply it. So you don't get to
12 render the entire clause inapplicable merely by
13 alleging 17200, which is the core of their argument.

14 Finally -- and, again, just focusing on
15 the issues before us today -- I think there's some,
16 perhaps, confusion or distraction in the papers in
17 terms of the case law. There's a whole lot of
18 things this case is not. It's not a class action,
19 as Your Honor has discussed previously and as we
20 have discussed. There's a whole host of cases that
21 they're citing that involve things like class action
22 waivers, and that's not this case.

23 This isn't a case, as I said, involving
24 essential service. If one goes online and Googles,
25 for example, trying to argue that Facebook or Google

1 or Twitter, or any of those tools, is an essential
2 service and should be regulated, as Plaintiffs
3 claim, quoting their argument, as a public
4 utility -- the only person I could immediately find
5 taking that position was Mr. Bannon [phonetic].
6 That's -- this is not something that a court or
7 legislature has ever agreed with. It's something
8 one could argue, but certainly no court or
9 legislature has ever agreed that just social media
10 is an essential service that would get you into the
11 public policy exception for these well-established
12 limitations of liability.

13 That, I think, covers the core of our
14 argument. Obviously, happy to address questions or
15 respond to opposing counsel, but I do want to focus
16 on those core facts. And I think the most important
17 thing is to focus in on the claims we're moving on
18 and not to get into the debate about their fraud
19 claims, which we'll deal with on a demurrer and
20 elsewhere.

21 But, as I said at the beginning, we're not
22 moving on their fraud claims. We did that
23 intentionally. It wouldn't have been a good use of
24 our time, and it wouldn't have been a good use of
25 the Court's time.

1 THE COURT: I have several things. Your
2 papers would be subject to striking for presenting
3 them in 11-point type instead of 12-point type. And
4 I let -- you looked at the demurrer that you have --
5 I believe it's a demurrer. Yeah, the demurrer.
6 That's in 11-point type, as well.

7 MR. LERNER: Okay, Your Honor. I believe
8 we have complied with all of the rules on it. We're
9 happy, obviously, to look --

10 THE COURT: It's not in 12-point type. I
11 can even show you, if you want to. It's in 11-point
12 type.

13 MR. LERNER: I trust Your Honor. I think
14 the only thing I would point out here is, unless I'm
15 mistaken -- and I apologize for the font, but we
16 were well under the page limit on --

17 THE COURT: You're under the page limit,
18 because you did it in 11-point type, instead of
19 12-point type, which would make you over the page
20 limit.

21 So I'm not going to strike your motion,
22 but I am going to require that, on your demurrer,
23 you refile the papers in 12-point type, or I will
24 strike them.

25 MR. LERNER: Understood, and my apologies.

1 THE COURT: And, in the future, I will
2 strike anything that is not done in 12-point type.

3 MR. LERNER: I apologize, Your Honor.
4 Thank you.

5 THE COURT: Number two, on the 17200 --
6 so, under 17200, you can't get damages, so the
7 concerns of the limit of liability that you have --
8 they -- they can't get lost profits. They can't get
9 true damages. That's well-established, under the
10 Bank of the U.S. case, and others.

11 So the limit of liability wouldn't tend to
12 apply because that's not the remedies you can get in
13 the first place. To the extent that they can get
14 restitution, it would be basically their money back.
15 And your provision has some sort of limitation of
16 being 12 months, and I don't have any case law from
17 you -- and I don't think that there is any -- that
18 could limit the equitable power of the Court to
19 grant full restitution, if that's what the Court
20 decided. Because it's a -- it's a claim in equity,
21 the Court has the right to give restitution,
22 and -- and there is support for the fact that 17200
23 is a statute for the protection of the public.

24 So -- so, I'm thinking that it's a problem
25 that -- I don't think that I can apply this

1 provision to the 17200 because, A, the damages
2 pieces won't apply, and B, to the extent the
3 restitution fee applies, it's the 12-month
4 limitation, and I don't think you have any case that
5 says that you can limit 17200 equitable remedies.
6 So, I'd like to discuss that with you.

7 MR. LERNER: Understood. Thank you, Your
8 Honor.

9 THE COURT: I mean, at the end of the day,
10 you're left probably with a claim of \$200, so
11 there's no sense in fighting about it too much, but
12 that was my analysis on that particular claim.

13 MR. LERNER: Understood, and thank you.
14 I think the issue that I see there is
15 twofold. One is the cases -- to your question about
16 the time frame --

17 THE COURT: Yes. So, to limit how long I
18 could view the restitution, as opposed to a statute
19 of limitations, which is statutory, this is a
20 statutory claim.

21 MR. LERNER: Right. And so, the cases,
22 that have looked at this issue, I believe, have
23 focused in on the point that, if the exculpatory
24 clause does not prohibit damages all together and,
25 if it, for example, limits it to the amount paid, as

1 we have here, within a time frame, then the courts
2 have found that clauses like that are acceptable,
3 which is --

4 THE COURT: But this isn't damages. You
5 have to think, this is not damages. You don't get
6 true damages under 17200. You can get monetary
7 relief in the form of restitution. But where do you
8 have a case that says that you can do a limitation
9 of liability on an equitable claim, under a statute
10 designed to protect the public? I don't think there
11 is one.

12 MR. LERNER: That's the -- the -- hold on
13 just one second.

14 THE COURT: Sure.

15 MR. LERNER: Natural Rural
16 Telecommunications Cooperative v. DIRECTV Inc.,
17 which is 319 F.Supp.2d 1040. And --

18 THE COURT: That's a 17200 case?

19 MR. LERNER: Yes.

20 THE COURT: I don't think so.

21 MR. LERNER: Indeed, the Court there was
22 addressing -- if we start on, I think, page 1056,
23 the heading "whether the limitation of liability
24 provision limits NRTC's damages as to its California
25 business and profession 17200 claim" --

1 THE COURT: Okay.

2 MR. LERNER: -- question mark.

3 And that -- the Court there held -- and it
4 was the Court of Appeals -- I'm sorry. It was --

5 THE COURT: No, it's not, not if it's
6 F.Supp.

7 MR. LERNER: Understood, Your Honor. Hold
8 on one second.

9 What happened there was, this is in the
10 Central District of California in 2003, and the
11 cases were consolidated, and it was a summary
12 judgment motion. And what the Court did there is,
13 it looked at this issue that we're talking about,
14 which is 17200 claim, and, with language very
15 similar to ours, granted partial summary judgment,
16 declaring the limitation of liability valid and
17 covers the claim and its 17200 claim.

18 THE COURT: Except that's not binding on
19 me, the district court's decision on California law.

20 MR. LERNER: I'm not suggesting it's
21 binding. I'm only suggesting that, in answer to
22 your question, to the extent one was looking for a
23 case that ruled on that issue --

24 THE COURT: Yeah.

25 MR. LERNER: -- a court has -- a

1 California federal court has ruled on that issue.
2 I'm not aware of a California State Court having
3 ruled on that issue.

4 THE COURT: Yeah.

5 MR. LERNER: But the finding there is
6 exactly, I think, the answer to your question. And
7 I'm not aware of a case that comes closer to
8 answering your question.

9 THE COURT: Let me double-check and see if
10 I have any question on it.

11 MR. LERNER: The only other thing I would
12 add there, in response to Your Honor's question is,
13 the Court did expressly address the fact that it is
14 an inequitable action there. And then, in looking
15 at the scope of release side, exactly as Your Honor
16 did, in footnote 19 noted that it's well-established
17 that actual damages are not permitted under the UCL,
18 but went on to hold that the holding, had the
19 limitation of liability applied, necessarily means
20 that it's not entitled to the relief, that it's
21 seeking for that claim.

22 So I think, while understanding and
23 agreeing that it's a federal district court case and
24 not a California case --

25 THE COURT: Well, and I want to study it

1 further, because in that case, there was an
2 exculpatory clause that gave a particular remedy;
3 and therefore, they held that that was an exclusive
4 remedy, and that's not what I have here either. So
5 I'll study it a little bit further.

6 MR. LERNER: Thank you, Your Honor.

7 THE COURT: But it just would seem to be
8 contrary to the case law that says that, if you have
9 a statute that's for the purposes of protection of
10 the public, that you can't use an exculpatory clause
11 to get around it; I mean, that whole line of cases.

12 MR. LERNER: So I think the answer to that
13 question is actually a different question, which
14 is --

15 THE COURT: Okay. Well, I had multiple
16 questions, as you know.

17 MR. LERNER: Yes, yes.

18 So I think the answer to that question,
19 the Courts have definitely parsed that issue, which
20 is, just because there is a statute, and indeed that
21 statute could relate to the public, does not mean
22 that the service in question is an essential public
23 service that creates an exception to the law on
24 exculpatory clauses.

25 THE COURT: Okay. But we have a statute

1 in California that says that you can't get out of
2 your liability, if it's on the basis of protection
3 of the public.

4 MR. LERNER: Are -- is that a reference to
5 1668?

6 THE COURT: Yeah.

7 MR. LERNER: Yeah. So then the fork
8 there, that we're talking about, under 1668, is
9 where we're talking about a public policy, and
10 that's where the courts have held and -- indeed,
11 this starts with the cases that the Plaintiffs are
12 citing. What the courts have held is that, you have
13 an essential service, and so the cases -- and we can
14 break them down -- that the Plaintiffs are relying
15 on -- the cases that they have involved, for
16 example --

17 THE COURT: No, no. I know that we're
18 dealing with essential services.

19 MR. LERNER: Right.

20 THE COURT: But I'm -- but everybody was
21 talking about cases that have to do with
22 nonstatutory rights. And so, that's what I want to
23 focus on, is a statutory right.

24 MR. LERNER: Understood. And so, I'm not
25 aware of any case in this realm that has held that,

1 just because you have, for example, a 17200 claim or
2 anything like that, you could invalidate the
3 exculpatory clause.

4 To the contrary, in the cases we cited,
5 there are cases where the plaintiff, just like this
6 Plaintiff, have brought a 17200 claim. That doesn't
7 mean that the clause is invalid in toto. You can
8 have a --

9 THE COURT: I'm not saying it's invalid.
10 It's inapplicable.

11 MR. LERNER: It doesn't mean it's
12 inapplicable in toto. Rather, what the courts do,
13 as I said, is, they parse when they apply it. And,
14 if you look at, in particular, the cases involving
15 the social media, we've cited now a raft of cases,
16 where the courts have applied the limitation of
17 liability. I'm not aware of one where they haven't
18 [verbatim].

19 The Plaintiffs have not cited a single
20 case for you, involving services like this, where
21 the limitation of liability has not been applied.

22 THE COURT: All right. Those are my
23 questions.

24 MR. LERNER: Thank you.

25 THE COURT: Thank you.

1 I'll hear the opposition.

2 MR. GODKIN: Thank you, Your Honor. To
3 start with the issue you just were discussing with
4 Mr. Lerner, I think the answer to your question in
5 the first instance lies in the statute that really
6 gives rise to this motion, which is the CCP
7 437(c)(F)(1), dealing with summary adjudication.
8 What that statute says is that you can bring a
9 motion for summary adjudication, if it will
10 completely -- and it uses the word "completely" --
11 dispose of cause of action, an affirmative defense,
12 a claim for damages as specified in CCP 3294, or an
13 issue of duty. So that's the statute that we're
14 dealing with here. That's -- this motion is only
15 appropriate, if it will completely dispose of a
16 cause of action. I don't think affirmative defense
17 is relevant here.

18 I will talk about this claim for damages
19 under 3294 in one second.

20 But, as you pointed out, this motion is
21 only dealing with three of the eight causes of
22 action, and it doesn't completely dispose of any of
23 them, because what we're talking about here, as we
24 pointed out in our opposition to papers, is a -- is
25 simply a limitation of remedy that says that your --

1 your damages are limited to \$100 or the amount paid
2 within a 12-month period. But it doesn't deal --
3 this motion doesn't deal, at all, with questions of
4 liability, for example.

5 So, let's say, you know -- 17200, we've
6 been talking about it, and I agree with Your Honor,
7 it provides for an injunction. We're seeking an
8 injunction here. And this motion won't completely
9 dispose of the Section 17200 claim, as it pertains
10 to the injunctive relief or the restitution that
11 we've been talking about.

12 As to the breach of contract and the
13 negligent interference claims, this really -- the
14 saying is true, because this motion, even if you
15 were to grant it, would simply, you know, establish
16 a limitation of remedy, but it would not establish
17 whether or not Facebook is liable for breach of
18 contract or for negligent interference. Those
19 issues would still be alive; and therefore, the case
20 would have to proceed on those liability issues
21 certainly.

22 The claim for damages piece, the statute
23 expressly limits it to claims for damages under
24 Section 3294, which deals with exemplary damages and
25 in an action for breach of an obligation not arising

1 from contract where a proof by clear and convincing
2 evidence that the defense has been guilty of
3 oppression, fraud, or malice; in other words, we
4 have punitive damages claims. This motion does not
5 address the issue of whether Facebook -- it could
6 potentially be liable for damages under Section
7 3294, so that doesn't apply either.

8 So the short answer, which is kind of a
9 long short answer -- I apologize -- but I think you
10 could deny this motion on that basis alone, without
11 even getting to these issues under 1668 and
12 unconscionability and -- and the like, because the
13 statute simply doesn't authorize a party to bring
14 this motion that's not going to completely dispose
15 of anything.

16 Moving on to this question of
17 unconscionability. As you know, Your Honor, we --
18 we have included various allegations in paragraphs
19 190 through 192 of the Third Amended Complaint,
20 raising the issue of unconscionability. And
21 Facebook's motion -- first argument they make in
22 their motion is that, you know, there can be no
23 dispute, they say, that -- that there's no
24 unconscionability here. Well, we disagree with
25 that. We think the facts are very much in dispute

1 on that issue.

2 If you look at the statement of undisputed
3 facts, as -- as has gone back and forth between the
4 parties, we're talking about Facts No. 25 and 26,
5 which are disputed. And we, in our response, set
6 forth the evidence that we're relying on to show
7 that there is a dispute. So that's where -- that's
8 where we contend that you can't rule on the -- as a
9 matter of summary adjudication, on unconscionability
10 because there are factual issues that will have to
11 be addressed by the jury.

12 On this concept of procedural
13 unconscionability, which goes to the lack of
14 negotiation or meaningful choice, certainly that is
15 the case here. Six4Three contends, and Facebook
16 concedes, that this -- this contract provision was
17 included at -- in -- in a form contract, that
18 Six4Three -- not only Six4Three, but anybody who
19 wants to use Facebook or develop an app on Facebook,
20 it has to agree to this. It's not negotiable.
21 It's, take it or leave it. There's no opportunity
22 to -- to negotiate the terms. You can -- you either
23 agree to it, or you don't use Facebook.

24 So, if you look at the evidence cited --
25 it's in Ms. Miller's declaration as Exhibit 6, which

1 incorporates Mr. Kramer's deposition testimony at
2 page 69, starting at line 11, going over to page 70,
3 line 20. And I think this -- just, for the record,
4 Your Honor, I think there was a typo in that
5 document. It said line 2, but it meant to be line
6 20.

7 That establishes that Facebook is the --
8 the -- you know, the reason that Six4Three chose to
9 develop this app on Facebook, was because Facebook
10 was the biggest, it was the most open, and that --
11 we've all kind of come to understand what that term
12 means in this context, open in the sense that all of
13 this data was open to everybody; and therefore, it
14 made it an attractive platform to use to develop an
15 application. It had the most users. It had the
16 most third-party app developers.

17 So, that -- the evidence in the record,
18 where I cited it, establishes that that is the
19 reason that Six4Three chose to develop its app on
20 Facebook. It had no -- it had no choice at all, let
21 alone a meaningful choice, whether to agree to this
22 provision.

23 The other side of unconscionability is
24 this concept of substantive unconscionability, which
25 goes to where a provision is so one-sided as to, you

1 know, shock the conscious. So here, the analysis
2 is, you look at Facebook limiting damages, limiting
3 a remedy to \$100 or the amount paid in 12 months on
4 one side of the equation. On the other side of the
5 equation, you look at Six4Three and, you know, what
6 it spent, in -- in terms of money and resources and
7 capital to develop this application, which is in the
8 hundreds of thousands of dollars, and then you have
9 look at those two things. And what you're being
10 asked to do is decide as a matter of law that that,
11 you know, \$100 versus hundreds of thousands of
12 dollars doesn't shock the conscience.

13 Yeah, I -- that's all I need to say here.
14 I mean, that is a factual issue. I don't think, as
15 a matter of law, you can decide that, as a matter of
16 law, it doesn't shock the conscience. That, I
17 think, goes to some of the factual issues.

18 THE COURT: Unconscionability is normally
19 an issue for the Court.

20 MR. GODKIN: Yes, Your Honor, but you have
21 to consider it in -- you have to consider it in
22 context of the evidence. And so, here, you're being
23 asked on a motion for summary adjudication, based on
24 basically two facts, to decide that it's not
25 unconscionable. The two facts are \$100 versus

1 hundreds of thousands of dollars of expense. I'm
2 not saying it's a jury question, but I'm saying that
3 it's an issue that the Court, you know, will decide
4 eventually, but not -- you shouldn't decide it,
5 until after the case goes to trial.

6 Certainly, the jury will decide its own
7 issues at trial, and you will decide others,
8 including this one. My suggestion is simply that
9 you should wait, until the evidence comes in and
10 plays out so that you have all of the facts, and
11 then you can make a reasonable decision on whether
12 or not this particular provision is unconscionable.

13 THE COURT: I can certainly decide whether
14 or not you made a prima facie showing or not.

15 MR. GODKIN: Yes, absolutely. And my
16 suggestion is that we absolutely have, if you just
17 compare the numbers. That's all that is really
18 required here.

19 So, now, I'd like to move on to Section
20 1668, because I think that's the nub of the -- this
21 motion. And there, Your Honor, it -- it should
22 begin with a simple reading of the statute and --
23 you know, to see what the statute says and does it
24 apply here or not. It says, "All contracts which
25 have for their object, directly or indirectly, to

1 exempt anyone from responsibility for his own fraud
2 or willful injury to the person or property of
3 another or violation of law, whether willful or
4 negative, are against the policy of the law."

5 So, that's the language of the statute.
6 What Six4Three alleges here is that it was required
7 to agree to the statement of rights and
8 responsibilities, based on fraudulent
9 misrepresentations and omissions; and therefore, it
10 has for its object to exempt Facebook from liability
11 for its own fraud or statutory violations. That
12 is -- that is in a nub --

13 THE COURT: Okay. But they haven't moved
14 for non-fraud.

15 MR. GODKIN: They're moving -- they are
16 moving for a non-fraud, Your Honor. That -- my
17 position, to back up --

18 THE COURT: They brought it on the
19 non-fraud claims.

20 MR. GODKIN: But -- but, I guess, my
21 position, Your Honor, is that where a party -- and
22 this is very much supported by the case law. Where
23 a party alleges a claim of fraud, a statutory
24 violation, which we do here, 17200, and we have
25 fraud claims, where -- where -- what it boils down

1 to is, where a party is alleging that it signed the
2 contract based on fraud, that this -- this statute
3 says that those contracts are void as a matter of
4 public policy in California.

5 And -- and, if you look at the -- you
6 know, the plain language of the statute doesn't
7 distinguish contract claims from tort claims.
8 You -- you'll find nothing in the language of the
9 statute that says that a party can do what Facebook
10 is trying to do here, which is to parse the causes
11 of action in our complaint and try to apply the
12 limitation of liability to only some of them. None
13 of the cases say that you can do that.

14 First of all, you know, look at the cases
15 that are binding on this Court, like the California
16 cases. You've noted that, you know, a number of the
17 cases -- in fact, most of the cases -- that Facebook
18 is relying on in this motion are federal court cases
19 that are applying or purporting to apply to
20 California law, which would -- which are not binding
21 on Your Honor. But, if you look at all the state
22 court cases and many of the federal cases, you won't
23 find a case that says that, where there is a
24 complaint, you look at each individual cause of
25 action individually and apply the limitation of

1 liability to those -- only those causes of action.

2 I think the main case is the Health Net
3 case, which is a state court case -- California
4 Appeals Court case from 2003. If you look at the
5 claims, that were asserted there, Your Honor, there
6 was a claim for injunctive relief, a claim for
7 breach of contract, and a claim for mandamus. In
8 that case, there were no fraud claims asserted. So
9 unlike our case, there were no fraud claims
10 asserted, but the Judge looked at this limitation of
11 liability and said it doesn't apply here to any of
12 your claims because there are violations of statute
13 alleged here; and therefore, it's -- the provision
14 is void.

15 If you look at our brief, at pages 7 and
16 8, we cite a whole list of additional state court
17 cases for the same proposition, that, you know,
18 where a statute applies -- where the statute is
19 found to apply, it applies to every claim in the
20 case, not just individual ones. Okay. So I think
21 that's important.

22 There are federal cases that hold exactly
23 the same thing, too. One of them is this case
24 called Civic Center Drive Apartment. It's a -- it's
25 the decision by magistrate -- the Chief Magistrate

1 Judge in the Northern District, Judge Spero, and
2 then his reasoning is adopted recently by Judge
3 Davila, also in federal court, in a case called
4 NavCom Tech.

5 What -- if you read what Judge Spero
6 writes, he said -- he said -- there's cases going
7 all over the map here, but -- but what's clear, what
8 he finds, none of the cases say that the statute
9 itself draws the distinction between breach of
10 contract claims and tort claims. The statute
11 doesn't say you look at each individual cause of
12 action. What you do is, you look to see whether the
13 language of the statute applies; and, if it applies,
14 then the limitation of liability is void for all
15 purposes.

16 So there's plenty case law [verbatim].

17 And our position is -- quite simply is,
18 because Six4Three doesn't have fraud claims here and
19 does have statutory claims here for Section 17200 --
20 I'd also note that in the complaint, there's a
21 reference to a sanction by the Federal Trade
22 Commission against Facebook, which was cited by one
23 of the other judges in this court, who had the case
24 before it was assigned to you, as indicating that
25 this case does implicate some statutory claims.

1 So --

2 THE COURT: I'm -- but -- I'm looking.
3 You did not bring a breach of contract claim seeking
4 rescission on the basis of fraudulent inducement.
5 You brought a -- you brought a breach of contract
6 claim saying that there was a contract and that they
7 breached it. So you do not have a breach of
8 contract claim, based on fraud and fraudulent
9 inducement; and therefore, it could be barred by the
10 limitations of liability.

11 MR. GODKIN: Yeah, I don't think so. I
12 don't agree with that, Your Honor, because --
13 because -- because our position is, quite simply,
14 because we did bring fraud claims -- and, if you
15 look at the Third Amended Complaint, there's all
16 sorts of allegations of misrepresentations and
17 omissions that were made leading up to the breach of
18 contract -- leading up to the signing --

19 THE COURT: But you haven't alleged fraud
20 in the inducement. You -- you have said there was
21 is actually -- and seeking rescission. You said
22 that there is a contract -- those are two different
23 contrary things. You can say, there is fraud in the
24 inducement and you want to rescind it, which means
25 you get your money back; or you have a breach of

1 contract and you state you actually have a contract
2 and you breached it and you want damages from that.
3 That's what you've alleged, so you haven't brought a
4 claim, based upon fraud; you've brought it on breach
5 of contract.

6 MR. GODKIN: Well, we have -- we have
7 brought claims based on fraud and --

8 THE COURT: In other causes of action --

9 MR. GODKIN: Yes.

10 THE COURT: -- but not under breach of
11 contract.

12 MR. GODKIN: But what you're -- but what
13 you're not permitted to do, I submit, is -- is treat
14 each cause of action separately like that. You
15 know, what -- what I think that the law requires you
16 to do is, to look at the -- the statute and decide,
17 does it apply here, based on all of the claims that
18 are asserted in the case. And where we have
19 asserted fraud and where we have asserted a
20 statutory claim, then what 1668 says is, under those
21 circumstances, the limitation of liability is void
22 an unenforceable as a matter of law.

23 So, that ends the inquiry, I submit, and
24 you don't need to go any further than that.

25 If you look at the cases that Facebook is

1 relying on, number one, as I said a minute ago,
2 many, if not all, of them are federal cases that
3 aren't binding on this Court. Even if you look at
4 the federal cases, like the -- the Google cases --
5 and he talks about the social media litigation. You
6 know, we're living in a brave, new world here. This
7 is all new stuff, but we still have to apply the
8 law, you know, as it's written and as the cases, you
9 know, discuss various situations. And the fact that
10 social media is new and that nobody -- you could be
11 the first one, you know, that deals with -- with
12 this. But it doesn't mean you can't decide the
13 case, and you need to decide the case.

14 But, if you look at all those federal
15 claims, those federal cases, what they don't include
16 is, is the kind of fraud allegations. We have the
17 Google case. The plaintiff there didn't allege that
18 she was defrauded into signing the contract.

19 The DIRECTV case, there is a 17200 issue,
20 but it's not -- I don't think there is an allegation
21 in that case that she was -- the plaintiff was
22 defrauded into signing this limitation provision.

23 The -- they cite another state case called
24 Food Safety Net. There's no fraud claim there.

25 In the reply brief that just came in, they

1 cite a case called Lewis v. YouTube, which is a
2 California case from 2015. Again, no fraud claim.

3 And then there is this case called Caza
4 Drilling, which is well worth studying, because
5 it's -- it's a state court case. It's a lengthy
6 discussion and talks about the law in this area and
7 how it's evolved. But, you know, the key in that
8 case is that there were two companies of equal
9 bargaining power. It wasn't a situation like we
10 have here, where you have, you know, Facebook, the
11 biggest company in the world, versus Six4Three, the
12 smallest company in the world. You know, it's just
13 simply -- you know, that was a key factor that the
14 state court in Caza Drilling found to be relevant.

15 So the bottom line here on this issue is
16 that there are plenty of cases where the courts have
17 found limitation of liabilities to be -- to be
18 exclude -- to -- a provision for limitation --
19 limiting liabilities to be unenforceable where the
20 only claim asserted was breach of contract. Our
21 case is stronger than that, because we -- we not
22 only have breach of contract, but we have fraud and
23 17200. And there are plenty of cases that -- that
24 find where a plaintiff makes those allegations, 1668
25 kicks in and the limitation of liability is

1 unenforceable.

2 Next -- next, even if you don't buy that,
3 the -- we also advanced an argument that the
4 limitation is void because it affects the public
5 interest. Now, Mr. Lerner would have you to believe
6 that Facebook or social media does not affect the
7 public interest. I respectfully disagree with that
8 position. It's undisputed that the statement of
9 rights and responsibilities that Facebook requires
10 everybody to sign is the single most widely agreed
11 to contract in history. It's got -- Facebook now,
12 according to Mr. Zuckerberg -- and this is an
13 admission of him -- has 2 billion users worldwide.
14 I saw an article this morning in Bloomberg that
15 says -- now, this is not a fact. I might -- I
16 didn't ask you to take judicial notice of it because
17 it just came out this morning, but it says that
18 45 percent of Americans get their news solely from
19 Facebook, which is an alarming concept to someone of
20 my age, who still reads two newspapers every day.
21 Nevertheless, just to take a position that --
22 that -- that this contract, where there are
23 2 billion people around the world that have to agree
24 with, does not affect the public interest is simply
25 hard for me to understand.

1 THE COURT: Well, we're talking about
2 essential services, okay. And it's not food, it's
3 not water, it's not electricity, and -- and it's not
4 the internet. Everybody has to always be on the
5 internet, but I don't think everybody has to be on
6 social media. I'm not on social media.

7 MR. GODKIN: Well, you're one of the few,
8 Your Honor. You know --

9 THE COURT: But how is it an essential
10 service?

11 MR. GODKIN: It's an essential -- I submit
12 that at least you can find that it's an issue that
13 has to be determined, where 45 percent of Americans
14 are getting their news only from Facebook, that it's
15 an essential service; where there are 2 billion
16 users worldwide who are using it, that it is an
17 essential service.

18 THE COURT: But this isn't a contract
19 about your ability to go on Facebook and create a
20 Facebook account.

21 MR. GODKIN: It's about -- the case is
22 about our ability to sign up for Facebook and create
23 an app, create a business that will be made
24 available to millions and billions of people who
25 want to use it.

1 THE COURT: It was the ability to sell
2 your app, which is not the same as the ability to
3 have a Facebook page and -- and converse with your
4 friends.

5 MR. GODKIN: Your Honor, I suggest that to
6 resolve this question for purposes of this motion,
7 we should look at the Tunkl case. That's the -- the
8 California Supreme Court case that came up with a
9 list of factors that should be used in order to
10 decide whether or not a particular -- a particular
11 issue or particular service is a public service. I
12 mean, we don't have to just grab at straws here.
13 Let's look at the factors and the -- because that's
14 what we have to do.

15 The Supreme Court said, Factor No. 1, "the
16 business is generally thought suitable for public
17 regulation." Okay. So that's No. 1. I suggest
18 that not only is it generally thought suitable for
19 public regulation, it has been regulated. We allege
20 in the complaint that the FTC has fined Facebook.
21 That's certainly public regulation. Another thing
22 that just came out in the paper today, in
23 TechCrunch, I believe, it was reported that Spain
24 today has fined Facebook 1.2 million euros for
25 privacy violations that are, you know, resulting

1 from this amendment to the statement of rights and
2 responsibilities. You'll hear more about this in
3 three weeks, when we come back for the demurrer.
4 But, you know, capable -- suitable for public
5 regulation.

6 That -- you need to -- you need to
7 consider all these factors. You don't have to find
8 that all of them apply. But, if you -- you know, I
9 suggest that it is certainly suitable for public
10 regulation.

11 That it provides a service of great public
12 importance. Again, you and I may differ about that,
13 but I suggest that they're certainly -- you know,
14 the kind of things that I have already talked about,
15 you know, the number of users, the fact that
16 everybody --

17 THE COURT: Yeah, but I want to focus on
18 the service we're talking about, which is having
19 these apps available for people to buy.

20 MR. GODKIN: And -- and I suggest -- I
21 don't think you can find, as a matter of law, that
22 having an app available for people to buy is not a
23 service of great public importance when there are,
24 you know, thousands of companies who have started --
25 have created apps and are selling them, you know,

1 not only in this country, but around the world, and
2 people are paying to use them, that that is a
3 service of public importance. I don't think there
4 really should be a meaningful dispute about that.

5 The third factor, Facebook -- Facebook
6 holds itself out as willing to perform a service for
7 any member of the public who seeks it. Certainly
8 true here. Anybody who wants to sign up for
9 Facebook simply has to agree to their terms and
10 conditions and then they -- they can. So that
11 one -- that one's an easy one.

12 The -- the party has to have a decisive
13 advantage of bargaining strength against any member
14 of the public who seeks to use it. Clearly true
15 here. Facebook, you know, again says, you know,
16 welcome to use our service. You just have to agree
17 to our terms and conditions. If you don't, don't
18 agree to it. That's -- that's a decisive advantage
19 in our point of view.

20 Number 5, Facebook confronts the public
21 with a standardized adhesion contract and provides
22 no provision for the user to pay additional
23 reasonable fees to obtain protection against
24 negligence. Clearly true here. It's a standardized
25 form on the internet that, when you sign up, you

1 have to -- it's presented to you and you have to
2 agree to it. You don't have the ability to say to
3 Facebook, you know, "I kind of like to sign up to
4 your service, but I don't like your contract. Can
5 we renegotiate parts of it? Can we make you liable
6 for negligence? Can we -- can we negotiate
7 somehow?" That is simply not available to the
8 public, so that's another -- another factor easily
9 in favor of public interest here.

10 And then No. 6, by agreeing to the
11 statement of rights and responsibilities, users
12 place data under Facebook's control, subject to the
13 risk of Facebook's carelessness. That clearly
14 applies here, as well. We -- you know, we --
15 anybody that makes an app, they place their data
16 under Facebook's control. If Facebook makes a
17 mistake with it, there's nothing we can do about it.

18 So, again, under the Tunkl case, to
19 resolve this question, you need to evaluate all six
20 of these factors. And you don't have to decide that
21 all of them apply, but where most or all of them
22 apply, this limitation is unenforceable.

23 And, you know, the example we used in our
24 brief was that -- I'm blanking on the name of the
25 case, but the case involving auto repair services.

1 You know, that one was found to be a matter of
2 public interest, I agree. But compared to that,
3 here we have this massive company with 2 billion
4 users, et cetera, et cetera. I think certainly
5 most, if not all, of these factors go in favor of
6 Facebook, which -- and the end result of that is, if
7 you agree, then this provision is unenforceable
8 because it affects the public interest, similar to
9 what you were saying to Mr. Lerner about 17200.

10 So then, finally, I wanted to talk a
11 little bit about the Count 8, which is the negligent
12 interference with prospective economic advantage
13 claim. We have an allegation in the Third Amended
14 Complaint, in paragraph 191, that says that this
15 provision is not effective as against that claim
16 because the word "negligence" isn't used in the
17 limitation of liability.

18 Facebook comes back and says we only cited
19 old cases and that's not really the law anymore. So
20 I disagree with Facebook's position there.

21 But what the current state of the law is
22 on that is that the -- you know, whether or not the
23 word "negligence" has to appear, the key issue for
24 Your Honor is whether or not the parties intended
25 this limitation of liability to limit it with

1 respect to negligence claims, and so the key
2 question is intent. Obviously, if -- if the
3 word "negligence" is used, that's evidence of
4 intent. Here, the word "negligence" is not used.

5 If you look at the key cases, Your Honor,
6 again, Caza Drilling, which I suggested was an
7 important case earlier in my argument, deals with
8 this issue, as well. And it -- I think it is the
9 most recent discussion, perhaps with the exception
10 of the case called Peregrine, which is a federal
11 case -- but the Caza Drilling is a state case and
12 therefore, I think, controls them.

13 It talks about -- it says the current
14 state of the law is where the word "negligence" is
15 not used, the question is whether or not we're
16 talking about passive negligence, which is what you
17 find in sort of one of these, you know, fitness club
18 contracts where in order to join, you have to sign
19 one of these limitation provisions and you're
20 exonerating the club of liability for negligence.
21 But what the Caza Drilling part says is that there
22 is a distinction between what we call passive
23 negligence and active negligence. And where the
24 word "negligence" is not used in a contract, then it
25 does not apply -- does not limit remedies for claims

1 of active negligence.

2 If you look at our allegations, Your
3 Honor, the key allegation in -- excuse me, in Count
4 8 is in paragraph 260 of the Third Amended
5 Complaint, which says, "Defendants failed to act
6 with reasonable care by engaging in reckless,
7 negligent, malicious, fraudulent, and/or oppressive
8 conduct."

9 So can you determine as a matter of law
10 what the parties intended when they agreed to this
11 provision? Did they intend to exclude claims for
12 negligence? Did they intend to exclude this
13 particular claim, which is negligent interference
14 with advantageous or economic relations with our
15 potential future customers? And I suggest that, you
16 know, under the state of the law today, because the
17 word "negligence" doesn't appear and because the nub
18 of our Count 8 is not just negligence from a
19 personal injury health-club-type situation, but a
20 much more active form of negligence, that the
21 failure to include the word in the limitation means
22 it does not apply to Count 8.

23 So that's -- that's -- in a nutshell,
24 that's our position on this motion, you know. I'll
25 be happy to try to answer any questions that you

1 have.

2 THE COURT: No questions.

3 Go ahead.

4 MR. LERNER: Quickly, just to unpack that
5 a little bit, on the procedure, as Your Honor
6 pointed out when we decided to brief these issues
7 with Your Honor in a complex court, and hence we
8 sought summary adjudication on this specific issue,
9 which is the application of the limitation of
10 liability, there was no suggestion until now, when
11 things were fully briefed, that that was improper,
12 and I've never heard a suggestion in a complex court
13 that it's improper to do exactly what Your Honor is
14 doing here, which is let the parties brief specific
15 issues of summary adjudication. And we -- for
16 example, we didn't follow the normal briefing
17 schedule. The parties agreed on all this. So I'm
18 not sure why that argument is being raised now,
19 other than to kind of get away from kind of the crux
20 of the issues here.

21 As to the question about the efficacy of
22 doing this now, the suggestion that we might simply
23 establish that the damages are \$100 or the amount
24 paid, I think everybody's aware of the importance of
25 getting rulings, which is why we're doing this, and

1 not waiting, which is obviously -- if we have
2 another situation where, for example, it's limited
3 to \$100 or \$200 or what have you, that has an
4 important impact on the rest of case. That's in
5 proportionality of what we're doing so far, as \$412
6 in sales. At a certain point, we are going to have
7 the rubber hit the road on what's actually at issue
8 here, and we will have to stop talking about Spain,
9 the news, other things, and actually focus on their
10 claims and the issues here.

11 With respect to punitive damages, the
12 limitation of liability expressly addresses punitive
13 damages. Lost profits, consequential, special or
14 indirect, it addresses punitive damages. And to the
15 extent any of the claims that we've sought summary
16 adjudication on with respect to the limitation of
17 liability, including punitive damages, that clause
18 applies.

19 Turning to the unconscionability argument,
20 the notion that they did not have a choice is
21 something that courts have regularly addressed at
22 this stage, in this intimate setting. Just as 643
23 wants to argue that it's essential to be able to
24 build an app, people have argued that it's essential
25 to be able to put up a YouTube video. No court or

1 legislature has ever agreed.

2 And I want to fix my -- my wording on the
3 importance of what we're talking about here. I was
4 speaking broadly about social media to tie it more
5 closely to this case, which has been my goal
6 throughout. What we're talking about here is
7 whether or not it's essential to have access to
8 photos to build an app, specifically, in this case,
9 about bathing suits. But, even if you were to think
10 about it more broadly, just having access to photos,
11 no court has ever come close to holding that that's
12 essential or necessary for human beings. This is
13 not the Health Net case, which, again, was --
14 involved patients.

15 As for their point about whether or not
16 their case is on point, the Lewis case, which is the
17 Lewis v. YouTube case, as I said, the plaintiffs
18 tried to make exactly the same arguments. They
19 said, well, we can't negotiate the YouTube terms,
20 and we spent a lot of money building our video and
21 people thought it was cool, so we should deal with
22 our damages and force them to put it back up. And
23 the Court said, no, there's lots of places you can
24 find videos and post videos. Just because you like
25 YouTube best doesn't mean you don't have a choice.

1 And I think, very importantly here, the
2 Court needs to, as other courts have, turn
3 plaintiff's argument about the size here on its
4 head. If you're offering a service to many people
5 for no cost direct -- to use their term, no direct
6 cost for that service, you can't negotiate with
7 every single one of those people. That's why all
8 the courts who have looked at these clauses in this
9 setting have applied the limitation of liability.
10 No court has said, since you have millions of users,
11 it's a contract of adhesion that's unenforceable
12 merely because they all sign the same one.

13 Turning to 1668, their reason --

14 THE COURT: In that case, it doesn't apply
15 to statutory claims.

16 MR. LERNER: Pardon me?

17 THE COURT: We have cases that say that
18 1668 -- I mean that -- that under 1668, if it's a
19 statutory claim, you can't do a limitation of
20 liability, that 1668 applies.

21 MR. LERNER: So, two things. First, with
22 respect to the claim that turns on the statute, but
23 second, only if the Court finds that the statute in
24 question in that case is affecting a public
25 policy --

1 THE COURT: No. They have case law that
2 says, regardless of whether the public interest is
3 affected.

4 MR. LERNER: Which case are you talking
5 about, Your Honor?

6 THE COURT: They have Health Net.

7 MR. LERNER: Yeah. So --

8 THE COURT: Regardless of whether the
9 public is affected, it's a violation of statutory
10 regulatory law, you can't enforce the contractual
11 limitation.

12 MR. LERNER: And Health Net then went
13 on -- so, first of all, what the Court did in Health
14 Net there was looked specifically, as I said, at,
15 again, a doctor-patient relationship situation,
16 which then led to insurance claims. And, if you
17 follow through the language that you just read, what
18 the Court did was then focus in on exactly what
19 we've been discussing, which is that the issue
20 there and the statute on point, the insurance
21 statutes on -- the insurance statutes on point were
22 actually, as far as the Court was concerned, tied
23 to, as I've said, an issue of public interest.

24 So -- and I think, as we point out, the
25 courts that have since looked at Health Net have

1 pointed out exactly these issues with it, which is
2 that they were doctor-patient agreements, and it was
3 the only case in over a decade that applies 1668 to
4 invalidate provisions between business entities.
5 That language, differentiating and setting Health
6 Net aside, is from the Caza case that Plaintiff's
7 counsel thinks you should read. And the later cases
8 have since distinguished it most importantly -- and
9 this is what we're talking about earlier -- because
10 the limitation of liability in Health Net prevented
11 the plaintiff from recovering any damages.

12 Now, what the Court is saying there is,
13 when you have a limitation of liability that cuts off
14 any damages at all and you can have none, then we're
15 going to reach the following conclusion, and has the
16 language that you quoted. But subsequent cases have
17 distinguished both Health Net and the CAPRI case
18 that they cite because those cases involve, in the
19 first instance, doctor-patient agreement, in the
20 second instance, personal injury, and because the
21 cases cut off damages altogether. In cases like
22 this one, the courts have not done that, nor have
23 they ruled that way.

24 And it's simply inaccurate to say that the
25 Courts don't look at each cause of action and apply

1 the limitation of liability. We have cited, for
2 Your Honor, case after case where courts have done
3 exactly that, including the cases with 17200 claims.

4 THE COURT: Well, again, on 17200, you can
5 have a violation of 17200 for unlawful practices --
6 business acts or practices, or unlawful, or
7 fraudulent.

8 Now, although their cause of action
9 focuses on unfairness, it does allege that there was
10 fraudulent conduct, which then, on that additional
11 ground, would make it that you couldn't have an
12 exculpatory clause apply to the 17200 because
13 they've alleged enough to potentially fall under the
14 prompt for fraudulent practices.

15 MR. LERNER: So here is why I don't think
16 that's right. I don't think the Courts have given a
17 plaintiff an out in that way for the following
18 reason: As you know, probably better than I do, you
19 can allege fraud much more easily under the unfair
20 prong of 17200 than as a viable standalone claim.

21 THE COURT: Because you can't get damages.
22 You're trying to apply a limitation on damages to a
23 cause of action that doesn't give you damages.

24 MR. LERNER: Understood, but it does --

25 THE COURT: Which is, again, why it

1 wouldn't apply.

2 MR. LERNER: Well, I think the courts
3 would disagree, because, for example, what they want
4 is, to ask you for an injunction under 17200. And
5 what the courts have said is, if -- if the
6 limitation of liability applies to the 17200 claim,
7 it applies; that's the scope of your relief. And
8 what the courts said in Tobacco II is indeed that
9 the burden on the plaintiffs to establish fraud, as
10 I said, in a 17200 claim is completely different
11 from a real fraud claim. And all of the cases that
12 we're talking about have given the plaintiffs
13 essentially an exception to a limitation of
14 liability for real standalone fraud claims and said
15 to the defendant, we're not going to apply the
16 limitation of liability to their standalone fraud
17 claims. But if we're talk about a 17200 claim, they
18 haven't done that because the unfair prong is not
19 actually a viable fraud claim.

20 THE COURT: Okay. And -- but the way it's
21 written, your clause has a limitation of damage.
22 You can't read that and say, and any court's
23 equitable power to do an injunction is eradicated
24 under a statute that's designed to protect the
25 public. I don't know how that could apply.

1 MR. LERNER: I don't see anything in the
2 limitation of liability that would not apply to
3 equitable relief, which is why --

4 THE COURT: I don't see anything that
5 says, and we're eradicating any equitable recov- --
6 opportunity for injunctive relief under a statute
7 that's designed to protect the public. I don't know
8 how it could.

9 MR. LERNER: I understand. I'm not sure
10 that -- unless these clauses were actually written
11 to recount for every possibility, as opposed to
12 describing the categories of damages that are not
13 available and the categories of damages that are --

14 THE COURT: Exception injunction isn't a
15 damage, sir. There is no damage. And one of the
16 problems is that your -- your motion is to limit
17 damages. There's no damages under 17200. And, even
18 if I read it as monetary relief, you don't have a
19 motion to throw out injunctive relief. You have a
20 motion to limit the amount of damages.

21 MR. LERNER: Okay. I think, for what it's
22 worth, our motion and our intent here is to apply
23 the limitation of liability. And what the
24 limitation of liability is, is exactly that: It's
25 liability. And it says, indeed, that our liability

1 arising out of this statement won't exceed \$100 or
2 what you paid us in the last 12 months, and that's
3 exactly what the natural resources [verbatim] court
4 and other courts have looked at. It is about
5 liability and, described accurately here in all
6 caps, that would carve out what they want here on
7 the 17200 claim. And I think that's why the
8 courts --

9 THE COURT: And the case that says that
10 you can eradicate injunctive relief in -- what
11 California case says you can eradicate injunctive
12 relief under statutory cause of action?

13 MR. LERNER: I would cite for you again
14 the natural resources case, which is the -- and I
15 think that it's come up throughout. It's never been
16 my experience that when we can't find, for example,
17 a California state case directly on point, that we
18 ignore other cases all together. They can provide
19 us guidance. And what the Court there did is looked
20 at a limitation of liability and say, you can't
21 sweep around that on a 17200 claim. They're going
22 to apply the limitation to that claim even though
23 it's an equitable claim.

24 THE COURT: Yeah, but natural resource --
25 the decision of a federal court on California state

1 law that's a trial court has no binding effect
2 whatsoever on this trial court that's actually in
3 California.

4 MR. LERNER: Understood. So I want to put
5 that aside, then, for a moment.

6 THE COURT: Okay.

7 MR. LERNER: What I would suggest is, the
8 reasoning of that case, binding or not, is the most
9 sound reasoning on the question posed by the Court.
10 I have not found any better reasoning, and I haven't
11 seen any reasoning cited from the plaintiffs that
12 would at least persuade me to reach an opposite
13 conclusion.

14 And as I explained, I do think it's
15 important to note that you can't get out of this
16 merely by putting a fraud claim in your 17200 cause
17 of action because you don't have to meet all the
18 same burdens, which I think goes to Your Honor's
19 point about the fact that there is no fraud in the
20 inducement claim here. And I believe that's
21 intentional, which is, they didn't want to
22 rescind --

23 THE COURT: They don't want to rescind.
24 They want -- they want consequential damages.

25 MR. LERNER: Correct. And, if that's the

1 case, then I am not aware of a universe in which the
2 limitation of liability doesn't apply on that claim
3 and those damages. I'm -- there's no case that's
4 been cited so far that wouldn't apply it to those
5 claims.

6 And indeed, on that point, they cited the
7 NavCom case for Your Honor. The Court there in the
8 NavCom actually did look at the limitations of
9 liability and was following up on the Civic Center
10 case, which was a construction defect case and was
11 looking at public policy. And what the NavCom case
12 then did, which I think explains why they haven't
13 moved for a fraudulent inducement claim, is the
14 Court noted that the party there continued to pursue
15 the contract after they knew about the issue.
16 This -- we can get into this later, but there's no
17 dispute of fact that the plaintiff in this case knew
18 that Facebook was cutting off this access before
19 they ever made a sale, and that would absolutely
20 kill a fraud in the inducement case.

21 So I think there is a reason why they're
22 not making that claim. They want to make the
23 contract claim. The limitation of liability applies
24 under the clear law that says that you apply these
25 exculpatory clauses to the contract claim at the

1 very least.

2 On the public policy point, I don't want
3 to spend too much more time on it because I think
4 Your Honor hit on all the key points there, but I do
5 want to get back to -- I'm trying to keep us focused
6 on the facts here.

7 This isn't about where people read their
8 news. It's not about Spain, and it's not about
9 other things. This is about someone who wanted to
10 build an app, based on access to photos. They
11 didn't make their app available to billions of
12 people. They sold \$400 worth of things, and they
13 included claims both in the letter to Facebook and
14 in their complaint that's before the Court, that
15 says they had 5,000 sales. That's just not true.
16 We need to focus on -- on what's happening here.

17 And, on that point, they have suggested
18 that, for example, under the Tunkl factors, you
19 could find an issue here. This isn't Tunkl.
20 Indeed, if you look at cases involving releases
21 relating to skiing in very dangerous places, which I
22 certainly would hope people would have greater
23 concerns about than, for example, an app which no
24 court or legislation, again, has ever found to be
25 subject to this type of regulation, the courts have

1 said when you're talking about recreational
2 activities, those are not essential services. We're
3 not going to -- we're not going to, for example,
4 blow up the limitations of liability and have a ski
5 resort or anywhere else.

6 We're a number of steps back from that.
7 We're not in a situation to close out where they
8 cite Auto Repair and they say, well, Your Honor,
9 this is like Auto Repair. Auto Repair involves your
10 car not stopping if the brakes don't work. And
11 that's exactly what the Court said there. The Court
12 said that we're talking about a service that could
13 really affect life and death.

14 We just don't have that here. And, if we
15 focus on the specific facts in front of us -- or I
16 do want to circle back to what I think is a very
17 important point. State, federal or otherwise, I'm
18 not aware of a case that hasn't applied a limitation
19 of liability in circumstances like this, including
20 the YouTube videos, the exact -- super similar
21 facts. The woman said, just like they did, I spent
22 all this money, you should make them put it back up,
23 it's not fair. The Court said this is not the
24 thing -- to use Your Honor's phrase, water, housing,
25 those things. And there's no case, likewise, that

1 we're aware of that has said in a setting like this,
2 where the limitation of liability is unconscionable,
3 either procedurally or substantively, or --

4 THE COURT: Well, you have the procedural
5 because it's an adhesion clause, but it's
6 substantive that they have to prove that in
7 addition.

8 MR. LERNER: Yeah. And even on the
9 procedural point, what the courts have said there,
10 is what I alluded to earlier, which is, at a certain
11 point, for many companies, of course it's going to
12 be a form contract because there are lots of users.
13 You can't negotiate the form.

14 So, with that, I will close. Thank you,
15 Your Honor.

16 THE COURT: Well, on this National Rural
17 part, the part of the analysis that goes to 17200 is
18 the Court says, well, there are these cases that say
19 that you can have contractual provision to require
20 arbitration and waive your rights to the Court
21 under -- so, by analogy, we're taking these
22 arbitration cases and saying that you can have a
23 limitation on liability. That's what it says.

24 Except, under California law, you can't
25 force somebody to arbitrate under 17200. You have a

1 statutory right to seek an injunctive relief that
2 they cannot take away from you by contract.

3 So, then, I circle all the way back to,
4 you can't have limitations of liability that would
5 interfere with the right for injunctive relief under
6 the statutory claim 17200 designed to protect the
7 public, because in National Rural, they're relying
8 on arbitration cases, and California Supreme Court
9 says, you can't force somebody to arbitrate an
10 injunctive relief under 17200, period.

11 But I still think you don't win on that
12 point, even if I apply National Rural, because they
13 use arbitration clause as an analogy.

14 MR. LERNER: Understood, Your Honor. I
15 understand your hesitance there. What I would
16 say on that --

17 THE COURT: Well, why bring it up?
18 Because I don't want to sideswipe you with something
19 that I haven't discussed with you.

20 MR. LERNER: Understood. And -- and
21 focusing then just on --

22 THE COURT: I mean, we're spending a lot
23 of time on a claim that's worth \$200, but we're
24 still going to deal with it.

25 MR. LERNER: Yes. And I definitely

1 understand your point on the issue there. And I
2 think, just to clarify, what the Court was saying in
3 National Resources [verbatim] is it was looking at
4 the scope of the clause and which claims it would
5 apply to when it was looking at the arbitration
6 claims.

7 THE COURT: Okay.

8 MR. LERNER: But then, with respect to
9 whether or not it would bar the equitable relief, I
10 don't think there it was as focused on the
11 arbitration claims. Rather, what the Court was
12 doing was looking at the fact that if you look just
13 at the plain language of the limitation of liability
14 and the 17200 claim as raised, that it would apply.

15 And that was kind of my point about
16 parsing things and not getting into just kind of a
17 formulaic application of a rule and if it's the same
18 as the negligent interference piece, which I don't
19 want to spend a lot of time on because I think,
20 actually, the cases are clear.

21 The California courts have said we don't
22 have a one-size-fits-all rule, where you just say
23 the person has to say negligence or else it doesn't
24 apply to negligence. Rather, the Court has looked
25 at the scope of the release; and if the release is

1 barred, it said that this obviously would cover that
2 and you have to essentially ignore the meaning of
3 the words in order to -- to avoid applying it to
4 negligence.

5 The same -- I think the reasoning is
6 here -- and I do take Your Honor's point that there
7 is not a ton of case law, but I think the reasoning
8 is, it's not a one-size-fits-all. And here, if you
9 look at the limitation of liability in 17200 claims,
10 which at the end of the day turns on Facebook's
11 decision to cut off this access, which is exactly
12 the same as a breach of contract claim -- and, yes,
13 they can put in a fraud claim that doesn't meet the
14 standards of fraud or whatnot, but if you look at it
15 and actually apply the limitation as worded to the
16 claim as drafted, then I think the correct
17 conclusion is that the limitation of liability here
18 applies.

19 THE COURT: Okay. Anything else?

20 MR. GODKIN: Just one quick point, Your
21 Honor. But I think this answers the question that
22 you've just been discussing.

23 Again, let's go back to the language of
24 Section 1668. It doesn't use the word "damages;" it
25 uses the word "responsibility." It says, "All

1 contracts that have for their object," et cetera,
2 "to exempt anyone for responsibility for his own
3 fraud."

4 So, to make the argument that this only
5 applies to damages but that we can't get an
6 injunction, you know, what -- what -- what they're
7 trying to ask you to do, is to apply this statute to
8 say you don't have the ability under 17200 to issue
9 an injunction; whereas, the plain language of 1668
10 says what this statute is doing is trying to give to
11 them a responsibility.

12 If you find in favor of the Plaintiff and
13 you decide to award an injunctive relief, it would
14 be because you've decided that they're responsible
15 and that's how you're going to remedy it.

16 So I don't think that you even need to
17 read DIRECTV on this issue. I think you can just
18 look at this particular language and the word
19 "responsibility," and I think that answers the
20 question.

21 That's all I have for you, Your Honor.

22 THE COURT: Okay. I'm going to review
23 everything. My tentative ruling, so to speak, would
24 be to deny on the first cause of action and grant on
25 the second and eighth causes of action, but I'm

1 going to do a -- take a look at everything one more
2 time and then issue a decision.

3 MR. GODKIN: Thank you, Your Honor.

4 THE COURT: So, let's talk about your
5 discovery -- well, we're going to be here for a bit,
6 I think, on discovery dispute, so let's give the
7 staff their midmorning break. So let's take a break
8 for 15 minutes and be back.

9 (Short recess taken.)

10 THE COURT: We're back, Counsel. I was
11 reminded that, technically, we also had two motions
12 to seal on for hearing today. I don't think I got
13 any opposition.

14 MR. GODKIN: No opposition.

15 THE COURT: Okay. So those are granted.
16 But you're sealing things that have already been
17 filed?

18 MS. MILLER: They were lodged under seal.

19 THE COURT: Lodged, okay. Great.
20 So, I'll sign those.

21 MS. MILLER: Thank you, Your Honor.

22 THE COURT: Okay. On to discovery.
23 So, let's talk about the additional
24 searches, to start. So, now, in reading the
25 Defense's letter, is the 200,000 documents from the

1 searches that you've written in your letter, or are
2 the searches written in your letter how you want to
3 narrow it?

4 MS. MILLER: Thank you, Your Honor.

5 The searches that are written in the
6 letter on pages 2 and 3 and 4 are our best
7 interpretation of what Plaintiff was asking us to do
8 as of when we wrote this letter. Their letter
9 actually changes this to a certain extent, so these
10 searches, I don't think, are any longer on the
11 table. I think it's new searches that the 200,000
12 documents were applying to.

13 THE COURT: Okay. So, if you ran searches
14 as you have in your letter, you would have 200,000
15 documents?

16 MS. MILLER: Yes, and with just the caveat
17 that that's an approximate number, that's our best
18 estimate, because the search functionality that we
19 have internally isn't as robust as it might be in
20 terms of locating documents and that sort of thing.

21 THE COURT: Okay. Now, then you had made
22 a proposal in your letter of a way to narrow it to
23 give at trial.

24 MS. MILLER: That's right, Your Honor. We
25 took -- of the five additional terms that they're

1 asking us to include, we still believe that these
2 people at best were only tangentially involved in
3 the -- the underlying conduct alleged in the
4 complaint. However, we pick out of that list of
5 five the two people that we thought had the most
6 exposure to this issue and were most involved,
7 again, albeit very -- in a limited fashion. So we
8 took the two of them and put in a time frame that is
9 generally when these issues were coming up and then
10 picked -- picked search terms from 643's list and --
11 with was some modifications to try to capture the
12 universe of documents we were trying to do without
13 including terms that will grab a whole bunch of
14 unresponsive documents, as well, and then --

15 THE COURT: You thought that would
16 generate about 12,000 documents?

17 MS. MILLER: That's correct, Your Honor.

18 THE COURT: All right. Now, couple
19 things. They want that search term "reciprocity"
20 put in all by itself. That's a big objection they
21 had to your proposal. So can we put in
22 "reciprocity"?

23 MS. MILLER: I'm a little bit concerned
24 with just "reciprocity," because it's such a generic
25 term, but I think --

1 THE COURT: Well, why don't you just put
2 "reciprocity"? I don't know what reciprocity is --

3 MS. MILLER: My opinion is it should be
4 "data reciprocity."

5 THE COURT: Data?

6 MS. MILLER: Yeah. We would be willing to
7 do something like a proximity for the word "data
8 reciprocity" as within three words -- "data" and
9 "reciprocity" are within three words of each other.

10 THE COURT: Now, they also had information
11 in their letter indicating that Mr. Oliven was a key
12 player on all of this. And why couldn't you also
13 run it for Mr. Oliven and not just Lessin and
14 Sukhar.

15 MS. MILLER: So this, I think we want to
16 go to, again, what the standard is here. We need to
17 show good cause for why they're entitled to this
18 discovery. And we would submit, we have had not an
19 opportunity to respond directly to what they
20 included in the December 5th letter because they
21 were simultaneous --

22 THE COURT: That's what I'm talking about.
23 They had information about Oliven being in the thick
24 of this.

25 MS. MILLER: And I -- basically, we think

1 these are misrepresentations of deposition testimony
2 and the underlying documents, and if -- and we would
3 be perfectly willing to put out exactly why we think
4 those are misrepresentations and why Mr. Olivan is
5 not relevant to this case in a fully briefed motion,
6 if you would prefer that.

7 THE COURT: Okay.

8 MS. MILLER: I mean, part of the concern
9 here is that it deals -- we don't want to be in a
10 position where every time they find a document that
11 includes someone's name and the fact they went to a
12 meeting at some point to discuss something, that
13 that is all of sudden going to get you this --
14 that's going to allow them to just chip away at more
15 and more documents and get into irrelevant --

16 THE COURT: Okay. I think they want it
17 for five people. You suggested two, and I'm asking
18 about a third. So, why not?

19 MS. MILLER: I mean, I think that the --
20 he's not relevant to the case. And I think the
21 burden on Facebook, again, of searching a large
22 volume of documents for a very senior individual,
23 who they haven't made a showing is actually relevant
24 to the case, certainly not in proportion to what
25 Facebook has already produced and the -- the value

1 of this case.

2 THE COURT: Okay.

3 MS. MILLER: So, I mean, it's both
4 relevance and a burden, Your Honor.

5 THE COURT: All right. Let me ask
6 Plaintiffs, why not give this a try, what they're
7 proposing?

8 MR. GODKIN: Your Honor, we're happy to
9 give it a try, as long as it's clear that it's not
10 foreclosing us from --

11 THE COURT: It doesn't foreclose. But I
12 can understand a burden of 200,000 documents versus
13 12, and -- and then they have to go through it,
14 before they give it to you, and I'd rather give you
15 more information sooner.

16 MR. GODKIN: I appreciate that, Your
17 Honor.

18 Just -- just a couple quick points,
19 because it's in the letter, ad nauseam. It's the --
20 this concept of reciprocity is important, based on
21 the documents that have already been approved,
22 produced --

23 THE COURT: All right. Well, we don't
24 want this reciprocity floating through space. So
25 it's a -- with this data, would within three

1 reciprocity work?

2 MR. GODKIN: We propose -- I mean, No. 24
3 on our list is data within seven of R-E-C-I-P-R
4 exclamation point. That's just in case there's
5 another word that's similar to "reciprocity" but
6 not --

7 THE COURT: Like reciprocal?

8 MR. GODKIN: -- exactly the same.

9 THE COURT: Okay. So, within seven, and
10 you want "recipro."

11 MR. GODKIN: R-E-C-I-P-R, exclamation.

12 THE COURT: How about R-E-C-I-P-R-O-C,
13 exclamation?

14 MR. GODKIN: I would agree with that, Your
15 Honor.

16 THE COURT: R-E-C-I-P-R-O-C. Okay. And
17 within seven, you want?

18 MR. GODKIN: Within seven.

19 THE COURT: On data.

20 MR. GODKIN: Of data.

21 THE COURT: Okay.

22 MR. GODKIN: You know, these five people,
23 we -- I understand they claim it's not relevant. We
24 claim it is relevant. To be quite honest, Your
25 Honor, if we could get these documents from these

1 five custodians promptly, review them, we would be
2 in a position to decide who we want to depose,
3 complete those depositions, and finish discovery by
4 the end of the year. That's where we are right now.
5 We --

6 THE COURT: There's no way they can look
7 at 200,000 e-mails and get them to you by the end of
8 the year. Right?

9 MR. GODKIN: We don't know it's 200,000,
10 Your Honor. And -- and, again, we've been asking
11 for these documents since June of last year, so this
12 is just an endless delay tactic. We've been going
13 over and over it. It's the fourth or fifth time
14 we've been in court.

15 My only goal here is to get the documents
16 that -- so we can review them and we can finish
17 discovery and get this case ready for trial. But
18 we're -- we're happy -- you know, if you -- if you
19 send a list and it's clear, they go ahead and
20 produce documents, and then if we review them and we
21 think there's some additional things we need, we can
22 do it that way. It's just -- my only point is it's
23 taking a lot longer to do it that way than to just
24 give us what we're asking for, which we've narrowed
25 substantially already.

1 THE COURT: I'd like to try it their way,
2 because I think it will get you some of the
3 documents sooner. And I think every time we do it,
4 it assists you in being able to narrow what might be
5 the search terms for some of those higher-end
6 people. So I will take the Facebook suggestion on
7 doing Lessin and Sukhar for the time frame of
8 September 1, 2011, through April 30, 2015, and the
9 search terms, except we're going to change that one
10 to be data within seven of R-E-C-I-P-R-O-C
11 exclamation.

12 All right.

13 MS. MILLER: Thank you, Your Honor.

14 THE COURT: And when will you get that
15 done?

16 MS. MILLER: I think, if we could have
17 four weeks, that would be wonderful.

18 THE COURT: To produce?

19 MS. MILLER: Yes.

20 THE COURT: And a month -- a month to
21 produce is fine.

22 MS. MILLER: Great.

23 THE COURT: All right. Now, then we
24 have -- okay. Let's talk about depositions.

25 MR. GODKIN: Your Honor, before that, can

1 we talk about -- if you look at my letter --

2 THE COURT: Well, I was going through
3 their letter, and then I was going to go through
4 your letter.

5 MR. GODKIN: Okay. I was just sticking to
6 the documents issue.

7 THE COURT: No. I'm going to do one
8 letter at a time.

9 MR. GODKIN: Okay.

10 THE COURT: So, on depositions, okay. Do
11 we have the second date for Bernie Hogan set?

12 MS. MILLER: We do not yet, Your Honor. I
13 believe he was potentially going to be out of town
14 until November, so we will follow up with him and
15 see if that's the case, or we need to go to --

16 MR. GODKIN: He was going to be in
17 Baltimore, I believe.

18 MS. MILLER: Yes. That's my mistake.
19 Baltimore.

20 THE COURT: Okay. Get that set up.

21 MS. MILLER: Will do.

22 THE COURT: Then we had Vernal, which you
23 have to still finish. Do you have a new date for
24 that?

25 MR. GODKIN: No, Your Honor.

1 THE COURT: Well, when are you going to
2 have that?

3 MR. GODKIN: That's a good question, Your
4 Honor. We had asked for dates for, I think, three
5 or four additional people, we haven't gotten yet.

6 THE COURT: I know. I'm going to walk
7 through each one.

8 MR. GODKIN: For Vernal, the issue was --
9 this relates in part to the privilege document
10 issue, because what I was hoping to avoid was having
11 to finish his deposition, then have additional
12 documents be produced and resume again. So I was
13 hoping we could get a date for them to produce these
14 privileged documents first.

15 THE COURT: Okay. Konstantinos?

16 MR. GODKIN: He's being finished today.

17 THE COURT: Today.

18 MR. GODKIN: We, we call him, because
19 nobody --

20 THE COURT: Yes. I was kindly correctly
21 pronouncing his first name instead of destroying his
22 second name.

23 MR. GODKIN: We're all hesitant to
24 pronounce either one of his two names in public.

25 THE COURT: Okay. Now we have Simon

1 Cross, who is a current employee in England, and you
2 were fighting about that. So he's on paternity
3 leave, right?

4 MS. MILLER: Yes, until September 18th,
5 and then he will be back at work until the end of
6 October, and then is going back on paternity leave.

7 THE COURT: Okay. So -- and he lives in
8 London?

9 MS. MILLER: Correct.

10 THE COURT: And their question was,
11 does -- is there a time when you anticipate that the
12 corporate office is going to summon Mr. Cross to
13 America in the near future, yes or no?

14 MS. MILLER: No.

15 THE COURT: Okay. So you need to set it
16 up in London, where he lives. Maybe you guys can
17 work that out.

18 MS. MILLER: Yeah. I think he's generally
19 available in those six weeks [verbatim], so we
20 should be able to --

21 MR. GODKIN: Your Honor, we were hoping
22 that Mr. Cross, since he is a custodian -- not a
23 custodian, but he's somebody that they've identified
24 and he does work for the company, that -- that he
25 could either be produced in the U.S., in Boston, a

1 lot closer to -- Boston is where I am, quick flight
2 over, to avoid -- I also propose that if all of us
3 are going to have to fly to London, it means that --

4 THE COURT: Maybe you do Hogan while
5 you're there.

6 MR. GODKIN: We can do Hogan while we're
7 there. It will cost a lot more money to send all
8 these lawyers over than to have Mr. Cross come here.

9 THE COURT: Yeah. So what used to happen
10 in most cases is, if somebody lives in Europe and
11 we're on the West Coast, that a lot of times the
12 parties would agree that the person will fly to New
13 York or somewhere on the West Coast -- on the East
14 Coast, so meet halfway, but it -- or fly him all the
15 way to California, because it's cheaper to pay for
16 the Plaintiffs to pay for that person to come to
17 America than for everybody to fly, you know,
18 with -- with the court reporter and the videographer
19 and all that stuff, to Europe. It sounds like you
20 guys haven't discussed that at all.

21 MS. MILLER: I -- so I would just say on
22 this -- this witness in particular, because he --

23 THE COURT: Well, he's not going to fly
24 while he's on paternity leave. That's the problem.

25 MS. MILLER: Correct. Exactly. And he

1 has two very small children, even in that six-week
2 period. So I think, you know, for the lawyers, we
3 can be inconvenienced and fly out to London. I
4 think he's a key witness, fact witness --

5 THE COURT: But he's a current employee.
6 I bend over backwards a lot for people who aren't
7 under your control, which he is. So -- but I
8 understand he's on paternity leave. He doesn't have
9 to do anything. He doesn't have to come here, even
10 if they told him to. So, at a time when he is not
11 burdened by work, he's willing to be deposed in
12 London during a time, that might not be too bad. Or
13 if you want to pay for him -- work out -- and you'll
14 pay for him to fly here, or to the United States or
15 Baltimore, when you're going to do Mr. Hogan, and
16 get it done, you can work that out for a time that
17 he's not on paternity leave.

18 MR. GODKIN: Well, Your Honor, we'll work
19 something out.

20 THE COURT: Because, really, otherwise,
21 you have to go to London. But I think it would be
22 great, if you guys could package an East Coast trip
23 and get the depositions done on the East Coast and
24 have him come over. That's time away for him, too,
25 away from his family.

1 So, could you see if you could talk about
2 this?

3 MS. MILLER: I will certainly have -- I
4 think potentially packaging his deposition with
5 Mr. Hogan in London might be the thing that works
6 for everyone.

7 THE COURT: Or send him to Baltimore or
8 something. Yeah. Okay. Why don't you talk about
9 that.

10 On Sukhar.

11 MS. MILLER: For Mr. Sukhar, since we have
12 now agreed to go ahead and produce these material
13 documents, I think it makes sense to postpone his
14 deposition until after Plaintiffs had the
15 opportunity to review those.

16 THE COURT: Which is what Plaintiffs
17 wanted to do anyway, right?

18 MR. GODKIN: That's fine with us, Your
19 Honor.

20 MR. LERNER: Okay. Dave Moore is a former
21 Facebook employee and a third party. You believe
22 that he has limited information to bring to this
23 case. Well, that's great. So you don't expect
24 there will be a lot of deposition, but plaintiffs
25 are allowed to depose them all they want to.

1 MS. MILLER: Fair enough. And, on this
2 point, Your Honor, we have -- we do not represent
3 Mr. Moore. So, at this point, we can discuss
4 potential timing of his deposition, but I would --

5 THE COURT: The question is, should they
6 contact him directly to set it up or not?

7 MS. MILLER: At this point, I don't think
8 there -- since we don't represent him, there's
9 nothing we can do to prevent them from doing that,
10 so I would say --

11 THE COURT: Do you have the information
12 you need to subpoena him?

13 MR. GODKIN: Your Honor, I honestly don't
14 know because I didn't realize until just now that
15 they weren't representing Mr. Moore. I don't --
16 only received communication that they didn't think
17 his deposition was necessary, not that they didn't
18 represent him.

19 THE COURT: That's all I read, too. Now,
20 they're saying that they don't and that you're on
21 your own, which means you can do whatever you want.

22 MR. GODKIN: I'm sure we can find the
23 information pretty easily, so we'll go ahead with
24 that.

25 MS. MILLER: And to be clear, just so

1 there is no confusion, I think we may still end up
2 representing him eventually, after, with the
3 subpoena, but at this moment we don't.

4 THE COURT: Well, let's try it. Do you
5 want to get on a call and say to him, look, they're
6 going to send you a subpoena to depose you, and deal
7 with whatever, if you're going to represent him or
8 not, but either -- either you're representing him or
9 going to talk to him about representing him and
10 picking a convenient date for him ahead of time and
11 let the other people know, and then they will send
12 you a notice and you agree they don't have to go
13 through all the expenses of subpoena and then he
14 gets to pick the date; or, if we don't do it that
15 way, then they're going to just subpoena him and
16 pick the date and then he doesn't have any say-so.

17 So maybe you should talk to each other and
18 think what you want to do on Mr. Moore. Because
19 he's a third-party former employee, it might be nice
20 for him to have a say-so on when it's going to be.

21 MS. MILLER: That makes a lot of sense,
22 Your Honor.

23 THE COURT: And they're not going to go
24 through all the expense of subpoenaing him and then
25 you call and say, "Oh, now we decided we're

1 representing him and that's a bad day." That's not
2 going to happen. All right. So everybody needs to
3 meet and confer about these depositions.

4 Redactions based upon third-party privacy.
5 Plaintiffs had a good point that you just stamp it
6 confidential and turn them over. What's the
7 problem?

8 MS. MILLER: So, Your Honor, these are --

9 THE COURT: They're not privileged.

10 MS. MILLER: We agree that they're not
11 privileged. Because of the search terms that we
12 used in our larger production, so this 135
13 [verbatim] documents, there are documents in there
14 that, in retrospect, clearly have no relevance in
15 this case. Included among those are a large number
16 of resumes of people that I don't know were ever
17 even hired at Facebook; and in those instances, we
18 redacted their personal phone numbers.

19 THE COURT: All right. Slow down. They
20 said 37 documents.

21 MS. MILLER: Yes. There are 37 documents
22 out of the 170,000 that have privacy redactions.

23 THE COURT: Okay. So, if there's 37
24 redacted and they're redacted not based on
25 privilege --

1 MS. MILLER: Correct.

2 THE COURT: -- then what is the grounds
3 for redacting them rather than stamping them
4 confidential?

5 MS. MILLER: This was an effort to protect
6 third parties that have no conceivable connection to
7 this case.

8 THE COURT: All right. Would you like me
9 to just do an en camera, and then they're not
10 worried about that you're disclosing something, and
11 you have somebody double-checking about whether or
12 not it's anything to do with this case?

13 MR. GODKIN: I think that works, Your
14 Honor. Our only position was, they're really not
15 entitled to redact for those reasons.

16 THE COURT: They're not, but we can fight
17 about it or I can just look at 37 documents. I can
18 do it either way.

19 MS. MILLER: And to be clear, Your Honor,
20 we did this just out of an abundance of caution for
21 third parties, but I think maybe an en camera --

22 THE COURT: Well, if you want to stamp
23 them confidential and hand them over, you can do
24 that, too. Saves me some trouble.

25 MS. MILLER: I don't think. I think at

1 this point -- I apologize, if you have to involve --
2 I think, if we can do an en camera review.

3 THE COURT: Great. Do that. When will
4 you have it?

5 MS. MILLER: We can do that tomorrow.

6 THE COURT: Okay. Fine. But give me my
7 own set. Don't give me my originals. So I have to
8 see what you redacted versus what's the --

9 MS. MILLER: Yes.

10 THE COURT: -- the real ones. And don't
11 give me the only set, is what I'm saying.

12 MS. MILLER: Understood. Got it.

13 THE COURT: Because what I normally do is,
14 let's say I say, okay, they get to have them
15 unredacted. Then I just have them come and pick it
16 up and I just hand it over to them, and that saves a
17 lot of time and trouble.

18 Facebook expects to provide supplemental
19 production and revised privilege log by
20 September 11th.

21 MS. MILLER: If we could have until
22 September 12th to actually do that, because we have
23 a motion --

24 THE COURT: Well, today was the day that
25 we would know where you were at and what they needed

1 to do.

2 MS. MILLER: Yes. Right now, we've
3 identified some -- there were some people that were
4 erroneously identified on the privilege log, and
5 we've gone through -- again, it's a 14,000-line log;
6 and so, this has taken an enormous amount of time.
7 We have them identified. We are ready to bring them
8 into a motion --

9 THE COURT: You have them identified, but
10 what are you coughing up?

11 MS. MILLER: There are documents -- I
12 mean, specifically there are documents where there
13 was a woman who was responsible for drafting some of
14 the policies who mistakenly was identified as an
15 attorney. We've now realized she's not an attorney
16 and, therefore, the communications are not
17 privileged, so we're producing that set of
18 documents.

19 THE COURT: Okay. It sounds like we might
20 still have an issue regarding documents that have
21 been withheld on the basis of privilege, but
22 plaintiff needs to see the revised privilege log to
23 be able to know what they want to fight about.

24 MS. MILLER: I believe that's correct.

25 THE COURT: Okay.

1 MR. GODKIN: Your Honor, the other thing
2 that we have asked for, you -- your last order
3 directed Facebook to submit a -- this glossary.

4 THE COURT: Yes.

5 MR. GODKIN: And we got a letter, one-page
6 letter, with 81 people identified as attorneys and
7 12 as non-attorney legal staff. We asked them to
8 give us some more information about those people.

9 THE COURT: On the non-attorneys.

10 MR. GODKIN: Well, the attorneys, what
11 their titles were; and everybody, what their dates
12 on which they held this position --

13 THE COURT: And your concern is that
14 somebody might be licensed to practice law but
15 they're not performing services as an attorney.

16 MR. GODKIN: Exactly that, Your Honor,
17 because one of them, this guy named Joe Sullivan,
18 according to his LinkedIn profile, was an attorney
19 for Facebook for some period of time but then took
20 on a non-attorney role.

21 So, what we've asked for is, you know, the
22 dates and the titles of these people so that when we
23 have the revised privilege log, we can -- we can
24 make a -- try to determine whether --

25 THE COURT: I think that's a fair request.

1 MS. MILLER: The concern here, Your Honor,
2 is that this is actually a very lengthy undertaking,
3 to pair up people's titles and when they held them.
4 And for the vast majority of the people on our
5 attorneys list, they only worked as attorneys for
6 Facebook, so --

7 THE COURT: So, let me try it this way:
8 Does Facebook have like a legal department, so to
9 speak?

10 MS. MILLER: I don't think they have a
11 department, but they have a group of individuals who
12 are responsible --

13 THE COURT: Well, sometimes it's called
14 in-house counsel, you know, an assistant in-house or
15 a legal department --

16 MS. MILLER: Yes. I think so, yes.

17 THE COURT: So -- but, if I'm over in
18 coding development, the fact that I have a law
19 degree -- I'm not really acting as a lawyer. So I'm
20 just wondering if there's a way to do it by
21 department or job title or something. They're
22 trying to figure out who is really in the thick of
23 the legal department in this.

24 MS. MILLER: I understand. I think we
25 went through and determined that these people were

1 lawyers. Again, there are some instances where we
2 realized that there was a mistake that was made.
3 And I don't want to commit to this because I know it
4 might be faulty, but I think specifically in the
5 instance of Joe Sullivan, we have gone through and
6 it is the case that he was working as an attorney
7 for Facebook for a certain amount of time and then
8 ceased to do so. And so, we have taken -- we're not
9 withholding any documents in that realm solely on
10 the basis that he was included in the communication.

11 So I guess one compromise -- I'm trying to
12 provide information while not sort of making --
13 setting up a lot of paperwork for us, is to the
14 extent that someone was working as both an attorney
15 and non-attorney at Facebook, we can provide those
16 dates and those -- I think that's maybe three or
17 four --

18 THE COURT: Well, that's okay, attorney
19 versus non-attorney time. I think that that's okay
20 to do that. And they wanted more identification of
21 people who were non-attorneys.

22 MS. MILLER: I don't know if that was
23 actually requested, but --

24 MR. GODKIN: We asked for job titles.

25 THE COURT: Yeah, I thought it was. They

1 wanted to know, if they were secretary licking
2 stamps or a certified paralegal or what they are.

3 MS. MILLER: We can -- I think for those
4 12 people, we can do that. I don't think that would
5 be burdensome.

6 THE COURT: Okay. So I think you should
7 give that additional information.

8 MR. GODKIN: Your Honor, could we ask --
9 could we get a date set to them to provide both of
10 these things? I think, in fairness, there likely
11 still will need to be a motion on this issue, but --

12 THE COURT: Yeah. But you have to have
13 the information before we can see if there's a
14 motion. I agree.

15 MR. GODKIN: And we're trying to move this
16 along as quickly as we can.

17 THE COURT: I appreciate that. So, let's
18 see.

19 All right. Two weeks?

20 MS. MILLER: That would be great. And I
21 think if it's -- as long as we're doing the exercise
22 of the additional glossary, I think it makes sense
23 to do everything together so if we -- so the 25th, I
24 guess, would be the date. September 25th, we can
25 produce a revised privilege log, any additional

1 documents, and the glossary that we're talking
2 about.

3 THE COURT: Well, you said you could do it
4 tomorrow.

5 MS. MILLER: We could --

6 THE COURT: So why should I delay it for
7 two weeks, for what you could have tomorrow, that
8 you promised to give today?

9 MS. MILLER: Tomorrow is fine. We may end
10 up giving them a supplemental log, but --

11 THE COURT: So give them a second
12 supplemental, but they'd like to start reading the
13 first supplemental.

14 MS. MILLER: We will do that tomorrow.

15 THE COURT: Great.

16 So we very thoroughly need the next
17 discovery conference.

18 MR. GODKIN: Your Honor, can I raise a
19 couple of issues before we set that?

20 THE COURT: Yes. Go right ahead.

21 MR. GODKIN: Two things. The -- now I'm
22 look at our letter. I think the only thing that we
23 didn't cover is the deposition of this gentleman
24 named Hadi Partovi [phonetic].

25 THE COURT: Oh, let me find that. Hang

1 on.

2 MR. GODKIN: It's on page 8 of my letter
3 to you on --

4 THE COURT: Oh, yes. Here it is. I'm
5 sorry. I skipped over that.

6 MR. GODKIN: And the reason we include
7 this, Your Honor --

8 THE COURT: And he's in Seattle.

9 MR. GODKIN: -- if you recall, we -- I was
10 criticized by Facebook for making the arrangements
11 to depose Dr. Hogan without consulting them, so I
12 notified them sometime ago that we wanted to take
13 Mr. Partovi's deposition, asked them to work with me
14 on getting a date that works for everybody, and I
15 just simply haven't heard anything. So it's really
16 not an issue for you --

17 THE COURT: No, but you're -- you're
18 letting them know you want to depose this person,
19 and while you're meeting and conferring on all these
20 depositions, you want to pick a date, right?

21 MR. GODKIN: Right.

22 THE COURT: You have -- do you have
23 available dates for this witness?

24 MR. GODKIN: I would need to contact him
25 for, but I was hoping -- and, in fact, if Ms. Miller

1 will agree to talk to me about it, we can, I'm sure,
2 find a date that works for everybody, including the
3 witness. But it was just an outstanding issue. I
4 don't think we really need your -- too much from
5 you.

6 THE COURT: No. But I agree with sitting
7 and working out these dates.

8 MS. MILLER: I actually agree. We were
9 actually waiting for them to provide us with
10 potential dates for the witness. I didn't realize
11 that they were waiting on information from us. I
12 think we're amenable to find dates with the
13 witnesses that we need to produce.

14 MR. GODKIN: And we can resolve that.

15 And the only thing is -- you know, this
16 relates to the next discovery conference. We have
17 the hearing on the -- the demurrer that was filed
18 for October 4th. I just this morning raised with
19 Facebook's counsel whether they might be willing to
20 stipulate to change that date because something has
21 come up in my schedule that is going to make that
22 difficult.

23 THE COURT: Okay.

24 MR. GODKIN: And so, if the Court is
25 amenable, may I suggest that we try to agree on some

1 dates that work for that? And we could also do
2 another discovery conference at the same time and
3 then contact --

4 THE COURT: Okay. When do you want to
5 move it to?

6 MR. GODKIN: Well, because -- I don't know
7 yet. Ms. Miller needs to consult with her team.
8 Not all of them are here. I need to consult --

9 THE COURT: You need to consult with your
10 team to know when we're going to move a demurrer
11 hearing?

12 MS. MILLER: I want to -- our lead counsel
13 is not here -- isn't here today. So, before I agree
14 to schedule a deposition, where she has a conflict
15 instead of counsel having a conflict --

16 THE COURT: Slow down, because you just
17 said "deposition."

18 MS. MILLER: I'm sorry.

19 THE COURT: We're talking about a hearing
20 on demurrer and discovery.

21 MS. MILLER: Yes. So, before we
22 accommodate Mr. Godkin's conflict on the 4th, I
23 wasn't to make sure that -- we don't know if
24 Ms. Mehta has a conflict.

25 THE COURT: So why don't we see if we

1 could agree on a couple dates, and can you get on
2 the phone?

3 MS. MILLER: Potentially.

4 THE COURT: And figure that out. And we
5 can then figure it out.

6 MS. MILLER: I'm happy to try.

7 THE COURT: So, when are you thinking of,
8 Mr. Godkin, is --

9 MR. GODKIN: I was hoping -- for the 4th,
10 I was hoping for the following Wednesday, which is
11 the 11th or the -- Thursday, the 12th, would both
12 work or --

13 THE COURT: The 11th, I already have a
14 10:00 and a 2:00, so I'd have to do 9:00. I'm wide
15 open on the 12th.

16 MR. GODKIN: The 12th works for me, any
17 time. And also, if we look at the following week,
18 the 18th or the 19th are also available.

19 THE COURT: The 19th, I have wide open.
20 So either the Thursday the 12th or the 19th.

21 MR. GODKIN: I will put on the 19th.

22 THE COURT: You want to go make a call?

23 MS. MILLER: Sure.

24 THE COURT: All right. We'll wait a
25 minute and see if that works out, and then we'll

1 just move the demurrer to that date, and --

2 MR. GODKIN: And the discovery cutoff.

3 THE COURT: Discovery for October 12th or
4 19th.

5 MR. GODKIN: Both are Thursdays.

6 That's all I had, Your Honor.

7 THE COURT: Okay. We'll go off the
8 record.

9 (Off the record, 11:20 a.m. - 11:22 a.m.)

10 THE COURT: Any word?

11 MS. MILLER: I was unable to reach her.

12 But, as we're all here, why don't we go ahead and
13 set it for October the 12th.

14 THE COURT: Great. Let's do it. What
15 time do you want?

16 MR. GODKIN: 9:00 a.m., Your Honor, works
17 for me.

18 MS. MILLER: That's fine.

19 THE COURT: Great. So, that will be for
20 demurrer and the discovery conference.

21 And let's revise the briefing schedule,
22 then.

23 MR. GODKIN: I think the only thing that's
24 left is the reply brief.

25 THE COURT: Okay. Well, I need the reply

1 a week before, unless you want to leave it the same
2 dates.

3 MS. MILLER: We can leave it the same
4 days.

5 THE COURT: Okay. Fine. Then we won't
6 change anything.

7 All right. Anything else while we're here
8 together?

9 MR. GODKIN: Nothing from Plaintiff, Your
10 Honor.

11 MS. MILLER: Nothing from Facebook, Your
12 Honor.

13 THE COURT: Okay. And I will do the order
14 on these new dates since we have a piece of paper.

15 We have a CMC? Yeah. Yeah, we better do
16 CMC in this Court. And after the pleadings, we need
17 to start mapping things out.

18 All right. Great. Thank you. We'll be
19 in recess.

20 THE COURT REPORTER: Mr. Godkin, do you
21 need a copy?

22 MR. GODKIN: Yeah. I think we said we
23 would split at least the portion -- whatever the --
24 I'll pay for half of the non-expedited copy.

25 (Proceedings adjourned, 11:25 a.m.)

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COURT REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN MATEO)
_____)

I, Hanna Kim, hereby certify:

I am a duly qualified Certified Shorthand Reporter, in the State of California, holder of Certificate Number CSR 13083, issued by the Court Reporters Board of California and which is in full force and effect.

I am not financially interested in this action and am not a relative or employee of any attorney of the parties, or of any of the parties.

I am the reporter that stenographically recorded the testimony in the foregoing proceeding and the foregoing transcript is a true record of the testimony given.

Dated: September 20, 2017



Hanna Kim, CLR, CSR No. 13083

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EXHIBIT 207

Cal Code Civ Proc § 437c, Part 1 of 2

Deering's California Codes are current through Chapter 6 of the 2018 Regular Session.

- [Deering's California Codes Annotated](#)
- [CODE OF CIVIL PROCEDURE](#)
- [Part 2 Of Civil Actions](#)
- [Title 6 Of the Pleadings in Civil Actions](#)
- [Chapter 5 Summary Judgments and Motions for Judgment on the Pleadings](#)

§ 437c. Summary judgment

- (a)
 - (1) A party may move for summary judgment in an action or proceeding if it is contended that the action has no merit or that there is no defense to the action or proceeding. The motion may be made at any time after 60 days have elapsed since the general appearance in the action or proceeding of each party against whom the motion is directed or at any earlier time after the general appearance that the court, with or without notice and upon good cause shown, may direct.
 - (2) Notice of the motion and supporting papers shall be served on all other parties to the action at least 75 days before the time appointed for hearing. If the notice is served by mail, the required 75-day period of notice shall be increased by 5 days if the place of address is within the State of California, 10 days if the place of address is outside the State of California but within the United States, and 20 days if the place of address is outside the United States. If the notice is served by facsimile transmission, express mail, or another method of delivery providing for overnight delivery, the required 75-day period of notice shall be increased by two court days.
 - (3) The motion shall be heard no later than 30 days before the date of trial, unless the court for good cause orders otherwise. The filing of the motion shall not extend the time within which a party must otherwise file a responsive pleading.
- (b)
 - (1) The motion shall be supported by affidavits, declarations, admissions, answers to interrogatories, depositions, and matters of which judicial notice shall or may be taken. The supporting papers shall include a separate statement setting forth plainly and concisely all material facts that the moving party contends are undisputed. Each of the material facts stated shall be followed by a reference to the supporting evidence. The failure to comply with this requirement of a separate statement may in the court's discretion constitute a sufficient ground for denying the motion.
 - (2) An opposition to the motion shall be served and filed not less than 14 days preceding the noticed or continued date of hearing, unless the court for good

cause orders otherwise. The opposition, where appropriate, shall consist of affidavits, declarations, admissions, answers to interrogatories, depositions, and matters of which judicial notice shall or may be taken.

- (3) The opposition papers shall include a separate statement that responds to each of the material facts contended by the moving party to be undisputed, indicating if the opposing party agrees or disagrees that those facts are undisputed. The statement also shall set forth plainly and concisely any other material facts the opposing party contends are disputed. Each material fact contended by the opposing party to be disputed shall be followed by a reference to the supporting evidence. Failure to comply with this requirement of a separate statement may constitute a sufficient ground, in the court's discretion, for granting the motion.
 - (4) A reply to the opposition shall be served and filed by the moving party not less than five days preceding the noticed or continued date of hearing, unless the court for good cause orders otherwise.
 - (5) Evidentiary objections not made at the hearing shall be deemed waived.
 - (6) Except for subdivision (c) of [Section 1005](#) relating to the method of service of opposition and reply papers, [Sections 1005](#) and 1013, extending the time within which a right may be exercised or an act may be done, do not apply to this section.
 - (7) An incorporation by reference of a matter in the court's file shall set forth with specificity the exact matter to which reference is being made and shall not incorporate the entire file.
- (c) The motion for summary judgment shall be granted if all the papers submitted show that there is no triable issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. In determining if the papers show that there is no triable issue as to any material fact, the court shall consider all of the evidence set forth in the papers, except the evidence to which objections have been made and sustained by the court, and all inferences reasonably deducible from the evidence, except summary judgment shall not be granted by the court based on inferences reasonably deducible from the evidence if contradicted by other inferences or evidence that raise a triable issue as to any material fact.
 - (d) Supporting and opposing affidavits or declarations shall be made by a person on personal knowledge, shall set forth admissible evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated in the affidavits or declarations. An objection based on the failure to comply with the requirements of this subdivision, if not made at the hearing, shall be deemed waived.
 - (e) If a party is otherwise entitled to summary judgment pursuant to this section, summary judgment shall not be denied on grounds of credibility or for want of cross-examination of witnesses furnishing affidavits or declarations in support of the summary judgment, except that summary judgment may be denied in the discretion of the court if the only proof of a material fact offered in support of the summary judgment is an affidavit or declaration made by an individual who was the sole witness to that fact; or if

a material fact is an individual's state of mind, or lack thereof, and that fact is sought to be established solely by the individual's affirmation thereof.

- (f)
 - (1) A party may move for summary adjudication as to one or more causes of action within an action, one or more affirmative defenses, one or more claims for damages, or one or more issues of duty, if the party contends that the cause of action has no merit, that there is no affirmative defense to the cause of action, that there is no merit to an affirmative defense as to any cause of action, that there is no merit to a claim for damages, as specified in [Section 3294 of the Civil Code](#), or that one or more defendants either owed or did not owe a duty to the plaintiff or plaintiffs. A motion for summary adjudication shall be granted only if it completely disposes of a cause of action, an affirmative defense, a claim for damages, or an issue of duty.
 - (2) A motion for summary adjudication may be made by itself or as an alternative to a motion for summary judgment and shall proceed in all procedural respects as a motion for summary judgment. A party shall not move for summary judgment based on issues asserted in a prior motion for summary adjudication and denied by the court unless that party establishes, to the satisfaction of the court, newly discovered facts or circumstances or a change of law supporting the issues reasserted in the summary judgment motion.
- (g) Upon the denial of a motion for summary judgment on the ground that there is a triable issue as to one or more material facts, the court shall, by written or oral order, specify one or more material facts raised by the motion that the court has determined there exists a triable controversy. This determination shall specifically refer to the evidence proffered in support of and in opposition to the motion that indicates that a triable controversy exists. Upon the grant of a motion for summary judgment on the ground that there is no triable issue of material fact, the court shall, by written or oral order, specify the reasons for its determination. The order shall specifically refer to the evidence proffered in support of and, if applicable, in opposition to the motion that indicates no triable issue exists. The court shall also state its reasons for any other determination. The court shall record its determination by court reporter or written order.
- (h) If it appears from the affidavits submitted in opposition to a motion for summary judgment or summary adjudication, or both, that facts essential to justify opposition may exist but cannot, for reasons stated, be presented, the court shall deny the motion, order a continuance to permit affidavits to be obtained or discovery to be had, or make any other order as may be just. The application to continue the motion to obtain necessary discovery may also be made by ex parte motion at any time on or before the date the opposition response to the motion is due.
- (i) If, after granting a continuance to allow specified additional discovery, the court determines that the party seeking summary judgment has unreasonably failed to allow the discovery to be conducted, the court shall grant a continuance to permit the discovery to go forward or deny the motion for summary judgment or summary adjudication. This

section does not affect or limit the ability of a party to compel discovery under the Civil Discovery Act (Title 4 (commencing with [Section 2016.010](#)) of Part 4).

- (j) If the court determines at any time that an affidavit was presented in bad faith or solely for the purpose of delay, the court shall order the party who presented the affidavit to pay the other party the amount of the reasonable expenses the filing of the affidavit caused the other party to incur. Sanctions shall not be imposed pursuant to this subdivision except on notice contained in a party's papers or on the court's own noticed motion, and after an opportunity to be heard.
- (k) Unless a separate judgment may properly be awarded in the action, a final judgment shall not be entered on a motion for summary judgment before the termination of the action, but the final judgment shall, in addition to any matters determined in the action, award judgment as established by the summary proceeding provided for in this section.
- (l) In an action arising out of an injury to the person or to property, if a motion for summary judgment is granted on the basis that the defendant was without fault, no other defendant during trial, over plaintiff's objection, may attempt to attribute fault to, or comment on, the absence or involvement of the defendant who was granted the motion.
- (m)
 - (1) A summary judgment entered under this section is an appealable judgment as in other cases. Upon entry of an order pursuant to this section, except the entry of summary judgment, a party may, within 20 days after service upon him or her of a written notice of entry of the order, petition an appropriate reviewing court for a peremptory writ. If the notice is served by mail, the initial period within which to file the petition shall be increased by five days if the place of address is within the State of California, 10 days if the place of address is outside the State of California but within the United States, and 20 days if the place of address is outside the United States. If the notice is served by facsimile transmission, express mail, or another method of delivery providing for overnight delivery, the initial period within which to file the petition shall be increased by two court days. The superior court may, for good cause, and before the expiration of the initial period, extend the time for one additional period not to exceed 10 days.
 - (2) Before a reviewing court affirms an order granting summary judgment or summary adjudication on a ground not relied upon by the trial court, the reviewing court shall afford the parties an opportunity to present their views on the issue by submitting supplemental briefs. The supplemental briefs may include an argument that additional evidence relating to that ground exists, but the party has not had an adequate opportunity to present the evidence or to conduct discovery on the issue. The court may reverse or remand based upon the supplemental briefs to allow the parties to present additional evidence or to conduct discovery on the issue. If the court fails to allow supplemental briefs, a rehearing shall be ordered upon timely petition of a party.
- (n)

- (1) If a motion for summary adjudication is granted, at the trial of the action, the cause or causes of action within the action, affirmative defense or defenses, claim for damages, or issue or issues of duty as to the motion that has been granted shall be deemed to be established and the action shall proceed as to the cause or causes of action, affirmative defense or defenses, claim for damages, or issue or issues of duty remaining.
 - (2) In the trial of the action, the fact that a motion for summary adjudication is granted as to one or more causes of action, affirmative defenses, claims for damages, or issues of duty within the action shall not bar any cause of action, affirmative defense, claim for damages, or issue of duty as to which summary adjudication was either not sought or denied.
 - (3) In the trial of an action, neither a party, a witness, nor the court shall comment to a jury upon the grant or denial of a motion for summary adjudication.
- (o) A cause of action has no merit if either of the following exists:
 - (1) One or more of the elements of the cause of action cannot be separately established, even if that element is separately pleaded.
 - (2) A defendant establishes an affirmative defense to that cause of action.
- (p) For purposes of motions for summary judgment and summary adjudication:
 - (1) A plaintiff or cross-complainant has met his or her burden of showing that there is no defense to a cause of action if that party has proved each element of the cause of action entitling the party to judgment on the cause of action. Once the plaintiff or cross-complainant has met that burden, the burden shifts to the defendant or cross-defendant to show that a triable issue of one or more material facts exists as to the cause of action or a defense thereto. The defendant or cross-defendant shall not rely upon the allegations or denials of its pleadings to show that a triable issue of material fact exists but, instead, shall set forth the specific facts showing that a triable issue of material fact exists as to the cause of action or a defense thereto.
 - (2) A defendant or cross-defendant has met his or her burden of showing that a cause of action has no merit if the party has shown that one or more elements of the cause of action, even if not separately pleaded, cannot be established, or that there is a complete defense to the cause of action. Once the defendant or cross-defendant has met that burden, the burden shifts to the plaintiff or cross-complainant to show that a triable issue of one or more material facts exists as to the cause of action or a defense thereto. The plaintiff or cross-complainant shall not rely upon the allegations or denials of its pleadings to show that a triable issue of material fact exists but, instead, shall set forth the specific facts showing that a triable issue of material fact exists as to the cause of action or a defense thereto.
- (q) In granting or denying a motion for summary judgment or summary adjudication, the court need rule only on those objections to evidence that it deems material to its disposition of the motion. Objections to evidence that are not ruled on for purposes of the motion shall be preserved for appellate review.

- (r) This section does not extend the period for trial provided by [Section 1170.5](#).
- (s) Subdivisions (a) and (b) do not apply to actions brought pursuant to Chapter 4 (commencing with [Section 1159](#)) of Title 3 of Part 3.
- (t) Notwithstanding subdivision (f), a party may move for summary adjudication of a legal issue or a claim for damages other than punitive damages that does not completely dispose of a cause of action, affirmative defense, or issue of duty pursuant to this subdivision.
 - (1)
 - (A) Before filing a motion pursuant to this subdivision, the parties whose claims or defenses are put at issue by the motion shall submit to the court both of the following:
 - (i) A joint stipulation stating the issue or issues to be adjudicated.
 - (ii) A declaration from each stipulating party that the motion will further the interest of judicial economy by decreasing trial time or significantly increasing the likelihood of settlement.
 - (B) The joint stipulation shall be served on any party to the civil action who is not also a party to the motion.
 - (2) Within 15 days of receipt of the stipulation and declarations, unless the court has good cause for extending the time, the court shall notify the stipulating parties if the motion may be filed. In making this determination, the court may consider objections by a nonstipulating party made within 10 days of the submission of the stipulation and declarations.
 - (3) If the court elects not to allow the filing of the motion, the stipulating parties may request, and upon request the court shall conduct, an informal conference with the stipulating parties to permit further evaluation of the proposed stipulation. The stipulating parties shall not file additional papers in support of the motion.
 - (4)
 - (A) A motion for summary adjudication made pursuant to this subdivision shall contain a statement in the notice of motion that reads substantially similar to the following: “This motion is made pursuant to subdivision (t) of [Section 437c of the Code of Civil Procedure](#). The parties to this motion stipulate that the court shall hear this motion and that the resolution of this motion will further the interest of judicial economy by decreasing trial time or significantly increasing the likelihood of settlement.
 - (B) The notice of motion shall be signed by counsel for all parties, and by those parties in propria persona, to the motion.
 - (5) A motion filed pursuant to this subdivision may be made by itself or as an alternative to a motion for summary judgment and shall proceed in all procedural respects as a motion for summary judgment.

EXHIBIT 208

1 Basil P. Fthenakis, Esq. (88399)
CRITERION LAW
2225 E. Bayshore Road, Suite 200
2 Palo Alto, California 94303
Tel. (650) 352-8400
3 Fax. (650) 352-8408
bpf@criterionlaw.com

4 Of counsel:

5 David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
6 BIRNBAUM & GODKIN, LLP
280 Summer Street
7 Boston, MA 02210
(617) 307-6100
godkin@birnbaumgodkin.com
8 kruzer@birnbaumgodkin.com

9 Attorneys for Plaintiff,
SIX4THREE, LLC, a Delaware
10 limited liability company

11 SUPERIOR COURT OF CALIFORNIA

12 COUNTY OF SAN MATEO

13 SIX4THREE, LLC, a Delaware limited
liability company,

14 Plaintiff,

15 v.

16 FACEBOOK, INC., a Delaware corporation
and DOES 1 through 50, inclusive

17 Defendants.

) Case No. CIV 533328
)
)

) **Assigned For All Purposes To Hon. Marie
S. Weiner, Dept. 2**
)

) **PLAINTIFF SIX4THREE, LLC'S
MEMORANDUM IN OPPOSITION
TO DEFENDANT FACEBOOK INC.'S
MOTION FOR SUMMARY
ADJUDICATION OF ISSUES**
)

) Unredacted Version of Document Lodged Under Seal
)

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1 **I. INTRODUCTION**

2 Facebook’s Motion for Summary Adjudication of Issues (“Motion”) depends entirely on
3 a misinterpretation of California law.¹ Specifically, Facebook argues that Section 1668 voids
4 the limitation of liability clause in Facebook’s Statement of Rights and Responsibilities
5 (“SRR”) *only as applied to intentional torts*. There is no basis for this position in California
6 law. Rather, it is well established that when a plaintiff alleges intentional torts, fraud or
7 violations of statutory law, then an exculpatory clause like the one Facebook relies upon in its
8 SRR is void *as regards all causes of action and regardless of whether the public interest is*
9 *affected*. An affirmation of Facebook’s twisted application of Section 1668 would constitute a
10 clear error of law. Moreover, even if Facebook’s backwards reading of Section 1668 were

11 ¹ Two additional issues merit a brief response because, although they are irrelevant to the
12 claims and defenses in this case, Facebook raises them in virtually every brief before the
13 Court. First, Facebook’s Motion makes the SRR sound like a free lunch for Developers by
14 suggesting that a limitation of liability clause is more likely to be enforced “where it relates
15 to a free service.” Motion, at 1. The TAC makes clear that Plaintiff was required to undertake
16 a host of costly obligations under the SRR that required the expenditure of a significant
17 portion of 643’s seed capital. *See* TAC ¶¶ 87-89. Facebook’s data came with a hefty cost for
18 643 and the many other Developers who relied upon it. Further, Facebook’s attempt to
19 downplay the SRR due to the lack of money directly exchanging hands is of no benefit to
20 Facebook in California. *See, e.g., Sutter v. General Petroleum Corp.* (Cal. 1946), 28 Cal. 2d
21 525, 170 P.2d 898, 1946 Cal. LEXIS 234 (plaintiff who was induced by fraud to take over an
oil lease in tidelands, and to spend time and effort in development of the project, which failed
because of such fraud, is entitled to recover the reasonable value of such time and effort,
even though he had no agreement with the defendant to compensate him for his services and
he expected to be compensated out of profits).

22 Second, Facebook’s repetitive argument that Plaintiff’s App had only made \$412 and was
therefore a failure is entirely disingenuous and misleading. Motion, at 1. This is because the
TAC makes clear, and Facebook is well aware, that Plaintiff made plans to market and
promote its App and released the App for testing on a trial basis, but that Facebook shut
down Plaintiff’s business before Plaintiff could ever publicly launch the App. *See* TAC ¶¶
98-99, 135-136. In sum, Facebook prevented Plaintiff from launching its business and is now
attempting to hold that against Plaintiff as if it were somehow within Plaintiff’s control.

1 public interest. The SRR is the most widely agreed upon contract in human history, with over 2
2 billion people and companies subject to its terms – terms that define important issues like what
3 level of control we have over our digital identity and who owns our digital information. If an
4 automobile repair contract meets the *Tunkl* criteria to void a limitation of liability clause
5 because it implicates the public interest, then surely the contract governing who owns much of
6 the world’s digital information satisfies this criteria as well. Further, the limitation of liability
7 is also void in California as applied to Plaintiff’s negligent interference claim as Facebook was
8 required to specifically exculpate itself for its own negligence and it is not disputed that the
9 SRR fails to do so. Finally, the limitation of liability is only a limitation of remedy and so it
10 would be improper for the Court to grant summary adjudication on any claim since, for
11 instance, Facebook’s Motion has no bearing on Plaintiff’s prayer for injunctive relief under
12 Section 17200.

11 **II. LEGAL STANDARD**

12 “A summary judgment is proper only if there is no triable issue of fact and, as a matter of
13 law, the moving party is entitled to judgment.” Cal. Code Civ. Proc., § 437c. In applying
14 section 437c, courts are limited to the facts shown in the affidavits and those admitted and
15 uncontested in the pleadings and are obligated to construe the moving party’s papers strictly
16 and the opposing party’s liberally. *See Corwin v. Los Angeles Newspaper Service Bureau, Inc.*
17 (1971) 4 Cal.3d 842, 851-852 [94 Cal.Rptr. 785, 484 P.2d 953]; *Garcia v. Wetzel* (1984) 159
18 Cal.App.3d 1093, 1095 [206 Cal.Rptr. 251]. Further, “summary judgment is a drastic
19 procedure to be used with caution, and doubts as to the propriety of granting the motion are
20
21

1 resolved in favor of the party opposing the motion.” *See Garcia v. Wetzel* (1984) 159
2 Cal.App.3d at 1095.²

3 **III. ARGUMENT**

4 **A. Facebook Has Not Resolved In Its Favor Questions of Fact That, If True as Alleged, 5 Would Void the Limitation of Liability Clause**

6 Plaintiff’s Third Amended Complaint (“TAC”) alleges that, unbeknownst to Plaintiff at
7 the time of agreeing to the SRR in December 2012, at the direction of CEO Mark Zuckerberg,
8 Facebook had already been violating the SRR and had decided to implement a scheme that
9 would cause Facebook to violate further its obligations under the SRR³. *See* Declaration of
10 David S. Godkin in Opposition to Facebook’s Motion for Summary Adjudication of Issues
11 (“Godkin Dec.”), ¶ 2, Ex. A, TAC ¶¶ 1-4, 13, 54, 85-86. The TAC further alleges that
12 Zuckerberg instructed Facebook executives to manage a campaign of concealment, to fabricate
13 a false and fraudulent public narrative, and to actively suppress material information in order to
14 continue to entice companies to invest in Facebook Platform and unjustly enrich Zuckerberg
15 and the executives in the process. *See* TAC ¶¶ 6-11, 13, 77-83, 100-117, 159-163. The TAC

14 ² Facebook's separate statement did not comply with Rule 3.1350(h) requiring that a separate
15 statement in the context of a motion for summary adjudication include a separate statement of
16 facts for each issue. Facebook provided only a single statement of facts spanning all three
17 issues, making it impossible for Plaintiff to evaluate and respond to the specific facts
18 supporting Facebook’s motions as to each of the three issues and thereby prejudicing
19 Plaintiff’s response. Failure to comply with these requirements can constitute grounds for
20 denying the motion in the discretion of the court. *See Frazee v. Seely* (2002) 95 Cal.App.4th
21 627, 636 [115 Cal.Rptr.2d 780] (A moving party's failure to comply with this requirement is, in
22 the court's discretion, proper grounds to deny the motion).

19 ³ “Zuckerberg implemented a plan to deny access to many applications on Facebook Platform
20 on the primary or exclusive basis that these applications were competitive.... Zuckerberg and
21 other Facebook executives actively, intentionally, recklessly, maliciously, oppressively,
22 fraudulently, and/or negligently concealed this decision to restrict data access...notwithstanding
that Facebook had a duty to disclose this material fact that applications relying upon this data
would no longer function and that any investment made by Developers in such applications
after the middle of 2012 would be irreparably damaged.” *See* TAC ¶¶ 1-4

1 specifically alleges that Zuckerberg personally induced these investments by Developers with
2 full knowledge they would be irreparably damaged. *See* TAC ¶¶ 27-40, 43, 48, 49, 52, 62-63,
3 93, 94, 104, 109, 118-126. Further, the TAC specifically alleges that this fraudulent scheme
4 constitutes the alleged conduct that gives rise not only to Plaintiff's causes of action that sound
5 in tort and fraud, but also its claim under Cal. Bus. & Prof. Code § 17200. *See* TAC ¶¶ 11, 13,
6 165-168, 173, 177, 178.

7 Plaintiff has produced ample evidence in support of its allegations in the TAC, which
8 have been confirmed by Facebook's own PMQ. For instance, Plaintiff has demonstrated via the
9 PMQ's testimony that Facebook lied to the public regarding its reasons for the Graph API data
10 restrictions. *See* Godkin Dec., ¶ 3, Ex. B, Supplemental Memo In Support of Motion for Leave
11 to File TAC ("Supplemental Memo"), at 1-2 ("Facebook told the public the APIs were rarely
12 used and yet Facebook's own internal data and its own VP of Engineering make clear that the
13 data Facebook removed was the most widely used data in Facebook Platform and represented a
14 majority of the available APIs"). Plaintiff has provided evidence showing that the reason
15 Facebook lied to the public is to conceal the fraudulent scheme Zuckerberg designed in the
16 context of discussions regarding the Facebook Platform business model, regarding which
17 Facebook's own PMQ admitted Zuckerberg was "directly involved." Supplemental Memo, at
18 2. It cannot be disputed that Zuckerberg personally made the decision that shut down Plaintiff's
19 business in 2012. For instance, on November 19, 2012, Zuckerberg wrote an email to Vernal,
20 Lessin, Cox, Oliven, Sandberg and others in which he states:

21 After thinking about the platform business model for a long time...I think we
22 should go with full reciprocity and access to app friends for no charge. Full
reciprocity means that apps are required to give any user who connects to FB a
prominent option to share all of their social content...back to Facebook.... My
guess is that [developers] should still rationally want to connect with Facebook at
these levels, but if they don't then that probably means they're competitive with
us and we're better off not letting them integrate with us anyway. This all makes
me think full reciprocity is the way to go.

1 See Godkin Dec., ¶ 4, Ex. C (FB-01155760-61). Zuckerberg then goes on to write that “in any
2 model, I’m assuming we enforce our policies against competitors much more strongly” and
3 that a premium invite channel “will replace access to non-app friends,” one of the key APIs
4 Plaintiff’s business depended upon. *Id.* (FB-01155762-63). There can be no doubt from this
5 exchange that Zuckerberg personally made the decision that shut down Plaintiff’s business
6 before Plaintiff even entered into the SRR in December 2012. Further, it cannot be disputed
7 that Facebook and its executives were aware of Plaintiff when implementing these anti-
8 competitive data restrictions, as Plaintiff’s company name and app appear in the spreadsheet
9 Facebook executives and employees circulated when tracking companies who would be shut
10 down based on Facebook’s fraudulent scheme. *See* Godkin Dec., ¶ 9, Ex. H. The PMQ also
11 confirmed that Facebook had already been violating the SRR as early as 2011 with anti-
12 competitive data restrictions against YouTube, Twitter and others, decisions in which the PMQ
13 admitted Zuckerberg participated. Supplemental Memo, at 3. The PMQ further admitted that
14 Facebook’s Director of Engineering, Doug Purdy, communicated to other employees that
15 Zuckerberg had stated the “key thing” they were going to change about Facebook Platform was
16 to replace fair and equal access to data with a principle that companies could only access data
17 if they purchased advertisements in Facebook’s mobile newsfeed advertising product, which is
18 now Facebook’s single largest revenue stream. Supplemental Memo, at 5. Zuckerberg’s top
19 lieutenant, Sam Lessin, enforced this goal at a minimum spend of \$250,000 per year.
20 Supplemental Memo, at 6. The PMQ also admitted that Facebook struck “many, many, many”
21 of these deals in which data previously provided on fair and equal terms was provided via a
22 “whitelisted API, meaning it’s not, like, publicly available to everyone.” Supplemental Memo,
at 6.

1 The allegations of the TAC and the ample evidence summarized in Plaintiff's
2 Supplemental Memo raise a wide range of triable questions of fact that are never even
3 mentioned in Facebook's Motion, let alone resolved in Facebook's favor. Perhaps most
4 important among them is the question as to whether Facebook fraudulently induced Plaintiff to
5 enter into the SRR in the first place. A related important question of fact yet to be resolved
6 concerns whether Facebook had any intention of performing its obligations under the SRR,
7 particularly in light of the fact that Zuckerberg had decided to remove rights to data required
8 under the SRR *before Plaintiff even entered into the contract*. See TAC ¶¶ 3, 5, 9, 109, 135. It
9 is well established in California that exculpatory clauses can be unenforceable when a plaintiff
10 demonstrates this kind of deceptive intent in inducing a party to enter a contract. See, e.g.,
11 *Klein v. Asgrow Seed Co.* (1966) 246 Cal.App.2d 87, 89 [54 Cal.Rptr. 609] (holding an
12 exculpatory clause void because a seed manufacturer knowingly misrepresented the type of
13 seed it sold). Facebook is in no position to resolve these important questions of fact in its favor
14 and it would be a clear error of law for the Court to resolve these questions in a manner
15 unfavorable to Plaintiff at this stage.

14 **B. Section 1668 Voids Facebook's Limitation of Liability As Applied to All Causes of
Action**

15 California courts have consistently applied Section 1668 to void provisions of a contract
16 as against public policy when they insulate the defendant from his own fraud, and in all cases,
17 such provisions are void as applied to all claims and regardless of whether the public interest is
18 affected. See TAC ¶¶ 191-193. "[S]ection 1668 prohibits the enforcement of any contractual
19 clause that seeks to exempt a party from liability for violations of statutory and regulatory law,
20 regardless of whether the public interest is affected." See *Health Net of California, Inc. v.*
21 *Department of Health Services* (2003) 113 Cal.App.4th 224, 235 [6 Cal.Rptr.3d 235]; see also
Capri v. L.A. Fitness International, LLC (2006) 136 Cal.App.4th 1078, 1084 [39 Cal.Rptr.3d

1 425]; *Gardner v. Downtown Porsche Audi* (1986) 180 Cal.App.3d 713, 716 [225 Cal.Rptr.
2 757]; *Blankenheim v. E. F. Hutton & Co.* (1990) 217 Cal. App. 3d 1463, 1471–1472 [266 Cal.
3 Rptr. 593]; *Nunes Turfgrass, Inc. v. Vaughan-Jacklin Seed Co.* (1988) 200 Cal. App. 3d 1518,
4 1538 [246 Cal. Rptr. 823]; *Mills v. Ruppert* (1959) 167 Cal.App.2d 58 [333 P.2d 818]; *Gavin*
5 *W. v. YMCA of Metropolitan Los Angeles* (2003) 106 Cal.App.4th 662, 670–671 [131 Cal.
6 Rptr. 2d 168]; *Werner v. Knoll* (1948) 89 Cal. App. 2d 474, 475–476 [201 P.2d 45]. In other
7 words, the mere fact that Plaintiff has alleged *either* a valid Section 17200 violation or any
8 valid allegations of fraudulent or tortious conduct triggers Section 1668 to void Facebook’s
9 limitation of liability as to all causes of action, including breach of contract. *See Civic Ctr.*
10 *Drive Apts. Ltd. P’ship. v. Southwestern Bell Video Servs.* (N.D.Cal. 2003) 295 F.Supp.2d
11 1091.

12 In *Civic Ctr. Drive Apts. Ltd. P’ship. v. Southwestern Bell Video Servs*, the Northern
13 District of California, applying California law, rejected the precise argument Facebook makes
14 regarding Section 1668 not applying to a cause of action for breach of contract:

15 Defendants assert that § 1668 cannot apply because Plaintiffs' claims sound in
16 contract rather than tort. While there do not appear to be any cases that are
17 directly on point, the Court is not persuaded that California courts would draw
18 such a distinction. In essence, Defendant asks this Court to hold that a limitation
19 of liability provision may be enforced - even if it insulates a party from damages
20 resulting from its own fraudulent acts -- where a plaintiff alleges only breach of
21 contract claims and does not assert a tort cause of action. Such a result is not
22 required by the plain language of § 1668, which does not expressly limit the rule
to tort claims. In addition, such an approach appears to contradict the Court's
discussion of § 2782.5 in *Markborough*.

In *Markborough*, the court addressed whether or not a limitation of liability clause
could be enforced in an action for breach of a construction contract. 227 Cal. App.
3d at 708. After examining the legislative history of § 2782.5, the court concluded
that that provision was intended to reaffirm existing law, including the generally
accepted rule that a limitation of liability provision will be enforced *unless* the
provision is unconscionable or otherwise against public policy. *Id.* at 712, 714.
Although the court ultimately concluded that these exceptions did not apply, the
implication of *Markborough* is that a limitation of liability provision may be

1 unenforceable if it is in violation of public policy, *even if* the plaintiff asserts only
2 a breach of contract claim.

3 *Id.* at 1105-1106; *see also Navcom Tech., Inc. v. Oki Electric Indus. Co., Ltd.*, No. 12-04175,
4 2014 U.S. Dist. LEXIS 32159, 2014 WL 991102, at *9 (N.D. Cal. Mar. 11, 2014). The *Civic*
5 *Ctr.* court goes on to note that Section 1668 invalidates limitation of liability clauses where
6 evidence “could lead to the conclusion that [the plaintiff’s] consequential damages resulted
7 from [the defendant’s] fraudulent concealment” of its breach of contract. *Id.* This is
8 particularly true here as the TAC clearly establishes as the basis for its Section 17200 cause of
9 action the fraudulent scheme designed by Zuckerberg that induced Plaintiff to enter into the
10 contract in the first place. *See* TAC ¶¶ 11, 13, 177-178; *see Berryman v. Merit Prop. Mgmt.,*
11 *Inc.*, 152 Cal. App. 4th 1544, 1554, 62 Cal. Rptr. 3d 177 (Cal. Ct. App. 2007) (“Because
12 [section 17200] is written in the disjunctive, it establishes three varieties of unfair competition
13 — acts or practices which are unlawful, or unfair, or *fraudulent.*”) (emphasis added).

14 There can be no doubt that the gravamen of the TAC is that Zuckerberg’s fraudulent and
15 tortious scheme decided upon in 2012 gives rise to Plaintiff’s causes of action that sound
16 independently in tort and fraud and serve as a basis for Plaintiff’s Section 17200 claim. *See*
17 TAC ¶¶ 1-4, 6-11, 13, 54, 77-83, 85-86, 100-117, 159-163. The TAC alleges specifically that
18 Plaintiff was fraudulently induced to enter the SRR as Facebook had decided to deny Plaintiff
19 its rights under the SRR *before Plaintiff even entered into the SRR with Facebook.* *See* TAC ¶
20 3, 5, 9, 109, 135. The TAC makes clear that unbeknownst to Plaintiff, Facebook had been
21 repeatedly violating the SRRs by providing *unequal rights* to the required Graph API data, a
22 fact which Plaintiff only learned after reviewing Facebook’s initial production. *See* TAC ¶
186. The TAC further alleges that on April 30, 2015 Facebook ceased providing *any rights*
whatsoever to the required Graph API data, another distinct breach of Facebook’s obligations
under the SRR. *See* TAC ¶ 185. In sum, the TAC alleges clearly that Facebook and its

1 executives engaged in independently wrongful, fraudulent and tortious conduct and this
2 conduct gives rise to Plaintiff's Section 17200 claim and its allegations that it was fraudulently
3 induced to enter into the SRR.

4 For this reason, the cases cited by Facebook do not apply. For instance, *Darnaa LLC v.*
5 *Google Inc.* is inapposite as Darnaa's operative complaint never alleged any wrongful, tortious
6 or fraudulent conduct. *Darnaa, LLC v. Google Inc.* (N.D.Cal. May 16, 2017, No. C 15-03221
7 WHA) 2017 U.S.Dist.LEXIS 74521, at *5-6, *20 ("Here, Darnaa, LLC has not alleged that
8 Google acted fraudulently, or that it willfully or intentionally injured Darnaa's person or
9 property"). The *Darnaa* court notes that "[s]everal decisions recognized that Section 1668
10 could invalidate a limitation-of-liability clause *as applied to a contract claim* if it insulated the
11 contractor from its own fraud." *Id.*, at *19-20 (emphasis added). The same is true of the only
12 case Facebook relies upon in support of its argument that the limitation of liability clause caps
13 damages under Plaintiff's Section 17200 claim. The plaintiff in *Nat'l Rural Telcoms. Coop. v.*
14 *DIRECTV, Inc.* did not allege any fraudulent, tortious or independent wrongful conduct. That
15 case was a simple breach of contract action and the Section 17200 claim could only have arisen
16 from that breach of contract. *See Nat'l Rural Telcoms. Coop. v. DIRECTV, Inc.* (C.D.Cal.
17 2003) 319 F.Supp.2d 1040.

18 Similarly, the court in *Food Safety Net Services v. Eco Safe Systems USA, Inc.* found no
19 viable cause of action for fraud or any intentional tort as the plaintiff provided no facts to
20 support its claim that "the defendant did not intend to honor its contractual promises when they
21 were made." *See Food Safety Net Services v. Eco Safe Systems USA, Inc.* (2012) 209
22 Cal.App.4th 1118, 1131 [147 Cal.Rptr.3d 634]. In sharp contrast to all the cases relied upon by
Facebook, Plaintiff has produced ample evidence in support of the allegations in its TAC that
by October 2012, unbeknownst to Plaintiff, Zuckerberg had already decided to cause Facebook

1 to breach its obligations under the SRR.⁴ Far from resolving these questions of fact in
2 Facebook's favor, Facebook's own PMQ has admitted these allegations in the TAC. *See*
3 Supplemental Memo, at 4. In particular, Facebook's PMQ admitted that Vernal's email of
4 October 31, 2012 states that he, Zuckerberg and others decided to restrict the very data upon
5 which Plaintiff's business depended to "competitive" applications.⁵ Independent of the wealth
6 of additional evidence in the record regarding Zuckerberg's fraudulent scheme, this email
7 alone is sufficient to raise a triable issue of fact as to whether Facebook had any intention of
8 performing its obligations under its contract with Plaintiff since it had already decided to
9 remove rights to the data it was obligated to provide in the SRR before Plaintiff entered into
10 the contract.

11 The *Health Net* court made clear that, in such circumstances, if Facebook "would be
12 otherwise liable for damages for the violation of law...the exculpatory clause here cannot serve
13 to bar the recovery of damages and is unenforceable." *Health Net* (2003) 113 Cal.App.4th at
14 235. The *Health Net* court explicitly rejected the argument of the lower court, who "reasoned
15 to the contrary that Section 1668 was not violated because the exculpatory clause was not part
16 of a transaction that affected the public interest within the meaning of the Supreme Court's
17 decision in *Tunkl*." *Id.* The *Health Net* court further rejected defendant's argument, identical to

18 ⁴ "Hendrix confirmed that in October 2012, Vernal announced to a group of Facebook
19 employees that he, Zuckerberg and others had engaged in discussions for months around the
20 Platform Business Model and that they decided as part of these discussions to restrict the full
21 friends list, friend permissions and newsfeed APIs in order to stifle competition."
Supplemental Memo, at 4.

22 ⁵ Hendrix admits at 86:4-93 in her testimony that Vernal wrote: "We're going to dramatically
reduce the data we expose via the Read API... We are going to change friends.get to only
return friends that are also using the app.... Since friends.get will only return other TOSed
users' data, that means we no longer need the friend_* permissions. We are going to
remove/whitelist access to the Stream APIs [Newsfeed API].... We are going to limit the
ability for competitive networks to use our platform without a formal deal in place.... We are
going to require that all platform partners agree to data reciprocity." Supplemental Memo, at 4,
fn. 4.

1 the one espoused by Facebook here, that the exculpatory clause is not invalid because it “only
2 excludes money damage remedies, not equitable relief,” finding that an “exculpation of any
3 liability for *any* damages for *any* statutory violation surely rises to the level of an ‘exemption
4 from responsibility’ within the meaning of the plain language of Section 1668. *Id.*, at 239.

5 In doing so, the *Health Net* court distinguished *Farnham v. Superior Court*, which
6 Facebook relies upon to support its misinterpretation of Section 1668, on a number of grounds.
7 *See Health Net* (2003) 113 Cal.App.4th at 240; *see also Farnham v. Superior Court* (1997) 60
8 Cal.App.4th 69 [70 Cal.Rptr.2d 85]. First, the *Health Net* court recognized that the *Farnham*
9 court made clear its decision was based on the fact that the plaintiff was seeking “another bite
10 at the defamation apple,” as the plaintiff had already won in arbitration full redress for the
11 harm caused to it. *Id.* at 240. Second, *Health Net* makes clear that *Farnham* “erroneously
12 claimed that no case had invalidated a limitation-on-liability provision under Section 1668.” *Id.*
13 Finally, *Health Net* made clear that *Farnham* did not address exculpation involving statutory
14 violations. *Id.*

15 Plaintiff is clearly entitled to seek compensatory and punitive damages based on fraud
16 and breach of contract as the TAC specifically alleges that Facebook and certain senior
17 executives acted with malice, bad faith and fraudulent intent in inducing Plaintiff to enter into
18 the contract. *See Rosener v. Sears, Roebuck & Co.* (1980) 110 Cal.App.3d 740, 754-755 [168
19 Cal.Rptr. 237]. (“Respondents’ actions for fraud and breach of contract did not limit them to
20 out-of-pocket or benefit-of-the-bargain losses. Pursuant to section 3333 of the Civil Code,
21 respondents’ tort claims entitled them to compensation for all detriment proximately caused by
22 appellant’s breach of obligation”).

23 This common-sense argument – that when one party engages in deception to induce
24 another party to enter into a contract, any exculpatory clause is thereby unenforceable – has

1 support in a long line of consumer adhesion cases. *See Klussman v. Cross Country Bank* (2005)
2 134 Cal.App.4th 1283, 1293 [36 Cal.Rptr.3d 728] (“[W]hen it is alleged that the party with
3 the superior bargaining power has carried out a scheme to deliberately cheat large numbers of
4 consumers out of individually small sums of money, then, at least to the extent the obligation at
5 issue is governed by California law, the waiver becomes in practice the exemption of the party
6 ‘from responsibility for [its] own fraud, or willful injury to the person or property of another.’
7 (Civ. Code, § 1668.) Under these circumstances, such waivers are unconscionable under
8 California law and should not be enforced.”), quoting *Discover Bank v. Superior Court* (2005)
9 36 Cal.4th 148, 162-163 [30 Cal.Rptr.3d 76, 113 P.3d 1100] overruled on another point in
10 *AT&T Mobility LCC v. Concepcion* (2011) [131 S.Ct. 1740, 1746]; *Gatton v. T-Mobile USA,*
11 *Inc.* (2007) 152 Cal.App.4th 571, 572 [61 Cal.Rptr.3d 344] (class action waiver was
12 unconscionable under California law when the waiver was found in a consumer contract of
13 adhesion when it was alleged that the party with the superior bargaining power had carried out
14 a scheme to deliberately cheat large numbers of consumers out of individually small sums of
15 money); *Stiener v. Apple Computer, Inc.* (N.D.Cal. 2008) 556 F.Supp.2d 1016, 1025
16 (invalidating exculpatory clause when defendant used superior bargaining power to carry out a
17 scheme to deliberately cheat plaintiffs). In *Stiener v. Apple Computer, Inc.*, plaintiffs alleged a
18 similar ‘bait and switch’ scheme that entailed fraudulent inducement to enter into a contract by
19 use of superior bargaining power and an adhesion contract:

20 [T]he Stieners did plead fraudulent concealment. And, they alleged AT&T and
21 Apple deliberately induced hundreds of thousands, if not millions, of consumers
22 to purchase iPhones for \$499 to \$599, while intentionally hiding the fact they
would be subject to annual battery-replacement and related charges equal to
around \$115, or 19% to 23% of their purchase price. Rather clearly, AT&T used
its superior bargaining power to carry out a scheme to deliberately cheat large
numbers of consumers.

1 *Stiener* (N.D.Cal. 2008) 556 F.Supp.2d at 1025. The court followed *Gatton* in recognizing that
2 a “contract of adhesion establishes a minimal degree of procedural unconscionability
3 *notwithstanding the availability of market alternatives*” and applied California’s sliding scale
4 to determine that a class arbitration waiver was unenforceable. *Id.*, at 1026-34 (internal
quotations omitted).

5 **C. Facebook’s Limitation of Liability is Void as Facebook’s SRR Clearly Affects the
6 Public Interest**

7 Facebook’s SRR, the contract that is the subject of this Motion, is the single most widely
8 agreed upon contract in history. Over 2 billion people and companies have entered into this
9 contract with Facebook, representing well over half of the people and businesses on this planet
10 who have Internet access. *See* Godkin Dec., ¶ 8, Ex. G. It cannot be disputed that the rights and
11 obligations established in this contract greatly affect the public interest. As such, the SRR
12 satisfies all of the requirements established in *Tunkl v. Regents of University of California*: (1)
13 Facebook is a business generally thought suitable for public regulation as it is currently
14 regulated by a wide range of state, federal and transnational governmental authorities,
15 including but not limited to the Federal Trade Commission, which the TAC notes has
16 previously chastised Facebook’s misuse of the SRR (*see* TAC ¶¶ 71-76); (2) as the source of
17 record for the digital identities and data of over 2 billion individuals and businesses, as a
18 primary source of news to a large portion of the global population, and as an economy that
19 supports over 10 million software applications built by other businesses with a net economic
20 output larger than the GDP of many countries, it cannot be disputed that Facebook provides a
21 service of great importance to the public (Godkin Dec., ¶ 8, Ex. G); (3) any member of the
22 public that agrees to Facebook’s SRR can join Facebook (Miller Decl., Ex. 1 (Jan. 30 2015
SRRs) at FB-01347166; Ex. 3 (Dec. 11, 2012 SRRs); (4) individuals and companies seeking to
participate in Facebook’s economy do not have the ability to negotiate the SRR, and the SRR is

1 binding on all who participate in Facebook's economy (*id.*); (5) Facebook confronts the public
2 with a standard adhesion contract of exculpation and makes no provision for the payment of
3 additional reasonable fees to protect against its negligence (*id.*); and (6) by agreeing to
4 Facebook's SRR, individuals and companies place their data under the control of Facebook,
5 subject to the risk of Facebook's carelessness (*id.*). See *Tunkl v. Regents of University of*
California (1963) 60 Cal.2d 92 [32 Cal.Rptr. 33, 383 P.2d 441, 6 A.L.R.3d 693].

6 When most or all of these *Tunkl* criteria are satisfied, an exculpatory clause will be held
7 unenforceable. See *Gavin W. v. YMCA of Metropolitan Los Angeles* (2003) 106 Cal.App.4th
8 662, 665 [131 Cal.Rptr.2d 168] (overturning superior court ruling that exculpatory agreement
9 relieved defendant child care provider of liability for negligence and breach of contract as child
10 care services involve the public interest); *Belshaw v. Feinstein* (1968) 258 Cal.App.2d 711,
11 725-726 [65 Cal.Rptr. 788].) (finding release forms unenforceable in the context of medical
12 surgery as the public interest was implicated); *Gardner* (1986) 180 Cal.App.3d at 714 (auto
13 repair services satisfy all six *Tunkl* requirements and therefore exculpatory clause is void as the
public interest is implicated in auto repair services).

14 The injunction Plaintiff seeks in its prayer for relief in the TAC requires Facebook to
15 restore Graph API data rights under the SRR. See TAC, ¶ K, at 69 ("A permanent injunction
16 requiring Facebook to restore Developer access to the Graph API data..."). This would restore
17 to Facebook's more than 2 billion users control over all of the data they store and view on
18 Facebook – control Facebook took from them on April 30, 2015 and which had the immediate
19 consequence of breaking over 40,000 software applications. Such an injunction, if granted by
20 the Court, would demonstrate that the data over 2 billion people upload and view on Facebook
21 is theirs to control, share and export as they see fit. If a contract for auto repair services
satisfies all of the *Tunkl* standards, as the Appellate Department held in *Gardner*, there can be

1 no doubt that Facebook's SRR, which implicates the weighty question of who rightly owns
2 much of the world's digital information, also implicates the public interest. *Gardner* (1986)
3 180 Cal.App.3d at 714. Any conclusion to the contrary would constitute a clear error of law in
4 interpreting the *Tunkl* standard.

5 **D. Facebook's Limitation of Liability Clause Is Unenforceable Against Plaintiff's
6 Claim for Negligent Interference Because Facebook Failed to Exculpate Itself
7 Specifically for Its Own Negligence**

8 In California, it is well established that Facebook was required to explicitly state in its
9 limitation of liability clause that the clause exculpated Facebook from its own negligence. It is
10 not disputed that Facebook failed to do so as no reference to the word "negligence" appears in
11 the clause. As the clause was drafted by Facebook in a standard adhesion contract, this
12 omission is strictly construed against Facebook:

13 As stated in *Pacific I. Co. v. California, etc., Ltd., supra*, "the provision of a
14 contract relieving one of the parties thereto from liability for his or its own
15 negligence should be clear and explicit. While it is true that the language used in
16 the quoted provision of the contract before us, that the agent shall hold the
17 company 'harmless from all claims, suits, and liabilities of every character
18 whatsoever and howsoever arising from the existence or use of the equipment at
19 said station' is broad and comprehensive, it is, as stated by the court below,
20 provocative of some doubt. The defendant itself wrote the provision into the
21 contract for its own benefit. It could have plainly stated, if such was the
22 understanding of the parties, that the plaintiff agreed to relieve it in the matter
from all liability for its own negligence. As it did not do so, we resolve all doubt,
as we should, in favor of the plaintiff, and hold that it was not the intent of the
parties to give to the contract as written the effect claimed by the company."

23 *See Basin Oil Co. v. Baash-Ross Tool Co.* (1954) 125 Cal.App.2d 578, 594-595 [271 P.2d
24 122], quoting *Pacific I. Co. v. California, etc., Ltd.*, (1938) 29 Cal.App.2d 260, 274 [84 P.2d
25 313]; see also *Celli v. Sports Car Club, Inc.* (1972) 29 Cal.App.3d 511, 518 [105 Cal.Rptr.
26 904] ("[the] well established rule in this state is that where the language of an instrument
27 purporting to exculpate one of the parties for its future negligence, was prepared entirely by the
28 party relying on it, words clearly and explicitly expressing that this was the intent of the parties

1 are required”); *Herman Christensen & Sons, Inc. v. Paris Plastering Co.* (1976) 61 Cal.App.3d
2 237, 246 [132 Cal.Rptr. 86]; *Ferrell v. S. Nev. Off-Road Enthusiasts* (1983) 147 Cal.App.3d
3 309, 316-317 [195 Cal.Rptr. 90]; *Vinnell Co. v. Pacific Elec. Ry. Co.* (1959) 52 Cal.2d 411,
4 416-417 [340 P.2d 604]; *Viotti v. Giomi* (1964) 230 Cal.App.2d 730, 739; *Butt v. Bertola*,
5 (1952) 110 Cal.App.2d 128, 138-140 [242 P.2d 32]; *Barkett v. Brucato* (1953) 122 Cal.App.2d
6 264, 275-278 [264 P.2d 978]; *Sproul v. Cuddy* (1955) 131 Cal.App.2d 85, 95 [280 P.2d 158].

7 In light of this well-established legal principle, enforcing Facebook’s deficient limitation of
8 liability clause against Plaintiff’s claim for negligent interference would constitute a clear error
9 of law.

10 **E. The Limitation of Liability Is Only a Limitation of Remedy and Therefore All of
11 Plaintiff’s Causes of Action Must Survive**

12 Even if the Court were to grant Facebook’s Motion, Plaintiff would still be permitted to
13 proceed on all causes of action since, as Facebook concedes, the limitation of liability is a
14 limitation of remedy only. Motion, at 2. As such, Facebook’s Motion has no bearing on
15 Plaintiff’s prayer for injunctive relief under Section 17200 to restore the Graph API data rights.
16 *See, e.g., Hesse v. Grossman* (1957) 152 Cal.App.2d 536, 542 [313 P.2d 625] (plaintiff is
17 entitled “to be protected against a competitor who by a fraudulent practice diverts business of
18 such institution and causes it to flow to the wrongdoer or to others and will be enjoined from
19 committing such wrongful acts.”).

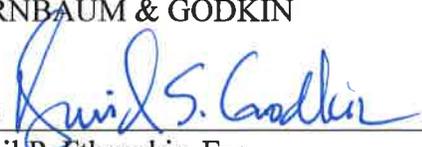
20 **IV. CONCLUSION**

21 For the foregoing reasons, Facebook’s Motion for Summary Adjudication should be
22 denied as to all three causes of action.

1 DATED: August 18, 2017

CRITERION LAW

2 BIRNBAUM & GODKIN

3 By: 

Basil P. Fthenakis, Esq.

4 David S. Godkin (admitted *pro hac vice*)

James E. Kruzer (admitted *pro hac vice*)

5 Attorneys for Plaintiff

Six4Three, LLC

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PROOF OF SERVICE

I, Cheryl A. McDuffee, declare:

I am a citizen of the United States and employed in Suffolk County, Massachusetts. I am over the age of eighteen years and not a party to the within-entitled action. My business address is 280 Summer Street, Boston, MA 02210. On August 18, 2017, I served a copy of the within document(s):

**PLAINTIFF SIX4THREE, LLC'S MEMORANDUM IN OPPOSITION TO
DEFENDANT FACEBOOK INC.'S MOTION FOR SUMMARY ADJUDICATION OF
ISSUES**



by electronic service, per the agreement of the parties, by emailing a true and correct copy through counsel's email address to Defendant's counsel of record at the email addresses set forth below.

Joshua H. Lerner (jlerner@durietangri.com)
Sonal N. Mehta (smehta@durietangri.com)
Laura Miller (lmiller@durietangri.com)
Catherine Kim (ckim@durietangri.com)
Durie Tangri (service-six4three@durietangri.com)
217 Leidesdorff Street
San Francisco, CA 94111
P (415) 376 - 6427
Attorney for Defendant
FACEBOOK, INC.

Department 2 (complexcivil@sanmateocourt.org)
Complex Civil Litigation

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed August 18, 2017, at Boston, Massachusetts.



Cheryl A. McDuffee

EXHIBIT 209

1 DURIE TANGRI LLP
2 SONAL N. MEHTA (SBN 222086)
3 smehta@durietangri.com
4 LAURA E. MILLER (SBN 271713)
5 lmiller@durietangri.com
6 CATHERINE Y. KIM (SBN 308442)
ckim@durietangri.com
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

7 Attorneys for Defendant
8 Facebook, Inc.

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 COUNTY OF SAN MATEO

11 SIX4THREE, LLC, a Delaware limited liability
12 company,

13 Plaintiff,

14 v.

15 FACEBOOK, INC., a Delaware corporation and
16 DOES 1-50, inclusive,

17 Defendant.

Case No. CIV 533328

**Assigned for all purposes to Hon. Marie S.
Weiner, Dept. 2**

**NOTICE OF MOTION AND SPECIAL
MOTION TO STRIKE AND FOR
ATTORNEY'S FEES AND COSTS
PURSUANT TO C.C.P. § 425.16 (ANTI-
SLAPP); MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT**

Date: January 9, 2018
Time: 9:00 a.m.
Dept: 2 (Complex Civil Litigation)
Judge: Honorable Marie S. Weiner

FILING DATE: April 10, 2015
TRIAL DATE: April 25, 2019

1 TO PLAINTIFFS AND THEIR COUNSEL OF RECORD:

2 YOU ARE HEREBY NOTIFIED THAT on January 9, 2018 at 9:00 a.m., or as soon thereafter as
3 the matter may be heard, in the Complex Civil Litigation Department of the above-titled court, located at
4 400 County Center, Redwood City, CA 94063, Defendant Facebook, Inc. ("Facebook") will and hereby
5 does move the Court, pursuant to California Code of Civil Procedure section 425.16, to Strike (Anti-
6 SLAPP Motion) Plaintiff Six4Three, LLC's ("Six4Three") Fourth Amended Complaint.

7 This Special Motion to Strike is made on the ground that the Fourth Amended Complaint arises
8 from the exercise of the constitutional right of free speech in connection with an issue of public interest,
9 and Six4Three cannot show a probability of success on its claims against Facebook.

10 This motion is based on this Notice of Motion and Motion, the accompanying Memorandum of
11 Points and Authorities in Support thereof, the Declaration of Laura E. Miller, and the files and records in
12 this action, all matters of which judicial notice can be taken, and any further evidence or argument that
13 the Court may properly receive at or before the hearing.

14 Dated: November 21, 2017

DURIE TANGRI LLP

15
16 By:



17 LAURA E. MILLER

18 Attorneys for Defendant
19 Facebook, Inc.

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1 **I. INTRODUCTION**

2 This case is an attack on Facebook’s free speech rights and should be stricken pursuant to the
3 anti-SLAPP statute, Cal. Civ. Proc. Code § 425.16. Facebook brings this motion because Plaintiff
4 Six4Three, LLC (“Six4Three”) is taking its fifth shot at an ever-expanding set of claims, and all of its
5 claims turn on *one* decision, which is absolutely protected: Facebook’s editorial decision to stop
6 publishing certain user-generated content via its Platform to third-party app developers.

7 Six4Three was a two-man company that developed one app: Pikinis. Pikinis accessed and
8 analyzed a user’s friends’ photos on Facebook to find pictures of women in bikinis. As reported in the
9 Huffington Post, this “creepy” app was tested by frat boys. Declaration of Laura E. Miller in Support of
10 Motion to Strike (“Miller Decl.”) Ex. 1. Gizmodo reported “This Creepy iPhone App Finds Pictures of
11 Your Facebook Friends in Bikinis.” Miller Decl. Ex. 2. Unsurprisingly, Pikinis made little more than
12 \$400 in sales. But when Facebook decided to stop publishing users’ friends’ photos via its Platform,
13 Six4Three sued. Now, Six4Three’s single investor is bankrolling this lawsuit and seeking a windfall of
14 \$100M. Six4Three challenges Facebook’s decision regarding what third-party content it publishes to
15 developers, and seeks to force Facebook to publish all of its users’ friends’ photos to all app developers.

16 The fatal flaw is that Facebook has a right (and need) to make editorial decisions as to what third-
17 party content is available through its Platform. The Facebook Platform is a free service available to
18 millions of third-party app developers that lets them access certain Facebook user data and content via its
19 APIs, when authorized by a user. Facebook made—and needs to continue to make—editorial decisions
20 about what third-party content is available through its Platform to protect its users’ experience. To that
21 end, on April 30, 2015, one year after it gave app developers notice of the pending change, Facebook
22 elected to not publish via its Platform APIs content that an app user’s friends had shared with the user on
23 Facebook. As a result, Pikinis could no longer access friends’ photos via the Facebook Platform.
24 (Pikinis is free to seek direct permission from its users’ friends to access and analyze their photos).

25 Six4Three’s claims, *all of which fault Facebook for deciding to de-publish friends’ photos and*
26 *other third-party content*, fall squarely within the anti-SLAPP statute because each implicates
27 Facebook’s conduct in furtherance of its constitutional right to free speech on issues of public concern.
28 Each of the eight causes of action challenges Facebook’s editorial decisions about what third-party

1 content to allow or not allow to be disseminated to third-party app developers through its Platform, and
2 Facebook’s public statements regarding those decisions. As Six4Three alleges, due to Facebook’s
3 position as the largest social media company in the world, its determination of what user-generated
4 content to publish via its Platform to third-party app developers “greatly implicates the public interest.”

5 Six4Three cannot meet its burden to offer actual evidence demonstrating a probability of success
6 on the merits of its claims. *First*, Six4Three’s claims are barred by the Communications Decency Act,
7 47 U.S.C. § 230 et seq. (“CDA”), as Six4Three seeks to hold Facebook, an interactive computer service,
8 liable as the publisher or speaker of content provided by third-party users. *Second*, Six4Three’s breach
9 of contract claim is based on a facially-implausible reading of a provision not even found in the operative
10 contract. *Third*, Six4Three’s Section 17200 theory is untethered to any antitrust law, as required under
11 controlling authority. *Finally*, Six4Three’s tort and fraud claims all fail on multiple additional grounds.

12 **II. FACTUAL BACKGROUND**

13 The Facebook Platform is a free service that Facebook makes available to third parties that
14 register as Facebook developers. 4AC ¶¶ 1, 28. The Facebook Platform allows developers to, among
15 other things, access certain third-party content that Facebook has decided to publish via its Platform,
16 subject to user consent. *Id.* This user-created content includes photos, videos, events, and news stories.
17 *Id.* ¶¶ 60–62. By using the Facebook Platform and accessing this content, developers can build mobile
18 and web-based applications with enhanced user experiences. *Id.* App developers like Six4Three pay
19 *nothing* for access to the user-created content that Facebook decides to publish through its Platform. *Id.*

20 Six4Three tried to get rich by building an app that utilized the user-created content published
21 through the Facebook Platform. 4AC ¶¶ 1, 25. Six4Three set up a Facebook developer account in
22 December 2012, agreed to Facebook’s Statement of Rights and Responsibilities (“SRR”), and in return
23 was given access to the content Facebook made available at the time (when authorized by a Facebook
24 user), which included Facebook users’ friends’ photos and users’ newsfeeds. *Id.* ¶¶ 87, 99–100. Using
25 that content, Six4Three developed Pikinis.

26 Facebook announced on April 30, 2014 that it would update the Platform APIs on April 30, 2015
27 to de-publish certain third-party content, including content that an app user’s friends had shared with the
28 user, like a user’s friends’ photos or newsfeed. 4AC ¶ 118. Facebook implemented this change in April

1 2015 for all developers. *Id.* ¶ 152. Six4Three claims that Facebook’s decision to de-publish this content
2 through its Platform APIs caused Pikinis to stop working. *Id.* ¶ 141.

3 Six4Three filed and served its Fourth Amended Complaint on November 1, 2017. The same
4 alleged conduct by Facebook forms the basis for each of Six4Three’s eight causes of action: breach of
5 contract, violation of Section 17200, concealment, intentional and negligent misrepresentation,
6 intentional interference with contract, and intentional and negligent interference with prospective
7 economic relations. For each claim, Six4Three alleges that it was harmed by Facebook’s editorial
8 decision to de-publish certain categories of user-created content, including friends’ photos, newsfeed, and
9 other content. As to each of the claims, Six4Three seeks an injunction requiring Facebook to re-publish
10 this user-generated content via its Platform APIs. *Id.* ¶ 92.

11 **III. ARGUMENT**

12 **A. This Motion Is Timely.**

13 Under Section 425.16(f), an anti-SLAPP motion may be filed “within 60 days of the service of
14 the complaint or, in the court’s discretion, at any later time upon terms it deems proper.” Service of an
15 amended complaint resets the 60-day deadline to file. *See, e.g., Lam v. Ngo*, 91 Cal. App. 4th 832, 835
16 (2001) (“Because the Legislature has specified that the anti-SLAPP suit law . . . is to be construed
17 broadly, the provision in the law that a special motion to strike ‘may be filed within 60 days of the
18 complaint’ includes amended as well as original complaints.”) (internal citations omitted). In *Yu v.*
19 *Signet Bank/Virginia*, the First District Appellate Court held that an anti-SLAPP motion was timely
20 because it was filed within 60 days of service of the third amended complaint, even though the motion
21 could have been filed earlier and “nothing that implicated the anti-SLAPP law” was added in the
22 amendments. 103 Cal. App. 4th 298, 315 (2002); *see also Country Side Villas Homeowners Ass’n v.*
23 *Ivie*, 193 Cal. App. 4th 1110, 1115 (2011) (holding that an anti-SLAPP motion on the first amended
24 complaint was timely, even though it was filed after 60 days of service of the original complaint, and the
25 amendments were unrelated to anti-SLAPP issues).

26 The only case to the contrary that Facebook is aware of, *Newport Harbor Ventures, LLC v.*
27 *Morris Cerullo World Evangelism*, 6 Cal. App. 5th 1207 (2016), follows dicta in a footnote in *Hewlett-*
28 *Packard Co. v. Oracle Corp.*, 239 Cal. App. 4th 1174 (2015). As that case that is currently before the

1 California Supreme Court, it is no longer good authority. Cal. Rules of Court, rule 8.1115(e) (“Pending
2 review and filing of the Supreme Court’s opinion . . . a published opinion of a Court of Appeal in the
3 matter has no binding or precedential effect, and may be cited for potentially persuasive value only.”).
4 Furthermore, although the California Supreme Court has not yet directly addressed this issue, its prior
5 decisions support an inference that it views the 60-day deadline as resetting after service of an amended
6 complaint. In *DuPont Merck Pharm. Co. v. Superior Court*, the Supreme Court directed an appellate
7 court to reconsider a summary denial of a petition for a writ of mandate seeking to compel the trial court
8 to grant a special motion to strike. 78 Cal. App. 4th 562, 565 (2000), *as modified* (Jan. 25, 2000). The
9 summary denial was based on the fact that the special motion was untimely because the 60 days began
10 running from the original, as distinct from the amended, complaint. In other words, the Supreme Court,
11 by asking the appellate court to reconsider, saw nothing wrong in considering an anti-SLAPP motion
12 directed against an amended complaint, even though more than 60 days had elapsed since the service of
13 the original complaint. *Lam*, 91 Cal. App. 4th at 842.

14 Six4Three filed the Fourth Amended Complaint on November 1, 2017. Facebook brings this
15 motion on November 21, 2017, within the 60-day statutory time frame.¹

16 **B. Legal Standard for Special Motion to Strike.**

17 California favors summary resolution of First Amendment cases because of the special burden
18 they place on free speech. *See, e.g., Good Gov’t Grp. v. Superior Court*, 22 Cal. 3d 672, 685 (1978).
19 Section 425.16 provides “a mechanism through which complaints that arise from the exercise of free
20 speech rights ‘can be evaluated at an early stage in the litigation process’ and resolved expeditiously.”
21 *Simmons v. Allstate Ins. Co.*, 92 Cal. App. 4th 1068, 1073 (2001) (citation omitted). The statute was
22 amended in 1997 to mandate that it “shall be construed broadly” to achieve its ends. Cal. Civ. Proc.
23 Code § 425.16(a); *Equilon Enterprises, LLC v. Consumer Cause, Inc.*, 29 Cal. 4th 53, 60 (2002).

24 Section 425.16 involves a two-part, burden-shifting test. *Navellier v. Sletten*, 29 Cal. 4th 82, 88
25

26 _____
27 ¹ Even if the Court determines that Facebook’s motion is untimely as to Six4Three’s causes of action that
28 were not amended with new allegations in the Fourth Amended Complaint, Facebook’s motion remains
timely as to Count III (concealment), Count VII (intentional interference with prospective economic
advantage), and Count VIII (negligent interference with prospective economic advantage).

1 (2002). First, the defendant must show that the plaintiff’s claims arise from the defendant’s activities in
2 furtherance of the constitutional right of free speech in connection with an issue of public interest, as
3 defined by Section 425.16(a). These activities include “any other conduct in furtherance of the exercise
4 of the constitutional right of petition or the constitutional right of free speech in connection with a public
5 issue or an issue of public interest.” *Id.* at § 425.16(e)(4). “A defendant’s burden on the first prong is not
6 an onerous one. A defendant need only make a prima facie showing that plaintiff’s claims arise from
7 defendant’s constitutionally protected free speech or petition rights.” *Okorie v. Los Angeles Unified*
8 *School District*, 14 Cal. App. 5th 574, 590 (2017), *review filed* (Oct. 2, 2017) (citation omitted).

9 To determine whether a defendant has met its burden, the court focuses on the “defendant’s
10 *activity* that gives rise to his or her asserted liability.” *Navellier*, 29 Cal. 4th at 92. Section 425.16
11 “plainly applies to *any* cause of action that meets the statutory requirements.” *Hupp v. Freedom*
12 *Commc’ns, Inc.*, 221 Cal. App. 4th 398, 402 (2013) (finding breach of contract claim fell within the
13 scope of Section 425.16) (citation omitted). “In the anti-SLAPP context, the critical point is whether the
14 plaintiff’s cause of action itself was *based on* an act in furtherance of the defendant’s right of petition or
15 free speech.” *Kronemyer v. Internet Movie Data Base, Inc.*, 150 Cal. App. 4th 941, 946 (2007) (citation
16 omitted); *see also Ingels v. Westwood One Broad. Servs., Inc.*, 129 Cal. App. 4th 1050, 1064 (2005) (“a
17 court must consider the actual objective of the suit and grant the motion if the true goal is to interfere
18 with *and burden* the defendant’s exercise of his free speech and petition rights”) (citation omitted).

19 If the defendant meets its prima facie burden of showing that the claim is within the scope of
20 Section 425.16, then the burden shifts to the plaintiff to show a probability of success on the merits of its
21 claims. The plaintiff must “demonstrate that the complaint is both legally sufficient and supported by a
22 sufficient prima facie showing of facts to sustain a favorable judgment if the evidence submitted by the
23 plaintiff is credited.” *Navellier*, 29 Cal. 4th at 88–89 (internal quotations and citation omitted). If the
24 plaintiff cannot show a probability of prevailing on a claim, the claim is stricken. *Id.* at 89.

25 **C. Six4Three’s Claims Are Subject to a Special Motion to Strike.**

26 All of Six4Three’s claims arise from Facebook’s exercise of its speech rights in connection with
27 issues of public interest: Facebook’s editorial decision to de-publish to certain categories of content
28 created by its billions of users that it previously published through its Platform, and public statements

1 regarding those decisions. Six4Three’s claims must be stricken pursuant to Section 425.16(e)(4).

2 **1. Six4Three’s Claims Arise From Facebook’s Speech and Conduct in**
3 **Furtherance of the Exercise of Its First Amendment Rights.²**

4 Facebook’s decision to de-publish certain categories of content created by its users was an
5 exercise of editorial discretion taken in furtherance of its constitutional right to free speech, and each of
6 Six4Three’s claims arises from that exercise of editorial discretion. Lawsuits, such as this one, that target
7 a platform operator’s editorial discretion in the maintenance of its forum are indisputably “based on
8 conduct in furtherance of free speech rights [on matters of public concern] and must withstand scrutiny
9 under California’s anti-SLAPP statute.” *Greater Los Angeles Agency on Deafness, Inc. v. Cable News*
10 *Network, Inc.*, 742 F.3d 414, 424–25 (9th Cir. 2014); *Zhang v. Baidu.com Inc.*, 10 F. Supp. 3d 433, 438
11 (S.D.N.Y. 2014) (holding decisions by search engines regarding which results to publish protected by
12 First Amendment). The decision to de-publish content is afforded the exact same constitutional
13 protection as the decision to publish it in the first place. *See, e.g., Kronemyer*, 150 Cal. App. 4th at 947
14 (“It is, of course, well established that the constitutional right of free speech includes the right not to
15 speak.”) (citations omitted). And the method by which Facebook publishes or de-publishes content—
16 either through its APIs or on its website—cannot alter the conclusion that it is doing so in furtherance of
17 the exercise of its First Amendment rights.

18 **2. Facebook’s Decision to De-Publish Content Is an Issue of Public Interest.**

19 Facebook’s editorial decision to limit third-party developers’ access to Facebook’s user-created
20 content is a matter of public interest. Although the anti-SLAPP statute “does not define a ‘public issue’
21 or an ‘issue of public interest[,]’ [c]ourts have considered the statute’s explicit provision that it ‘shall be
22 construed broadly’ and found that ‘an issue of public interest . . . is any issue in which the public is
23 interested.’” *Maloney v. T3Media, Inc.*, 94 F. Supp. 3d 1128, 1134 (C.D. Cal. 2015), *aff’d*, 853 F.3d
24 1004 (9th Cir. 2017) (quoting *Nygaard, Inc. v. Uusi-Kerttula*, 159 Cal. App. 4th 1027, 1042 (2008)); *see*
25

26 _____
27 ² For the reasons set forth here, Six4Three’s claims are also barred by the First Amendment because
28 Facebook’s editorial discretion regarding what user-created content to publish is constitutionally
protected free speech. The remedy sought by Six4Three—an injunction mandating that Facebook
publish certain content—would be compelled speech, in violation of Facebook’s First Amendment rights.

1 *also Rivero v. Am. Fed'n of State, Cty., & Mun. Employees, AFL-CIO*, 105 Cal. App. 4th 913, 924 (2003)
2 (public issue includes “conduct that could directly affect a large number of people beyond the direct
3 participants”).

4 Six4Three does not and cannot dispute this point. Six4Three itself alleges that the Facebook
5 Platform is utilized by hundreds of thousands of third-party software developers to improve the
6 functionality and user experience of their mobile and web-based applications. Six4Three expressly
7 alleges that Facebook’s “decision to close access to the Graph API Data” affected “tens of thousands of
8 companies” that had built their businesses on the Facebook Platform. 4AC ¶ 231. These “tens of
9 thousands” of developers that “relied on Facebook Platform for organic growth” were allegedly “h[e]ld
10 hostage” by Facebook’s editorial decisions regarding which categories of user-generated content to
11 provide through the Platform. *Id.* ¶ 279. Thus, according to Six4Three’s own theory, Facebook’s
12 decisions regarding how it publishes the content provided by its users is of concern to the public.

13 **D. Six4Three Cannot Establish a Likelihood of Success on Its Claims.**

14 Because Six4Three’s claims fall within the scope of Section 425.16, the burden shifts to
15 Six4Three to show a probability of success on the merits. *Navellier*, 29 Cal. 4th at 88–89.

16 **1. The Communications Decency Act Bars All of Six4Three’s Claims.**

17 The CDA immunizes Facebook from liability. Section 230 of the CDA establishes a “broad
18 statutory immunity,” *Almeida v. Amazon.com, Inc.*, 456 F.3d 1316, 1321–22 (11th Cir. 2006), which
19 “protects from liability any activity that can be boiled down to deciding whether to exclude material that
20 third parties seek to post online.” *Barnes v. Yahoo!, Inc.*, 570 F.3d 1096, 1103 (9th Cir. 2009), *as*
21 *amended* (Sept. 28, 2009) (internal quotations and citation omitted). This protection includes decisions
22 to withdraw content: “lawsuits seeking to hold a service provider liable for its exercise of a publisher’s
23 traditional editorial functions—such as deciding whether to publish, *withdraw*, postpone, or alter
24 content—are barred.” *Zeran v. Am. Online, Inc.*, 129 F.3d 327, 330 (4th Cir. 1997) (emphasis added).

25 Under CDA Section 230, online platforms are protected from liability related to the selection and
26 removal of content created by third parties. Section 230 states that “[n]o provider or user of an
27 interactive computer service shall be treated as the publisher or speaker of any information provided by
28 another information content provider.” 47 U.S.C. § 230(c)(1). An “information content provider” is

1 “any person or entity that is responsible, in whole or in part, for the creation or development of
2 information provided through the Internet or any other interactive computer service.” *Id.* § 230(f)(3).
3 Section 230 creates broad immunity from an array of claims that might arise from content created by a
4 platform’s users. *See id.* § 230(e)(3) (“*[n]o cause of action may be brought and no liability may be*
5 *imposed* under any State or local law that is inconsistent with this section”) (emphasis added).

6 By its plain language, Section 230(c) “creates a federal immunity to any cause of action that
7 would make service providers liable for information originating with a third-party user of the service . . .”
8 *Zeran*, 129 F.3d at 330. Under Section 230(c)(1), a defendant is entitled to immunity if (1) the defendant
9 provides an “interactive computer service,” (2) plaintiff’s claim treats the defendant as the “publisher” of
10 the content at issue, and (3) the content was “provided by another information content provider.” 47
11 U.S.C. § 230(c)(1). Each prong is satisfied.

12 **a. Facebook Is an Interactive Computer Service Provider.**

13 The first prong of the CDA-immunity test is easily met: Facebook is a “provider” of an
14 “interactive computer service.” 47 U.S.C. § 230(c)(1). The CDA broadly defines “interactive computer
15 service” as “any information service, system, or access software provider that provides or enables
16 computer access by multiple users to a computer server.” *Id.* § 230(f)(2). Every court to consider
17 whether Facebook meets this definition has rightly concluded it does, including this Court. *See, e.g.,*
18 *Cross v. Facebook*, 14 Cal. App. 5th 190 (2017), *review denied* (Oct. 25, 2017); *Caraccioli v. Facebook,*
19 *Inc.*, 167 F. Supp. 3d 1056, 1066 (N.D. Cal. 2016), *aff’d*, No. 16-15610, 2017 WL 2445063 (9th Cir.
20 June 6, 2017) (holding that “immunity bestowed on interactive computers service providers” applies to
21 Facebook); *Sikhs for Justice “SFJ”, Inc. v. Facebook, Inc.*, 144 F. Supp. 3d 1088, 1093 (N.D. Cal. 2015)
22 (“*Sikhs*”), *aff’d sub nom. Sikhs for Justice, Inc. v. Facebook, Inc.*, 697 F. App’x 526 (9th Cir. 2017);
23 *Klayman v. Zuckerberg*, 910 F. Supp. 2d 314, 318 (D.D.C. 2012), *aff’d*, 753 F.3d 1354 (D.C. Cir. 2014)
24 (quoting *Fraley v. Facebook, Inc.*, 830 F. Supp. 2d 785, 801 (N.D. Cal. 2011)); *Young v. Facebook, Inc.*,
25 No. 5:10-CV-03579-JF/PVT, 2010 WL 4269304, at *5 (N.D. Cal. Oct. 25, 2010) (same); *Finkel v.*
26 *Facebook, Inc.*, No. 102578-09, 2009 WL 3240365 (N.Y. Sup. Sept. 15, 2009).

1 **b. Six4Three’s Claims Seek to Hold Facebook Liable for the Exercise of a**
2 **Publisher’s Traditional Editorial Functions.**

3 The second prong of the CDA-immunity test also is met: Facebook’s decisions to de-publish
4 certain categories of user-generated content previously published through its Platform are unequivocally
5 a publisher’s decision. Deciding what content to make available is a traditional publisher function.
6 “[R]emoving content is something publishers do, and to impose liability on the basis of such conduct
7 necessarily involves treating the liable party as a publisher.” *Sikhs*, 144 F. Supp. 3d at 1095 (quoting
8 *Barnes*, 570 F.3d at 1103); *id.* at 1094 (“publication involves reviewing, editing, and deciding whether to
9 publish or to withdraw from publication third-party content” (quoting *Barnes*, 570 F.3d at 1102)); *see*
10 *also Klayman v. Zuckerberg*, 753 F.3d 1354, 1359 (D.C. Cir. 2014) (“the very essence of publishing is
11 making the decision whether to print or retract a given piece of content”). Section 230(c)(1) bars any and
12 all claims “relating to the monitoring, screening, and deletion of content from [a covered service’s]
13 network—actions quintessentially related to a publisher’s role.” *Green v. Am. Online (AOL)*, 318 F.3d
14 465, 471 (3d Cir. 2002); *see also Ben Ezra, Weinstein, & Co., Inc. v. Am. Online Inc.*, 206 F.3d 980, 986
15 (10th Cir. 2000) (Section 230 “forbid[s] the imposition of publisher liability on a service provider for the
16 exercise of its editorial and self-regulatory functions.”).

17 In determining whether a theory of liability treats a defendant as a publisher, “what matters is not
18 the name of the cause of action,” but rather “whether the cause of action inherently requires the court to
19 treat the defendant as the ‘publisher or speaker’ of content provided to another.”³ *Barnes*, 570 F.3d at
20 1101. Because Six4Three’s claims rely on allegations that Facebook inappropriately de-published
21 certain categories of user-generated content, it impermissibly seeks to impose liability on Facebook, as a
22 “publisher,” for exercising its publisher functions of limiting the dissemination of user-created content.
23 Facebook’s decision—“whether to print *or retract* a given piece of content”—goes to “the very essence
24 of publishing.” *Klayman*, 753 F.3d at 1359 (emphasis added); *see also Sikhs*, 144 F. Supp. 3d at 1095–
25

26 _____
27 ³ Courts have extended CDA immunity to all of Six4Three’s claims. *See, e.g., Cross*, 14 Cal. App. 5th at
28 206 (finding CDA immunity as to claims for breach of contract, negligent misrepresentation, and
negligent interference); *Caraccioli*, 167 F. Supp. 3d at 1066 (finding CDA immunity as to a Section
17200 claim); *Jurin v. Google Inc.*, 695 F. Supp. 2d 1117, 1122–23 (E.D. Cal. 2010) (finding CDA
immunity for interference with contract and prospective economic relations and fraud).

1 96. Courts have invoked Section 230(c)(1) to reject claims against Facebook for removing content from
2 its platform, *Sikhs*, 144 F. Supp. 3d at 1094–96, and against YouTube for taking down the plaintiffs’
3 videos, *Lancaster v. Alphabet Inc.*, No. 15-CV-05299-HSG, 2016 WL 3648608, at *2–3 (N.D. Cal. July
4 8, 2016). That Facebook’s editorial decision not to publish certain user content was implemented
5 through its APIs, rather than removing the content from its website, is irrelevant. The situation is no
6 different than a newspaper publisher choosing to include different content in its paper version as
7 compared to its online version. Here, Facebook is exercising the core publishing function of deciding to
8 remove content, and the mechanism by which Facebook chooses to implement that decision has no
9 bearing on the CDA analysis.

10 Finally, Six4Three’s baseless allegations as to Facebook’s intent are irrelevant. Even if there
11 were any doubt about the legitimacy of Facebook’s concerns about how developers like Six4Three were
12 utilizing the content Facebook published at the time (which there should not be, as numerous websites
13 described Pikinis as “creepy”, Miller Decl. Exs. 1 & 2), CDA Section 230(c)(1) has no good faith
14 requirement and applies regardless of defendants’ alleged motive. *See, e.g., Sikhs*, 144 F. Supp. 3d at
15 1095 (finding discrimination claim precluded even where allegations were that conduct “was motivated
16 solely by unlawful discrimination”).

17 **c. The Content Was Provided by Someone Other Than Facebook.**

18 The third prong of the CDA-immunity test is met: the content that Six4Three claims Facebook
19 wrongfully de-published was created and posted by Facebook users. *See, e.g., 4AC* ¶ 190 (“By ‘content’
20 we mean anything . . . users post on Facebook.”). Thus, Facebook’s users are the “information content
21 providers” of the content at issue. *See, e.g., Sikhs*, 144 F. Supp. 3d at 1093–94 (finding that the creator of
22 a Facebook page that Facebook allegedly blocked was the “information content provider” for purposes of
23 CDA immunity) (citation omitted). All three prongs of the CDA-immunity test are met, and it bars all of
24 Six4Three’s claims.

25 **2. Six4Three Cannot Show a Likelihood of Success on Its Contract Claim.**

26 California adheres to “the objective theory of contracts,” under which it is the objective intent, as
27 evidenced by the words of the contract, that controls interpretation. *See, e.g., Founding Members of the*
28 *Newport Beach Country Club v. Newport Beach Country Club, Inc.*, 109 Cal. App. 4th 944, 956 (2003)

1 (citation omitted); *see also* Cal. Civ. Code § 1639 (“When a contract is reduced to writing, the intention
2 of the parties is to be ascertained from the writing alone, if possible[.]”). “A contract must receive such
3 an interpretation as will make it lawful, operative, definite, reasonable, and capable of being carried into
4 effect, if it can be done without violating the intention of the parties.” Cal. Civ. Code § 1643. Six4Three
5 cannot show a likelihood of success on its breach of contract claim for at least two reasons.

6 **First**, Six4Three’s breach of contract claim is based on its allegation that Facebook breached the
7 provision of the December 2012 SRR in which Facebook agreed to give Six4Three “all rights necessary
8 to use the code, APIs, data, and tools you receive from us.” 4AC ¶ 190. The fundamental problem is
9 that the operative SRR does not include this provision. Miller Decl. Ex. 3 at Exhibit B. That contract
10 does not include and is not alleged to include the provision that Six4Three relies on for its breach claim.
11 *Id.* To be sure, earlier versions of the SRR include the provision that Facebook will give developers “all
12 rights necessary to use the code, APIs, data, and tools you receive from us.” *See, e.g., id.* at Exhibit A §
13 9.2.8. But the contract was amended to remove that provision prior to the alleged breach in April 2015.
14 *Id.* at Exhibit B. And Six4Three accepted the amendments. *See, e.g., id.* at Exhibit A § 14.3. This is
15 fatal to Six4Three’s breach of contract claim.

16 **Second**, even if the Court were to find that the earlier, non-operative version of the SRR controls
17 Six4Three’s claim, Six4Three’s claim is based on a facially-invalid interpretation of the relevant clause
18 in the earlier SRR. The plain language of the clause makes clear that Facebook agreed to provide the
19 legal rights necessary for developers to **use** the content Facebook publishes to developers, but only to the
20 extent a developer **receives** such content from Facebook. 4AC ¶ 190. When Facebook publishes certain
21 types of content through the Facebook Platform, it ensures that developers have the necessary rights to
22 use that content. Facebook never agreed to provide **all** of its “code, APIs, data, and tools” in perpetuity.
23 Any such interpretation would be inconsistent with the clear and explicit language of the SRR and the
24 objective intent of the parties.

25 In addition to being contrary to the plain language of the provision, Six4Three’s implicit
26 interpretation is also at odds with how the SRR uses the phrase “all rights necessary” in other provisions
27 of the SRR. For example, in a mirrored provision, Six4Three agreed to provide Facebook with “all rights
28 necessary to enable [Pikinis] to work with Facebook, including the right to incorporate content and

1 information you provide to us into streams, timelines, and user action stories.” Miller Ex. 3 at Exhibit A
2 § 9.15. Just as Facebook did not agree always to provide all of its data to Six4Three, Six4Three similarly
3 did not agree to provide all of its “content and information” to Facebook forever. Rather, both parties
4 agreed to give the other the legal rights necessary to use the information actually provided to the other.

5 Six4Three’s interpretation, that Facebook was obligated to continue to publish this content via its
6 Platform to Six4Three and hundreds of thousands of other developers for free forever, is inconsistent
7 with the objective intent evidenced by the words of the contract, is objectively unreasonable, and would
8 render the contract indefinite and incapable of being carried into effect. *See* Cal. Civ. Code § 1643.

9 **3. Six4Three Cannot Show a Likelihood of Success on Its Section 17200 Claim.**

10 ***Unlawful Prong.*** Six4Three does not and cannot state a claim under the “unlawful” prong of
11 Section 17200. “By proscribing ‘any unlawful’ business practice, section 17200 ‘borrows’ violations of
12 other laws and treats them as unlawful practices that the unfair competition law makes independently
13 actionable.” *Belton v. Comcast Cable Holdings, LLC*, 151 Cal. App. 4th 1224, 1233 (2007) (citation
14 omitted). Six4Three does not allege that Facebook violated any other law; it merely asserts that
15 Facebook’s alleged conduct was “unlawful.” 4AC ¶ 183. Because Six4Three has failed to identify any
16 specific law allegedly violated by Facebook, it has failed to state a claim under the unlawful prong. *See,*
17 *e.g., Khoury v. Maly’s of California, Inc.*, 14 Cal. App. 4th 612, 619 (1993) (sustaining demurrer where
18 “complaint identifies no particular section of the statutory scheme which was violated and fails to
19 describe with any reasonable particularity the facts supporting violation”).

20 ***Unfair Prong.*** Six4Three’s complaint that Facebook’s alleged conduct was “unfair” is
21 insufficient to allege a claim under the Unfair Competition Law. In a case involving alleged competitors
22 and competition, “the word ‘unfair’ . . . means conduct that threatens an incipient violation of an antitrust
23 law, or violates the policy or spirit of one of those laws because its effects are comparable to or the same
24 as a violation of the law, or otherwise significantly threatens or harms competition.” *Cel-Tech*
25 *Commc’ns, Inc. v. L.A. Cellular Tel. Co.*, 20 Cal. 4th 163, 187 (1999).

26 For over two years, Six4Three’s Section 17200 claim was based on a theory of unilateral
27 monopoly. According to Six4Three, Facebook engaged in a scheme to restrict access to its user data so
28 that it could “monopolize[] for itself the ability to create applications capable of searching or sorting

1 photos.” Miller Decl. Ex. 4 (SAC) ¶ 116. But to avoid federal jurisdiction, Six4Three unequivocally
2 disavowed its monopoly antitrust theory earlier this year. So now Six4Three advances its Section 17200
3 claim by transforming it into one of an allegedly illegal “oligopoly.” 4AC ¶¶ 4, 19, 85, 165, 168, 177.

4 But Six4Three does not and cannot allege facts to support its claim. At best, it alleges that
5 Facebook entered into agreements with some third-party developers that gave those developers access to
6 certain categories of user-created content, but did not enter into such an agreement with Six4Three. *See,*
7 *e.g., id.* ¶ 168. Even if this were true, a refusal to deal is not a cognizable antitrust violation under
8 California law. *See, e.g., Dimidowich v. Bell & Howell*, 803 F.2d 1473, 1478 (9th Cir. 1986), *opinion*
9 *modified on denial of reh’g*, 810 F.2d 1517 (9th Cir. 1987) (“A manufacturer may choose those with
10 whom it wishes to deal and unilaterally may refuse to deal with a distributor or customer for business
11 reasons without running afoul of the antitrust laws.”) (citation omitted).

12 To the extent that Six4Three alleges that Facebook entered into prohibited tying arrangements
13 with third parties—a claim not explicitly made in Six4Three’s complaint—that also fails. “A tying
14 arrangement under antitrust laws exists when a party agrees to sell one product (the tying product) on the
15 condition that the buyer also purchases a different product (the tied product), thereby curbing competition
16 in the sale of the tied product.” *Belton*, 151 Cal. App. 4th at 1234 (quoting *Freeman v. San Diego Ass’n*
17 *of Realtors*, 77 Cal. App. 4th 171, 183–94 (1999)). The concern with unlawful tying arrangements is
18 harm to competition in the alleged *“tied”* product market, not the alleged tying product market.

19 The closest that Six4Three comes to alleging a tying arrangement prohibited by the Cartwright
20 Act is this conclusory allegation:

21 Facebook and certain of its executives [] combined and conspired with other large
22 companies to oligopolize specific vertical markets by providing unequal access to the
23 Social Graph in exchange for these companies providing unrelated advertising payments
or other in-kind consideration to the extreme detriment of all other market participants.

24 4AC ¶ 168. Even if Facebook had conditioned access to its user-created content on “unrelated
25 advertising” payments, this does not state an antitrust tying claim. Here, the “tying product” is allegedly
26 the unequal access to the user-generated content, and the “tied product” is “unrelated advertising
27 payments or other in-kind consideration” that other companies, but not Six4Three, allegedly paid
28 Facebook to get “unequal” access to user-created content. But Six4Three does not and cannot claim that

1 Facebook’s alleged conduct harmed competition in the alleged tied product market, which is the
2 “advertising” market. *See Belton*, 151 Cal. App. 4th at 1240 (“In the absence of some restraint upon
3 competition, the mere practice of packaging services together is not inherently anticompetitive or
4 harmful to consumers.”) (citations omitted). This is fatal to Six4Three’s claim.

5 Finally, Six4Three has not pled that the alleged conduct “violates the policy or spirit” of any
6 antitrust law. “[A]ny finding of unfairness to competitors under section 17200 [must] be tethered to
7 some *legislatively declared policy or proof of some actual or threatened impact on competition.*” *Cel-*
8 *Tech*, 20 Cal. 4th at 186–87 (emphasis added). But Six4Three has not identified any “legislatively
9 declared policy” Facebook violated, nor has it alleged any actual or threatened impact on competition.⁴

10 **4. Six4Three Cannot Show a Likelihood of Success on Its Fraud Claims.**

11 Six4Three cannot show a likelihood of success on its negligent and intentional misrepresentation
12 claims, because its two principals did not view or receive the alleged misrepresentations identified in the
13 Fourth Amended Complaint, let alone rely upon them.⁵ Six4Three claims that the alleged
14 misrepresentations that supposedly induced it to register as a developer in 2012 include (1) statements
15 made by Facebook at the launch of the Facebook Platform in 2007, *see, e.g.*, 4AC ¶¶ 29–42, and (2)
16 statements made by Facebook at the launch of Graph API in 2010, *see, e.g., id.* ¶¶ 64–72.

17 Six4Three’s two principals confirmed in sworn deposition testimony that they did not review the
18 statements at issue before the anticipation of litigation. Six4Three’s founder and managing member, Ted
19 Kramer, testified that he was not aware of any presentations given during Facebook’s developer
20 conferences before January 2015—well after Six4Three contemplated bringing this lawsuit—and did not
21 recall reviewing any documents on the Facebook developers website before then. Miller Decl. Ex. 5 at
22 232:23–233:9, 234:3–25. Tim Gildea, Six4Three’s other member, testified that, with the possible
23 exception of parts of Mr. Zuckerberg’s 2014 F8 speech, he had not seen any presentations. Miller Decl.

24
25
26 ⁴ Six4Three does not allege the fraud prong in its Section 17200 claim. A business practice is
27 “fraudulent” within the meaning of Section 17200 if “members of the public are likely to be deceived.”
28 *In re Ins. Installment Fee Cases*, 211 Cal. App. 4th 1395, 1416 (2012). Six4Three makes no such
allegation in the Fourth Amended Complaint.

⁵ In addition, Six4Three cannot show a likelihood of success on its concealment claims for the reasons
set forth in Facebook’s Demurrer to Six4Three’s Fourth Amended Complaint, incorporated herein.

1 Ex. 6 at 116:2–10. Six4Three has not produced any documents or evidence showing that Six4Three was
2 aware of these public statements. Six4Three has confirmed, under oath, that neither of its principals ever
3 saw the alleged misrepresentations, so Six4Three could not have relied upon them.

4 **5. Six4Three Cannot Show a Likelihood of Success on Its Interference Claims.**⁶

5 For an intentional interference with contract claim, the plaintiff must prove that the defendant had
6 knowledge of the contract and took intentional steps designed to induce a breach or disrupt the
7 contractual relationship. *Quelimane Co. v. Steward Title Guar. Co.*, 19 Cal. 4th 26, 55 (1998), *as*
8 *modified* (Sept. 23, 1998). Six4Three claims that Facebook interfered with Six4Three’s license
9 agreements with its users by de-publishing certain categories of user-generated content that the Pikinis
10 app used to function, including friends’ photos. 4AC ¶¶ 267–271. The problem is that Facebook
11 announced this decision on April 30, 2014, well before Pikinis was even available for sale on the iOS
12 App Store. *See* Miller Decl. Exs. 7 & 8. Facebook could not have known of Six4Three’s *future*
13 agreements when it announced its policy change. And Six4Three was in fact aware of the changes to the
14 Platform as early as May 2014, but chose to go ahead and enter into agreements with its users in the
15 summer of 2014 anyway. *See* Miller Decl. Ex. 9. Six4Three cannot prevail on its intentional
16 interference with contract claim in the face of this undisputed evidence.

17 **IV. FACEBOOK SHOULD BE AWARDED ITS ATTORNEYS’ FEES AND COSTS.**

18 Facebook requests an order awarding its reasonable attorneys’ fees and costs. “[A] prevailing
19 defendant on a special motion to strike shall be entitled to recover his or her attorney’s fees and costs.”
20 Civ. Proc. Code § 425.16(c). The California Supreme Court has interpreted this to mean that “any
21 SLAPP defendant who brings a successful motion to strike is entitled to mandatory attorney fees.”
22 *Ketchum v. Moses*, 24 Cal. 4th 1122, 1131 (2001).

23 **V. CONCLUSION**

24 For the foregoing reasons, Facebook requests that Six4Three’s Fourth Amended Complaint be
25 dismissed with prejudice, and that Facebook be awarded its attorney’s fees and costs.

26
27 ⁶ Six4Three also cannot show a likelihood of success on its intentional and negligent interference with
28 prospective economic relations claims for the reasons set forth in Facebook’s Demurrer to Six4Three’s
Fourth Amended Complaint, incorporated herein.

1 Dated: November 21, 2017

DURIE TANGRI LLP



2
3 By:

4 LAURA E. MILLER

5 Attorneys for Defendant
6 Facebook, Inc.
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1 **PROOF OF SERVICE**

2 I am a citizen of the United States and resident of the State of California. I am employed in San
3 Francisco County, State of California, in the office of a member of the bar of this Court, at whose
4 direction the service was made. I am over the age of eighteen years, and not a party to the within action.
5 My business address is 217 Leidesdorff Street, San Francisco, CA 94111.

6 On November 21, 2017, I served the following documents in the manner described below:

7 **NOTICE OF MOTION AND SPECIAL MOTION TO STRIKE AND FOR**
8 **ATTORNEY’S FEES AND COSTS PURSUANT TO C.C.P. § 425.16 (ANTI-SLAPP);**
9 **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT**

9 BY ELECTRONIC SERVICE: By electronically mailing a true and correct copy through
10 Durie Tangri’s electronic mail system from jcotton@durietangri.com to the email
11 addresses set forth below.

11 On the following part(ies) in this action:

12 Basil P. Fthenakis
13 CRITERION LAW
14 2225 E. Bayshore Road, Suite 200
15 Palo Alto, CA 94303
16 Telephone: 650-352-8400
17 Facsimile: 650-352-8408
18 bpf@criterionlaw.com

16 David S. Godkin
17 James Kruzer
18 BIRNBAUM & GODKIN, LLP
19 280 Summer Street
20 Boston, MA 02210
21 Telephone: 617-307-6100
22 godkin@birnbaumgodkin.com
23 kruzer@birnbaumgodkin.com

21 *Attorneys for Plaintiff*
22 *Six4Three, LLC*

22 I declare under penalty of perjury under the laws of the United States of America that the
23 foregoing is true and correct. Executed on November 21, 2017, at San Francisco, California.

24 

26 _____
27 Janelle Cotton

EXHIBIT 210

Document: Demetriades v. Yelp, Inc., 228 Cal. App. 4th 294

Demetriades v. Yelp, Inc., 228 Cal. App. 4th 294

Copy Citation

Court of Appeal of California, Second Appellate District, Division One

July 24, 2014, Opinion Filed

B247151

Reporter

228 Cal. App. 4th 294 * | [175 Cal. Rptr. 3d 131 **](#) | [2014 Cal. App. LEXIS 671 ***](#) | 42 Media
L. Rep. 2250 | 2014 WL 3661491

JAMES DEMETRIADES, Plaintiff and Appellant, v. YELP, INC., Defendant and Respondent.

Subsequent History: Time for Granting or Denying Review Extended [Demetriades v. Yelp, Inc., 2014 Cal. LEXIS 9883 \(Cal., Oct. 16, 2014\)](#)

Review denied by [Demetriades v. Yelp, Inc., 2014 Cal. LEXIS 10724 \(Cal., Nov. 12, 2014\)](#)

Prior History: [\[***1\]](#) APPEAL from an order of the Superior Court of Los Angeles County, No. BC484055, [Yvette M. Palazuelos](#) ▼, Judge.

Disposition: Reversed.

Core Terms

filter, advertising, site, exemption, services, restaurants, user, commercial speech, public interest, trustworthy, businesses, provides, puffery, consumers, customer, potential buyer, reviewers, prong, false advertising, trial court, anti-SLAPP, misleading, prevailing, induce, Media, statement

of facts, unfair competition, intended audience, special motion, operations

Case Summary

Overview

HOLDINGS: [1]-A trial court erred in granting a website operator's anti-SLAPP motion under [Code Civ. Proc., § 425.16](#), to strike a restaurant operator's unfair competition law and false advertising law complaint because the commercial speech exemption of [Code Civ. Proc., § 425.17, subd. \(c\)](#), applied to the website operator's statements concerning the accuracy and efficacy of its review filter, given that the website operator's statements about the review filter—as opposed to the content of the reviews themselves—were representations of fact about its services, and not mere puffery or opinion, that were intended to reach third parties to induce them to engage in a commercial transaction (patronizing the website, which patronage induced businesses on the website to purchase advertising)

Outcome

Order reversed.

▼ LexisNexis® Headnotes

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) ▼ > [Motions to Strike](#) ▼ > [General Overview](#) ▼

Constitutional Law > ... > [Fundamental Freedoms](#) ▼ > [Freedom of Speech](#) ▼ > [Strategic Lawsuits Against Public Participation](#) ▼

Civil Procedure > ... > [Justiciability](#) ▼ > [Standing](#) ▼ > [General Overview](#) ▼

HN1 **Defenses, Demurrers & Objections, Motions to Strike**

A plaintiff's right to sue is not relevant to the first prong of the [Code Civ. Proc., § 425.16](#), analysis, but to the second prong of the analysis that focuses on whether an opposing plaintiff has established a probability of prevailing on the claim. [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Antitrust & Trade Law > ... > [Trade Practices & Unfair Competition](#) ▼ > [State Regulation](#) ▼ > [Claims](#) ▼

Civil Procedure > ... > [Justiciability](#) ▼ > [Standing](#) ▼ > [General Overview](#) ▼

Civil Procedure > [Parties](#) ▼ >  [Real Party in Interest](#) ▼ > [General Overview](#) ▼

Civil Procedure > [Parties](#) ▼ > [Substitution](#) ▼ > [General Overview](#) ▼

Civil Procedure > ... > [Pleadings](#) ▼ > [Amendment of Pleadings](#) ▼ >  [Leave of Court](#) ▼

HN2 [State Regulation, Claims](#)

Every action must be prosecuted by the real party in interest. [Code Civ. Proc., § 367](#). Under certain circumstances, a complaint may be amended to substitute a new plaintiff where it is determined the named plaintiff is not the proper party to maintain the alleged claims, so long as the amendment does not present an entirely new set of facts and the defendant is not prejudiced. The substitution of a new plaintiff is proper where the original plaintiff has been found to have no standing to prosecute the action after the original complaint has been filed. With respect to the amendment of [Bus. & Prof. Code, § 17204](#), which limited standing in unfair competition actions under [Bus. & Prof. Code, § 17200](#), to persons who had suffered injury in fact and lost money or property, amendment is proper to substitute a plaintiff who meets the modified standing requirement in place of one who does not. Substitution of new plaintiffs requires leave of court pursuant to [Code Civ. Proc., § 473](#). Although there is a policy of great liberality in permitting amendments to pleadings, the trial court must consider various factors, including whether the substitution would prejudice the defendant (e.g., by delaying trial, or increasing discovery burden).  [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

Antitrust & Trade Law > ... > [Trade Practices & Unfair Competition](#) ▼ > [State Regulation](#) ▼ > [Scope](#) ▼

Antitrust & Trade Law > [Consumer Protection](#) ▼ >  [False Advertising](#) ▼ >

[State Regulation](#) ▼

HN3 [Trade Practices & Unfair Competition, State Regulation](#)

The unfair competition law provides that the term "person" shall mean and include natural persons, corporations, firms, partnerships, joint stock companies, associations and other organizations of persons. [Bus. & Prof. Code, § 17201](#). Similarly, the false advertising law provides that a "person" is defined as any individual, partnership, firm, association, or corporation. [Bus. & Prof. Code, § 17506](#).  [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) ▼ > [Motions to Strike](#) ▼ > [General Overview](#) ▼

Governments > [Legislation](#) ▼ > [Interpretation](#) ▼

Constitutional Law > ... > [Fundamental Freedoms](#) > [Freedom of Speech](#) >

[Strategic Lawsuits Against Public Participation](#) >

HN4 **Defenses, Demurrers & Objections, Motions to Strike**

[Code Civ. Proc.](#), § 425.16, the anti-SLAPP statute, is aimed at curbing lawsuits brought primarily to chill the valid exercise of the constitutional rights of freedom of speech and petition for the redress of grievances. § 425.16, subd. (a). Section 425.16 extends protection to conduct that furthers the exercise of free speech in connection with an issue of public interest. § 425.16, subd. (e)(4). Section 425.16 provides that a cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States Constitution or the California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim. § 425.16, subd. (b)(1). The legislature commands that the provisions of the anti-SLAPP statute be broadly construed. § 425.16, subd. (a). [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) > [Motions to Strike](#) >

[General Overview](#) >

Constitutional Law > ... > [Fundamental Freedoms](#) > [Freedom of Speech](#) >

[Strategic Lawsuits Against Public Participation](#) >

HN5 **Defenses, Demurrers & Objections, Motions to Strike**

[Code Civ. Proc.](#), § 425.16, subd. (e), delineates the type of speech or petitioning activity protected. Such acts include (1) written or oral statements made before a legislative, executive, or judicial proceeding; (2) written or oral statements made in connection with an issue under consideration or review by a legislative, executive, or judicial body; (3) written or oral statements made in a place open to the public or in a public forum in connection with an issue of public interest; or (4) any other conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in connection with a public issue or an issue of public interest. § 425.16, subd. (e). [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

Civil Procedure > [Appeals](#) > [Standards of Review](#) > [De Novo Review](#) >

Evidence > [Burdens of Proof](#) > [Burden Shifting](#) >

Constitutional Law > ... > [Fundamental Freedoms](#) > [Freedom of Speech](#) >

[Strategic Lawsuits Against Public Participation](#) >

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) > [Motions to Strike](#) >

[General Overview](#) >

Civil Procedure > [Appeals](#) > [Appellate Jurisdiction](#) > [State Court Review](#) >

HN6 **Standards of Review, De Novo Review**

Ruling on an anti-SLAPP motion is a two-step process. First, the trial court must determine whether the defendant has made a prima facie showing that the challenged cause of action arises from protected activity. If, and only if, the defendant makes that showing must the trial court proceed to the second step—determination of whether the plaintiff has shown a probability of prevailing on the claim. An appellate court reviews a ruling on an anti-SLAPP motion de novo, using the same two-step process. The party making a special motion to strike must make a prima facie showing that the plaintiff's cause of action arises from the defendant's free speech or petition activity. Once the defendant makes a prima facie showing, the burden shifts to the plaintiff to make a prima facie showing of facts that would, if proved at trial, support a judgment in the plaintiff's favor. In making these determinations, the trial court considers the pleadings and the supporting and opposing affidavits setting forth the facts upon which liability or defense is predicated. [Code Civ. Proc., § 425.16, subd. \(b\)\(2\)](#). An order granting or denying a motion to strike under the anti-SLAPP statute is appealable. [§ 425.16, subd. \(j\)](#). An appellate court exercises its independent judgment to determine whether the litigation arises out of protected activity and whether the plaintiff is likely to prevail. [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) > [Motions to Strike](#) > [General Overview](#)

Evidence > [Burdens of Proof](#) > [Allocation](#)

Constitutional Law > ... > [Fundamental Freedoms](#) > [Freedom of Speech](#) > [Strategic Lawsuits Against Public Participation](#)

Civil Procedure > [Appeals](#) > [Appellate Jurisdiction](#) > [Interlocutory Orders](#)

HN7 [Defenses, Demurrers & Objections, Motions to Strike](#)

[Code Civ. Proc., § 425.17, subd. \(c\)](#), enumerates circumstances where the special motion to strike screening mechanism is unavailable. Under the two-prong test of [Code Civ. Proc., § 425.16](#), whether a [§ 425.17](#) exemption applies is a first-prong determination. The burden is on the plaintiff to show that an exemption of [§ 425.17](#) applies. [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Civil Procedure > ... > [Defenses, Demurrers & Objections](#) > [Motions to Strike](#) > [General Overview](#)

Constitutional Law > ... > [Freedom of Speech](#) > [Commercial Speech](#) > [General Overview](#)

Constitutional Law > ... > [Fundamental Freedoms](#) > [Freedom of Speech](#) > [Strategic Lawsuits Against Public Participation](#)

HNS [Defenses, Demurrers & Objections, Motions to Strike](#)

[Code Civ. Proc., § 425.17, subd. \(c\)](#), provides in part that [Code Civ. Proc., § 425.16](#), does not apply to any cause of action brought against a person primarily engaged in the business of selling or leasing goods or services if: (1) the statement or conduct consists of representations of fact about that person's or a business competitor's business operations,

goods, or services, that is made for the purpose of obtaining approval for, promoting, or securing sales or leases of, or commercial transactions in, the person's goods or services, or the statement or conduct was made in the course of delivering the person's goods or services; and (2) the intended audience is an actual or potential buyer or customer, or a person likely to repeat the statement to, or otherwise influence, an actual or potential buyer or customer. A party must satisfy both prongs of this exemption to benefit from the exemption of § 425.17, subd. (c). [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Antitrust & Trade Law > [Consumer Protection](#) > [False Advertising](#) >
[State Regulation](#)

Constitutional Law > ... > [Freedom of Speech](#) > [Commercial Speech](#) >
[General Overview](#)

HN9 [False Advertising, State Regulation](#)

When a court must decide whether particular speech may be subjected to laws aimed at preventing false advertising or other forms of commercial deception, categorizing a particular statement as commercial or noncommercial speech requires consideration of three elements: the speaker, the intended audience, and the content of the message. In typical commercial speech cases, the speaker is likely to be someone engaged in commerce—that is, generally, the production, distribution, or sale of goods or services—or someone acting on behalf of a person so engaged, and the intended audience is likely to be actual or potential buyers or customers of the speaker's goods or services, or persons acting for actual or potential buyers or customers, or persons (such as reporters or reviewers) likely to repeat the message to or otherwise influence actual or potential buyers or customers. [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Constitutional Law > ... > [Freedom of Speech](#) > [Commercial Speech](#) >
[General Overview](#)

HN10 [Freedom of Speech, Commercial Speech](#)

In deciding whether speech is commercial, two relevant considerations are advertising format and economic motivation. These considerations imply that commercial speech generally or typically is directed to an audience of persons who may be influenced by that speech to engage in a commercial transaction with the speaker or the person on whose behalf the speaker is acting. Speech in advertising format typically, although not invariably, is speech about a product or service by a person who is offering that product or service at a price, directed to persons who may want, and be willing to pay for, that product or service. Economic motivation likewise implies that the speech is intended to lead to commercial transactions, which in turn assumes that the speaker and the target audience are persons who will engage in those transactions, or their agents or intermediaries. The factual content of the message should be commercial in character. In the context of regulation of false or misleading advertising, this typically means that the speech consists of representations of fact about the business operations, products, or services of the speaker (or the individual or company that the speaker represents), made for the purpose of promoting sales of, or other commercial transactions in, the speaker's products or services. [More like this Headnote](#)

[Shepardize - Narrow by this Headnote](#)

Antitrust & Trade Law > [Consumer Protection](#) >  [False Advertising](#) >

[State Regulation](#)

HN11  **False Advertising, State Regulation**

A statement is considered puffery if the claim is extremely unlikely to induce consumer reliance. Ultimately, the difference between a statement of fact and mere puffery rests in the specificity or generality of the claim. The common theme that seems to run through cases considering puffery in a variety of contexts is that consumer reliance will be induced by specific rather than general assertions. Thus, a statement that is quantifiable, that makes a claim as to the specific or absolute characteristics of a product, may be an actionable statement of fact while a general, subjective claim about a product is non-actionable puffery.

 [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

Business & Corporate Compliance > ... > [Computer & Internet Law](#) > [Content Regulation](#)

>  [Communications Decency Act](#)

HN12  **Content Regulation, Communications Decency Act**

See 47 U.S.C. § 230(c)(1).  [More like this Headnote](#)

[Shepardize](#) - [Narrow by this Headnote](#)

▼ **Headnotes/Syllabus**

Summary

CALIFORNIA OFFICIAL REPORTS SUMMARY

A restaurant operator filed a complaint seeking an injunction under the unfair competition law ([Bus. & Prof. Code, § 17200 et seq.](#)) and the false advertising law ([Bus. & Prof. Code, § 17500 et seq.](#)) to prevent the operator of a Web site containing customer reviews from making claims about the accuracy and efficacy of the filter it used to exclude unreliable or biased customer reviews. The trial court granted the Web site operator's special motion to strike the complaint under the anti-SLAPP statute ([Code Civ. Proc., § 425.16](#)), finding the commercial speech exemption of [Code Civ. Proc., § 425.17, subd. \(c\)](#), did not apply. (Superior Court of Los Angeles County, No. BC484055, [Yvette M. Palazuelos](#) ▼, Judge.)

The Court of Appeal reversed the order. The court found that, to the extent that the party suffering damages was the entity that directly owned the restaurants, as opposed to the restaurant operator, the restaurant operator should be permitted to move to amend the complaint to substitute the proper party plaintiff and demonstrate a lack of prejudice to the Web site operator from the amendment. The court held that the restaurant operator's claims satisfied both prongs of [Code Civ. Proc., § 425.17, subd. \(c\)](#), because although the Web site operator's Web site was a public forum and contained matters of public concern in its reviews of restaurants and other businesses, the Web site operator's statements about its review filter—as opposed to the content of the reviews themselves—were commercial speech about the quality of its product (the reliability of its review filter) intended to reach third parties to induce them to engage in a commercial transaction (patronizing the Web site, which patronage induced businesses on the Web site to purchase advertising). The Web site operator's statements about the efficacy of its review filter went beyond mere expressions of

opinion or puffery and hyperbole; rather the Web site operator spoke with the authority of a Web site that intended to attract users with the accuracy of its filter. (Opinion by Johnson, J., with [Chaney](#) ▼, Acting P. J., and Miller, J.,  concurring.)

Headnotes

CALIFORNIA OFFICIAL REPORTS HEADNOTES

CA(1) (1) Parties § 1.2—Standing—Plaintiff—Substitution—Unfair Competition

Actions—Amendment of Complaint—Leave of Court.

Every action must be prosecuted by the real party in interest ([Code Civ. Proc., § 367](#)). Under certain circumstances, a complaint may be amended to substitute a new plaintiff where it is determined the named plaintiff is not the proper party to maintain the alleged claims, so long as the amendment does not present an entirely new set of facts and the defendant is not prejudiced. The substitution of a new plaintiff is proper where the original plaintiff has been found to have no standing to prosecute the action after the original complaint has been filed. With respect to the amendment of [Bus. & Prof. Code, § 17204](#), which limited standing in unfair competition actions under [Bus. & Prof. Code, § 17200](#), to persons who had suffered injury in fact and lost money or property, amendment of the pleading is proper to substitute a plaintiff who meets the modified standing requirement in place of one who does not. Substitution of new plaintiffs requires leave of court pursuant to [Code Civ. Proc., § 473](#). Although there is a policy of great liberality in permitting amendments to pleadings, the trial court must consider various factors, including whether the substitution would prejudice the defendant.

CA(2) (2) Pleading § 93—Anti-SLAPP Motion—Rights of Petition and Free Speech—Probability of Prevailing.

[Code Civ. Proc., § 425.16](#), the anti-SLAPP statute, is aimed at curbing lawsuits brought primarily to chill the valid exercise of the constitutional rights of freedom of speech and petition for the redress of grievances ([§ 425.16, subd. \(a\)](#)). [Section 425.16, subd. \(e\)\(4\)](#), extends protection to conduct that furthers the exercise of free speech in connection with an issue of public interest. [Section 425.16, subd. \(b\)\(1\)](#), provides that a cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States Constitution or the California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim. The Legislature commands that the provisions of the anti-SLAPP statute be broadly construed ([§ 425.16, subd. \(a\)](#)).

CA(3) (3) Pleading § 93—Anti-SLAPP Motion—Protected Activity.

[Code Civ. Proc., § 425.16, subd. \(e\)](#), delineates the type of speech or petitioning activity protected. Such acts include (1) written or oral statements made before a legislative, executive, or judicial proceeding; (2) written or oral statements made in connection with an issue under consideration or review by a legislative, executive, or judicial body; (3) written or oral **[*296]** statements made in a place open to the public or in a public forum in connection with an issue of public interest; or (4) any other conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in

connection with a public issue or an issue of public interest.

CA(4) (4) Pleading § 93—Anti-SLAPP Motion—Two-step Process—Prima Facie Showing—Shifting Burden of Proof.

Ruling on an anti-SLAPP motion is a two-step process. First, the trial court must determine whether the defendant has made a prima facie showing that the challenged cause of action arises from protected activity. If, and only if, the defendant makes that showing must the trial court proceed to the second step—determination of whether the plaintiff has shown a probability of prevailing on the claim. The party making a special motion to strike must make a prima facie showing that the plaintiff's cause of action arises from the defendant's free speech or petition activity. Once the defendant makes a prima facie showing, the burden shifts to the plaintiff to make a prima facie showing of facts that would, if proved at trial, support a judgment in the plaintiff's favor. In making these determinations, the trial court considers the pleadings and the supporting and opposing affidavits setting forth the facts upon which liability or defense is predicated ([Code Civ. Proc., § 425.16, subd. \(b\)\(2\)](#)).

CA(5) (5) Pleading § 93—Anti-SLAPP Motion—Exemptions—Commercial Speech—Burden of Proof.

[Code Civ. Proc., § 425.17, subd. \(c\)](#), enumerates circumstances where the special motion to strike screening mechanism is unavailable. Under the two-pronged test of [Code Civ. Proc., § 425.16](#), whether a [§ 425.17](#) exemption applies is a first prong determination. The burden is on the plaintiff to show that an exemption of [§ 425.17](#) applies. A party must satisfy both [§ 425.17, subd. \(c\)\(1\) & \(2\)](#), to benefit from the exemption.

CA(6) (6) Constitutional Law § 55.2—First Amendment Rights—Commercial Speech—Content.

When a court must decide whether particular speech may be subjected to laws aimed at preventing false advertising or other forms of commercial deception, categorizing a particular statement as commercial or noncommercial speech requires consideration of three elements: the speaker, the intended audience, and the content of the message. In typical commercial speech cases, the speaker is likely to be someone engaged in commerce—that is, generally, the production, distribution, or sale of goods or services—or someone acting on behalf of a person so engaged, and the intended audience is likely to be actual or potential buyers or customers of the speaker's goods or services, or persons acting for actual or potential [*297] buyers or customers, or persons (such as reporters or reviewers) likely to repeat the message to or otherwise influence actual or potential buyers or customers. In deciding whether speech is commercial, two relevant considerations are advertising format and economic motivation. These considerations imply that commercial speech generally or typically is directed to an audience of persons who may be influenced by that speech to engage in a commercial transaction with the speaker or the person on whose behalf the speaker is acting. Speech in advertising format typically, although not invariably, is speech about a product or service by a person who is offering that product or service at a price, directed to persons who may want, and be willing to pay for, that product or service. Economic motivation likewise implies that the speech is intended to lead to commercial transactions, which in turn assumes that the speaker and the target audience are persons who will engage in those transactions, or their agents or intermediaries. The factual content of the message should be commercial in character. In the context of regulation of false or misleading advertising, this typically means that the speech consists of representations of

fact about the business operations, products, or services of the speaker (or the individual or company that the speaker represents), made for the purpose of promoting sales of, or other commercial transactions in, the speaker's products or services.

CA(7)  (7) Pleading § 93—Anti-SLAPP Motion—Commercial Speech Exemption

—Representations Designed to Attract Users and Purchasers of Advertising.

A restaurant operator's claims against a Web site operator satisfied both prongs of [Code Civ. Proc., § 425.17, subd. \(c\)](#), because although the Web site at issue was a public forum and contained matters of public concern in its reviews of restaurants and other businesses, the Web site operator's statements about its review filter—as opposed to the content of the reviews themselves—were commercial speech about the quality of its product (the reliability of its review filter) intended to reach third parties to induce them to engage in a commercial transaction (patronizing the Web site, which patronage induced businesses on the Web site to purchase advertising). Accordingly, the trial court erred in granting the Web site operator's special motion to strike under [Code Civ. Proc., § 425.16](#).

[[Cal. Forms of Pleading and Practice \(2014\) ch. 376, Motions to Strike: Anti-SLAPP, § 376.10](#); [1 Kiesel et al., Matthew Bender Practice Guide: Cal. Pretrial Civil Procedure \(2014\) § 13.06](#); [5 Witkin, Cal. Procedure \(5th ed. 2008\) Pleading, §§ 1026, 1223.](#)]

CA(8)  (8) Advertising § 8—False—Puffery.

A statement is considered puffery if the claim is extremely unlikely to induce consumer reliance. Ultimately, the difference between a statement of fact and mere puffery rests in the **[*298]** specificity or generality of the claim. The common theme that seems to run through cases considering puffery in a variety of contexts is that consumer reliance will be induced by specific rather than general assertions. Thus, a statement that is quantifiable, that makes a claim as to the specific or absolute characteristics of a product, may be an actionable statement of fact while a general, subjective claim about a product is nonactionable puffery.

Counsel: [Ervin Cohen & Jessup](#) ▼, [Robert M. Waxman](#) ▼ and [David N. Tarlow](#) ▼ for Plaintiff and Appellant.

[Kendall Brill & Klieger](#) ▼, [Laura W. Brill](#) ▼ and [Nicholas F. Daum](#) ▼ for Defendant and Respondent.

Judges: Opinion by Johnson, J., with [Chaney](#) ▼, Acting P. J., and [Miller](#) ▼, J. , concurring.

Opinion by: Johnson, J.

Opinion

[133] JOHNSON, J.**—Plaintiff James Demetriades, who operates restaurants in Mammoth Lakes, filed a complaint seeking an injunction under the unfair competition law (UCL; [Bus. & Prof.](#)

Code, § 17200 et seq.) and the false advertising law (FAL); [Bus. & Prof. Code, § 17500 et seq.](#)) to prevent defendant Yelp, Inc. (Yelp), the operator of a popular online Web site that contains customer reviews of businesses, from making claims about the accuracy and efficacy of its “filter” for unreliable or biased customer reviews. The trial court granted Yelp’s special motion to strike plaintiff’s complaint under [Code of Civil Procedure section 425.16, 1](#) finding that Yelp’s statements about the filtering of reviews on a social media Web site were matters of public interest. The trial court further found that the [\[***2\]](#) public interest exemption of [section 425.17, subdivision \(b\)](#) did not apply because plaintiff asserted a personal financial stake in the case, and that the commercial speech exemption to the anti-SLAPP [2](#) statute set forth in [section 425.17, subdivision \(c\) \[**134\]](#) did not apply because Yelp’s statements about the filter were not statements of fact, but were “puffery” and opinion.

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We conclude that the commercial speech exemption of [section 425.17, subdivision \(c\)](#) applies to Yelp’s statements concerning the accuracy and efficacy of its review filter, and therefore find the trial court erred in granting Yelp’s special motion to strike under [section 425.16](#). We reverse.

FACTUAL BACKGROUND AND PROCEDURAL HISTORY

*1. Background Facts [***3]*

Yelp operates a Web site that serves as a free social media Web site and search engine. Yelp is available to the public at no charge and has no registration requirement. Users who do register may post reviews about local businesses, and can rate a business using a star rating of one to five stars, with five stars being the highest rating. Yelp’s Web site draws tens of millions of people each month who search for and review the public ratings of businesses. As of September 2012, users had posted approximately 33 million reviews to Yelp’s Web site, and according to Google analytics, Yelp had 84 million monthly unique visitors during the third quarter of 2012. Yelp sells advertising on its site to generate revenue, and in the first three quarters of 2012 Yelp generated \$91 million in revenue from advertising.

Yelp constantly battles the problem of unreliable reviews, which generally are reviews written by friends, employees or relatives of the business being reviewed, paid reviews, and negative reviews written by business competitors. As a result, Yelp developed filtering software with the aim of identifying reviews likely to be unreliable. Yelp started using the filter in 2005, and has worked [\[***4\]](#) on improving it since then. The Yelp filter applies uniform rules to all reviews and does not favor advertisers over nonadvertisers; Yelp does not use filtered reviews in calculating a business’s rating on Yelp; the filtered reviews do not appear on the main page, but are viewable on a special “filtered review page”; and business owners can freely post responses to reviews they receive on Yelp and can contact reviewers privately to engage in further dialogue. To promote the filter’s integrity, Yelp businesses cannot delete, change, or reorder ratings or reviews. Yelp admits that its filter is not foolproof, and Yelp expressly tells users that “the filter sometimes affects perfectly legitimate reviews and misses some fake ones, too. After all, legitimate reviews sometimes look questionable, and questionable reviews sometimes look legitimate.” Plaintiff, when purchasing advertising on Yelp, acknowledged in the advertising contract that Yelp’s filtering software sometimes made mistakes. According to Yelp, in addition to relying on the filter, a site user can judge how much weight to give to any particular review by viewing the reviewer’s profile, reading the reviewer’s reviews, and assessing [\[***5\]](#) statistics regarding such reviews.

[*300]

Yelp’s filter is proprietary software developed by Yelp that is not distributed or sold to third parties because disclosure would expose Yelp to the risk of persons using the information to overcome Yelp’s efforts to filter unreliable reviews. Yelp does not provide the source code or the [\[**135\]](#) algorithms to business owners or the general public.

In 2010, Yelp created a cartoon video to educate and contribute to the ongoing public dialog

about the integrity of online reviews.

2. Plaintiff's Complaint; Yelp's Demurrer

On May 3, 2012, plaintiff filed this action, alleging causes of action for unfair competition and false advertising under the UCL and FAL. **3** Plaintiff, through a business entity, **4** owns the Mammoth Lakes restaurants Jimmy's Taverna, Rafters, and Red Lantern. Plaintiff instructed Jack Carter, the restaurant manager of Rafters, to obtain advertising on Yelp for Rafters. Commencing in June 2011 through January 2012, plaintiff purchased advertising for his restaurants on Yelp's Web site.

Plaintiff alleged that Yelp engaged in false advertising by claiming that each user review passed through a "filter" that gave consumers "the most trusted reviews." According to plaintiff, Yelp advertised that:

1. "Yelp uses a filter to give consumers the most trusted reviews";

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2. "All reviews that live on people's profile pages go through a remarkable filtering process that takes the reviews that are the most trustworthy and from the most established sources and displays them on the business page. This keeps the less trustworthy reviews out so that when it comes time to make a decision you can make that [decision] using information and insights that are actually helpful";

3. "Rest assured that our engineers are working to make sure that whatever is up there is the most unbiased and accurate information you will be able to find about local businesses";

4. "Yelp is always working to do as good a job as possible on a very complicated **[***8]** task—only showing the most trustworthy and useful content out there"; and

5. "Yelp has an automated filter that suppresses a small portion of reviews—it **[**136]** targets those suspicious ones you see on other sites." (Boldface omitted.)

Plaintiff asserted these statements were misleading and untrue. Plaintiff asserted that Yelp did not use the filter to give consumers the most trusted reviews and the filter did not accurately separate the most trustworthy reviews from unreliable reviews, nor did the filter only post reviews from trusted sources. Instead, Yelp's automated filter suppressed more than only a small portion of reviews; allowed posts of the "most entertaining" reviews to be shown on the unfiltered portion of the Web site, regardless of the source; allowed posts of reviews to be shown on the unfiltered portion of a local business page regardless of whether the source was trustworthy or unbiased; and suppressed a substantial portion of reviews that were unbiased and trustworthy. Further, plaintiff asserted that Yelp's Web site contained reviews from persons who were "specifically and demonstrably biased against the businesses which they review." Based on plaintiff's background in software, **[***9]** plaintiff did not believe Yelp's filter was capable of distinguishing between trustworthy and untrustworthy reviews.

In particular, plaintiff asserted that while Rafters received 102 reviews on Yelp, 50 of those reviews were filtered. In addition, a reviewer named "Travis I." made false statements about plaintiff's restaurants, yet Yelp's filter did not catch those reviews. Plaintiff reported Travis I.'s reviews to Yelp, but Yelp did not take any action. In April 2012, plaintiff complained to Yelp about reviews of Rafters and Red Lantern, demanded changes in the display, threatened litigation aimed at public disclosure of Yelp's software, and sought the identity of the reviewer named Travis I. who had posted negative **[*302]** reviews. **5** On the other hand, according to Yelp, the Yelp filter caught several positive reviews of plaintiff's restaurants that Yelp alleges were placed by an IP address associated with the restaurants.

Plaintiff suffered **[***10]** injury from the acts of Yelp, including spending money to purchase advertising from Yelp based on Yelp's representations that user reviews were filtered. Plaintiff sought an injunction to stop Yelp from continuing to engage in untrue and misleading representations.

Yelp demurred to the complaint, arguing that the proper plaintiff was MEMP, the entity that directly owned the restaurants. Yelp also filed a motion to strike under [section 425.16](#). On September 7, 2012, plaintiff, without changing his status as an individual plaintiff, filed a first amended complaint (FAC) alleging that, among other things, plaintiff did not seek monetary damages of any kind under the UCL or FAL. Plaintiff sought an order enjoining Yelp from making any statements concerning its filter which were untrue or misleading, and filtering user reviews on the Yelp Web site while falsely advertising that the unfiltered reviews posted were fair, trustworthy, or unbiased.

3. *Yelp's Motion to Strike*

Yelp filed a second motion to strike, arguing that plaintiff's complaint targeted protected activity under [section 425.16, subdivision \(e\)\(3\)](#) and [\(4\)](#) and by his complaint, plaintiff sought to interfere with both Yelp's review publishing process and Yelp's ability to offer opinions [***11] about that process, which conduct interfered with Yelp's free speech rights and targeted [**137] speech that appeared in a public forum and was a matter of public interest.

Further, Yelp argued that plaintiff would not prevail on the merits because plaintiff had suffered no injury and thus lacked standing under both the UCL and FAL; even if plaintiff had suffered injury in the form of purchasing advertising, the facts showed that plaintiff did not individually purchase the advertising for Rafters. Further, the Communications Decency Act of 1996 (CDA), title [47 United States Code section 230](#), precluded liability because the CDA provided that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider" ([47 U.S.C. § 230\(c\)\(1\)](#)) and "[n]o cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with" (*id.*, [§ 230\(d\)\(3\)](#)) the [**303] CDA. Finally, Yelp contended its statements constituted nonactionable opinions because a reasonable person would not interpret Yelp's statements about its filter as a guarantee of its performance; rather, the statements were general opinions about Yelp's evolving filtering goals.

4. *Plaintiff's Opposition [***12] to Yelp's Motion to Strike*

Plaintiff's opposition detailed that plaintiff was the manager of an entity that owned three Mammoth Lakes restaurants: Jimmy's Taverna, Rafters, and Red Lantern. Plaintiff instructed Jack Carter, the restaurant manager of Rafters, to obtain advertising on Yelp for Rafters. Plaintiff relied on Yelp's statements concerning its filter in purchasing advertising, but soon realized that Yelp's representations concerning its filter were not accurate because of the 102 reviews Rafters received, 50 had been filtered. Further, Rafters received unfiltered negative reviews from a reviewer who made false statements about the restaurant, yet Yelp's filter did not catch these false reviews.

Addressing the merits of Yelp's motion to strike, plaintiff argued that the commercial speech exemption of [section 425.17, subdivision \(c\)](#), applied to Yelp's statements. [6](#) Plaintiff argued that his action arose out of the five direct statements of fact from Yelp's Web site concerning its review filter, which statements were made for the purpose of promoting the advertising services offered by Yelp. In addition, plaintiff asserted that the FAC was brought solely in the public interest to enjoin [***13] Yelp's false statements about its review filter and was exempt from attack by virtue of [section 425.17, subdivision \(b\)](#). [7](#)

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[**138] In reply, Yelp argued that neither of the exemptions of [section 425.17, subdivisions \(b\)](#) or [\(c\)](#) applied; further, plaintiff could not show a probability of prevailing on the merits under [section 425.16](#) because he lacked standing; Yelp's statements were not deceptive as a matter of law; and [***15] the CDA barred plaintiff's claims.

5. Trial Court Ruling

On January 25, 2013, the trial court granted Yelp's special motion to strike. The trial court found that Yelp met its initial burden of establishing that its statements arose from protected activity because statements regarding the filtering of reviews on a social media site such as Yelp are matters of public interest and are therefore protected. Further, plaintiff failed to establish the public interest exemption of [section 425.17, subdivision \(b\)](#) applied because the action was not brought solely in the public interest as plaintiff had a personal financial stake in the case based on negative reviews. The court found plaintiff also failed to show the commercial speech exemption of [section 425.17, subdivision \(c\)](#) applied because the statements regarding the reviews did not relate to the selling of advertising and plaintiff failed to show that the statements were statements of fact and not opinion or puffery. Finally, the court found plaintiff failed to establish a probability of prevailing on the merits because plaintiff, who was not the owner of the restaurants, lacked standing and Yelp's alleged misrepresentations were puffery and opinion.

DISCUSSION

Plaintiff argues that under [section 425.17](#), if an action [\[***16\]](#) is prosecuted solely in the public interest or against a person engaged in the business of selling or leasing goods or services who makes statements about those goods and services, the action is not subject to the provisions of [section 425.16](#) as a SLAPP suit. ([§ 425.17, subds. \(b\), \(c\)](#).) First, plaintiff argues that this action was brought in the public interest because the FAC alleges Yelp engaged in the advertising alleged with the intent to induce members of the public to visit its Web site and view advertisements and reviews and that Yelp engaged in false advertising to the public, including plaintiff; furthermore, the action, if successful, will enforce an important right and confer a benefit upon the public because it will put an end to Yelp's false advertising and unfair competition. Second, plaintiff argues that Yelp's commercial speech is exempted from the protections of the anti-SLAPP statute because the action arises out of Yelp's false statements concerning the accuracy and superiority [\[*305\]](#) of its review filter and Yelp's statements were made for the purpose of promoting the advertising services Yelp offered, and such statements were actionable because they were statements of fact, not opinion.

Yelp counters that plaintiff [\[***17\]](#) has failed to show the public interest exemption of [section 425.17, subdivision \(b\)](#) applies because here plaintiff seeks relief different from or greater than members of the public at large; rather, the FAC discloses that plaintiff has a significant private interest; in addition, the [\[**139\]](#) action will not benefit the public because the only issue at stake is plaintiff's personal interest; and plaintiff's financial interest in Rafters is substantial and thus he can meet the burdens of litigation. Further, plaintiff has failed to establish that the commercial speech exemption applies because (1) although Yelp sells advertising, it is primarily engaged in providing a free public forum for members to read and write reviews about local business, services, and other entities; (2) the statements made do not concern commercial speech because they are not directed at advertising; and (3) the intended audience of the statements is not an actual or potential buyer or consumer because the intended audience is potential reviewers, not buyers of advertising; (4) the statements are not statements of fact, but are puffery because the statements make clear the filtering software is not perfect. Finally, Yelp asserts that [\[***18\]](#) plaintiff did not suffer actual economic injury and has no standing because the owner of the restaurants is MEMPHIS.

We conclude that plaintiff's action is squarely within the commercial speech exemption of [section 425.17, subdivision \(c\)](#) and reverse.

I. Standing

Yelp contends that the business entity, MEMP, that owns the restaurants receiving reviews on its Web site is the proper party plaintiff in this action, because it is the party who has suffered alleged damages based on fraudulent reviews. While we agree the proper plaintiff to this action is the entity suffering damages, this defect in naming the real party in interest is not fatal to this action. [8](#)

HN2 CA(1) (1) Every action must be prosecuted by the real party in interest. (§ 367.) Under certain circumstances, a complaint may be amended to substitute a **[*306]** new plaintiff where it is determined the named plaintiff is not the proper party to maintain the alleged claims, so long as the amendment does not present an entirely new set of facts and the defendant is not prejudiced. The substitution of a new plaintiff is proper where the original plaintiff was found to have no standing to prosecute action after the original complaint has been filed. (*Jensen v. Royal Pools* (1975) 48 Cal.App.3d 717, 721 [121 Cal. Rptr. 805].) Thus, where a shareholder seeks to enforce a claim belonging to the corporation, the complaint may be amended to substitute the corporation as the named plaintiff. (See, e.g., *Klopstock v. Superior Court* (1941) 17 Cal.2d 13, 21 [108 P.2d 906].) With respect to the amendment of [Business and Professions Code section 17204](#), which limited standing in “unfair competition” actions under [Business and Professions Code section 17200](#) to persons who had suffered “injury in fact” and “lost money or property” (unlike former law, under which plaintiffs could sue on behalf of the general public), of the pleading is proper to substitute a plaintiff who meets the modified standing requirement in place of one who does not. (*Foundation for Taxpayer & Consumer Rights v. Nextel Communications, Inc.* (2006) 143 Cal.App.4th 131, 136 [48 Cal. Rptr. 3d 836].)

Substitution of new plaintiffs requires leave of court pursuant to [section 473](#). Although there [\[***20\]](#) is a policy of great “liberality” in permitting amendments to pleadings, the trial court must consider various factors, including whether the substitution would prejudice the defendant (e.g., by delaying trial, or increasing discovery burden). (*Royal Thrift & Loan Co. v. County Escrow, Inc.* (2004) 123 Cal.App.4th 24, 41–42 [20 Cal. Rptr. 3d 37]; *Jensen v. Royal Pools, supra*, 48 Cal.App.3d at p. 721.) Here, the current plaintiff, though an individual and not the business entity that is the direct owner of the restaurants, does not appear to have had an inappropriate motive in naming himself as plaintiff. [9](#) Thus, to the extent that the party suffering damages in this case is MEMP, as opposed to plaintiff, plaintiff should be permitted to move to amend the complaint in this action to substitute the proper party plaintiff and demonstrate a lack of prejudice to Yelp from the amendment.

[*307]

II. *Yelp's Representations About Its Review Filter Constitute Commercial Speech Squarely Within the Exemption of Section 425.17, Subdivision (c)*

A. *Special Motions to Strike Under [***21] Section 425.16*

HN4 CA(2) (2) [Section 425.16](#), the anti-SLAPP statute is aimed at curbing “lawsuits brought primarily to chill the valid exercise of the constitutional rights of freedom of speech and petition for the redress of grievances.” (§ 425.16, subd. (a).) [Section 425.16](#) extends protection to conduct that furthers the exercise of free speech in connection with an issue of public interest. (§ 425.16, subd. (e)(4).) [Section 425.16](#) provides that a “cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States Constitution or the California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim.” (§ 425.16, subd. (b)(1).) The Legislature commands that the provisions of the anti-SLAPP statute be broadly construed. (§ 425.16, subd. (a); *Jarrow Formulas, Inc. v. LaMarche* (2003) 31 Cal.4th 728, 735 [3 Cal. Rptr. 3d 636, 74 P.3d 737].)

HN5 CA(3) (3) [Subdivision \(e\) of section 425.16](#) delineates the type of speech or petitioning activity protected. Such acts include (1) written or oral statements “made before a legislative, executive, or judicial proceeding”; (2) written or oral statements “made in connection with an issue under consideration or review by a legislative, executive, or judicial body”; (3) written [\[***22\]](#) or oral statements “made in a place open to the public or in a public forum in

connection with an issue of public interest"; or (4) "any other conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in connection with a public issue or an issue of public interest." (§ 425.16, subd. (e).) Yelp here relies on [section 425.16, subdivision \(e\)\(3\)](#) and (4).

HN6 **CA(4)** (4) Ruling on an anti-SLAPP motion is a two-step process. First, the trial court [**141] must determine whether the defendant has made a prima facie showing that the challenged cause of action arises from protected activity. (*People ex rel. Fire Ins. Exchange v. Anapol* (2012) 211 Cal.App.4th 809, 822 [150 Cal. Rptr. 3d 224].) If, and only if, the defendant makes that showing must the trial court proceed to the second step—determination of whether the plaintiff has shown a probability of prevailing on the claim. (*Ibid.*) The appellate court reviews a ruling on an anti-SLAPP motion de novo, using the same two-step process. (*Coretronic Corp. v. Cozen O'Connor* (2011) 192 Cal.App.4th 1381, 1387 [121 Cal. Rptr. 3d 254]; *Cabral v. Martins* (2009) 177 Cal.App.4th 471, 478 [99 Cal. Rptr. 3d 394].)

[*308]

The party making a special motion to strike must make a prima facie showing that the plaintiff's cause of action arises from the defendant's free speech or petition activity. (*Navellier v. Sletten* (2002) 29 Cal.4th 82, 88 [124 Cal. Rptr. 2d 530, 52 P.3d 703].) Once the defendant makes a prima facie showing, "the burden shifts to the plaintiff to ... 'make a prima facie showing of facts which would, [***23] if proved at trial, support a judgment in plaintiff's favor.' " (*Church of Scientology, supra*, 42 Cal.App.4th at p. 646.) In making these determinations, the trial court considers the pleadings and the supporting and opposing affidavits setting forth the facts upon which liability or defense is predicated. (§ 425.16, subd. (b)(2); *Church of Scientology, at p. 646.*)

An order granting or denying a motion to strike under the anti-SLAPP statute is appealable. (§ 425.16, subd. (j).) On appeal, we exercise our independent judgment to determine whether the litigation arises out of protected activity and whether the plaintiff is likely to prevail. (*Kashian v. Harriman* (2002) 98 Cal.App.4th 892, 906, 120 Cal. Rptr. 2d 576.)

B. The Commercial Speech Exemption of [Section 425.17, Subdivision \(c\)](#)

CA(5) (5) The Legislature enacted [section 425.17](#) in response to a "disturbing abuse" of [section 425.16](#). (§ 425.17, subd. (a).) **HN7** [Subdivision \(c\) of section 425.17](#) "enumerate[s] circumstances where the special motion to strike screening mechanism is unavailable." (*Sunset Millennium Associates, LLC v. LHO Grafton Hotel, L.P.* (2006) 146 Cal.App.4th 300, 312 [52 Cal. Rptr. 3d 828].) Under the two-pronged test of [section 425.16](#), whether a [section 425.17](#) exemption applies is a first prong determination. (See *Brill Media Co., LLC v. TCW Group, Inc.* (2005) 132 Cal.App.4th 324, 330 [33 Cal. Rptr. 3d 371] (*Brill Media*), disapproved on other grounds in *Simpson Strong-Tie Co., Inc. v. Gore* (2010) 49 Cal.4th 12, 25 [109 Cal. Rptr. 3d 329, 230 P.3d 1117] [applicability of § 425.17, subd. (c) exemption is a first prong analysis under § 425.16].) *Brill Media* reasoned that [section 425.17, subdivision \(c\)](#) begins with the words, "Section 425.16 does not apply ..." and then specifies an array of circumstances in which it does not apply. (*Brill Media, at p. 330.*) As set forth in *Simpson Strong-Tie Co.*, however, contrary to the holding of *Brill Media*, the burden is on the [***24] plaintiff to show that an exemption of [section 425.17](#) applies. (*Simpson Strong-Tie Co., at p. 26.*)

HN8 [Section 425.17, subdivision \(c\)](#) provides in relevant part that "Section 425.16 does not apply to any cause of action brought against a person primarily engaged in the business of selling or leasing goods or services ... [¶] (1) The statement or conduct consists of representations of fact about that person's or a business competitor's business operations, goods, or [**142] services, [*309] that is made for the purpose of obtaining approval for, promoting, or securing sales or leases of, or commercial transactions in, the person's goods or services, or the statement or conduct was made in the course of delivering the person's goods or services[; and] [¶] (2) the intended audience is an actual or potential buyer or customer, or a person likely to repeat the statement to, or otherwise influence, an actual or potential buyer or customer" A party must satisfy both prongs of this exemption to benefit from the exemption of [section 425.17, subdivision \(c\)](#). (*Hawran v. Hixson* (2012) 209 Cal.App.4th 256, 273 [147 Cal. Rptr. 3d 88].)

The legislative history indicates this legislation is aimed squarely at false advertising claims and is

designed to permit them to proceed without having to undergo scrutiny under the anti-SLAPP statute. Proponents of the legislation argued that corporations were improperly [***25] using the anti-SLAPP statute to burden plaintiffs who were pursuing unfair competition or false advertising claims. The proponents noted that law seminars were being conducted on the unfair competition law, “encouraging corporations to use the SLAPP motions as [a] new litigation weapon to slow down and perhaps even get out of litigation.” (See Sen. Rules Com., Off. of Sen. Floor Analyses, Unfinished Business Analysis of Sen. Bill No. 515 (2003–2004 Reg. Sess.) as amended July 8, 2003, p. 7; Sen. Com. on Judiciary, Analysis of Sen. Bill No. 515 (2003–2004 Reg. Sess.) as amended May 1, 2003, p. 5.)

CA(6)† (6) As the court explained in *Kasky v. Nike, Inc.* (2002) 27 Cal.4th 939 [119 Cal. Rptr. 2d 296, 45 P.3d 243], a false advertising case under the UCL and FAL, **HN9†** “when a court must decide whether particular speech may be subjected to laws aimed at preventing false advertising or other forms of commercial deception, categorizing a particular statement as commercial or noncommercial speech requires consideration of three elements: the speaker, the intended audience, and the content of the message. [¶] In typical commercial speech cases, the speaker is likely to be someone engaged in commerce—that is, generally, the production, distribution, or sale of goods or services—or someone acting on behalf of a person so engaged, and [***26] the intended audience is likely to be actual or potential buyers or customers of the speaker’s goods or services, or persons acting for actual or potential buyers or customers, or persons (such as reporters or reviewers) likely to repeat the message to or otherwise influence actual or potential buyers or customers. ... [¶] ... **HN10†** [I]n deciding whether speech is commercial, two relevant considerations are advertising format and economic motivation. [Citation.] These considerations imply that commercial speech generally or typically is directed to an audience of persons who may be influenced by that speech to engage in a commercial transaction with the speaker or the person on whose behalf the speaker is acting. Speech in advertising format typically, although not invariably, is speech about a product or service by a person who is offering that product or service at a price, directed to persons who may [***310**] want, and be willing to pay for, that product or service. ... [Citation.] Economic motivation likewise implies that the speech is intended to lead to commercial transactions, which in turn assumes that the speaker and the target audience are persons who will engage in those transactions, or their [***27] agents or intermediaries.” (*Kasky*, at pp. 960–961, italics omitted.) The court in *Kasky* continued, “[f]inally, the factual content of the message should be commercial in character. In the context of regulation of false or misleading advertising, this typically means that the speech consists of representations of fact about the business operations, products, or services of the [***143**] speaker (or the individual or company that the speaker represents), made for the purpose of promoting sales of, or other commercial transactions in, the speaker’s products or services.” (*Id.* at p. 961.)

Thus, an editorial layout in a magazine that placed a cigarette ad near depictions of the plaintiff was not commercial speech within the [section 425.17, subdivision \(c\)](#) exemption. (*Stewart v. Rolling Stone LLC* (2010) 181 Cal.App.4th 664, 676 [105 Cal. Rptr. 3d 98].) The plaintiff, a rock musician, asserted that a cigarette ad placed near an editorial layout constituted misappropriation of his name, misappropriation of his right to publicity, and unfair business practices under the UCL. (*Stewart*, at p. 674.) The court rejected the plaintiff’s contention that the action was within the [subdivision \(c\)](#) exemption: “It is true that defendants are ‘primarily engaged in the business of selling goods,’ however, as plaintiffs concede, the goods [defendants] sell are copies of Rolling Stone magazine, not Camel [***28] cigarettes. More significantly, the statement or conduct at issue here did not consist of ‘representations of fact about the business operations, goods or services’ of Rolling Stone or of any of defendants’ business competitors. Instead, the representation at the center of this lawsuit is the representation that plaintiffs and their fellow musicians endorse the sale and use of Camel cigarettes. Accordingly, the first condition set forth in [section 425.17, subdivision \(c\)](#), is not satisfied with respect to defendants and this limited exemption is therefore inapplicable.” (*Stewart*, at pp. 676–677.)

CA(7)† (7) Here, plaintiff’s claims satisfy both prongs of [section 425.17, subdivision \(c\)](#). Although Yelp’s Web site is a public forum and contains matters of public concern in its reviews of restaurants and other businesses (*Hupp v. Freedom Communications, Inc.* (2013) 221 Cal.App.4th 398, 404 [163 Cal. Rptr. 3d 919]), unlike the editorial content of *Stewart v. Rolling Stone LLC*, *supra*, 181 Cal.App.4th 664, Yelp’s statements about its review filter—as opposed to the content of the reviews themselves—are commercial speech about the quality of its product (the reliability of its review filter) intended to reach third parties to induce them to engage in a commercial transaction (patronizing Yelp’s Web site, which patronage induces businesses on Yelp to purchase advertising).

[***311**]

1. *Yelp's Statements About Its Review Filter Consist of Representations [***29] of Fact About Yelp's Web site That Are Made for the Purpose of Obtaining Approval for, Promoting, or Securing Advertisements on Yelp's Web site, and Yelp's Statements Were Made in the Course of Delivering Yelp's Web site*

CA(8)† (8) Yelp's statements about the efficacy of its review filter consist of representations of fact about its services, and are not mere puffery or opinion. **HN11†** "A statement is considered puffery if the claim is extremely unlikely to induce consumer reliance. Ultimately, the difference between a statement of fact and mere puffery rests in the specificity or generality of the claim. [Citation.] 'The common theme that seems to run through cases considering puffery in a variety of contexts is that consumer reliance will be induced by specific rather than general assertions.' [Citation.] Thus, a statement that is quantifiable, that makes a claim as to the 'specific or absolute characteristics of a product,' may be an actionable statement of fact while a general, subjective claim about a product is non-actionable puffery. [Citation.]" (*Newcal Industries, Inc. v. Ikon Office [**144]* Solution (9th Cir. 2008) 513 F.3d 1038, 1053.)

Thus, Yelp's statements that "Yelp uses a filter to give consumers the most trusted reviews"; "All reviews that live on people's profile pages go through [***30] a remarkable filtering process that takes the reviews that are the most trustworthy and from the most established sources and displays them on the business page. This keeps the less trustworthy reviews out so that when it comes time to make a decision you can make that using information and insights that are actually helpful"; "Rest assured that our engineers are working to make sure that whatever is up there is the most unbiased and accurate information you will be able to find about local businesses"; "Yelp is always working to do as good a job as possible on a very complicated task—only showing the most trustworthy and useful content out there"; and "Yelp has an automated filter that suppresses a small portion of reviews—it targets those suspicious ones you see on other sites" are more than puffery, they are statements of fact. Yelp's statements are factual because they are intended to induce consumer reliance on Yelp's reviews by making specific and detailed statements intended to induce reliance, such as: the filter "give[s]" consumers the "most trusted" reviews, and Yelp's engineers (a word inspiring confidence) are working to provide the "most unbiased and accurate" information available. [***31] Although in making these statements, Yelp may use words of emphasis ("remarkable filtering process," "most trustworthy," "most established sources"), Yelp's specific representations about the accuracy of its review filter go beyond mere expressions of opinion or puffery and hyperbole; rather Yelp speaks with the authority of a Web site that intends to attract users with the accuracy of its filter.

[*312]

Thus, it is illogical to conclude that Yelp's statements that all reviews on its Web site are filtered is intended to mean anything other than that. If Yelp intended the statements as puffery or opinion, in the context of Yelp's advertising-driven Web site such statements would have limited utility; thus Yelp would have had no legitimate purpose in making those statements about its review filter.

2. *Yelp's Intended Audience Is an Actual or Potential Buyer or Customer, or a Person Likely to Repeat the Statement to, or Otherwise Influence, an Actual or Potential Buyer or Customer*

Yelp's audience consists of reviewers, readers of reviews, and businesses that may or may not purchase advertising on Yelp's Web site. Although Yelp only receives direct revenue from those businesses that advertise, such [***32] businesses would not be advertising on Yelp without the potential benefit they could obtain from users' reviews and without assurances that potential patrons of their business establishments would be reading only reliable reviews. Further, as Yelp's revenue stream indicates, Yelp is primarily in the business of providing advertising to businesses; the user reviews of businesses are a device whereby prospective users and reviewers are attracted to Yelp's Web site. Thus, Yelp's statements about the accuracy and performance of its

review filter are designed to attract users and ultimately purchasers of advertising on its site.

We note that by his complaint plaintiff does not seek to stop Yelp's use of the filter, or obtain information on the mechanics of the filter. Instead, plaintiff seeks to enjoin commercial statements of ostensible fact that plaintiff alleges are false and misleading. Thus, to the extent [**145] plaintiff were to obtain the relief sought (an injunction), such relief would not interfere with Yelp or its users' commercial speech: Users can continue to post and read reviews; Yelp can continue to solicit advertising based upon the content of its site (user reviews and business [***33] advertising); and Yelp can continue to use its review filter. Narrowly targeted injunctive relief will not affect the content of Yelp's reviewers' statements or the availability of Yelp's reviewers' statements.

As we conclude that plaintiff has established his action is subject to the exemption of [section 425.17, subdivision \(c\)](#), we need not consider the applicability of the exemption of [section 425.17, subdivision \(b\)](#) under the first prong analysis, and also need not consider the second prong of the [section 425.16](#) analysis, namely, whether plaintiff has a reasonable likelihood of prevailing on the merits.

[*313]

III. *The Federal Communications Decency Act Does Not Apply*

Yelp asserts that the CDA, title [47 United States Code section 230](#), bars plaintiff's claims because it provides protections for editorial functions exercised by Web site operators with regard to third party material; courts uniformly hold that claims based on a Web site's editorial decisions (publication, or failure to publish, certain third party conduct) are barred by [section 230](#).

[Title 47 United States Code section 230](#), part of the CDA, provides in relevant part, [HN12](#) "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." ([47 U.S.C. § 230\(c\)\(1\)](#).) However, as this language demonstrates, Yelp's argument is misplaced. [***34] Nowhere does plaintiff seek to enjoin or hold Yelp liable for the statements of third parties (i.e., reviewers) on its Web site. Rather, plaintiff seeks to hold Yelp liable for its own statements regarding the accuracy of its filter.

DISPOSITION

The order is reversed, and plaintiff shall be given an opportunity to move to amend his complaint to substitute the real party in interest in this action as plaintiff. James Demetriades is to recover his costs on appeal.

[Chaney](#) ▼, Acting P. J., and [Miller](#) ▼, J.,  concurred.

A petition for a rehearing was denied August 20, 2014, and respondent's petition for review by the Supreme Court was denied November 12, 2014, S220885.

Footnotes



Judge of the Los Angeles Superior Court, assigned by the Chief Justice pursuant to [article VI, section 6 of the California Constitution](#).

* 

Judge of the Los Angeles Superior Court, assigned by the Chief Justice pursuant to [article VI, section 6 of the California Constitution](#).

1 

All statutory references herein are to the Code of Civil Procedure unless otherwise noted.

2 

"SLAPP" suits are "civil lawsuits ... aimed at preventing citizens from exercising their political rights or punishing those who have done so." [Citation.]' [Citation.]" ([Church of Scientology v. Wollersheim](#) (1996) 42 Cal.App.4th 628, 645 [49 Cal. Rptr. 2d 620] ([Church of Scientology](#)), disapproved on another point in [Equilon Enterprises v. Consumer Cause, Inc.](#) (2002) 29 Cal.4th 53, 68, fn. 5 [124 Cal. Rptr. 2d 507, 52 P.3d 685].) SLAPP suits "are brought, not to vindicate a legal right, but rather to interfere with the defendant's ability to pursue his or her interests." ([Church of Scientology](#), at p. 645.) The aim of a SLAPP suit is to "detract the defendant from his or her objective, which is adverse to the plaintiff." (*Ibid.*)

3 

California's UCL defines "unfair competition" to mean and include "any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading [***6] advertising and any act prohibited by [the FAL]." ([Bus. & Prof. Code, § 17200.](#)) In a suit under the UCL, a public prosecutor may collect civil penalties, but a private plaintiff's remedies are "generally limited to injunctive relief and restitution." ([Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co.](#) (1999) 20 Cal.4th 163, 179 [83 Cal. Rptr. 2d 548, 973 P.2d 527]; see [Bus. & Prof. Code, §§ 17203, 17206.](#))

California's FAL makes it "unlawful for any person, ... corporation ... , or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, ... or to induce the public to enter into any obligation relating thereto, to make or disseminate ... before the public in this state, ... in any newspaper or other publication ... or in any other manner or means whatever ... any statement, concerning that real or personal property or those services ... which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading" ([Bus. & Prof. Code, § 17500.](#)) As with the UCL, an action for violation of the FAL may be brought either by a public prosecutor or by any person acting for the interests of itself, its members or the general public who has suffered injury in fact, and the remedies available to a successful private plaintiff include restitution [***7] and injunctive relief. ([Bus. & Prof. Code, §§ 17204, 17535.](#)) A "person" is defined as any individual, partnership, firm, association, or corporation. ([§ 17506.](#))

4

Plaintiff owns the restaurants through a limited liability corporation known as Multiversal Enterprises Mammoth Properties LLC (MEMP).

5

Plaintiff simultaneously filed an action against "John Doe" (Travis I., the negative reviewer of plaintiff's restaurant), seeking damages for libel. Plaintiff did not file a notice of related cases in this action or in his action against "John Doe."

6

[Section 425.17, subdivision \(c\)](#) provides that [section 425.16](#) "does not apply to any cause of action brought against a person primarily engaged in the business of selling or leasing goods or services ... if both of the following conditions exist: [¶] (1) The statement or conduct consists of representations of fact about that person's or a business competitor's business operations, goods, or services, that is made for the purpose of obtaining approval for, promoting, or securing sales or leases of, or commercial transactions in, the person's goods or services, or the statement or conduct was made in the course of delivering the person's goods or services[; and] [¶] (2) The intended audience is an actual or potential buyer or customer, or a person likely to repeat the statement to, or otherwise influence, an actual or potential buyer or customer, or the statement or conduct arose out of or within the context of a regulatory approval process, proceeding, or investigation, except where the statement or conduct was made by a telephone corporation in the course of a proceeding before the California Public Utilities Commission and is the subject [***14] of a lawsuit brought by a competitor, notwithstanding that the conduct or statement concerns an important public issue."

7

[Section 425.17, subdivision \(b\)](#) provides that "[Section 425.16](#) does not apply to any action brought solely in the public interest or on behalf of the general public if all of the following conditions exist: [¶] (1) The plaintiff does not seek any relief greater than or different from the relief sought for the general public or a class of which the plaintiff is a member. A claim for attorney's fees, costs, or penalties does not constitute greater or different relief for purposes of this subdivision. [¶] (2) The action, if successful, would enforce an important right affecting the public interest, and would confer a significant benefit, whether pecuniary or nonpecuniary, on the general public or a large class of persons. [¶] (3) Private enforcement is necessary and places a disproportionate financial burden on the plaintiff in relation to the plaintiff's stake in the matter."

8

HN1 A plaintiff's right to sue is not relevant to the first prong of the [section 425.16](#) analysis, but to the second prong of the analysis that focuses on "whether [an opposing] plaintiff has established a probability of prevailing on the claim." (*City of Riverside v. Stansbury* (2007) 155 Cal.App.4th 1582, 1594 [66 Cal. Rptr. 3d 862] [plaintiff's right to sue is not addressed on first prong of § 425.16 analysis but may be a proper subject of

demurrer].) Here, we do not reach the second prong of the [section 425.16](#) analysis because we conclude that plaintiff's complaint is subject to the exemption of [section 425.17](#); nonetheless, because the standing issue is of jurisdictional importance and defendant raised it [[***19](#)] below, we address it here.

97

HN3 The UCL provides that "the term person shall mean and include natural persons, corporations, firms, partnerships, joint stock companies, associations and other organizations of persons." ([Bus. & Prof. Code, § 17201.](#)) Similarly, the FAL provides that a "person" is defined as "any individual, partnership, firm, association, or corporation." ([Bus. & Prof. Code, § 17506.](#))

*7

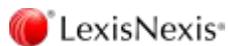
Judge of the Los Angeles Superior Court, assigned by the Chief Justice pursuant to [article VI, section 6 of the California Constitution.](#)

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EXHIBIT 211

IN THE SUPREME COURT OF CALIFORNIA

NEWPORT HARBOR VENTURES,)	
LLC, et al.,)	
)	
Plaintiffs and Respondents,)	
)	S239777
v.)	
)	Ct.App. 4/3 G052660
MORRIS CERULLO WORLD)	
EVANGELISM et al.,)	
)	Orange County
Defendants and Appellants.)	Super. Ct. No. 30-2013-00665314
_____)	

Code of Civil Procedure section 425.16 (§ 425.16), California’s so-called anti-SLAPP (strategic lawsuit against public participation) statute, is intended to resolve quickly and relatively inexpensively meritless lawsuits that threaten free speech on matters of public interest. When it applies, section 425.16 permits a defendant to file a special motion to strike a cause of action (sometimes referred to as an anti-SLAPP motion) “within 60 days of the service of the complaint or, in the court’s discretion, at any later time upon terms it deems proper.” (§ 425.16, subd. (f).) Here, defendants filed the special motion within 60 days of the third amended complaint, but not within 60 days of any earlier complaint. The third amended complaint contains some of the same causes of action as earlier complaints. We granted review to decide whether a special motion to strike an amended complaint may seek dismissal of causes of action that had been included in the earlier complaints.

Because the anti-SLAPP statute is designed to resolve these lawsuits early, but not to permit the abuse that delayed motions to strike might entail, we conclude, as did the Court of Appeal, that, subject to the trial court's discretion under section 425.16, subdivision (f), to permit late filing, a defendant must move to strike a cause of action within 60 days of service of the earliest complaint that contains that cause of action.

I. PROCEDURAL HISTORY

We take this procedural history primarily from the Court of Appeal's opinion. (*Newport Harbor Ventures, LLC v. Morris Cerullo World Evangelism* (2016) 6 Cal.App.5th 1207, 1211-1215 (*Newport Harbor*).)

Plaintiffs Newport Harbor Ventures, LLC, and Vertical Media Group, Inc., sued defendants Morris Cerullo World Evangelism and Roger Artz for damages based on events involving a ground sublease of real property in Newport Beach. Among other allegations, plaintiffs alleged that defendants fraudulently settled an unlawful detainer action involving the property. The first and subsequent complaints alleged multiple causes of action, including breach of written contract and breach of the implied covenant of good faith. Plaintiffs eventually filed a third amended complaint. That complaint also alleged that defendants fraudulently settled the unlawful detainer action. It contained the causes of action for breach of written contract and breach of the implied covenant of good faith contained in the original complaint and added, for the first time, causes of action for quantum meruit and promissory estoppel.

Within 60 days of the filing of the third amended complaint, defendants moved to strike that complaint under section 425.16. They argued that settlement of the unlawful detainer action was an act arising from the right to petition and therefore is protected under the anti-SLAPP statute. Plaintiffs argued the motion was untimely because it was not brought within 60 days of any earlier complaint.

The trial court agreed and denied the motion as untimely. It explained that “[t]he case has been pending for over two years. The court notes that the Complaint and every pleading filed by Plaintiffs thereafter, all referenced the Settlement Agreement at the heart of Defendants’ argument. Defendants demurred to every pleading filed by Plaintiffs. They filed a Motion to Strike the Complaint and the Second Amended Complaint. The court has also heard and ruled on Defendants’ Motion for Judgment on the Pleadings and Motion for Summary Judgment. Substantial discovery has already taken place. The court has granted several discovery motions filed by Plaintiffs. The purpose of the anti-SLAPP statute is to dismiss meritless lawsuits designed to chill free speech rights at the earliest stage of the case. That purpose no longer applies at this late stage in the litigation.”

Defendants appealed the denial order. (§ 425.16, subd. (i).) The Court of Appeal affirmed. It held that “a defendant must file an anti-SLAPP motion within 60 days of service of the first complaint (or cross-complaint, as the case may be) that pleads a cause of action coming within section 425.16[, subdivision] (b)(1) unless the trial court, in its discretion and upon terms it deems proper, permits the motion to be filed at a later time (§ 425.16[, subd.] (f)). An amended complaint reopens the time to file an anti-SLAPP motion without court permission only if the amended complaint pleads new causes of action that could not have been the target of a prior anti-SLAPP motion, or adds new allegations that make previously pleaded causes of action subject to an anti-SLAPP motion.” (*Newport Harbor, supra*, 6 Cal.App.5th at p. 1219.)

The court also concluded that defendants’ motion was timely as to the two new causes of action pleaded for the first time in the third amended complaint. “To conclude otherwise,” it explained, “would allow [plaintiffs] to circumvent the purpose of the anti-SLAPP statute by holding back those two causes of action from earlier complaints.” (*Newport Harbor, supra*, 6 Cal.App.5th at p. 1220,

citing *Lam v. Ngo* (2001) 91 Cal.App.4th 832, 840-841 (*Lam*.) But it also concluded that plaintiffs had established a probability of prevailing on those causes of action and, accordingly, the trial court correctly denied the anti-SLAPP motion. (*Newport Harbor*, at pp. 1212, 1220-1226.)

We granted defendants' petition for review. Later, we issued an order limiting review to the issue concerning the proper interpretation of section 425.16, subdivision (f). (Cal. Rules of Court, rule 8.516(a)(1).)

II. DISCUSSION

A. Suspension of Corporate Status.

A corporation may not prosecute or defend an action while its corporate status is suspended for failure to pay taxes. (*Bourhis v. Lord* (2013) 56 Cal.4th 320, 324.) Before oral argument, the question arose whether plaintiffs' corporate status had been suspended. The day before oral argument, plaintiffs' counsel filed documentation indicating that both corporations' corporate status had been revived. We grant plaintiffs' request to judicially notice the documents. (Cal. Rules of Court, rules 8.252, 8.520(g).) Accordingly, counsel properly represented the plaintiffs at oral argument.

B. The Proper Interpretation of Code of Civil Procedure section 425.16, subdivision (f).

“Section 425.16 provides, inter alia, that ‘A cause of action against a person arising from any act of that person in furtherance of the person’s right of petition or free speech under the United States or California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim.’ (*Id.*, subd. (b)(1).) ‘As used in this section, “act in furtherance of a person’s right of petition or free speech under the United States or California Constitution in connection with a public issue” includes: (1)

any written or oral statement or writing made before a legislative, executive, or judicial proceeding, or any other official proceeding authorized by law; (2) any written or oral statement or writing made in connection with an issue under consideration or review by a legislative, executive, or judicial body, or any other official proceeding authorized by law’ (*Id.*, subd. (e).)” (*Equilon Enterprises v. Consumer Cause, Inc.* (2002) 29 Cal.4th 53, 58.)

Section 415.16 “provides a procedure for weeding out, at an early stage, *meritless* claims arising from protected activity.” (*Baral v. Schnitt* (2016) 1 Cal.5th 376, 384.) “The Legislature enacted section 425.16 to prevent and deter ‘lawsuits [referred to as SLAPPs] brought primarily to chill the valid exercise of the constitutional rights of freedom of speech and petition for the redress of grievances.’ (§ 425.16, subd. (a).) Because these meritless lawsuits seek to deplete ‘the defendant’s energy’ and drain ‘his or her resources’ [citation], the Legislature sought ‘ “to prevent SLAPPs by ending them early and without great cost to the SLAPP target” ’ [citation]. Section 425.16 therefore establishes a procedure where the trial court evaluates the merits of the lawsuit using a summary-judgment-like procedure at an early stage of the litigation. [Citation.] In doing so, section 425.16 seeks to limit the costs of defending against such a lawsuit.” (*Varian Medical Systems, Inc. v. Delfino* (2005) 35 Cal.4th 180, 192.)

The parties seem to agree that defendants’ action in settling the unlawful detainer action was an act “in furtherance of [their] right of petition or free speech” (§ 425.16, subd. (b)(1)), and thus constitutes protected activity under section 425.16. (See *Newport Harbor, supra*, 6 Cal.App.5th at p. 1211.) We will assume that to be the case. The issue before us concerns the timing of section 425.16’s special motion to strike. Section 425.16, subdivision (f), provides as relevant: “The special motion may be filed within 60 days of the service of the *complaint* or, in the court’s discretion, at any later time upon terms it deems

proper.” (Italics added.) We must decide how this provision applies to an *amended* complaint.

In *Lam, supra*, 91 Cal.App.4th 832, the question arose whether a defendant could file the special motion to strike within 60 days of service of an amended complaint if the amended complaint added new causes of action for acts that section 425.16 protects. As the *Lam* court described it, the question was “whether the words ‘the complaint’ in section 425.16, subdivision (f) may include amended complaints, or necessarily are restricted to just the original.” (*Lam*, at p. 840.) The plaintiff argued that the motion to strike had to be made within 60 days of the original complaint or not at all. The court disagreed.

“[T]he purpose of the anti-SLAPP suit law would be readily circumventable if a defendant’s only opportunity to strike meritless SLAPP claims were in an attack on the original complaint. Causes of action subject to a special motion to strike could be held back from an original complaint [¶] In context, the ‘special’ anti-SLAPP suit motion is directed at a particular document, namely ‘the complaint.’ It would make no sense to read ‘complaint’ to refer to an earlier complaint that contained no anti-free-speech claims, but not allow such a motion for a later complaint that had been amended to contain some. After all, the whole purpose of the statute is to provide a mechanism for the *early* termination of claims that are improperly aimed at the exercise of free speech or the right of petition.” (*Lam, supra*, 91 Cal.App.4th at pp. 840-841.)

A similar, but slightly different, issue arose in *Yu v. Signet Bank/Virginia* (2002) 103 Cal.App.4th 298 (*Yu*). There, as in *Lam, supra*, 91 Cal.App.4th 832, the plaintiff argued that a special motion to strike was untimely because it was filed within 60 days of the amended complaint, but not within 60 days of the original complaint. The Court of Appeal held that the word “complaint” in section 426.16, subdivision (f), includes an amended complaint. It noted that *Lam*

“point[ed] out among other things that if the statute were construed as the [plaintiffs] urge, a plaintiff might attempt to circumvent the anti-SLAPP law by waiting until an amended complaint to assert its SLAPP allegations.” (*Yu*, at p. 314.)

Under *Lam* and *Yu*, an anti-SLAPP motion may be brought after an amended complaint, at least as to new claims not previously made. The Court of Appeal in this case agreed with those cases to that extent. (*Newport Harbor, supra*, 6 Cal.App.5th at p. 1220.) We do too, for the reasons, quoted above, that the *Lam* court identified. But what about causes of action in an amended complaint that were included in an earlier complaint? May the defendant file the special motion to strike those causes of action when it could have done so sooner after service of the earlier complaint? *Lam, supra*, 91 Cal.App.4th 832, did not address the question.

The *Yu* court did address the question. It ruled broadly that the motion to strike following an amended complaint was timely even though it could have been filed sooner. “Admittedly, this is not a case where an anti-SLAPP motion was promptly made to counter SLAPP allegations first added to an amended pleading. [The defendants] could have filed their motion at the outset of the case and . . . their anti-SLAPP theory seems to have been an afterthought. [The defendants’] opportunity to belatedly raise that theory arose as a matter of right only because the [plaintiffs] were required to file a third amended complaint, which deleted many more allegations than it added, and added nothing that implicated the anti-SLAPP law. We nevertheless conclude . . . that [the defendants’] motion was timely because it was filed within 60 days of service of the third amended complaint.” (*Yu, supra*, 103 Cal.App.4th at p. 315.)

Without specifically citing *Yu, supra*, 103 Cal.App.4th 298, the court in *Hewlett-Packard Co. v. Oracle Corp.* (2015) 239 Cal.App.4th 1174 disagreed with

this last point, albeit in dicta. “The rule that an amended complaint reopens the time to file an anti-SLAPP motion is intended to prevent sharp practice by plaintiffs who might otherwise circumvent the statute by filing an initial complaint devoid of qualifying causes of action and then amend to add such claims after 60 days have passed. [Citation.] But a rule properly tailored to that objective would permit an amended pleading to extend or reopen the time limit only as to *newly pleaded* causes of action arising from protected conduct. A rule automatically reopening a case to anti-SLAPP proceedings upon the filing of *any* amendment permits defendants to forgo an early motion, perhaps in recognition of its likely failure, and yet seize upon an amended pleading to file the same meritless motion later in the action, thereby securing the ‘free time-out’ condemned in [*People ex rel. Lockyer v. Brar* (2004)] 115 Cal.App.4th 1315, 1318.” (*Hewlett-Packard Co.*, at p. 1192, fn. 11.)

The Court of Appeal in this case agreed with *Hewlett-Packard Co. v. Oracle Corp.*, *supra*, 239 Cal.App.4th 1174, in this regard. (*Newport Harbor*, *supra*, 6 Cal.App.5th at pp. 1217-1218.) It “disagree[d] with *Yu* to the extent it holds that a defendant has an absolute right to file an anti-SLAPP motion to an amended complaint, even when the motion could have been brought against an earlier complaint.” (*Id.* at p. 1218.) It quoted our explanation in *Varian Medical Systems, Inc. v. Delfino*, *supra*, 35 Cal.4th at page 192, that section 425.16 was intended to end meritless SLAPP suits early without great cost to the target. It said permitting a defendant an absolute right to file an anti-SLAPP motion to an amended complaint “would encourage gamesmanship that could defeat rather than advance that purpose.” (*Newport Harbor*, at p. 1218.)

We agree with the Court of Appeal. Section 425.16 provides a means for the prompt and relatively inexpensive resolution of lawsuits that threaten free

speech. But it also “present[s] the possibility for abuse of the anti-SLAPP statute.” (*Platypus Wear, Inc. v. Goldberg* (2008) 166 Cal.App.4th 772, 783.)

“All discovery proceedings in the action shall be stayed upon the filing of a notice of motion made pursuant to this section. The stay of discovery shall remain in effect until notice of entry of the order ruling on the motion.” (§ 425.16, subd. (g).) “An order granting or denying a special motion to strike shall be appealable under [Code of Civil Procedure s]ection 904.1.” (*Id.*, subd. (i).) An appeal under this provision “automatically stays all further trial court proceedings on the merits upon the causes of action affected by the motion.” (*Varian Medical Systems, Inc. v. Delfino, supra*, 35 Cal.4th at p. 186.) Because of these provisions, as one Court of Appeal put it, we “have acknowledged the ironic unintended consequence that anti-SLAPP procedures, enacted to curb abusive litigation, are also prone to abuse.” (*Olsen v. Harbison* (2005) 134 Cal.App.4th 278, 283.) “[S]ome anti-SLAPP appeals will undoubtedly delay litigation even though the appeal is frivolous or insubstantial. . . . [S]uch a result may encourage defendants to ‘misuse the [anti-SLAPP] motions to delay meritorious litigation or for other purely strategic purposes.’ ” (*Varian Medical Systems, Inc.*, at p. 195.)

In this case, as the trial court noted when it exercised its discretion to deny a late filing, much litigation, including discovery, had already been conducted for two years before the anti-SLAPP motion brought it to a halt. It is far too late for the anti-SLAPP statute to fulfill its purpose of resolving the case promptly and inexpensively. “An anti-SLAPP motion is not a vehicle for a defendant to obtain a dismissal of claims in the middle of litigation; it is a procedural device to prevent costly, unmeritorious litigation at the initiation of the lawsuit.” (*San Diegans for Open Government v. Har Construction, Inc.* (2015) 240 Cal.App.4th 611, 625-626.) To minimize this problem, section 425.16, subdivision (f), should be interpreted to permit an anti-SLAPP motion against an amended complaint if it

could not have been brought earlier, but to prohibit belated motions that could have been brought earlier (subject to the trial court's discretion to permit a late motion). This interpretation maximizes the possibility the anti-SLAPP statute will fulfill its purpose while reducing the potential for abuse.

Defendants argue that, because filing an anti-SLAPP motion stays discovery proceedings, and an appeal from the denial of the motion stays all further trial court proceedings on the merits of the causes of action affected by the motion, permitting defendants to challenge only new causes of action in an amended complaint cannot further judicial efficiency. We disagree. Perfect efficiency may be unobtainable. But limiting an anti-SLAPP motion to new causes of action can make the process more efficient. Claims unaffected by the anti-SLAPP motion might be able to go forward. Moreover, a rule limiting the anti-SLAPP motion to new causes of action can streamline the resolution of the motion and any ensuing appeal by limiting the number of issues to be resolved. The plaintiff also has control over what to allege in an amended complaint. An amended complaint might not add new causes of action subject to an anti-SLAPP motion, in which case no anti-SLAPP motion at all would be permitted.

For these reasons, we agree with the Court of Appeal's interpretation of section 425.16, subdivision (f). Specifically, we agree with the summary of its holding quoted in part I., *ante*, of this opinion. (*Newport Harbor, supra*, 6 Cal.App.5th at p. 1219.) (We express no opinion regarding its further conclusion that plaintiffs had established a probability of prevailing on the new causes of action.)

Defendants argue that this conclusion requires overruling *Baral v. Schnitt, supra*, 1 Cal.5th 376. It does not. That case concerned how "the special motion to strike operate[s] against a so-called 'mixed cause of action' that combines allegations of activity protected by the statute with allegations of unprotected

activity.” (*Id.* at p. 381.) It did not consider the timeliness of any motion to strike or the proper interpretation of section 425.16, subdivision (f).

III. CONCLUSION

We affirm the judgment of the Court of Appeal. We also disapprove *Yu v. Signet Bank/Virginia, supra*, 103 Cal.App.4th 298, to the extent it is inconsistent with this opinion.

CHIN, J.

WE CONCUR:

CANTIL-SAKAUYE, C.J.

CORRIGAN, J.

LIU, J.

CUÉLLAR, J.

KRUGER, J.

RAYE, J.*

* Administrative Presiding Justice of the Court of Appeal, Third Appellate District, assigned by the Chief Justice pursuant to article VI, section 6 of the California Constitution.

See next page for addresses and telephone numbers for counsel who argued in Supreme Court.

Name of Opinion Newport Harbor Ventures, LLC v. Morris Cerullo World Evangelism

Unpublished Opinion
Original Appeal
Original Proceeding
Review Granted XXX 6 Cal.App.5th 1207
Rehearing Granted

Opinion No. S239777
Date Filed: March 22, 2018

Court: Superior
County: Orange
Judge: Deborah C. Servino

Counsel:

Galuppo & Blake, Louis A. Galuppo, Steven W. Blake, Andrew E. Hall and Daniel T. Watts for Defendants and Appellants.

Knypstra Law, Knypstra Hermes, Bradley P. Knypstra and Grant Hermes for Plaintiffs and Respondents.

Counsel who argued in Supreme Court (not intended for publication with opinion):

Steven W. Blake
Galuppo & Blake
2792 Gateway Road, Suite 102
Carlsbad, CA 92009
(760) 431-4575

Daniel T. Watts
Galuppo & Blake
2792 Gateway Road, Suite 102
Carlsbad, CA 92009
(760) 431-4575

Grant Hermes
Knypstra Hermes
2731 1/2 East Coast Highway
Corona Del Mar, CA 92625
(949) 432-3802

EXHIBIT 212

Julie E. Schwartz
JSchwartz@perkinscoie.com
D. (650) 838-4490
F. (650) 838-4690

May 26, 2015

VIA E-MAIL GODKIN@BIRNBAUMGODKIN.COM

David S. Godkin
Birnbaum & Godkin, LLP
280 Summer Street
Boston, MA 02210

Re: *Six4three, LLC v. Facebook, Inc.*, Civ. 533328

Dear Mr. Godkin:

Thank you for your letter dated May 18, 2015. It is apparent from your letter that Six4three has no basis for its claims against Facebook. As previously explained and as provided below, we again request that you voluntarily dismiss the complaint.

Six4three has not, and indeed cannot, identify a single affirmative promise by Facebook to keep friends' data -- or any particular Platform endpoint -- open to developers. Opening Facebook's graph to developers and having core aspirational principles of "Free Flow of Information," "Fundamental Equality, and "Open Platforms and Standards" are not, as Six4three claims, pledges by Facebook to keep its friends' data open. To the contrary, there is ample evidence, provided to you in Facebook's prior correspondence, that Facebook has always reserved the right to make changes to its platform.

Furthermore, you concede that ninety days' notice of a "breaking change" is a reasonable amount of time for developers to modify their software to comply with API specification updates. You then draw an artificial distinction between "breaking changes" and the complete closure of an endpoint, claiming that even a year's notice (which Facebook provided here) is insufficient where the closure results in complete termination of the functionality of an app. However, you provide no support for making such a distinction, and there is none. As Six4three does not dispute, Facebook did more than it needed to when it provided ample notice to Six4three of the breaking change under its policies. Facebook had no obligation to do anything more.

In any event, as Facebook explained, the nature of its platform has not changed and Six4three has the ability to modify its app to accommodate the breaking change if it desires. All version 2.0 of the API requires is that app developers obtain the consent of the users from which the app

David S. Godkin
May 26, 2015
Page 2

is obtaining friend data. Thus, all Six4three need do is modify its Pikinis app to verify that the targeted user is also a Pikinis user or obtain the consent of that user to allow other Pikinis users to view his or her photos that are selected by the Pikinis app. We frankly are confused by your reluctance to have someone on the Facebook platform team explain these changes to you because we trust that you and Six4three agree that transparency of consent is a good thing and that it should help ensure that apps do not take actions with people's content in unexpected or undesired ways. Surely, Six4three is not advocating that it should be allowed to develop apps that take actions to which the subjects of the app's actions would not consent.

Based on these facts and Six4three's failure to support any of its claims, it appears that Six4three's lawsuit is frivolous and nothing more than an attempt to chill Facebook's valid exercise of its free speech rights to set reasonable parameters around permissible speech on its services. Accordingly, should Six4three choose to proceed with this lawsuit, Facebook intends to seek its attorneys' fees and costs incurred in connection with bringing an Anti-SLAPP motion challenging the lawsuit, along with any other available remedies. If Six4three, nevertheless, desires to proceed, Facebook has agreed to permit me to accept service of the complaint if you are willing to stipulate that Facebook's responsive pleading is due 60 days after service.

Very truly yours,



Julie E. Schwartz

JES:ch

EXHIBIT 213

1 Basil P. Fthenakis, Esq. (88399)
CRITERION LAW
2225 E. Bayshore Road, Suite 200
2 Palo Alto, California 94303
Tel. (650) 352-8400
3 Fax. (650) 352-8408
bpf@criterionlaw.com

4 Of counsel:

5 David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
6 BIRNBAUM & GODKIN, LLP
280 Summer Street
7 Boston, MA 02210
(617) 307-6100
godkin@birnbaumgodkin.com
8 kruzer@birnbaumgodkin.com

9 Attorneys for Plaintiff,
SIX4THREE, LLC, a Delaware
10 limited liability company

11 SUPERIOR COURT OF CALIFORNIA

12 COUNTY OF SAN MATEO

13 SIX4THREE, LLC, a Delaware limited
liability company,

14 Plaintiff,

15 v.

16 FACEBOOK, INC., a Delaware corporation
and DOES 1 through 50, inclusive

17 Defendants.

) Case No. CIV 533328

)
) **Assigned For All Purposes To Hon. Marie**
) **S. Weiner, Dept. 2**

) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES IN OPPOSITION TO**
) **DEFENDANT'S MOTION TO STRIKE**
) **(ANTI-SLAPP MOTION)**

) Unredacted Version of Document Sought to be Lodged Under Seal

) **HEARING DATE: January 9, 2018**

) **HEARING TIME: 9:00 am**

) **DEPARTMENT: 2 (Complex Civil)**

) **JUDGE: Hon. Marie S. Weiner**

) **FILING DATE: April 10, 2015**

) **TRIAL DATE: April 25, 2019**

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1 **I. ARGUMENT**

2 **A. This Anti-SLAPP Motion Is a Frivolous Ruse Intended to Delay Discovery and
3 Prejudice Plaintiff While Subverting the Very Purpose of Anti-SLAPP**

4 In the 956 days since Plaintiff filed its complaint, Facebook has argued vigorously in its
5 pleadings that this case is merely “a business dispute between two companies that voluntary [sic]
6 entered into a private agreement.”¹ Remarkably, on the eve of the deposition of two key
7 witnesses Plaintiff has sought to depose for over six months now, as well as Facebook’s deadline
8 to comply with the Court’s order to produce certain documents in Zuckerberg’s possession,
9 Facebook transforms this into a First Amendment case in a transparent attempt to obstruct
10 discovery. The ruse is evident from one simple fact: *Facebook never de-published any content.*
11 *All the content Facebook published prior to the bait and switch scheme remained published*
12 *after the bait and switch scheme. Facebook’s decision to shut down certain software tools,*
13 *methods and APIs it made available exclusively under contract with developers had no impact*
14 *whatsoever on the publishing or de-publishing of any content.*

15 Plaintiff has never sought to limit Facebook’s editorial discretion. In fact, Plaintiff’s App
16 contained software methods that would automatically remove a piece of content from the App’s
17 database if Facebook decided to de-publish it. For instance, if Facebook determined that a photo
18 uploaded by a user was offensive and removed it from Facebook’s website, then Plaintiff’s App
19 automatically removed it as well. Plaintiff has never sought to require that Facebook publish or
20 remove any particular piece of content. Facebook’s editorial discretion—the crux of its newly
21 concocted Section 230 defense—has never been invoked. Further, many of Facebook’s software
22 APIs, tools and methods that Plaintiff used have nothing to do with the transmission of data

¹ See Declaration of David S. Godkin (“Godkin Dec.”), ¶ 2, Ex. A, Defendant’s Memorandum of Points and Authorities in Support of its Motion for Summary Adjudication of Issues, at 9.

1 uploaded by third parties to Facebook's website. For instance, the Friends List API (the removal
2 of which shut down Plaintiff's business) is a software product that Facebook created to provide
3 access to data that Facebook itself created, compiled and maintained. No Facebook user has ever
4 uploaded or posted a list of all their Facebook friends to the Facebook website; rather, Facebook
5 created this list and chose to make it available under contract via certain software APIs. It is
6 undisputed that Facebook created both the data set and the software that transmitted the data set
7 to developers. In sum, Facebook's contortions would require this Court to conclude that software
8 licensed under a contractual agreement *is* content under 47 U.S.C.S. § 230(c)(2) and further that
9 the business decision to stop providing software under a contractual agreement *is* an act in
10 furtherance of the exercise of the constitutional right of free speech under Cal. Code Civ. Proc. §
11 425.16(e)(4). This position is objectively meritless and frivolous.² Further, it is dangerous,
12 because it weaponizes the First Amendment as a pretext to avoid liability for any contractual
13 breach, anti-competitive scheme or other fraudulent and malicious conduct.

14 Facebook cannot hope to prevail on this motion.³ Aware that Anti-SLAPP motions
15 trigger a stay of trial court proceedings and permit interlocutory appeal, Facebook's hope is that

16 ² That *all* of Facebook's cases in support of its motion arise out of conduct so far afield from the
17 conduct in this case demonstrates that Facebook has no objectively reasonable basis for filing
18 this motion. *See Good Government Group, Inc. v. Superior Court of Los Angeles County* (1978)
19 22 Cal.3d 672, 677-678 [150 Cal.Rptr. 258, 586 P.2d 572] (defamation suit arising out of speech
20 uttered by a publicly elected official during an official City Council meeting); *Equilon*
21 *Enterprises v. Consumer Cause, Inc.* (2002) 29 Cal.4th 53, 57 [124 Cal.Rptr.2d 507, 52 P.3d
22 685] (dismissing oil company's SLAPP suit that sought to prevent consumer group from suing
the oil company for violation of pollution laws); *Okorie v. Los Angeles Unified School Dist.*
(2017) 14 Cal.App.5th 574, 594 [222 Cal.Rptr.3d 475] (defamation suit arising out of speech
uttered during an official proceeding authorized by law); *Hupp v. Freedom Communications,*
Inc. (2013) 221 Cal.App.4th 398, 401 [163 Cal.Rptr.3d 919] (defamation suit arising out of
publisher's refusal to remove a negative and hurtful comment published by a third party on
publisher's website); *Navellier v. Sletten* (2002) 29 Cal.4th 82, 90 [124 Cal.Rptr.2d 530, 52 P.3d
703] (holding that the right to sue notwithstanding plaintiff's prior agreement to a general release
of claims was protected activity under Section 425.16).

³ Further, this motion is improper as to all causes of action that have survived demurrer as the

1 it can engage in what the court in *Platypus* calls “tactical manipulation” of Section 425.16 to
2 further its primary interest in this case: avoiding the production of documents in the possession
3 of Zuckerberg and senior Facebook executives that would definitively demonstrate that
4 Zuckerberg architected the most anti-competitive scheme in the history of the software industry
5 when he shut down over 40,000 software applications in a single day. *See Platypus Wear, Inc. v.*
6 *Goldberg* (2008) 166 Cal.App.4th 772, 773 [83 Cal.Rptr.3d 95]. Plaintiff is entitled to this
7 production solely based on the 4AC’s allegations, and yet Facebook has successfully obstructed
8 this discovery through deceptive litigation tactics for almost three years.⁴ Ironically, Facebook is
9 maliciously using Anti-SLAPP to obstruct Plaintiff’s right to petition the Courts for redress of an
10 injustice. In this odd but obvious sense, Facebook’s Anti-SLAPP motion has the practical effect
11 of a SLAPP lawsuit.⁵ Plaintiff implores this Court to deny Facebook’s motion and thereby

11 appropriate motion would be one for reconsideration, which would require new facts or law.
12 Similarly, this motion is improper as to all causes of action asserted against individual Doe
13 defendants as Facebook has not alleged these defendants engaged in any protected activity and it
14 is hard to see how it could.

13 ⁴ The procedural history of this case demonstrates that Facebook is playing games with the
14 Court. The Court ordered Facebook on September 15, 2016 to produce documents to which
15 Plaintiff contended Zuckerberg was the proper custodian, and Facebook filed a Motion for
16 Protective Order, fired its counsel and retained new counsel in order to cause further delay.
17 Godkin Dec., ¶¶ 3-4, Exs. B-C. Then, on January 24, 2017, on the eve of the hearing on
18 Plaintiff’s requests to access Zuckerberg’s documents, Facebook removed this case to federal
19 court, again delaying any production of Zuckerberg’s documents. Godkin Dec., ¶ 5, Ex. D. Then,
20 On April 28, 2017, on the eve of the Court’s decision regarding the production of Zuckerberg’s
21 documents, this case was transferred to the Complex Department and had its calendar vacated.
22 Godkin Dec., ¶ 6, Ex. E. Now, with few remaining delay tactics available, Facebook is arguing
that this is a First Amendment case after disavowing that theory for 956 days. This Anti-SLAPP
motion and any appeal must be put to bed expeditiously, and Facebook must be ordered to
produce the discovery to which Plaintiff is entitled so Plaintiff can take depositions and prepare
for trial.

19 ⁵ “The paradigm SLAPP is a suit filed by a large developer against environmental activists or a
20 neighborhood association intended to chill the defendants’ continued political or legal opposition
21 to the developers’ plans.... SLAPP suits are brought to obtain an economic advantage over the
22 defendant, not to vindicate a legally cognizable right of the plaintiff. Thus, while SLAPP suits
masquerade as ordinary lawsuits the conceptual features which reveal them as SLAPP suits are
that they are generally meritless suits brought by large private interests to deter common citizens

1 mitigate this egregious abuse of the judicial process. *See Turner v. Vista Pointe Ridge*
2 *Homeowners Assn.* (2009) 180 Cal.App.4th 676, 677 [102 Cal.Rptr.3d 750].

3 **B. The Court Cannot Consider an Anti-SLAPP Motion Filed 956 Days After the**
4 **Complaint**

5 Facebook's request that the Court consider on the merits an Anti-SLAPP motion filed
6 almost 1,000 days after the complaint is unprecedented. Facebook's best case, which, unlike this
7 case, involved conduct squarely within the purview of Anti-SLAPP, permitted an Anti-SLAPP
8 motion to proceed when it was filed 64 days after an amended complaint *and less than 120 days*
9 *after the initial complaint* (the conduct giving rise to the case occurred in March 1999 and the
10 Anti-SLAPP motion was filed by July 1999). *See Lam v. Ngo* (2001) 91 Cal.App.4th 832, 839
11 [111 Cal.Rptr.2d 582] (holding that the right to protest public endorsements of Ho Chi Minh by a
12 Vietnamese restaurant is protected activity). The other case Facebook relies on explicitly states
13 that its reason for permitting the 60-day deadline to toll from the filing of an amended complaint
14 is because otherwise "a plaintiff might attempt to circumvent the anti-SLAPP law by waiting
15 until an amended complaint to assert its SLAPP allegations." *See Yu v. Signet Bank/Virginia*
16 (2002) 103 Cal.App.4th 298, 313-314 [126 Cal.Rptr.2d 516]. Clearly that is not the issue here.
17 Facebook does not even attempt to argue that the 4AC contains new causes of action or
18 allegations that would recast Plaintiff's complaint as a SLAPP. To the contrary, Facebook argues
19 that all of Plaintiff's causes of action are underwritten by a single protected activity. Defendant's
20 Special Motion to Strike ("Motion"), at 1-2. On that basis alone, the motion is untimely. Finally,
21 although not controlling as it is on appeal in the California Supreme Court, the leading
22 persuasive authority on Section 425.16(f) holds that "an amended complaint reopens the time to
from exercising their political or legal rights or to punish them for doing so." *See Hupp v.*
Freedom Communications, Inc. (2013) 221 Cal.App.4th at 399.

1 file an anti-SLAPP motion without court permission only if the amended complaint pleads new
2 causes of action that could not have been the target of a prior anti-SLAPP motion, or adds new
3 allegations that make previously pleaded causes of action subject to an anti-SLAPP motion.”⁶

4 *See Newport Harbor Ventures, LLC v. Morris Cerullo World Evangelism* (2016) 6 Cal.App.5th
5 1207, 1218-1219 [212 Cal.Rptr.3d 216].⁷

6 The only case addressing a delay remotely close to the delay present here holds that the
7 purpose of Anti-SLAPP motions to dismiss meritless lawsuits at the earliest stage of the case “no
8 longer applies once the complaint has been answered and the case has been pending for nearly a
9 year.” *See Platypus Wear, Inc. v. Goldberg* (2008) 166 Cal.App.4th at 784. *Platypus* makes clear
10 that a trial court that permits a defendant to file an Anti-SLAPP motion abuses its discretion

11 ⁶ Facebook contends that even if Facebook’s motion is untimely as to Counts I, II, IV, V, VI, it is
12 still timely as to Counts III, VII, VIII. Motion, at 4, fn. 1. This is contrary to the law. Counts III,
13 VII, and VIII were all included in the Third Amended Complaint (TAC) filed on July 28, 2017,
14 so the motion is untimely on that basis alone. Further, Facebook would have to show that these
15 causes of action or the additional allegations in the 4AC arise out of new activity that is
16 protected, whereas the prior activity out of which the other causes of action arose was
17 unprotected. Facebook does not even attempt such a showing. Instead, Facebook generically
18 asserts that all of Plaintiff’s causes of action underlie a single “protected” activity – namely, the
19 removal of software APIs provided under a contractual agreement. *See Newport Harbor*
20 *Ventures, LLC v. Morris Cerullo World Evangelism* (2016) 6 Cal.App.5th at 1218-1219.

21 ⁷ Facebook disingenuously suggests that the California Supreme Court supports its view that an
22 Anti-SLAPP motion can be filed without any good cause almost 1,000 days after the original
complaint because the Supreme Court ordered the lower court in *DuPont* to permit an Anti-
SLAPP motion to proceed notwithstanding that it was filed 126 days after the initial complaint
and 97 days after the amended complaint. Motion, at 4; *see DuPont Merck Pharmaceutical Co.*
v. Superior Court (2000) 78 Cal.App.4th 562, 564 [92 Cal.Rptr.2d 755]. Facebook not only
overlooks that the delay here is almost ten times greater than the delay considered by the
California Supreme Court; Facebook also ignores that the cases on which the California Supreme
Court focused both involve claims arising out of speech uttered in official legal proceedings, a
textbook definition of protected activity under Section 425.16(e). *See DuPont Merck*
Pharmaceutical Co. v. Superior Court (2000) 78 Cal.App.4th at 564 (holding that lobbying
legislative bodies constitutes an official proceeding authorized by law and is therefore protected);
Briggs v. Eden Council for Hope & Opportunity (1999) 19 Cal.4th 1106, 1109 [81 Cal.Rptr.2d
471, 969 P.2d 564] (holding that speech uttered in the course of civil litigation surrounding a
HUD investigation is protected).

1 when the “delay [is] extreme.”⁸ Finally, when courts grant exceptions to the 60-day requirement
2 or permit filing within 60 days of an amended complaint, it is because defendant has shown good
3 cause, which is notably absent from Facebook’s motion. *See New.Net, Inc. v. Lavasoft* (C.D. Cal.
4 May 19, 2004), 2005-1 Trade Cas. (CCH) ¶4767, 356 F. Supp. 2d 1090, 2004 U.S. Dist. LEXIS
5 27434 (permitting late filing because litigation had not proceeded materially and delay reflected
6 prudence to await ruling on preliminary injunction). Given the extreme delay and the lack of
7 good cause, the Court does not have discretion to permit Facebook to proceed with its Anti-
8 SLAPP motion, and should deny it as untimely.

8 **C. The Activity in Question Is Not Protected as the Conduct at the Heart of the Complaint
9 Concerns Contractual Commitments to Provide Software Tools to Developers**

9 “The moving defendant’s burden is to demonstrate that the act or acts of which the
10 plaintiff complains were taken ‘in furtherance of the [defendant]’s right of petition or free speech
11 under the United States or California Constitution in connection with a public issue,’ as defined
12 in the statute. (§ 425.16, subd. (b)(1).)” *See Yu v. Signet Bank/Virginia* (2002) 103 Cal.App.4th
13 at 315-316. “The cause of action itself must be based on the speech or petitioning activity. If

14 ⁸ “The court held that defendant failed to provide a compelling explanation for why he did not
15 file an application for permission to file an anti-SLAPP motion earlier in the case. The delay was
16 extreme, and defendant did not articulate any extenuating circumstances justifying a late filing.
17 In particular, he did not explain why he did not file the application until after the parties had
18 completed substantial discovery in the case. The trial court’s ruling had the effect of undermining
19 § 425.16’s purpose of promptly resolving SLAPP suits, in that the trial court continued the trial
20 date, at defendant’s request, after the hearing on the anti-SLAPP motion. Furthermore, the trial
21 court’s reasons for granting the application were unrelated to the purpose of the SLAPP statute,
22 and the potential prejudice to plaintiff, given the lengthy delay occasioned by the appeal, was
great. Accordingly, the trial court abused its discretion in granting defendant’s application to file
his anti-SLAPP motion.” *See Platypus Wear, Inc. v. Goldberg* (2008) 166 Cal.App.4th at 773;
see also Hopscotch Adoptions, Inc. v. Kachadurian (E.D.Cal. Feb. 8, 2011, No. CV F 09-2101
LJO MJS) 2011 U.S.Dist.LEXIS 18564, at *1 (admonishing defendant for untimely Anti-SLAPP
motion filed 370 days after complaint and consistent with defendant’s pattern of delay tactics).

1 neither of those rights is at stake, § 425.16, subd. (e)(4), is inapplicable, irrespective of whether
2 the subject of the dispute may otherwise be a matter of public interest.” See *Turner v. Vista*
3 *Pointe Ridge Homeowners Assn.* (2009) 180 Cal.App.4th at 677. “When the matter is of interest
4 not to the public at large, but only to a limited portion of the public, the public interest
5 requirement of Code Civ. Proc., § 425.16, subd. (e)(4), is met if the protected activity occurs in
6 the context of an ongoing controversy, dispute or discussion, such that it warrants protection by a
7 statute that embodies the public policy of encouraging participation in matters of public
8 significance.” *Id.*, at 677.

9 Facebook cannot meet any of its burdens under Anti-SLAPP’s first prong, and therefore
10 the Court need not consider the second prong. Plaintiff has alleged that Zuckerberg spearheaded
11 a fraudulent and anti-competitive scheme in 2012 in order to prop up Facebook’s new mobile
12 advertising business by selectively breaking certain apps from 2012 to 2014 as a trial run for
13 breaking 40,000 software applications in 2015 and requiring they purchase advertising or
14 provide other value to Facebook if they want to continue working. 4AC ¶¶ 1-20, 79-85.

15 Facebook induced hundreds of thousands of companies to enter into a standard adhesion contract
16 based on representations of a fair and level playing field. 4AC ¶¶ 29-72. Facebook then
17 arbitrarily whitelisted and blacklisted companies from these software APIs based on whether
18 Facebook liked the company or thought it was competitive with Facebook’s own products, even
19 those that Facebook had not yet built. 4AC ¶¶ 85, 205-207, 217. Facebook threatened companies
20 if they did not sell to Facebook at a below market valuation, then Facebook would shut them
21 down, using its immense power as the manager of a platform ecosystem to gain every possible
22 advantage for itself as a participant. 4AC ¶ 3; Godkin Dec., ¶ 7 Ex. F, Testimony of Ali Partovi,
at 129:19-130:12. The 4AC alleges this conduct was directed at developers over many years and

1 prior to any ongoing legal controversy warranting application of Section 425.16(e)(4). 4AC ¶¶ 1-
20, 79-85, 203-207.

2 Further, all of this conduct occurred in the context of contractual relationships to support
3 and maintain software APIs. 4AC ¶ 2. Sending data through a software API puts it in a database.
4 It does not publish it anywhere. Similarly, the decision *not* to send data through a software API
5 does *not* de-publish that data. Facebook's Platform APIs send data to a database or permit an app
6 to do something it otherwise could not have done. All the data Facebook sends through its
7 Platform APIs has already been published on Facebook or is often a data set Facebook created
8 itself and therefore does not contain any content uploaded by Facebook users. Similarly, many of
9 the APIs Facebook provided under Graph API have nothing to do with Facebook sending content
10 such as a photo or a message to a developer's database. Based on the above, it is clear that
11 Plaintiff's causes of actions *do not arise out of* any editorial discretion Facebook may or may not
12 have to remove content. *They arise out of Facebook's conduct in a business relationship,*
13 *which is not protected activity. See, e.g., World Financial Group, Inc. v. HBW Ins. & Financial*
14 *Services, Inc. (2009) 172 Cal.App.4th 1561, 1562 [92 Cal.Rptr.3d 227] ("All of the allegedly*
15 *wrongful conduct and speech attributed to defendants was committed in a business capacity and*
16 *was directed at a competitor's associates and customers for the sole purpose of promoting the*
17 *competing business.").*

16 Facebook's posture is similar to the defendants in *World Financial Group*.⁹ Because it
17 cannot point to any *actual* de-published content, it is forced to frame the issue in a generic garb

18 _____
19 ⁹ "Though couched in noble language, defendants' communications were not 'about' these broad
20 topics, nor were they designed to inform the public of an issue of public interest. They were
21 merely...undertaken for the sole purpose of furthering a business interest. While we do not
22 dispute that employee mobility and competition are issues of public interest and importance, *the*
focus of the anti-SLAPP statute must be on the specific nature of the speech rather than on
generalities that might be abstracted from it... Otherwise, every case alleging the breach of a

1 of public interest. But, to satisfy the first prong, Facebook must demonstrate that “the specific
2 nature of the speech” for which Plaintiff claims Facebook is liable is protected under Section
3 425.16(e)(4). *Id.* Plaintiff has both alleged in the 4AC and flooded this Court with discovery
4 letters recounting more than three years of discussions among senior Facebook employees
5 regarding arbitrary and punitive decisions to break other companies’ software purely for
6 competitive reasons or to extract payments. 4AC ¶¶ 4, 85, 122, 203-207; Godkin Dec. ¶¶ 8-12,
7 Exs. G-K. The court in *World Financial Group* made clear that holding this kind of speech and
8 conduct to be protected activity “would effectively eviscerate the unfair business practices laws.”
9 *Id.* See *Park v. Bd. of Trs. of Cal. State Univ.* (2017) 2 Cal. 5th 1057, 1060.¹⁰ This Court is
10 required to analyze the first prong based on the specific conduct Plaintiff alleges as giving rise to
11 Facebook’s liability and not Facebook’s re-framing of this case as involving “Facebook’s
12 editorial decision to de-publish certain categories of content,” which is patently a red herring as
13 the content Facebook purportedly de-published remained available to all of the same people who
14 “previously” could view it. Motion, at 5; see, e.g., *Aguilar v. Goldstein* (2012) 207 Cal.App.4th
15 1152, 1164 [144 Cal.Rptr.3d 238].¹¹

16 noncompetition agreement or the related misappropriation of trade secrets would be categorically
17 subject to the anti-SLAPP statute. ***Applying the statute in this manner would effectively***
18 ***eviscerate the unfair business practices laws, a result the Legislature plainly did not intend.***
19 *See World Financial Group, Inc. v. HBW Ins. & Financial Services, Inc.* (2009) 172 Cal.App.4th
20 at 1572 (internal quotations omitted; emphasis added).

21 ¹⁰ “A claim is not subject to a motion to strike simply because it contests an action or decision
22 that was arrived at following speech or petitioning activity, or that was thereafter communicated
by means of speech or petitioning activity. Rather, a claim may be struck only if the speech or
petitioning activity itself is the wrong complained of, and not just evidence of liability or a step
leading to some different act for which liability is asserted.” Facebook failed to cite or
distinguish this controlling California case.

¹¹ Facebook cites inapplicable cases involving democratic protests in China (*Zhang*), a public
news broadcast (*CNN*), and a frivolous lawsuit where plaintiff sued a website for not including
him in the film credits (*Kronemyer*).¹¹ Motion, at 6; see, e.g., *World Financial Group, Inc. v.*
HBW Ins. & Financial Services, Inc. (2009) 172 Cal.App.4th at 1573.

1 **D. The Activity in Question Does Not Trigger Section 230 Immunity as the Liability**
2 **Plaintiff Seeks to Impose on Facebook Bears No Relation to Any Content Uploaded to**
3 **Facebook by Any Third Party**

4 Under 47 U.S.C.S. § 230, Internet Service Providers (ISPs) cannot be held liable for
5 claims arising out of content posted by third-party users of a service, such as displaying a photo
6 used by a book publisher without authorization (*Almeida*), uploading an offensive or lewd image
7 (*Barnes*), or posting a defamatory message (*Zeran*). See 47 U.S.C.S. § 230(c); *Almeida v.*
8 *Amazon.com, Inc.* (11th Cir. 2006) 456 F.3d 1316, 1318; *Barnes v. Yahoo!, Inc.* (9th Cir. 2009)
9 570 F.3d 1096, 1098; *Zeran v. Am. Online, Inc.* (4th Cir. 1997) 129 F.3d 327, 328. ***It cannot be***
10 ***disputed that the claims in this case in no way arise out of something a third party posted on***
11 ***Facebook.*** Yet, remarkably, ***all*** of Facebook's Section 230(c) immunity cases involve claims
12 arising out of third-party content posted to Facebook.¹² In all these cases, the party who uploaded
13 the content is the real culprit. There is no "real culprit" in this case except, of course, Facebook.

14 As for Facebook's purported immunity from liability for the removal of content, 47
15 U.S.C.S. § 230(c)(2)(A) concerns obscene, lewd, lascivious, filthy, or excessively violent
16 content. Plaintiff never uploaded any content to Facebook, let alone any lewd content. Among
17 the 308 paragraphs of the 4AC, not one of them alleges that Facebook's liability in this case
18 arises out of Facebook's decision to remove from publication something posted by a Facebook
19 user. Further, Plaintiff never sought to prohibit Facebook from removing any obscene, lewd,
20

21 ¹² See *Cross v. Facebook, Inc.* (2017) 14 Cal.App.5th 190, 194 [222 Cal.Rptr.3d 250] (musician
22 seeking to hold Facebook liable for failure to remove death threats posted by Facebook users);
Caraccioli v. Facebook, Inc. (N.D.Cal. 2016) 167 F. Supp. 3d 1056, 1060 (seeking to hold
Facebook liable for failure to remove private images and videos posted by a Facebook user to
plaintiff's professional contacts); *Sikhs for Justice "SFJ", Inc. v. Facebook, Inc.* (N.D.Cal. 2015)
144 F. Supp. 3d 1088, 1093 (seeking to hold Facebook liable for removing offensive content
posted by certain Facebook users); *Klayman v. Zuckerberg* (D.D.C. 2012) 910 F.Supp.2d 314,
316 (seeking to hold Facebook liable for content posted by Facebook users inciting a Palestinian
uprising against Israel).

1 lascivious, filthy or excessively violent content and, in fact, built at great expense tools to ensure
2 that its database did not store any content Facebook decided to remove. It is plain to see that 47
3 U.S.C.S. § 230 is not triggered here.¹³ Facebook is an ISP. But the conduct Plaintiff seeks to hold
4 Facebook liable for has nothing to do with Facebook's exercise of a publisher's traditional
5 editorial functions. Facebook argues "the content that Six4Three claims Facebook wrongfully
6 de-published was created and posted by Facebook users," but Plaintiff does not allege that
7 Facebook de-published the content. Plaintiff cannot make this allegation as the content remains
8 published. Rather, Plaintiff alleges that Facebook shut down software APIs that it provided under
9 an agreement, and many of those APIs involved capabilities or content that were *not* created and
10 published by someone other than Facebook. For instance, Facebook's API to access User IDs
11 that transmitted information created exclusively by Facebook and was the change that, Ilya
12 Sukhar, one of Facebook's senior executives, considered to be the "most f---ing to developers
13 [obscenity removed]." Godkin Dec. ¶ 13, Ex. L. (FB-01351861).

12 Facebook relies on *Barnes* in support of Section 230 immunity, but *Barnes* in fact
13 concludes that Section 230 immunity does not extend to liability arising out of a breach of
14 contract or other legally significant event distinct from the act of publishing or de-publishing.¹⁴

15
16 ¹³ "As is clear from the complaint, the FTC's allegations of FTCA violations stemmed not from
17 the content of the information Accusearch was disclosing (or developing), but from Accusearch's
18 own conduct in (1) offering the information for sale, (2) soliciting and encouraging third-
19 parties to violate the law in obtaining the information, and (3) ultimately paying these third
20 parties and selling the information to consumers. Accusearch's duty to refrain from engaging in
21 these unfair business practices does not derive from its status or conduct as an Internet website
22 that publishes content. Rather, the duty the FTC alleged Accusearch violated derives from the
expectations that a business would not engage in unlawful or unfair business practices in general
(whether the business is a conventional bricks-and-mortar operation or exists entirely on the
World Wide Web)." See *FTC v. Accusearch, Inc.* (10th Cir. 2009) 570 F.3d 1187, 1206
(concurring opinion).

¹⁴ See *Barnes v. Yahoo!, Inc.* (9th Cir. 2009) 565 F.3d 560, 562 ("Contract liability here would
come not from Yahoo's publishing conduct, but from Yahoo's manifest intention to be legally

1 Motion, at 7. Facebook cannot point to a single case where Section 230 immunity applied to
2 conduct similar to the conduct alleged.

3 **E. That Plaintiff's Causes of Action Have Survived Demurrer, Now Multiple Times,
4 Demonstrates that Plaintiff Satisfies the Second Prong's "Minimal Merit" Requirement**

5 Facebook not only uses Anti-SLAPP as a vehicle for early summary judgment on claims
6 that have already survived demurrer, but does so by inappropriately challenging Plaintiff's
7 evidence.¹⁵ See, e.g., *Hopscotch Adoptions, Inc.*, 2011 U.S. Dist. LEXIS 18564, at *1 ("Moreover,
8 the motion challenged the agency's evidence, not the proper pleading of the agency's claims, and
9 thus, it was a premature attempt to reach the results of summary judgment prior to discovery").

10 To satisfy the second prong, Plaintiff need only demonstrate that its causes of action have
11 "minimal merit" for the Court to deny the Anti-SLAPP motion. See *Browne v. McCain* (C.D.
12 Cal. Feb. 20, 2009), 611 F. Supp. 2d 1062, 2009 U.S. Dist. LEXIS 18882. In evaluating whether
13 Plaintiff has stated a legally sufficient claim and made a prima facie showing to support the
14 possibility of prevailing, "the court accepts as true all evidence favorable to the Plaintiff." See
15 *Okorie v. Los Angeles Unified School Dist.* (2017) 14 Cal.App.5th 574, 574 [222 Cal.Rptr.3d
16 475]. Plaintiff has submitted ample evidence that its causes of action have substantial merit.
17 Godkin Dec. ¶¶ 8-12, Exs. G-K.

18 **(i) Plaintiff's Breach of Contract Claim**

19 obligated to do something.... Contract law treats the outwardly manifested intention to create an
20 expectation on the part of another as a legally significant event. That event generates a legal duty
21 distinct from the conduct at hand, be it the conduct of a publisher, of a doctor, or of an
22 overzealous uncle").

¹⁵ That four of Plaintiff's claims survived demurrer 530 days ago again demonstrates that
Facebook's motion is untimely, improper and frivolous as Anti-SLAPP motions are appropriate
only in the early stages of a case to weed out meritless lawsuits seeking to prevent protected
activity. See Godkin Dec. ¶ 14, Ex. M., Order on Demurrer to Second Amended Complaint, June
30, 2016; see, e.g., *Newport Harbor Ventures, LLC v. Morris Cerullo World Evangelism*, 6 Cal.
App. 5th at 1218-19.

1 Facebook admits the parties have entered into a contract. Godkin Dec. ¶ 15, Ex. N,
2 Transcript of September 11, 2017 Hearing, at 5:19-25 (Lerner: “There’s no dispute that the
3 parties entered into this agreement”). The Court has taken judicial notice of the December 2012
4 SRR adhesion contract to which Plaintiff agreed to be bound in order to access Facebook’s
5 software APIs. Godkin Dec. ¶ 16, Ex. O. Facebook’s own PMQ admitted that Plaintiff never
6 violated the agreement.¹⁶ Facebook violated the agreement by acting arbitrarily and maliciously
7 in a host of ways to make it impossible for Plaintiff and other developers to obtain the benefit of
8 the bargain. Godkin Dec. ¶¶ 8-12, Exs. G-K. Plaintiff was harmed and Facebook’s breach was a
9 substantial factor in Plaintiff’s harm. Godkin Dec. ¶¶ 8-12, Exs. G-K. Plaintiff has produced
10 prima facie evidence demonstrating that it will meet all of the elements of breach of contract.
11 California Civil Jury Instructions (CACI) (2017) No. 303, at 84. Facebook turns this into a
12 contested evidentiary hearing, which is improper on an Anti-SLAPP motion, by claiming that
13 Plaintiff agreed to new contract terms around the very time Plaintiff sent a letter to Facebook
14 notifying it of the substantial harm Facebook caused to its business. Motion, at 11. The Court
15 declined to take judicial notice of this amended contract. Godkin Dec. ¶ 16, Ex. O.¹⁷

16 “[Hendrix] admitted that 643 never violated any Facebook policies, that Facebook never
17 communicated any issues to 643 about its App, and that Facebook never received any complaints
18 from anyone about 643 or its App., Ex. A, 17:15-21; 19:1-12; 37:19-25. She admitted that
19 Facebook never took any action specifically against 643 and that the actions that irrevocably
20 broke 643’s app were part of data restrictions implemented under the name “Graph API 2.0” on
21 April 30, 2015. *Id.*, 19:19-20:8; 23:15-24:8.” Godkin Dec. ¶ 9, Ex. H, Supp. Memo, at 1.

17 ¹⁷ Facebook’s remaining arguments are simply straw men. Facebook claims that it “never agreed
18 to provide *all* of its code, APIs, data, and tools.” Motion, at 11. Plaintiff never alleges that
19 Facebook agreed to provide *all* of its code – only the code that Facebook *did in fact provide*.
20 Facebook then claims it never agreed to provide the code “for free forever”. Motion, at 12.
21 Again, Plaintiff never alleges that Facebook agreed to provide its code for free forever. Plaintiff
22 does allege that Facebook agreed if it ever decided to charge for access to APIs that it would
make the APIs generally available at a fair published price, just like any other software-as-a-
service. 4AC ¶ 93.

1 (ii) **Plaintiff’s Section 17200 Claim**

2 Facebook makes repeated false statements in attempting to portray Plaintiff’s Section
3 17200 allegations as insufficient to state a claim notwithstanding that they have survived
4 demurrer twice now. First, Facebook claims Plaintiff has not alleged the “unlawful” prong of
5 Section 17200 because the 4AC “does not allege Facebook violated any other law.” Motion, at
6 12. This is false. 4AC ¶ 281. Regulatory or common law violations can serve as the underlying
7 predicate violation to trigger the unlawful prong. *Klein v. Chevron U.S.A., Inc.* (2012) 202 Cal.
8 App. 4th 1342, 1383. This Court held Plaintiff’s allegation Facebook violated the FTC Order to
9 be a predicate violation. Godkin Dec. ¶ 14, Ex. M. Second, Facebook baldly states that Plaintiff
10 “does not and cannot claim that Facebook’s alleged conduct harmed competition in the alleged
11 tied product market, which is the ‘advertising’ market.” Motion, at 13-14. This is false. 4AC ¶
12 104. Third, Facebook argues that Plaintiff “does not allege the fraud prong” because it does not
13 allege that “members of the public are likely to be deceived.” Motion, at 14, fn. 4. This is false.
14 4AC ¶¶ 5-6, 97, 106. Plaintiff has flooded this Court with evidence Facebook engaged in an
15 illegal bait and switch scheme at least from 2012 to 2015. Godkin Dec. ¶¶ 8-12, Exs. G-K.

14 (iii) **Plaintiff’s Fraud and Tort Claims**

15 Facebook’s arguments regarding Plaintiff’s fraud and tort claims improperly seek to
16 challenge Plaintiff’s evidence. Facebook claims that Plaintiff’s principals testified that they never
17 relied on representations made by Facebook. Motion, at 14-15. This is false. Godkin Dec. ¶ 17,
18 Ex. P, Letter to Court of November 1, 2017, at 6-7. As for the tort claims, Facebook cites
19 testimony suggesting it could not have known of Plaintiff’s agreements with its users. This is
20 false.¹⁸ That Facebook attempts to turn this motion into an evidentiary hearing is itself proof that

21 ¹⁸ Facebook was clearly aware that Plaintiff had an active application that required agreements
22 with its end users. Godkin Dec. ¶ 11, Ex. J, at 4 (“Mr. Papamiltiadis confirms that Mr. Lessin

1 Plaintiff's fraud and tort claims pass Anti-SLAPP's second prong. Plaintiff has adequately pled
2 these claims, which are supported by record evidence. . Godkin Dec. ¶¶ 8-12, Exs. G-K.

3 **F. Plaintiff Is Entitled to Recover its Attorneys' Fees and Costs**

4 The Court will be hard pressed to find an Anti-SLAPP motion more abusive of the
5 purpose behind Anti-SLAPP than the instant motion. Because this motion is frivolous, without
6 any objective merit, and is the latest in a long pattern of obstructionist gamesmanship, Plaintiff is
7 entitled to its attorneys' fees and costs. Cal. Code Civ. Proc. § 425.16(c)(1). Plaintiff will submit
8 an appropriate motion requesting payment of its attorneys' fees and costs. *See Christian
Research Inst. v. Alnor* (2008) 165 Cal. App. 4th 1315, 1320 [81 Cal. Rptr. 3d 866, 870].

9 **II. CONCLUSION**

10 The Court should deny Facebook's Motion to Strike, and admonish Facebook that the
11 Order will serve as a predicate to impose sanctions for future improper conduct, which may
12 include monetary sanctions or a limitation of Facebook's defenses. *See, e.g., Hopscotch
Adoptions, Inc.*, 2011 U.S. Dist. LEXIS 18564, at *12-13. In addition, Plaintiff will file a motion
13 seeking an order permitting discovery to proceed while the Motion to Strike is pending (the
14 "Discovery Motion"), to be heard concurrently with the Motion to Strike, and requests that the
15 Court defer denying the Motion to Strike until Facebook has provided the discovery that it
16 disrupted by filing the Motion to Strike, including document production and previously
17 scheduled depositions of Messrs. Morin and Sukhar.

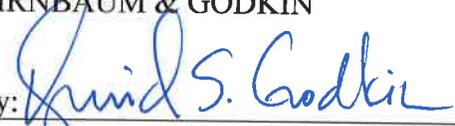
18 _____
19 instructed him to shut down entire categories of apps because, as Mr. Lessin writes, 'we are
20 ultimately competitive with all of them'.... Mr. Papamiltiadis confirms that this audit was
21 conducted for Mr. Zuckerberg's benefit and shared with him. Mr. Papamiltiadis confirms that
22 Plaintiff's App was included in this audit and appears on page 622 of an almost 2,000 page
spreadsheet that includes the name of the App, its Application ID, and the types of data the App
received from Facebook Platform.") (citations omitted).

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DATED: December 12, 2017

CRITERION LAW

BIRNBAUM & GODKIN

By: 

Basil P. Fthenakis, Esq.
David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
Attorneys for Plaintiff
Six4Three, LLC

1
2 **PROOF OF SERVICE**

3 I, Cheryl A. McDuffee, declare:

4 I am a citizen of the United States and employed in Suffolk County, Massachusetts. I am
5 over the age of eighteen years and not a party to the within-entitled action. My business address
6 is 280 Summer Street, Boston, MA 02210. On December 12, 2017, I served a copy of the within
7 document(s):

8 **MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO
9 DEMURRER TO THIRD AMENDED COMPLAINT**

10 by electronic service, per the agreement of the parties, by emailing a true and
11 correct copy through counsel's email address to Defendant's counsel of record at
12 the email addresses set forth below.

13 Joshua H. Lerner (jlerner@durietangri.com)
14 Sonal N. Mehta (smehta@durietangri.com)
15 Laura Miller (lmiller@durietangri.com)
16 Catherine Kim (ckim@durietangri.com)
17 Durie Tangri (service-six4three@durietangri.com)
18 217 Leidesdorff Street
19 San Francisco, CA 94111
20 P (415) 376-6427
21 Attorney for Defendant
22 FACEBOOK, INC.

Department 2 (complexcivil@sanmateocourt.org)
Complex Civil Litigation

I declare under penalty of perjury under the laws of the State of California that the above
is true and correct.

Executed December 12, 2017, at Boston, Massachusetts.

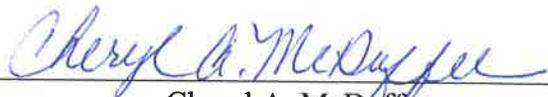

Cheryl A. McDuffee

EXHIBIT 214

1 Basil P. Fthenakis, Esq. (88399)
CRITERION LAW
2225 E. Bayshore Road, Suite 200
2 Palo Alto, California 94303
Tel. (650) 352-8400
3 Fax. (650) 352-8408
bpf@criterionlaw.com

4 Of counsel:

5 David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
6 BIRNBAUM & GODKIN, LLP
280 Summer Street
7 Boston, MA 02210
(617) 307-6100
godkin@birnbaumgodkin.com
8 kruzer@birnbaumgodkin.com

9 Attorneys for Plaintiff,
SIX4THREE, LLC, a Delaware
10 limited liability company

11 SUPERIOR COURT OF CALIFORNIA

COUNTY OF SAN MATEO

12 SIX4THREE, LLC, a Delaware limited) Case No. CIV 533328
13 liability company,)
Plaintiff,) **Assigned For All Purposes To Hon. Marie**
14 v.) **S. Weiner, Dept. 2**
15) **SUPPLEMENTAL MEMORANDUM OF**
FACEBOOK, INC., a Delaware corporation) **POINTS AND AUTHORITIES IN**
16 and DOES 1 through 50, inclusive) **OPPOSITION TO DEFENDANT'S**
Defendants.) **MOTION TO STRIKE (ANTI-SLAPP**
17) **PRONG ONE)**

18 HEARING DATE: March 21, 2018
HEARING TIME: 2:30 pm
DEPARTMENT: 2 (Complex Civil)
JUDGE: Hon. Marie S. Weiner
19 FILING DATE: April 10, 2015
TRIAL DATE: April 25, 2019

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1 **I. LEGAL STANDARD**

2 Whether Cal. Code. Civ. Proc. § 425.17 exempts a cause of action from the Anti-SLAPP
3 statute is a first prong determination under the two-pronged Anti-SLAPP analysis. *See*
4 *Demetriades v. Yelp, Inc.* (2014) 228 Cal.App.4th 294, 308 [175 Cal.Rptr.3d 131]. The burden is
5 on the plaintiff to demonstrate the exemption applies. *See Simpson Strong-Tie Co., Inc. v. Gore*
6 (2010) 49 Cal.4th 12, 26 [109 Cal.Rptr.3d 329, 230 P.3d 1117]. Section 425.17(c) prohibits
7 application of the Anti-SLAPP statute to any claims arising out of conduct or statements
8 consisting of representations of fact about a business' operations, goods or services made for the
9 purpose of promoting or securing commercial transactions in those goods or services so long as
10 the intended audience of those statements was an actual or potential customer or a person likely
11 to influence an actual or potential customer. *See* Cal. Code. Civ. Proc. § 425.17(c); *Demetriades*
12 (2014) 228 Cal.App.4th at 308-309.

11 **II. ARGUMENT**

12 **A. The Commercial Speech Exemption of Section 425.17(c) Applies to All Claims**

13 On May 26, 2015, less than one month after this action began, Facebook's counsel wrote
14 to Plaintiff that if it chooses "to proceed with this lawsuit, Facebook intends to seek its attorneys'
15 fees and costs incurred in connection with bringing an Anti-SLAPP motion challenging the
16 lawsuit, along with any other available remedies." Supplemental Declaration of David S. Godkin
17 in Opposition to Facebook's Anti-SLAPP Motion (Prong 1) ("Godkin Supp. Prong 1 Dec."), ¶ 2,
18 Ex. A. Facebook didn't follow through on its threat, presumably because it knew that the activity
19 giving rise to all claims concerned commercial speech and conduct related to representations of
20 fact Facebook made regarding APIs it offered exclusively under contract with other software

1 companies.¹ This commercial speech is exempt from the Anti-SLAPP Statute because the
2 statements Facebook made were about the products and services it offered (e.g., its APIs) and not
3 any underlying content posted by any third-party Facebook user; further, Facebook's statements
4 giving rise to all of Plaintiff's causes of action were made to actual and potential patrons of the
5 Facebook website. Cal. Code. Civ. Proc. § 425.17(c).

6 The Legislature enacted Section 425.17 to prevent a disturbing abuse of the Anti-SLAPP
7 statute in which defendants improperly reframed unfair competition or false advertising claims
8 arising out of business disputes as First Amendment issues. *See Demetriades* (2014) 228
9 Cal.App.4th at 309. ("Proponents of the legislation argued that corporations were
10 improperly using the anti-SLAPP statute to burden plaintiffs who were pursuing unfair
11 competition or false advertising claims. The proponents noted that law seminars were being
12 conducted on the unfair competition law, encouraging corporations to use the SLAPP motions as
13 [a] new litigation weapon to slow down and perhaps even get out of litigation") (quotations and
14 citations omitted). This is precisely the kind of abuse Facebook attempts here. Facebook asks the
15 Court to apply case law addressing claims arising out of offensive or inappropriate content
16 posted by third parties to statements Facebook made in order to induce developers to enter into
17 contracts to build their businesses on Facebook Platform so Facebook could acquire more users
18 and sell more advertising.

19 This is the same invitation to error the *Demetriades* court reversed. The lower court had
20 ruled that plaintiff had not shown Yelp's statements related to the selling of advertising or that
21 they were more than mere puffery. *Id.*, at 304. The Appellate Department based its reversal on

22 ¹ This failure to follow-up on its threat is further proof that Facebook filed its Anti-SLAPP
Motion now, two and a half years later, in bad faith, purely to cause more delay and prejudice
Plaintiff.

1 the precise distinction that must guide the Court here: “Yelp’s statements **about its review filter**
2 **– as opposed to the content of the reviews themselves – are commercial speech about the**
3 **quality of its product** (the reliability of its review filter) intended to reach third parties to induce
4 them to engage in a commercial transaction (patronizing Yelp’s Web site, which patronage
5 induces businesses on Yelp to purchase advertising).” *Id.*, at 310 (emphasis added). Similarly,
6 Facebook’s statements and conduct giving rise to all of Plaintiff’s causes of action concern the
7 software APIs themselves, the performance of those APIs, and what expectations the public may
8 have regarding those APIs, as opposed to any underlying content that may or may not be
9 transmitted through those APIs. It is not disputed that such statements were made to induce
10 people and businesses to patronize Facebook so it could generate more advertising revenues. The
11 court recognizes Yelp’s right to remove or not remove any particular piece or category of content
12 (for instance, because it was offensive) as entirely distinct from the statements it makes to the
13 public regarding its own products when those statements are made to benefit Yelp’s business.

12 All of Plaintiff’s causes of action arise from statements Facebook made regarding its own
13 products and which were designed to induce commercial transactions that benefited Facebook’s
14 business and did in fact induce Plaintiff to build its business on Facebook Platform. As with
15 Yelp’s statements, the statements Facebook made that give rise to all of Plaintiff’s causes of
16 action were directed at people and businesses who in fact patronize or might patronize the
17 Facebook website. Thus, a clear nexus exists between the representations Plaintiff alleges (level
18 competitive playing field), the conduct the representations induced (decision to invest over
19 \$200,000 building a business on this allegedly level competitive playing field), and the harm
20 Plaintiff suffered (Facebook maliciously and willfully did **not** manage a level competitive
21 playing field). This clear nexus distinguishes this case entirely from *Simpson Strong-Tie Co. v.*
Gore, where the plaintiff was unable to show that “its causes of action arose from representations

1 of fact about the business operations, goods or services” since the statements in question
2 concerned the plaintiff manufacturer’s defective screws and not the defendant attorney’s own
3 services. *See Simpson Strong-Tie Co., Inc. v. Gore* (2010) 49 Cal.4th 12, 31 [109 Cal.Rptr.3d
4 329, 230 P.3d 1117] (“Simpson’s causes of action plainly do not ‘arise from’ (§ 425.17(c)) the
5 representation that an attorney will investigate whether you have a potential claim”).

6 **(i) Facebook’s Statements About Its Platform and APIs Are Representations of
7 Fact About Its Services Designed to Attract Companies and Users to Its
8 Services**

9 Like Yelp, Facebook “operates a Web site that serves as a free social media Web site,” is
10 “available to the public at no charge,” attracts “millions of people each month,” and generates
11 significant revenues from advertising as a result of people and businesses patronizing its service.
12 *See Demetriades* (2014) 228 Cal.App.4th at 299. Like Yelp, Facebook developed “proprietary
13 software” and made representations of fact regarding that software. *Id.*, at 300-301. For instance,
14 Facebook published on its website an official FAQ regarding its APIs where Facebook
15 represented:

16 We welcome developers with competing applications, including developers whose
17 applications might compete with Facebook-built applications. Many applications
18 are likely to offer similar features. We’ve designed Facebook Platform so that
19 applications from third-party developers are on a level playing field with
20 applications built by Facebook. Ultimately, our users will decide which
21 applications they find most useful, and it is these applications that will become the
22 most popular.... We want to enable developers to build a business on their
Facebook applications, so we’re giving developers the freedom to monetize their
applications as they like.

See Fourth Amended Complaint (“4AC”), ¶ 41; Fifth Amended Complaint (“5AC”), ¶ 47.

Facebook employees admit they made identical or similar representations over many years,
including immediately before and after Plaintiff entered into contract with Facebook. Supp.

Godkin Prong 1 Dec., ¶¶ 3-4, Exs. B-C (Testimony of Facebook’s PMQ Alison Hendrix, at 60:9-

1 61:25, 52:14-53:25; Testimony of Simon Cross, at 68:12-74:20, 104:25-108:16). Like Yelp,
2 Facebook published videos online in which it made these representations of fact to educate the
3 public and developers regarding its proprietary software and to entice them to use it. *See*
4 *Demetriades* (2014) 228 Cal.App.4th at 300; *see, e.g.*, 4AC, ¶ 111-116; 5AC, ¶ 117-122.

5 As in *Demetriades*, statements Facebook made about its software APIs “consist of
6 representations of fact about its services, and are not mere puffery or opinion.” *Id.*, at 311. A
7 statement is considered puffery if the claim is “extremely unlikely” to induce reliance, which
8 typically rests on “the specificity or generality of the claim” insofar as a statement “that makes a
9 claim as to the specific or absolute characteristics of a product may be an actionable statement of
10 fact while a general, subjective claim about a product is non-actionable puffery.” *Id.*, at 311.

11 There can be no doubt that Facebook’s representations are specific, objective statements about
12 the APIs it offered. *See, e.g.*, 4AC, ¶ 42; 5AC, ¶ 48 (summarizing 17 specific, objective
13 representations Facebook made regarding its Platform APIs with the intention of inducing people
14 and businesses to patronize Facebook). As with Yelp, Facebook’s statements are “factual
15 because they are intended to induce consumer reliance on [Platform applications] by making
16 specific and detailed statements intended to induce reliance,” such as stating that Facebook users
17 now “have access to a virtually limitless set of applications from outside developers,” that “users
18 have an unprecedented amount of choice,” and that because of Facebook’s APIs “users gain the
19 ability to define their experience on Facebook by choosing applications that are useful and
20 relevant to them.” 4AC, Ex. 1; 5AC, Ex. 1.

21 Further, Facebook represented that its reasons for making these APIs available under
22 contract was because it “recognized that third-party developers can help us make Facebook an
even more powerful social utility” and “an even better way for our users to exchange
information.” 4AC, ¶ 41; 5AC, ¶ 47. Zuckerberg publicly stated his goal in releasing these

1 software APIs was “to entice an even larger group of people to become entrepreneurs and build a
2 compelling business on Facebook Platform.” 4AC, ¶ 52; 5AC, ¶ 58. The representations
3 Facebook made regarding its software APIs induced thousands of companies to help Facebook
4 grow its user base and advertising revenues. 4AC, ¶ 1, 2, 11, 69, 86, 115, 139, 170, 172, 184,
5 200, 207-216, 232, 233, 235, 243, 248, 250, 260, 261; 5AC, ¶ 1-5, 26, 92, 97, 176, 190, 217-222,
6 239, 249-254, 259, 261, 277, 278. Prior to releasing these APIs to other companies, Facebook
7 had been attracting about 100,000 new users per day; after releasing these APIs, Facebook
8 consistently began attracting more than 250,000 new users per day. 4AC, ¶ 55; 5AC, ¶ 61.
9 Facebook only offered these APIs to persons or companies who registered as users of the
10 Facebook website and entered into a standard adhesion contract with Facebook. 4AC, ¶ 6; 5AC,
11 ¶ 6. There can be no doubt that these statements were made to induce the reliance of persons and
12 businesses in patronizing Facebook.

13 Facebook clearly “speaks with the authority of a Web site that intends to attract users
14 with [its statements about Facebook Platform and the application ecosystem it enables via access
15 to Facebook’s APIs].” *See Demetriades* (2014) 228 Cal.App.4th at 311. Thus, it is “illogical to
16 conclude that [Facebook’s statement that its Platform was a level competitive playing field] is
17 intended to mean anything other than that.” *See id.*, at 312. If Facebook had “intended the
18 statements as puffery or opinion, in the context of [Facebook’s] advertising-driven Web site such
19 statements would have limited utility; thus [Facebook] would have had no legitimate purpose in
20 making those statements [about its software APIs].” *See id.* Finally, Plaintiff has demonstrated
21 that it in fact relied on these statements of fact when deciding to build its business on Facebook
22 Platform. *See, e.g., Supp. Godkin Prong 1 Dec., ¶¶ 5-6, Exs. D-E.* (Testimony of Timothy
Gildea, at 115-117; Testimony of Thomas Scaramellino, at 252).

1 **(ii) Facebook’s Intended Audience Is Actual or Potential Buyers of Its Services or**
2 **Persons Likely to Influence Actual or Potential Buyers of Its Services**

3 Even the most cursory review of Exhibit 1 to Plaintiff’s complaint, the official Facebook
4 Platform FAQ, makes clear that the intended audience of Facebook’s representations consists of
5 businesses and persons who patronize Facebook’s Web site or might patronize Facebook’s Web
6 site in the future. 4AC, Ex. 1; 5AC, Ex. 1. Plaintiff alleges Facebook repeated these very
7 representations over many years to this same audience of consumers and businesses who
8 patronized or might patronize Facebook. *See, e.g.*, 4AC, ¶ 1; 5AC, ¶ 1. As Facebook’s “revenue
9 stream indicates, [Facebook] is primarily in the business of providing advertising to businesses;
10 the [hundreds of thousands of applications built on Facebook Platform] are a device whereby
11 prospective users and businesses are attracted to [Facebook’s] Web site,” and therefore
12 Facebook’s “statements about [the quality, performance and expectations surrounding its
13 software APIs] are designed to attract users and ultimately purchasers of advertising on its site.”
14 *See Demetriades* (2014) 228 Cal.App.4th at 312; *see also United Tactical Sys., LLC v. Real*
15 *Action Paintball, Inc.* (N.D.Cal. 2015) 143 F. Supp. 3d 982, 1020-1022 (“It further alleges ATO
16 made false public statements in favor of its products.... As to the second prong, i.e., section
17 425.17(c)(2), the audience in receipt of such statements includes potential buyers and visitors to
18 the www.pepperball.com website and the ATO/UTS websites”) (quotations and citations
19 omitted). Facebook’s statements were made to potential buyers of advertisements, potential
20 developers considering entering into contract with Facebook, and potential visitors to the
21 www.facebook.com website, all of whom increased the potential for Facebook to grow its
22 advertising business. *See, e.g.*, 4AC, Ex. 1; 5AC, Ex. 1 (“All the great applications built by our
developer partners provide a service to our users and strengthen the social graph. The result is
even more engaged Facebook users creating more advertising opportunities”).

1 Moreover, it is not disputed that Plaintiff was an actual customer of Facebook, having
2 purchased advertising directly from Facebook to promote the application it had developed using
3 Facebook's APIs. *See, e.g.*, 4AC, ¶ 104; 5AC, ¶ 110. It is a common practice for developers
4 building applications on Facebook Platform to purchase advertisements from Facebook to
5 promote their applications. This was a key form of consideration received by Facebook that
6 caused it to offer its APIs without charging up front in the first place. Finally, Plaintiff's
7 customers and potential customers were actual patrons of Facebook, as they were required to
8 register as Facebook users in order to sign up for Plaintiff's application.

8 Like the plaintiff in *Demetriades*, Plaintiff "suffered injury from the acts of [Facebook],
9 including spending money to purchase advertising from [Facebook] based on [Facebook's]
10 representations that [its software APIs would be provided on a level competitive playing field]."
11 *See Demetriades* (2014) 228 Cal.App.4th at 302. In fact, while making these representations
12 around a level competitive playing field and without rescinding these representations
13 whatsoever, Facebook was actively implementing Zuckerberg's plan to privatize 54 different
14 APIs and to offer this private access on entirely arbitrary and anti-competitive grounds to only a
15 select number of companies, making it impossible for thousands of companies to continue to
16 participate in arguably the largest software economy in the world. Supp. Godkin Dec., ¶ 7, Ex. F
17 (FB-00521473)(highlighting added). Like the plaintiff in *Demetriades*, Plaintiff "seeks an
18 injunction to stop [Facebook] from continuing to engage in untrue and misleading
19 representations" by requiring it to make available the 54 graph APIs it represented would serve
20 as the core of its platform economy. *See id.*, at 302. It should be noted that the narrow injunctive
21 relief Plaintiff seeks, as in *Demetriades*, "will not affect the content [on Facebook's Web site] or
22 the availability of that content to users of www.facebook.com." *See id.*, at 312. In other words,
assuming Plaintiff is granted the injunctive relief it seeks, absolutely nothing changes in a

1 Facebook user's experience, including the content it can or cannot access, on
2 www.facebook.com.

3 **(iii) The Federal Communications Decency Act Does Not Apply**

4 Like Yelp, Facebook "asserts that the CDA...bars plaintiff's claims because it provides
5 protections for editorial functions exercised by Web site operators with regard to third party
6 material; courts uniformly hold that claims based on a Web site's editorial decisions...are barred
7 by Section 230" since "no provider or user of an interactive computer service shall be treated as
8 the publisher or speaker of any information provided by another information content provider."
9 *See Demetriades* (2014) 228 Cal.App.4th at 313 (quotations and citations omitted). "However, as
10 this language demonstrates, [Facebook's] argument is misplaced. Nowhere does plaintiff seek to
11 enjoin or hold [Facebook] liable for the statements of third parties...on its Web site. Rather,
12 plaintiff seeks to hold [Facebook] liable for its own statements..." *See id.* This distinction is of
13 paramount importance as, without it, the CDA could be abused to shield all kinds of tortious,
14 fraudulent, or anti-competitive commercial speech and conduct, which is precisely the perverse
15 outcome Facebook seeks here.

16 For this reason, Facebook's reliance on *Cross v. Facebook* is entirely misplaced. *See*
17 *Cross v. Facebook, Inc.* (2017) 14 Cal.App.5th 190 [222 Cal.Rptr.3d 250]. The causes of action
18 in *Cross* arise out of death threats and incitements to violence against the plaintiff that Facebook
19 users posted on Facebook.com and which Facebook refused to remove from its Web site. *Id.*, at
20 195-196. The "principal thrust or gravamen of the plaintiff's cause of action" was "content
21 provided by another information content provider" and not Facebook. *Id.*, at 197-200. The *Cross*
22 court made clear that the conduct before it was "a far cry" from *Demetriades*, where "Yelp made
a series of affirmative representations about the accuracy of its filtering software...intended to
reach third parties to induce them to patronize Yelp's website." *Id.*, at 204-205.

1 **B. Facebook Cannot Appeal an Adverse Ruling Based on Section 425.17**

2 If the Court denies Facebook's Anti-SLAPP Motion on Section 425.17 grounds, then the
3 immediate right of appeal provided for in Cal. Code Civ. Proc. §§ 425.16(j), 904.1(a)(13) is
4 inapplicable. Cal. Code Civ. Proc. §§ 425.17(e); *Goldstein v. Ralphs Grocery Co.* (2004) 122
5 Cal.App.4th 229, 230 [19 Cal.Rptr.3d 292].

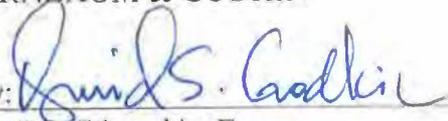
6 **III. CONCLUSION**

7 For the foregoing reasons, Facebook's Anti-SLAPP Motion should be denied on the
8 ground that this screening mechanism is not available pursuant to Section 425.17(c) as all of
9 Plaintiff's causes of action arise out of commercial speech and conduct.

10 DATED: January 24, 2018

CRITERION LAW

BIRNBAUM & GODKIN

11 By: 

Basil P. Fthenakis, Esq.

David S. Godkin (admitted *pro hac vice*)

James E. Kruzer (admitted *pro hac vice*)

Attorneys for Plaintiff

Six4Three, LLC

PROOF OF SERVICE

I, Cheryl A. McDuffee, declare:

I am a citizen of the United States and employed in Suffolk County, Massachusetts. I am over the age of eighteen years and not a party to the within-entitled action. My business address is 280 Summer Street, Boston, MA 02210. On January 24, 2018, I served a copy of the within document(s):

SUPPLEMENTAL MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO DEFENDANT’S MOTION TO STRIKE (ANTI-SLAPP PRONG ONE)

by electronic service, per the agreement of the parties, by emailing a true and correct copy through counsel’s email address to Defendant’s counsel of record at the email addresses set forth below.

Joshua H. Lerner (jlerner@durietangri.com)
Sonal N. Mehta (smehta@durietangri.com)
Laura Miller (lmiller@durietangri.com)
Catherine Kim (ckim@durietangri.com)
Durie Tangri (service-six4three@durietangri.com)
217 Leidesdorff Street
San Francisco, CA 94111
P (415) 376 - 6427
Attorney for Defendant
FACEBOOK, INC.

Department 2 (complexcivil@sanmateocourt.org)
Complex Civil Litigation

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed January 24, 2018, at Boston, Massachusetts.

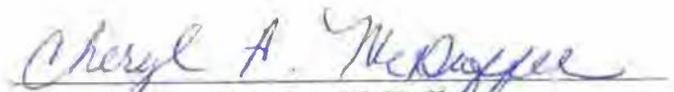

Cheryl A. McDuffee

EXHIBIT 215

1 Basil P. Fthenakis, Esq. (88399)
CRITERION LAW
2225 E. Bayshore Road, Suite 200
2 Palo Alto, California 94303
Tel. (650) 352-8400
3 Fax. (650) 352-8408
bpf@criterionlaw.com

4 Of counsel:

5 David S. Godkin (admitted *pro hac vice*)
James E. Kruzer (admitted *pro hac vice*)
6 BIRNBAUM & GODKIN, LLP
280 Summer Street
7 Boston, MA 02210
(617) 307-6100
godkin@birnbaumgodkin.com
8 kruzer@birnbaumgodkin.com

9 Attorneys for Plaintiff,
SIX4THREE, LLC, a Delaware
10 limited liability company

11 SUPERIOR COURT OF CALIFORNIA

12 COUNTY OF SAN MATEO

13 SIX4THREE, LLC, a Delaware limited liability company,
14 Plaintiff,
15 v.
16 FACEBOOK, INC., a Delaware corporation;
17 MARK ZUCKERBERG, an individual;
18 CHRISTOPHER COX, an individual;
19 JAVIER OLIVAN, an individual;
SAMUEL LESSIN, an individual;
MICHAEL VERNAL, an individual;
ILYA SUKHAR, an individual; and
DOES 1 through 50, inclusive,
20 Defendants.
21

) Case No. CIV 533328

)
) **Assigned For All Purposes To Hon. V. Raymond Swope, Department 23**

) **REPLY TO DEFENDANT'S SUPPLEMENTAL MEMORANDUM IN SUPPORT OF ITS MOTION TO STRIKE (ANTI-SLAPP PRONG ONE)**

) HEARING DATE: Vacated
) DEPARTMENT: 23
) JUDGE: Hon. V. Raymond Swope
) FILING DATE: April 10, 2015
) TRIAL DATE: April 25, 2019

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I. ARGUMENT

A. Facebook Requests the Court Grant an Anti-SLAPP Motion Filed 956 Days After This Action Commenced, Which No California Court Has Ever Done, And Yet Nowhere Does Facebook Excuse or Explain Its Unprecedented Delay

Nowhere in its Supplemental Memorandum or any other papers does Facebook address why it waited 956 days to file an anti-SLAPP motion it first threatened to file on May 26, 2015 and then ignored for two and a half years.¹ Supplemental Declaration of David S. Godkin In Opposition to Defendant’s Anti-SLAPP Motion (Prong 1) (“Godkin Supp. Dec.”), ¶ 2, Ex. A. Neither party can identify an anti-SLAPP motion considered on its merits by a California court after a delay of more than a few months without an explanation from the defendant. Facebook asks this Court to be the first to consider such a protracted delay and its only explanation has been to say “there’s reasons that we brought it when we did.” Reply Declaration of David S. Godkin In Opposition to Facebook’s Anti-SLAPP Motion (Prong 1) (“Godkin Reply Dec.”), ¶ 2, Ex. A, at 52. The Court should decline this invitation to error and recognize this motion for what it is: a transparent delay tactic in a long line of tactics that have paralyzed this case since 2016.

On the eve of Facebook’s deadline to comply with this Court’s Order to produce a small portion of relevant Zuckerberg emails – and to produce for deposition a defendant and another

¹ Judge Weiner noted at the January 9, 2018 hearing that one “issue on the SLAPP motion is that it is untimely because it was brought in regard to the Fourth Amended Complaint on the basis of claims that were ruled on before that hadn’t changed, and that we got to the point of even setting this case for trial and then you bring a SLAPP motion, which is contrary to the flavor of the SLAPP statute, which is that this should be dealt with first and at the beginning, not years after, when you’ve already set the case for trial.” Godkin Reply Dec., ¶ 2, Ex. A, at 35-36. This case was originally set for trial in April 2017, but the original trial date was vacated by Defendant’s unwarranted removal to federal court and could not be rescheduled until April 2019 due to a backlog in the Court. This motion was filed more than six months *after the original trial date*.

1 key witness that Plaintiff has sought to depose since June of last year – Facebook filed an anti-
2 SLAPP motion simply to have an excuse to violate the Court’s Order and bring this case once
3 again to a screeching halt. Godkin Reply Dec., ¶ 3, Ex. B, ¶¶ 25, 28. Facebook admits it can cite
4 no authority supporting its position that it may violate this Court’s Order simply because it filed
5 an anti-SLAPP motion *after* the Order was entered, and yet Facebook continues willfully to
6 violate the Order with impunity.² Facebook’s decision to wait more than two and a half years to
7 file this motion and its continued willful violation of this Court’s Order make painfully obvious
8 that this is yet another delay tactic to prevent Plaintiff from accessing the central documents in
9 this case: the 2012 discussions among Zuckerberg, Olivan, Cox and other senior Facebook
10 executives like Sheryl Sandberg, Dan Rose and Sam Lessin, where they decided to implement the
11 bait-and-switch scheme that in April 2015 shut down more than 40,000 software applications,
12 arguably the single most anti-competitive act in the software industry’s history.

13 This Court ordered Facebook to produce many of these critical documents in October
14 2016, at which time Facebook moved for a protective order and fired its original counsel to delay
15 production. Then, on the eve of the Court’s decision to affirm the proper custodians for these
16 documents (as well as Facebook’s deadline to file any summary judgment motions), Facebook
17 removed the case to federal court, notwithstanding that Facebook had been aware of Plaintiff’s
18 claims, which had not changed, for more than a year and a half. Finally, again on the eve of the
19 Court’s decision whether to grant this critical discovery, Facebook filed a peremptory challenge
20 to disqualify Judge Weiner despite having no good faith basis to believe she may be prejudiced

21 ² At the January 9 hearing, Judge Weiner stated “there is no case that’s been reported in
22 California that says that a discovery order is vitiated by bringing a SLAPP motion two and a half
years after the case has been brought.” Counsel obfuscated and Judge Weiner again responded:
“There is no case that says that the SLAPP statute vitiates an existing discovery order,” to which
counsel reluctantly conceded. Godkin Reply Dec., ¶ 2, Ex. A, at 51-53.

1 against the defendants. After all, Judge Weiner denied Plaintiff's motion to add the individual
2 defendants as parties, and Plaintiff was required to seek a writ compelling the Court to add them.
3 In light of Facebook's obstructionist tactics and its refusal to explain its unprecedented delay, this
4 Court has ample reason to doubt that Facebook brings this motion with clean hands.

5 **B. Facebook's Position Requires the Court to Ignore an Undisputed Fact: No Content
6 Was Removed When Facebook Shut Down Its APIs and So Protected Speech
7 Activity Cannot Possibly Be Triggered**

8 The Court need only recognize a single glaring omission in all of Facebook's papers that
9 entirely undermines its position: *the decision to shut down APIs Facebook offered under contract
10 had no impact on the availability of any content!* Plaintiff sued Facebook for inducing thousands
11 of businesses from 2007 to 2014 to enter into identical contracts by representing unequivocally
12 that over 50 different software APIs would be provided to these companies on equal and neutral
13 terms regardless of whether they compete with Facebook, all while actively concealing internal
14 plans to shut these APIs down after having induced reliance in order to gain leverage against
15 these companies. Then, beginning in late 2012, Zuckerberg instructed his top lieutenants to use
16 the leverage Facebook had obtained to wipe out competition and force companies to make
17 extravagant payments that unfairly grew Facebook's mobile advertising business, now its largest
18 revenue stream. The glaring omission is this: shutting down the APIs had no impact on the
19 removal of any piece of content. By way of example, it cannot be disputed that Plaintiff's
20 business was shut down by Facebook's removal of the User ID API and the Friends List API.
21 Without these APIs, Plaintiff's technology did not work. It is also undisputed that these APIs did
22 not transmit any content uploaded by any third party. All the data transmitted in these APIs was
created by Facebook. Thus, it is not even possible in theory to trigger protected speech activity
with respect to these APIs.

1 Even for APIs that did transmit third-party content, Facebook's papers omit two critical
2 facts that again undermine the crux of its position. First, when Facebook shut down these APIs,
3 not a single piece of content was removed for any Facebook user. It is undisputed that all the
4 content that was available to any given Facebook user prior to the execution of the bait-and-
5 switch scheme remained available to that user after the bait-and-switch scheme. Second,
6 whenever Facebook removed offensive content in the ordinary course of business, Plaintiff's
7 technology had built-in controls to remove that same content too. Thus, contrary to Facebook's
8 repeated bald assertions, Plaintiff never interfered with any editorial decision Facebook made to
9 publish or remove content. In fact, Plaintiff spent significant capital and labor to ensure it
10 respected Facebook's editorial decisions regarding content. Both of these glaring omissions stem
11 from the simple fact that this case is not about removing third-party content; this case is about
12 Facebook's contractual commitment to "give [Plaintiff] all rights necessary to use the code, APIs,
13 data, and tools [Plaintiff] receive[d] from [Facebook]," a contract of which this Court has taken
14 judicial notice. Godkin Reply Dec., ¶ 4, Ex. C, at 2; ¶ 5, Ex. D, Section 9.2.8 (FB-0000021).

13 To understand this case and why SLAPP is inapplicable to it, it is helpful to think of
14 Facebook as a bakery. Some bread Facebook bakes (a product) requires yeast provided by
15 consumers (third-party content). Other bread Facebook bakes uses no yeast at all. When Facebook
16 publishes a piece of content inside one of its products, we might say it is using yeast to make a
17 loaf of bread. Facebook can switch out the yeast however it sees fit; and Facebook's decision to
18 use or not use yeast has no impact on the delivery trucks (APIs) that run the bread to other
19 restaurants under contract. The yeast and trucks have nothing to do with each other.

19 Beginning in 2007, Zuckerberg decided he could get more people to eat Facebook's bread
20 if he started shipping it to other restaurants in delivery trucks (APIs). To convince other
21 restaurants to invest substantial capital and labor designing their kitchens in a unique way that

1 made it possible to cook with Facebook's bread, Facebook entered into identical contracts with all
2 of them and agreed to run its delivery trucks, if it runs them at all, on fair and neutral terms, even
3 for restaurants that use the bread to cook the same food as Facebook. Facebook even offered the
4 bread at no charge because it happened to control most of the billboards in the town (desktop
5 computer ads), which restaurants used to advertise the food they cooked using Facebook's bread.
6 After crunching the numbers, Facebook determined it would maximize its profits by charging for
7 advertising and *not* charging for bread. Facebook's strategy worked. Everyone began relying on
8 Facebook's bread to the point where almost all other bakers were wiped out after a few years.
9 Facebook now held a dominant position in the market for bread *and* the market for billboard ads.

10 However, by 2011 and 2012, people stopped looking at Facebook's billboards and instead
11 got their food recommendations from their smartphones (mobile ads). Facebook was in big
12 trouble because it had invested everything in billboards and nothing in smartphones. It needed
13 something drastic. So, in 2012, Zuckerberg decided that Facebook would stop running its delivery
14 trucks to all restaurants. Zuckerberg only let his employees tell the biggest restaurants in order to
15 force them to start buying Facebook's new smartphone ads (neko ads) if they wanted to keep their
16 trucks running. These big restaurants had no choice but to agree. The alternative was to go out of
17 business. For all the smaller restaurants, Zuckerberg continued to tell them for two years that they
18 had nothing to worry about with respect to their bread supply, notwithstanding that he had already
19 decided to stop running the delivery trucks. This misrepresentation and concealment from 2012
20 through 2014 ensured that these smaller restaurants would remain fully dependent on Facebook as
21 they grew, so if they ever did become a threat, Zuckerberg could destroy them just by stopping
22 their deliveries. So all these smaller restaurants continued to waste huge amounts of capital and
labor in maintaining their kitchens to cook with Facebook's bread. In 2015, Facebook shut down
its delivery trucks to all restaurants except those that for the past two years it had been able to

1 convince to make massive payments in these unrelated smartphone ads. Importantly, none of the
2 smaller restaurants were ever given any opportunity to keep their trucks running, *even if they were*
3 *willing to pay for the bread!* In all, 40,000 restaurants were harmed, many going entirely out of
4 business, so Facebook could fix its failure to foresee the death of billboard advertising by
5 maliciously weaponizing its bread business.

6 The key takeaway for the purposes of this anti-SLAPP motion is that Facebook’s decision
7 to shut down the delivery trucks is completely unconnected to any decisions it makes regarding
8 the yeast it uses or does not use and the bread it bakes or does not bake. In other words,
9 Facebook’s central argument that this case involves editorial decisions related to publishing and
10 removing content requires the Court to conflate the yeast with the bread and the bread with the
11 delivery trucks, which of course makes no sense. The argument is pure fiction designed to trick
12 the Court into erroneously recasting a contract dispute as a First Amendment case
13 notwithstanding that Facebook has argued for almost three years now that this is merely “a
14 business dispute between two companies that [voluntarily] entered into a private agreement.”
15 Godkin Reply Dec., ¶ 6, Ex. E, at 9. Perhaps just as damning to Facebook’s position is that it is
16 common knowledge Facebook does not even believe the arguments espoused by its counsel.
17 Facebook’s top executives have emphatically argued for years that Facebook is “a tech company,
18 not a media company,” and that considering Facebook to be a publisher would not be
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1 “appropriate for us.”³ In light of all this, there can be no doubt Facebook brings this motion in bad
2 faith and that the crux of its argument requires the Court to ignore the gravamen of Plaintiff’s
3 complaint in favor of a strawman fabricated entirely by Facebook and supported almost
4 exclusively by cases in which Facebook’s liability only attaches vicariously from the wrongful
5 conduct of its users (whether to hold the baker accountable for bad yeast), rather than Facebook’s
6 own decision to stop running delivery trucks, which has no bearing on the strain of yeast.

6 **C. Facebook Fails to Rebut the Applicability of the Commercial Speech Exemption**

7 Regarding the first prong of the commercial speech exemption, Facebook claims that
8 *Cross v. Facebook* is “directly on-point” because the Court of Appeals held that Facebook’s
9 relationship with its users is not commercial in nature since Facebook users do not purchase
10 advertising on Facebook; thus, as regards consumers, Facebook is not primarily engaged in the
11 business of selling any good or service. Defendant’s Supp. Memo., at 4-5; see *Cross v. Facebook,*
12 *Inc.* (2017) 14 Cal.App.5th 190, 194 [222 Cal.Rptr.3d 250]. At the January 9 hearing, Judge
13 Weiner made clear that *Cross* “is not similar to this” case as *Cross* “had to do with whether or not
14 somebody actually posted the information, and that is not the situation we have here.” Godkin
15 Reply Dec., ¶ 2, Ex. A, at 70. The central issue in *Cross* was whether Facebook could be held
16 liable for its refusal to remove death threats posted by other Facebook users against Cross, a
17 musician. As with all the cases Facebook cites in support of its motion, Facebook’s potential
18 liability in *Cross* stems exclusively from the wrongful conduct of a third party. That is not the

18 ³ See, e.g., Giulia Segreti, “Facebook CEO says group will not become a media company,”
19 *Reuters*, August 29, 2016, at <https://www.reuters.com/article/us-facebook-zuckerberg/facebook-ceo-says-group-will-not-become-a-media-company-idUSKCN1141WN>; Arjun Kharpal,
20 “Facebook doesn’t want to be the ‘arbiter of truth’, top exec Sheryl Sandberg says, amid fake news criticism,” *CNBC*, April 24, 2017, <https://www.cnbc.com/2017/04/24/facebook-fake-news-sheryl-sanberg.html>.

1 situation here or in *Yelp*, which Judge Weiner considered a “key case...helpful in addressing the
2 issues presented here in Prong 1.” Godkin Reply Dec., ¶ 2, Ex. A, at 36-41. Unlike *Cross*,
3 Plaintiff holds Facebook liable for its own wrongful conduct, not that of a third party.

4 Further, unlike the Facebook users described in *Cross*, Facebook does not dispute that
5 Plaintiff and Facebook entered into a contract, Plaintiff spent hundreds of thousands of dollars in
6 reliance on that contract, and Plaintiff actually purchased advertising from Facebook to promote
7 the software it developed under that contract. *See, e.g.*, Fifth Amended Complaint (“5AC”), ¶¶
8 110, 154, 196. That Facebook did not charge directly for API access is immaterial for two
9 reasons: (1) it abrogates a fundamental principle of contract law by assuming that a bargained-for
10 exchange requires a cash payment to exchange hands between the parties; and (2) Facebook in
11 fact considered charging directly for these APIs, but then decided it would make more money by
12 capturing more companies with the APIs and charging instead for advertising of the finished
13 software products. This is a far cry from *Cross* where: (1) a consumer seeks to hold Facebook
14 liable for another consumer’s offensive conduct; and (2) Facebook made no statements intended
15 to induce those consumers to purchase any ads from Facebook. By contrast, when it comes to
16 businesses that build products on Facebook Platform and purchase advertisements to promote
17 those products, there can be little doubt that Facebook is primarily engaged in the business of
18 selling advertising and further that Facebook made an explicit business decision to represent
19 Facebook Platform as a level competitive playing field in order to increase advertising sales. It is
20 further not disputed that Facebook is one of two globally dominant advertising services that
21 together capture all of the industry’s growth. Godkin Reply Dec., ¶ 7, Ex. F.

22 As for the other three prongs of the commercial speech exemption, Facebook attempts to
distinguish this case from *Yelp* by arguing that the plaintiff in *Yelp* “did not take issue with Yelp’s
filter itself, but instead the public statements that Yelp made about the reliability of the filter,

1 claiming that those statements induced him to purchase advertising on Yelp’s website.”

2 Defendant’s Supp. Memo., at 7. This Court would be required to ignore most of the allegations in
3 Plaintiff’s complaint to determine that Plaintiff somehow does not take issue with Facebook’s
4 public representations about its Platform, which did in fact induce Plaintiff to purchase
5 advertising from Facebook, and of which Plaintiff lists many dozens of misrepresentations from
6 2007 throughout 2014. 5AC ¶¶ 35-48, 51-78, 112-123, 130-139. Facebook also argues without
7 basis that its decision to “de-publish certain user content” was not a “representation at all.”

8 Defendant’s Supp. Memo., at 5. This is not true as a key issue in this case is that Facebook
9 represented publicly on April 30, 2014 that it was “removing several rarely used endpoints,” but
10 internal emails show these APIs were actually the most popular. Godkin Reply Dec., ¶ 8, Ex. G.

11 Finally, Facebook mischaracterizes Plaintiff’s request for injunctive relief by implying
12 that the relief would force Facebook to share content without user permission. Defendant’s Supp.
13 Memo., at 2, fn. 1. This is not true as users could always control who accesses their information
14 (i.e., a user could prevent Facebook from running a delivery truck with bread made from that
15 user’s yeast). The relief sought is clear: if a Facebook user wants to get her bread from another
16 restaurant with whom Facebook had contracted to deliver bread, then she should not be forced to
17 get her bread exclusively from Facebook. In other words, because Facebook represented it would
18 run its delivery trucks on fair and equal terms, and because Facebook is instead running its
19 delivery trucks on arbitrary terms, the Court should require Facebook to run its delivery trucks on
20 the level playing field it promised. Otherwise, the Court should enjoin Facebook from
21 representing that its delivery trucks run on a level playing field, which Facebook continues to
22 represent publicly to this day. Godkin Reply Dec., ¶ 9, Ex. H. This is the same relief requested in
Yelp, where the plaintiff demanded: “make your filter accurate or stop saying it is.” Here,
Facebook must make its Platform fair or stop saying it is.

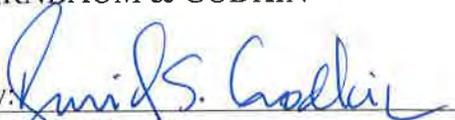
1 **II. CONCLUSION**

2 For the foregoing reasons, Facebook's Anti-SLAPP Motion should be denied pursuant to
3 Section 425.17(c) as all of Plaintiff's causes of action arise out of commercial speech and
4 conduct.

5 DATED: March 7, 2018

CRITERION LAW

BIRNBAUM & GODKIN

6
7 By: 
8 Basil P. Fthenakis, Esq.
9 David S. Godkin (admitted *pro hac vice*)
10 James E. Kruzer (admitted *pro hac vice*)
11 Attorneys for Plaintiff
12 Six4Three, LLC
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PROOF OF SERVICE

I, Cheryl A. McDuffee, declare:

I am a citizen of the United States and employed in Suffolk County, Massachusetts. I am over the age of eighteen years and not a party to the within-entitled action. My business address is 280 Summer Street, Boston, MA 02210. On March 7, 2018, I served a copy of the within document(s):

REPLY TO DEFENDANT’S SUPPLEMENTAL MEMORANDUM IN SUPPORT OF ITS MOTION TO STRIKE (ANTI-SLAPP PRONG ONE)

by electronic service, per the agreement of the parties, by emailing a true and correct copy through counsel’s email address to Defendant’s counsel of record at the email addresses set forth below.

Joshua H. Lerner (jlerner@durietangri.com)
Sonal N. Mehta (smehta@durietangri.com)
Laura Miller (lmiller@durietangri.com)
Catherine Kim (ckim@durietangri.com)
Durie Tangri (service-six4three@durietangri.com)
217 Leidesdorff Street
San Francisco, CA 94111
P (415) 376 - 6427
Attorney for All Defendants

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed March 7, 2018, at Boston, Massachusetts.

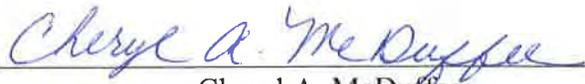

Cheryl A. McDuffee

EXHIBIT 216

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FILED
SAN MATEO COUNTY

JUN 30 2016

Clerk of the Superior Court

By *M. Marlowe*
DEPUTY CLERK

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO**

7-1
CMC
D21

SIX4THREE, LLC, a Delaware limited liability company,

Plaintiff,

v.

FACEBOOK, INC., a Delaware corporation and DOES 1-50, inclusive

Defendants.

Case No. CIV533328

[PROPOSED] ORDER ON DEMURRER TO PLAINTIFF'S SECOND AMENDED COMPLAINT

Date: June 15, 2016
Time: 9:00 a.m.
Dept.: Law and Motion

CIV533328
ORD
Order
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Defendant Facebook, Inc.'s ("Facebook") Demurrer to Plaintiff Six4Three, LLC's Second Amended Complaint came on regularly for hearing before the Court on June 15, 2016, in the Law and Motion Department.

The Court, having reviewed the moving papers and all opposing and reply papers filed with the Court, and having heard the arguments of counsel, **OVERRULES** Facebook's Demurrer with respect to Plaintiff's First, Third, Fourth and Fifth Causes of Action, and **SUSTAINS** Facebook's Demurrer with respect to Plaintiff's Second Cause of Action. The Court modifies its June 14, 2016 tentative ruling, as follows:

Defendant Facebook, Inc.'s Request for Judicial Notice is **GRANTED** pursuant to Evidence Code §452(h) and 453(a). However, the legal effect, truthfulness and proper interpretation of the documents remain disputable. *See Unruh-Haxton v. Regents of University of California* (2008) 162 Cal App 4th 343, 365. A hearing on a demurrer may not be turned into a contested evidentiary hearing through the guise of having the court take judicial notice of documents whose truthfulness or proper interpretation are disputable. *Fremont Indemnity Co. v. Fremont General Corp.* (2007) 148 Cal App 4th 97, 112-118.

The demurrer to the 1st cause of action for Violation of B&P Code 17200 is **OVERRULED**. Plaintiff has sufficiently pled an unfair, unlawful or fraudulent business practice. *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Company* (1999) 20 Cal 4th 163, 180. Plaintiff has specifically alleged that it was a victim to a Facebook practice/scheme to lure in developers, generate additional advertising revenue by enhancing the user's experience and then monopolize for itself the market for image search capabilities. SAC ¶¶ 54-59, 105-06.

The demurrer to the 2nd cause of action for promissory estoppel is **SUSTAINED WITHOUT LEAVE TO AMEND**. The SAC fails to sufficiently

1 allege a clear, unambiguous promise by Facebook or the Plaintiff's reasonable
2 reliance on such a promise. The SAC is based on the allegations at ¶52 that
3 Facebook had a long-term commitment to the Facebook platform and to a level
4 playing field for developers. Plaintiff has not alleged a clear and unambiguous
5 promise to keep open the Friends' Photos Endpoint. As to reliance, Plaintiff
6 identifies only conclusory, generalized statements and alleged omissions
7 regarding Facebook's platform and API at the time they were launched in 2007
8 and 2010. SAC ¶ 10-23. This was well before Plaintiff became a registered
9 developer with Facebook in December 2012. Nothing in the statements referred to
10 the friends' photo endpoint and nothing indicated that Facebook would make
11 available all endpoints to developers forever. This does not sufficiently allege
12 reasonable reliance.

13 The demurrer to the 3rd cause of action for negligent misrepresentation is
14 OVERRULED. The SAC sufficiently alleges the elements of a claim for
15 negligent misrepresentation. These include 1) A misrepresentation of a past or
16 existing fact, 2) without reasonable grounds for believing it to be true, 3) with the
17 intent to induce another's reliance, 4) justifiable reliance on the representation and
18 5) resulting damage. *Apollo Capital Fund, LLC v. Roth Capital Partners, LLC*
19 (2007) 158 Cal App 4th 226, 243. Plaintiff has sufficiently alleged a
20 misrepresentation, intent, and justifiable reliance. Plaintiff has sufficiently
21 alleged such a representation and plaintiff's reliance on a promise is reasonable.

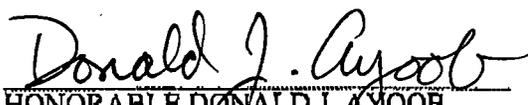
22 The demurrer to the 4th cause of action for Intentional Interference with
23 Contract is OVERRULED. Plaintiff has sufficiently alleged tortious interference.
24 Plaintiff has pled a valid contract; has plausibly alleged knowledge of the
25 agreements on Facebook's part and has alleged intentional acts designed to induce
26 a breach. *Quelimane Co., Inc. v. Stewart Title Guaranty Company* (1998) 19 Cal
27 4th 26, 55. See SAC at ¶¶ 86, 87, 148-49.

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The demurrer to the 5th cause of action for Intentional Interference with Prospective Business Relations is OVERRULED. The cause of action sufficiently pled the required elements for such a cause of action: 1) an economic relationship between the plaintiff and some third-party with the probability of future economic benefit; 2) the defendant's knowledge of the relationship; 3) intentional acts by defendant designed to disrupt the relationship; 4) actual disruption of the relationship and 5) economic harm to the plaintiff proximately caused by defendant. *Korea Supply Co. v. Lockheed Martin Corp.*, (2003) 29 Cal 4th 1134, 1153.

IT IS SO ORDERED.

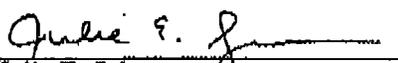
Dated: JUN 28 2016


HONORABLE DONALD J. AYOOB

Approved as to form by:

PERKINS COIE LLP

BIRNBAUM & GODKIN, LLP


Julie E. Schwartz


David S. Godkin

EXHIBIT 217

Defendant's Demurrer to Plaintiff's Third Amended Complaint is **OVERRULED** as to the first cause of action for violation of Section 17200, as to the second cause of action for breach of contract, as to the fourth cause of action for intentional misrepresentation, as to the fifth cause of action for negligent misrepresentation, and as to the sixth cause of action for intentional interference with contract. Defendant's Demurrer to Plaintiff's Third Amended Complaint is **SUSTAINED WITH LEAVE TO AMEND** as to the third cause of action for concealment, as to the seventh cause of action for intentional interference with prospective economic relations, and as to the eighth cause of action for negligent interference with prospective economic relations.

The request for judicial notice of the 2012 SRR specifically referenced in the Third Amended Complaint is **GRANTED**, and all other requests for judicial notice are **DENIED**. See Fremont Indemnity Co. v. Fremont General Corp. (2007) 148 Cal.app.4th 97, 113-114.

Plaintiff shall file and serve its Fourth Amended Complaint on or before **November 1, 2017**. Defendant shall file and serve its Answer or other response to the Fourth Amended Complaint (or to the Third Amended Complaint if Plaintiff chooses not to amend) on or before **November 15, 2017**.

In regard to the concealment cause of action, pursuant to Civil Code Section 1710(3): "The suppression of a fact, by one who is bound to disclose it, or who gives information of other facts which are likely to mislead for want of communications of that fact". There is no fiduciary or confidential relationship between the parties, so Defendant was not "bound to disclose it". Plaintiff has based the duty of disclosure upon the concept that Defendant represented some facts but not others. That is not what Plaintiff has actually alleged in the Third Amended Complaint. Rather, the allegation is that

Defendant made affirmative representations to Plaintiff, which Plaintiff relied upon and entered into a business arraignment with Defendant, but that Defendant knew that the representations were false, i.e., “concealed” the true facts. That is not a claim for concealment; that is a claim for intentional misrepresentation, which is a separately pleaded cause of action.

As to the claims for interference with prospective economic advantage, Plaintiff has failed to adequately allege facts to constitute that cause of action, on multiple grounds. First, Plaintiff fails to adequately plead facts of an “economic relationship” which had not yet evolved into a contract. Plaintiff has separately alleged a cause of action for intentional interference with contractual relations – which is an interference between Plaintiff and its “users”, specifically persons who purchased and used Plaintiff’s “app”. Yet, Plaintiff alleged in the “prospective economic advantage” claims that Defendant interfered with Plaintiff’s relationship with its “users”, i.e., the persons with whom it already had a contractual relationship. “Prospective economic advantage” claims involve a business relationship *without* an existing contract.

Second, Plaintiff alleges in the Third Amended Complaint under the interference with prospective economic relationship claims that: “643 had an expectation of economic benefit from third parties, including its users who downloaded the App and other Facebook users who may have downloaded the App if 643 had marketed the App as it planned. Facebook, Zuckerberg and the Conspiring Facebook Executives knew of 643’s relationship with the users of the App, and knew or should have known of 643’s plans to market the App”. What is required is that Plaintiff had an actual, existing economic relationship with a specific person or entity “that probably would have resulted in an economic benefit” to Plaintiff. Plaintiff’s allegation is too stark as it identifies *no one*

specifically and provides *no facts* supporting the assertion that the economic relationship with that particular person “probably would have resulted in an economic benefit”.

Indeed, it is hard to see how Plaintiff can plead this claim, given that it was simply making an “app” available to the generic public with whom it had no existing contact – but the Court will allow one more attempt. Plaintiff’s argument that its *existing* customers could contemporaneously be *potential* customers of this “app” is rejected as illogical.

Third, in order to plead this claim as the tort, and not just the breach of contract, the Plaintiff must allege that Defendant engaged in independently wrongful conduct beyond just the interference itself. Della Penna v. Toyota Motor Sales (1995) 11 Cal.4th 376, 393. Typically an independent wrongful act is an act that is unlawful under statute, regulation or other law, whether civil or criminal – and beyond a breach of contract. Plaintiff has failed to adequately allege facts demonstrating this element of the cause of action.

DATED: October 12, 2017



HON. MARIE S. WEINER
JUDGE OF THE SUPERIOR COURT

SERVICE LIST
Six4Three v. Facebook, CIV 533328
as of May 3, 2017

Attorneys for Plaintiffs:

BASIL FTHENAKIS
CRITERION LAW
2225 East Bayshore Road, Suite 200
Palo Alto, CA 94303
(650) 352-8400

DAVID GODKIN
JAMES KRUGER
BIRNBAUM & GODKIN LLP
280 Summer Street
Boston, MA 02210
(617) 307-6100

Attorneys for Defendant:

JOSHUA LERNER
SONAL MEHTA
LAURA MILLER
CATHERINE KIM
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
(415) 362-6666

EXHIBIT 218

This agreement was written in English (US). To the extent any translated version of this agreement conflicts with the English version, the English version controls. Please note that Section 17 contains certain changes to the general terms for users outside the United States.

Date of Last Revision: December 11, 2012.

Statement of Rights and Responsibilities

This Statement of Rights and Responsibilities ("Statement," "Terms," or "SRR") derives from the [Facebook Principles](#), and is our terms of service that governs our relationship with users and others who interact with Facebook. By using or accessing Facebook, you agree to this Statement, as updated from time to time in accordance with Section 14 below. Additionally, you will find resources at the end of this document that help you understand how Facebook works.

1. Privacy

Your privacy is very important to us. We designed our [Data Use Policy](#) to make important disclosures about how you can use Facebook to share with others and how we collect and can use your content and information. We encourage you to read the Data Use Policy, and to use it to help you make informed decisions.

2. Sharing Your Content and Information

You own all of the content and information you post on Facebook, and you can control how it is shared through your [privacy](#) and [application settings](#). In addition:

1. For content that is covered by intellectual property rights, like photos and videos (IP content), you specifically give us the following permission, subject to your [privacy](#) and [application settings](#): you grant us a non-exclusive, transferable, sub-licensable, royalty-free, worldwide license to use any IP content that you post on or in connection with Facebook (IP License). This IP License ends when you delete your IP content or your account unless your content has been shared with others, and they have not deleted it.
2. When you delete IP content, it is deleted in a manner similar to emptying the recycle bin on a computer. However, you understand that removed content may persist in backup copies for a reasonable period of time (but will not be available to others).
3. When you use an application, the application may ask for your permission to access your content and information as well as content and information that others have shared with you. We require applications to respect your privacy, and your agreement with that application will control how the application can use, store, and transfer that content and information. (To learn more about Platform, including how you can control what information other people may share with applications, read our [Data Use Policy](#) and [Platform Page](#).)

4. When you publish content or information using the Public setting, it means that you are allowing everyone, including people off of Facebook, to access and use that information, and to associate it with you (i.e., your name and profile picture).
5. We always appreciate your feedback or other suggestions about Facebook, but you understand that we may use them without any obligation to compensate you for them (just as you have no obligation to offer them).

3. Safety

We do our best to keep Facebook safe, but we cannot guarantee it. We need your help to keep Facebook safe, which includes the following commitments by you:

1. You will not post unauthorized commercial communications (such as spam) on Facebook.
2. You will not collect users' content or information, or otherwise access Facebook, using automated means (such as harvesting bots, robots, spiders, or scrapers) without our prior permission.
3. You will not engage in unlawful multi-level marketing, such as a pyramid scheme, on Facebook.
4. You will not upload viruses or other malicious code.
5. You will not solicit login information or access an account belonging to someone else.
6. You will not bully, intimidate, or harass any user.
7. You will not post content that: is hate speech, threatening, or pornographic; incites violence; or contains nudity or graphic or gratuitous violence.
8. You will not develop or operate a third-party application containing alcohol-related, dating or other mature content (including advertisements) without appropriate age-based restrictions.
9. You will follow our [Promotions Guidelines](#) and all applicable laws if you publicize or offer any contest, giveaway, or sweepstakes (“promotion”) on Facebook.
10. You will not use Facebook to do anything unlawful, misleading, malicious, or discriminatory.
11. You will not do anything that could disable, overburden, or impair the proper working or appearance of Facebook, such as a denial of service attack or interference with page rendering or other Facebook functionality.
12. You will not facilitate or encourage any violations of this Statement or our policies.

4. Registration and Account Security

Facebook users provide their real names and information, and we need your help to keep it that way. Here are some commitments you make to us relating to registering and maintaining the security of your account:

1. You will not provide any false personal information on Facebook, or create an account for anyone other than yourself without permission.
2. You will not create more than one personal account.
3. If we disable your account, you will not create another one without our permission.
4. You will not use your personal timeline primarily for your own commercial gain, and will

- use a Facebook Page for such purposes.
5. You will not use Facebook if you are under 13.
 6. You will not use Facebook if you are a convicted sex offender.
 7. You will keep your contact information accurate and up-to-date.
 8. You will not share your password (or in the case of developers, your secret key), let anyone else access your account, or do anything else that might jeopardize the security of your account.
 9. You will not transfer your account (including any Page or application you administer) to anyone without first getting our written permission.
 10. If you select a username or similar identifier for your account or Page, we reserve the right to remove or reclaim it if we believe it is appropriate (such as when a trademark owner complains about a username that does not closely relate to a user's actual name).

5. Protecting Other People's Rights

We respect other people's rights, and expect you to do the same.

1. You will not post content or take any action on Facebook that infringes or violates someone else's rights or otherwise violates the law.
2. We can remove any content or information you post on Facebook if we believe that it violates this Statement or our policies.
3. We provide you with tools to help you protect your intellectual property rights. To learn more, visit our [How to Report Claims of Intellectual Property Infringement](#) page.
4. If we remove your content for infringing someone else's copyright, and you believe we removed it by mistake, we will provide you with an opportunity to appeal.
5. If you repeatedly infringe other people's intellectual property rights, we will disable your account when appropriate.
6. You will not use our copyrights or trademarks (including Facebook, the Facebook and F Logos, FB, Face, Poke, Book and Wall), or any confusingly similar marks, except as expressly permitted by our Brand Usage Guidelines or with our prior written permission.
7. If you collect information from users, you will: obtain their consent, make it clear you (and not Facebook) are the one collecting their information, and post a privacy policy explaining what information you collect and how you will use it.
8. You will not post anyone's identification documents or sensitive financial information on Facebook.
9. You will not tag users or send email invitations to non-users without their consent. Facebook offers social reporting tools to enable users to provide feedback about tagging.

6. Mobile and Other Devices

1. We currently provide our mobile services for free, but please be aware that your carrier's normal rates and fees, such as text messaging fees, will still apply.
2. In the event you change or deactivate your mobile telephone number, you will update your account information on Facebook within 48 hours to ensure that your messages are not sent to the person who acquires your old number.

3. You provide consent and all rights necessary to enable users to sync (including through an application) their devices with any information that is visible to them on Facebook.

7. Payments

If you make a payment on Facebook or use Facebook Credits, you agree to our [Payments Terms](#).

8. Special Provisions Applicable to Social Plugins

If you include our Social Plugins, such as the Share or Like buttons on your website, the following additional terms apply to you:

1. We give you permission to use Facebook's Social Plugins so that users can post links or content from your website on Facebook.
2. You give us permission to use and allow others to use such links and content on Facebook.
3. You will not place a Social Plugin on any page containing content that would violate this Statement if posted on Facebook.

9. Special Provisions Applicable to Developers/Operators of Applications and Websites

If you are a developer or operator of a Platform application or website, the following additional terms apply to you:

1. You are responsible for your application and its content and all uses you make of Platform. This includes ensuring your application or use of Platform meets our [Facebook Platform Policies](#) and our [Advertising Guidelines](#).
2. Your access to and use of data you receive from Facebook, will be limited as follows:
 1. You will only request data you need to operate your application.
 2. You will have a privacy policy that tells users what user data you are going to use and how you will use, display, share, or transfer that data and you will include your privacy policy URL in the [Developer Application](#).
 3. You will not use, display, share, or transfer a user's data in a manner inconsistent with your privacy policy.
 4. You will delete all data you receive from us concerning a user if the user asks you to do so, and will provide a mechanism for users to make such a request.
 5. You will not include data you receive from us concerning a user in any advertising creative.
 6. You will not directly or indirectly transfer any data you receive from us to (or use such data in connection with) any ad network, ad exchange, data broker, or other advertising related toolset, even if a user consents to that transfer or use.
 7. You will not sell user data. If you are acquired by or merge with a third party, you can continue to use user data within your application, but you cannot transfer user data outside of your application.

8. We can require you to delete user data if you use it in a way that we determine is inconsistent with users' expectations.
9. We can limit your access to data.
10. You will comply with all other restrictions contained in our [Facebook Platform Policies](#).
3. You will not give us information that you independently collect from a user or a user's content without that user's consent.
4. You will make it easy for users to remove or disconnect from your application.
5. You will make it easy for users to contact you. We can also share your email address with users and others claiming that you have infringed or otherwise violated their rights.
6. You will provide customer support for your application.
7. You will not show third party ads or web search boxes on www.facebook.com.
8. We give you all rights necessary to use the code, APIs, data, and tools you receive from us.
9. You will not sell, transfer, or sublicense our code, APIs, or tools to anyone.
10. You will not misrepresent your relationship with Facebook to others.
11. You may use the logos we make available to developers or issue a press release or other public statement so long as you follow our [Facebook Platform Policies](#).
12. We can issue a press release describing our relationship with you.
13. You will comply with all applicable laws. In particular you will (if applicable):
 1. have a policy for removing infringing content and terminating repeat infringers that complies with the Digital Millennium Copyright Act.
 2. comply with the Video Privacy Protection Act (VPPA), and obtain any opt-in consent necessary from users so that user data subject to the VPPA may be shared on Facebook. You represent that any disclosure to us will not be incidental to the ordinary course of your business.
14. We do not guarantee that Platform will always be free.
15. You give us all rights necessary to enable your application to work with Facebook, including the right to incorporate content and information you provide to us into streams, timelines, and user action stories.
16. You give us the right to link to or frame your application, and place content, including ads, around your application.
17. We can analyze your application, content, and data for any purpose, including commercial (such as for targeting the delivery of advertisements and indexing content for search).
18. To ensure your application is safe for users, we can audit it.
19. We can create applications that offer similar features and services to, or otherwise compete with, your application.

10. About Advertisements and Other Commercial Content Served or Enhanced by Facebook

Our goal is to deliver ads and commercial content that are valuable to our users and advertisers. In order to help us do that, you agree to the following:

1. You can use your [privacy settings](#) to limit how your name and profile picture may be associated with commercial, sponsored, or related content (such as a brand you like)

served or enhanced by us. You give us permission to use your name and profile picture in connection with that content, subject to the limits you place.

2. We do not give your content or information to advertisers without your consent.
3. You understand that we may not always identify paid services and communications as such.

11. Special Provisions Applicable to Advertisers

You can target your desired audience by buying ads on Facebook or our publisher network. The following additional terms apply to you if you place an order through our online advertising portal (Order):

1. When you place an Order, you will tell us the type of advertising you want to buy, the amount you want to spend, and your bid. If we accept your Order, we will deliver your ads as inventory becomes available. When serving your ad, we do our best to deliver the ads to the audience you specify, although we cannot guarantee in every instance that your ad will reach its intended target.
2. In instances where we believe doing so will enhance the effectiveness of your advertising campaign, we may broaden the targeting criteria you specify.
3. You will pay for your Orders in accordance with our [Payments Terms](#). The amount you owe will be calculated based on our tracking mechanisms.
4. Your ads will comply with our [Advertising Guidelines](#).
5. We will determine the size, placement, and positioning of your ads.
6. We do not guarantee the activity that your ads will receive, such as the number of clicks your ads will get.
7. We cannot control how clicks are generated on your ads. We have systems that attempt to detect and filter certain click activity, but we are not responsible for click fraud, technological issues, or other potentially invalid click activity that may affect the cost of running ads.
8. You can cancel your Order at any time through our online portal, but it may take up to 24 hours before the ad stops running. You are responsible for paying for all ads that run.
9. Our license to run your ad will end when we have completed your Order. You understand, however, that if users have interacted with your ad, your ad may remain until the users delete it.
10. We can use your ads and related content and information for marketing or promotional purposes.
11. You will not issue any press release or make public statements about your relationship with Facebook without our prior written permission.
12. We may reject or remove any ad for any reason.
13. If you are placing ads on someone else's behalf, you must have permission to place those ads, including the following:
 1. You warrant that you have the legal authority to bind the advertiser to this Statement.
 2. You agree that if the advertiser you represent violates this Statement, we may hold you responsible for that violation.

12. Special Provisions Applicable to Pages

If you create or administer a Page on Facebook, or run a promotion or an offer from your Page, you agree to our [Pages Terms](#).

13. Special Provisions Applicable to Software

1. If you download our software, such as a stand-alone software product or a browser plugin, you agree that from time to time, the software may download upgrades, updates and additional features from us in order to improve, enhance and further develop the software.
2. You will not modify, create derivative works of, decompile or otherwise attempt to extract source code from us, unless you are expressly permitted to do so under an open source license or we give you express written permission.

14. Amendments

1. Unless we make a change for legal or administrative reasons, or to correct an inaccurate statement, we will provide you with seven (7) days notice (for example, by posting the change on the [Facebook Site Governance Page](#)) and an opportunity to comment on changes to this Statement. You can also visit our [Facebook Site Governance Page](#) and "like" the Page to get updates about changes to this Statement.
2. If we make changes to policies referenced in or incorporated by this Statement, we may provide notice on the Site Governance Page.
3. Your continued use of Facebook following changes to our terms constitutes your acceptance of our amended terms.

15. Termination

If you violate the letter or spirit of this Statement, or otherwise create risk or possible legal exposure for us, we can stop providing all or part of Facebook to you. We will notify you by email or at the next time you attempt to access your account. You may also delete your account or disable your application at any time. In all such cases, this Statement shall terminate, but the following provisions will still apply: 2.2, 2.4, 3-5, 8.2, 9.1-9.3, 9.9, 9.10, 9.13, 9.15, 9.18, 10.3, 11.2, 11.5, 11.6, 11.9, 11.12, 11.13, and 15-19.

16. Disputes

1. You will resolve any claim, cause of action or dispute (claim) you have with us arising out of or relating to this Statement or Facebook exclusively in a state or federal court located in Santa Clara County. The laws of the State of California will govern this Statement, as well as any claim that might arise between you and us, without regard to

- conflict of law provisions. You agree to submit to the personal jurisdiction of the courts located in Santa Clara County, California for the purpose of litigating all such claims.
2. If anyone brings a claim against us related to your actions, content or information on Facebook, you will indemnify and hold us harmless from and against all damages, losses, and expenses of any kind (including reasonable legal fees and costs) related to such claim. Although we provide rules for user conduct, we do not control or direct users' actions on Facebook and are not responsible for the content or information users transmit or share on Facebook. We are not responsible for any offensive, inappropriate, obscene, unlawful or otherwise objectionable content or information you may encounter on Facebook. We are not responsible for the conduct, whether online or offline, or any user of Facebook.
 3. WE TRY TO KEEP FACEBOOK UP, BUG-FREE, AND SAFE, BUT YOU USE IT AT YOUR OWN RISK. WE ARE PROVIDING FACEBOOK AS IS WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. WE DO NOT GUARANTEE THAT FACEBOOK WILL ALWAYS BE SAFE, SECURE OR ERROR-FREE OR THAT FACEBOOK WILL ALWAYS FUNCTION WITHOUT DISRUPTIONS, DELAYS OR IMPERFECTIONS. FACEBOOK IS NOT RESPONSIBLE FOR THE ACTIONS, CONTENT, INFORMATION, OR DATA OF THIRD PARTIES, AND YOU RELEASE US, OUR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS FROM ANY CLAIMS AND DAMAGES, KNOWN AND UNKNOWN, ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY CLAIM YOU HAVE AGAINST ANY SUCH THIRD PARTIES. IF YOU ARE A CALIFORNIA RESIDENT, YOU WAIVE CALIFORNIA CIVIL CODE §1542, WHICH SAYS: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR. WE WILL NOT BE LIABLE TO YOU FOR ANY LOST PROFITS OR OTHER CONSEQUENTIAL, SPECIAL, INDIRECT, OR INCIDENTAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS STATEMENT OR FACEBOOK, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. OUR AGGREGATE LIABILITY ARISING OUT OF THIS STATEMENT OR FACEBOOK WILL NOT EXCEED THE GREATER OF ONE HUNDRED DOLLARS (\$100) OR THE AMOUNT YOU HAVE PAID US IN THE PAST TWELVE MONTHS. APPLICABLE LAW MAY NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY OR INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. IN SUCH CASES, FACEBOOK'S LIABILITY WILL BE LIMITED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

17. Special Provisions Applicable to Users Outside the United States

We strive to create a global community with consistent standards for everyone, but we also strive to respect local laws. The following provisions apply to users and non-users who interact

with Facebook outside the United States:

1. You consent to having your personal data transferred to and processed in the United States.
2. If you are located in a country embargoed by the United States, or are on the U.S. Treasury Department's list of Specially Designated Nationals you will not engage in commercial activities on Facebook (such as advertising or payments) or operate a Platform application or website.
3. Certain specific terms that apply only for German users are available [here](#).

18. Definitions

1. By "Facebook" we mean the features and services we make available, including through (a) our website at www.facebook.com and any other Facebook branded or co-branded websites (including sub-domains, international versions, widgets, and mobile versions); (b) our Platform; (c) social plugins such as the Like button, the Share button and other similar offerings and (d) other media, software (such as a toolbar), devices, or networks now existing or later developed.
2. By "Platform" we mean a set of APIs and services (such as content) that enable others, including application developers and website operators, to retrieve data from Facebook or provide data to us.
3. By "information" we mean facts and other information about you, including actions taken by users and non-users who interact with Facebook.
4. By "content" we mean anything you or other users post on Facebook that would not be included in the definition of information.
5. By "data" or "user data" or "user's data" we mean any data, including a user's content or information that you or third parties can retrieve from Facebook or provide to Facebook through Platform.
6. By "post" we mean post on Facebook or otherwise make available by using Facebook.
7. By "use" we mean use, copy, publicly perform or display, distribute, modify, translate, and create derivative works of.
8. By "active registered user" we mean a user who has logged into Facebook at least once in the previous 30 days.
9. By "application" we mean any application or website that uses or accesses Platform, as well as anything else that receives or has received data from us. If you no longer access Platform but have not deleted all data from us, the term application will apply until you delete the data.

19. Other

1. If you are a resident of or have your principal place of business in the US or Canada, this Statement is an agreement between you and Facebook, Inc. Otherwise, this Statement is an agreement between you and Facebook Ireland Limited. References to "us," "we," and "our" mean either Facebook, Inc. or Facebook Ireland Limited, as appropriate.
2. This Statement makes up the entire agreement between the parties regarding Facebook, and supersedes any prior agreements.

3. If any portion of this Statement is found to be unenforceable, the remaining portion will remain in full force and effect.
4. If we fail to enforce any of this Statement, it will not be considered a waiver.
5. Any amendment to or waiver of this Statement must be made in writing and signed by us.
6. You will not transfer any of your rights or obligations under this Statement to anyone else without our consent.
7. All of our rights and obligations under this Statement are freely assignable by us in connection with a merger, acquisition, or sale of assets, or by operation of law or otherwise.
8. Nothing in this Statement shall prevent us from complying with the law.
9. This Statement does not confer any third party beneficiary rights.
10. We reserve all rights not expressly granted to you.
11. You will comply with all applicable laws when using or accessing Facebook.

You may also want to review the following documents, which provide additional information about your use of Facebook:

- [Data Use Policy](#): The Data Use Policy contains information to help you understand how we collect and use information.
- [Payment Terms](#): These additional terms apply to all payments made on or through Facebook.
- [Platform Page](#): This page helps you better understand what happens when you add a third-party application or use Facebook Connect, including how they may access and use your data.
- [Facebook Platform Policies](#): These guidelines outline the policies that apply to applications, including Connect sites.
- [Advertising Guidelines](#): These guidelines outline the policies that apply to advertisements placed on Facebook.
- [Promotions Guidelines](#): These guidelines outline the policies that apply if you offer contests, sweepstakes, and other types of promotions on Facebook.
- [Brand Permissions Center](#): These guidelines outline the policies that apply to use of Facebook trademarks, logos and screenshots.
- [How to Report Claims of Intellectual Property Infringement](#)
- [Pages Terms](#): These guidelines apply to your use of Facebook Pages.
- [Community Standards](#): These guidelines outline our expectations regarding the content you post to Facebook and your activity on Facebook.

To access the Statement of Rights and Responsibilities in several different languages, change the language setting for your Facebook session by clicking on the language link in the left corner of most pages. If the Statement is not available in the language you select, we will default to the English version.