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BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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Date	06/14/2012
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Exhibit 6

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 snob appeal to lure econo-
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 on biotech crops. 4

Sports Thursday
 Pages 13-18
Playing Hurt
 Tour riders race on with
 bruises, broken bones. 18



EXHIBIT **G**

Ashley Soewyn, CSR No. 12019

Date **12/22/11**

Witness: **YU**

Business Day

The New York Times

THURSDAY, JULY 8, 2010

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MINH UONG/THE NEW YORK TIMES

Friending the World

By MIGUEL HELFT

Sergey Brin, a Google founder, takes issue with people who say Google has failed to gain a foothold in social networking. Google has had successes, he often says, especially with Orkut, the dominant service in Brazil and India.

Mr. Brin may soon have to revise his answer. Facebook, the social network service that started in a Harvard dorm room just six years ago, is growing at a dizzying rate around the globe, surging to nearly 500 million users, from 200 million users just 15 months ago.

It is pulling even with Orkut in India, where only a year ago, Orkut was more than twice as large as Facebook. In the last year, Facebook has grown eightfold, to eight million users, in Brazil, where Orkut has 28 million.

In country after country, Facebook is cementing itself as the leader and often displacing other social networks, much as it outflanked MySpace in the United States. In Britain, for example, Facebook made the formerly popular

Facebook Spreads Beyond U.S. Borders, Displacing Rivals

Bebo all but irrelevant, forcing AOL to sell the site at a huge loss two years after it bought it for \$850 million. In Germany, Facebook surpassed StudiVZ, which until February was the dominant social network there.

With his typical self-confidence, Mark Zuckerberg, Facebook's 26-year-old chief executive, recently said it was "almost guaranteed" that the company would reach a billion users.

Though he did not say when it would reach that mark, the prediction was not greeted with the skepticism that had met his previous boasts of fast growth.

"They have been more innovative than any other social network, and they are going to continue to grow," said Jeremiah Owyang, an analyst with the Altimeter Group. "Facebook wants to be ubiquitous, and they are being successful for now."

The rapid ascent of Facebook has no company more

Continued on Page 8

consumers were spending again. Sales probably grew at an average annual rate of 4 percent during the first five months of retailers' current fiscal year, the sharpest gain since 2006, the International Council of Shopping Centers said.

And so a few hard numbers — and a lot of hope — sent the market soaring. The Standard & Poor's 500-stock index, which only two days ago had sunk to a 10-month low, rose 32.31 points, or

Continued on Page 11

Europe Caps Pay at Banks To Curb Risk

By LIZ ALDERMAN

PARIS — As Wall Street drags its feet on reining in bonuses, the European Union is forcing its banks — by law — to show some restraint.

The European Parliament on Wednesday approved one of the world's strictest crackdowns on exorbitant bank pay, going beyond some of the limits that many banks were pressed to adopt after the financial crisis.

The Federal Reserve has accused banks in the United States of moving too slowly to change compensation practices that stoke excessive risk-taking. While American and British regulators have adopted the principles of Europe's new measure, officials here are going a step further with caps on the percentage of a bonus that can be given in cash and with other changes to compensation.

Bankers in the union's 27 nations will be barred from taking home more than 30 percent of a bonus in cash starting next year, and they will risk losing some of the remainder if the bank's performance erodes over the next three years. Banks that do not curb the salaries of their biggest earners will have to set aside more capital to make up for risk.

"The exercise here is to make sure that bonuses are not a one-way bet, so that if you take risks and lose in a big way, that will affect what you get," said Nick Dent, a partner at the law firm Barlow Lyde & Gilbert who monitors compensation.

Large cash bonuses have been blamed for encouraging the type of excessive risk that stoked the financial crisis. Under political pressure, banks in Britain, Germany and France had already moved to limit bonuses last year.

The legislation, passed by a vote of 625 to 28, codifies a compromise clinched last week be-

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Beyond U.S. Borders, Facebook Challenges And Displaces Rivals

From First Business Page

worried than Google, which sees the social networking giant as a threat on multiple fronts. Much of the activity on Facebook is invisible to Google's search engine, which makes it less useful over time. What's more, the billions of links posted by users on Facebook have turned the social network into an important driver of workers to sites across the Web. That has been Google's role.

Google has tried time and again to break into social networking not only with Orkut but also with user profiles, with an industrywide initiative called OpenSocial, and, most recently, with Buzz, a social network that mixes elements of Facebook and Twitter with Gmail. But none of

ternet users in the United States signed up on Facebook, the company has focused on international expansion.

Just over two years ago, Facebook was available only in English. Still, nearly half of its users were outside the United States, and its presence was particularly strong in Britain, Australia and other English-speaking countries.

The task of expanding the site overseas fell on Javier Oliván, a 32-year-old Spaniard who joined Facebook three years ago, when the site had 30 million users. Mr. Oliván led an innovative effort by Facebook to have its users translate the site into more than 80 languages. Other Web sites and technology companies, notably Mozilla, the maker of Firefox, had used volunteers to translate their sites or programs.

But with 300,000 words on Facebook's site — not counting material posted by users — the task was immense. Facebook not only encouraged users to translate parts of the site, but also let other users fine-tune those translations or pick among multiple translations. Nearly 300,000 users participated.

"Nobody had done it at the scale that we were doing it," Mr. Oliván said.

The effort paid off. Now about 70 percent of Facebook's users are outside the United States. And while the number of users in the United States doubled in the last year, to 123 million, according to comScore, the number more than tripled in Mexico, to 11 million, and it more than quadrupled in Germany, to 19 million.

With every new translation, Facebook pushed into a new country or region, and its spread often mirrored the ties between nations or the movement of people across borders. After becoming popular in Italy for example, Facebook spread to the Italian-speaking portions of Switzerland. But in German-speaking areas of Switzerland, adoption of Facebook lagged. When Facebook be-



Facebook's homepage at an Internet cafe in New Delhi. A year ago, Orkut was the dominant social site in India, but Facebook has caught up. Far left, Mark Zuckerberg, chief of Facebook.

PHOTO BY AP/WIDEWORLD

new office in Tokyo, where they are working to fine-tune searches so they work with all three Japanese scripts. In South Korea, as well as in Japan, where users post to their social networks on mobile phones more than on PCs, the company is working with network operators to ensure distribution of its service.

Industry insiders say that, most of all, Facebook is benefiting from a cycle where success breeds more success. In particular, its growing revenue, estimated at \$1 billion annually, allows the company to invest in improving its product and keep competitors at bay.

"I think that Facebook is winning for two reasons," said Bing Gordon, a partner at Kleiner Perkins Caufield & Byers and a board member of Zynga, the maker of popular Facebook games like FarmVille and Mafia

tions. "With Facebook's social network leading growing, it is not clear whether Google or any other company will succeed in dethroning its march forward. Say, Danny Sullivan, the editor of Search Engine Land, an industry blog. "Google can't even get to the first base of social networks, which is people interacting with each other, much less second or third base, which is people interacting with each other through games and applications."



ANTONIO ANTONIO/SHUTTERSTOCK

blocked in China. And with fewer than a million users each in Japan, South Korea and Russia, it lags far behind home-grown social networks in those major markets.

Mr. Oliván, who leads a team of just 12 people, hopes to change that. Facebook recently sent some of its best engineers to a

In two years, a focus on foreign-language versions pays off.

those initiatives have made a dent in Facebook.

Google is said to be trying again with a secret project for a service called Google Me, according to several reports. Google declined to comment for this article.

Google makes its money from advertising, and even here, Facebook poses a challenge.

"There is nothing more threatening to Google than a company that has 300 million subscribers and knows a lot about them and places targeted advertisements in front of them," said Todd Degres, a partner at Spark Capital, a venture firm that has invested in Twitter and other social networking companies. "For every second that people are on Facebook and for every ad that Facebook puts in front of their face, it is one less second they are on Google and one less ad that Google puts in front of their face." With nearly two-thirds of all In-

Exhibit 7

Date 12/22/11
Witness: YU

Sunday, June 13, 2010

San Francisco Chronicle

California's Best Large Newspaper* AS NAMED BY THE CALIFORNIA NEWSPAPER PUBLISHERS ASSOCIATION \$3.00 *****

Only in The Chronicle

Exclusive to the print edition: Stories in today's Chronicle with this logo can be found only in The Chronicle's print and e-editions at this time. They will be online at sfgate.com beginning Tuesday. E-editions are available for purchase at sf.ly/9hZRU1. Print subscribers can go to the same link to sign up for free e-editions.

Today's exclusive stories are: **Animated Workplace, Digital World, Campaign 2010 and Sunday Profile** on A1, **Native Son** on A2, **Willie Brown and Matier & Ross** on D1, **Kathleen Pender and Andrew S. Ross** on E1, **Miss Bigelow** on F3, **Gwen Knapp** on B1, **Scott Ostler** on B2, **Bruce Jenkins** on B3, **John Shea** on B6 and **Tom Stienstra** on B9.



TOP OF THE NEWS

Sporting Green

» **Gwen Knapp:** Bay Area soccer fans enjoy U.S.'s tie. B1

Business

» **Bottom Line:** S.F. lawyer weighs in on the BP oil spill. E1

Bay Area

» **Streams:** Plans under way to unearth hidden creeks. D1

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A Public Event



Special section

Favorites, longshots — and the fabled history of Pebble Beach Golf Links. C1

Travel

Vancouver to Banff — climbing the Rockies by rail. M1

TECHNOLOGY

A bold new digital world

The many ways Silicon Valley's Big Three companies are changing how we live, work, play

By James Temple

CHRONICLE STAFF WRITER

If you draw a triangle through Silicon Valley, a lopsided ice cream cone covering less than 15 square miles from Cupertino to Palo Alto to Mountain View, you'd capture the headquarters of arguably the three most influential companies in consumer technology today.

Apple, Google and Facebook are cranking out the gadgets, applications and ecosystems redefining the way we communicate, consume media, find information, do business and engage with the world.

Each company is steered by visionary founders, powered by ridiculously smart employees, and driven by what's seen as a higher mission than simply banging out profits. They argue, at least, that they want

to create a better world through better technology: lightning-fast access to unlimited information, communications tools that shrink the gap between people, or elegant products that simply delight.

The stories that follow articulate the three companies' visions of the near future, distinguish how they're complementary or opposed, and explore what the relative success or failure of each could mean for personal technology in the 21st century.

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Google: All the info, anytime

The online search giant wants everyone to have affordable and instant access to the world's storehouse of information.

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Apple: Move aside, PCs

Steve Jobs sees the era of the personal computer giving way to portable devices, with apps driving the digital experience.

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Facebook: A more open world

The social networking company wants to turn the entire Internet into one big interconnected "social graph."

Page A19

INNOVATION



CAMPAIGN 2010

GOP likely to knock S.F. links

FROM THE COVER

FACEBOOK

Networking to a better world

By Benny Evangelista
CHRONICLE STAFF WRITER

For the half-billion people who use Facebook today, the social network is a single online destination to share news, thoughts, photos, video and comments with friends and relatives.

But the Palo Alto company wants to turn the entire Internet into one interconnected "social graph," where Web sites and online services are linked through interactions surging through the myriad networks formed by Facebook members.

Already, Facebook members can log in, go to sites like Internet radio service Pandora and easily discover the music their friends like. Or they can go to Yelp and see restaurant recommendations from trusted family members.

CEO's vision

And while critics fear Facebook is unfairly pushing its members to place too much of their private information into public view, Chief Executive Officer Mark Zuckerberg believes Facebook is the link that will make the world a better place.

"People want to share and stay connected with their friends and the people around them," Zuckerberg said last month in a company video explaining new streamlined privacy settings.

"When people have control over what they share, they're comfortable



Mike Kepka / The Chronicle

CEO Mark Zuckerberg: "In a more open world, many of the biggest problems ... will become easier to solve."

sharing more. When people share more, the world becomes more open and connected. And in a more open world, many of the biggest problems we face together will become easier to solve."

In another setting, Zuckerberg could be dismissed as just another young, idealistic dreamer. But the 26-year-old chief executive's vision has impact because in only six years, Facebook has established itself as one of the world's most influential firms.

Facebook's membership now cuts across all

demographics and is available in 70 different languages. It is the leader of a social media revolution that has created new platforms for sharing news, reconnecting with friends, playing games, interacting with customers, swaying voters and sounding clarion calls to action.

Facebook has even introduced a payment system called Facebook Credits that some analysts say could become a universal currency.

With the knowledge Facebook is accumulating from its members, "it's

truly a database of the collective activities of a larger and larger percentage of mankind," said veteran technology journalist David Kirkpatrick, author of "The Facebook Effect: The Inside Story of the Company That is Connecting the World."

Facebook wants to provide a "universal identity system for everyone on the Internet," an online passport to an evolving digital world, Kirkpatrick wrote in his book, which was released Wednesday.

He even suggests Facebook is steering a course

toward "a form of universal connectivity that is truly new in human society. ... Some have gone so far as to say it could evolve toward a crude global brain."

Kirkpatrick said he is convinced Zuckerberg, who runs the company with the tech geek focus of a Bill Gates and the uncompromising grip of a Steve Jobs, is genuinely less interested in building a business just to make money, although he knows it will.

"He's doing it to change the world," he said.

Still, Facebook's ambi-

tions to dominate the Web continue to fuel criticism, and analysts question whether the firm will someday go too far.

"Facebook's attitude is to make the changes it wants and to see how much it can get away with," said Forrester Research analyst Josh Bernoff. "We will see what those limits are."

Like Jobs and Apple Inc., Zuckerberg and Facebook are trying to carve out their own piece of the digital world that they can control, a strategy that harks back to the 1990s when onetime tech juggernaut America Online set up "walled gardens" of content that at first did not connect to the open Internet.

Keeping them happy

But the most rapid innovation was occurring on the outside, which eventually forced AOL to break down its walls, loosen its control and ultimately lose customers.

The same could happen with Facebook.

"The innovators aren't interested in going into a place where the rules are being made by a dictator," Bernoff said. "The power comes from the Apple device users, and the power comes from the people who love to be on Facebook. As soon as customers get annoyed with either Facebook or Apple, that power goes away."

E-mail Benny Evangelista at beangelista@sfgate.com.

Exhibit 8

Justice:
How to prove
innocence

Elections:
Is the Party
over?

Arts:
Our best picks
for summer

TIME

facebook

TIME writer
Don Fletcher

Facebook CEO
Mark Zuckerberg

One of the
1,295 people on
this cover picked
from our Facebook
group "I Want
to Be in TIME"

...and how it's redefining privacy

With nearly 500 million users, Facebook
is connecting us in new (and scary) ways

EXHIBIT 8
Ashley Soevyn, CSR No. 12019

Date 12/22/11

Witness: YU

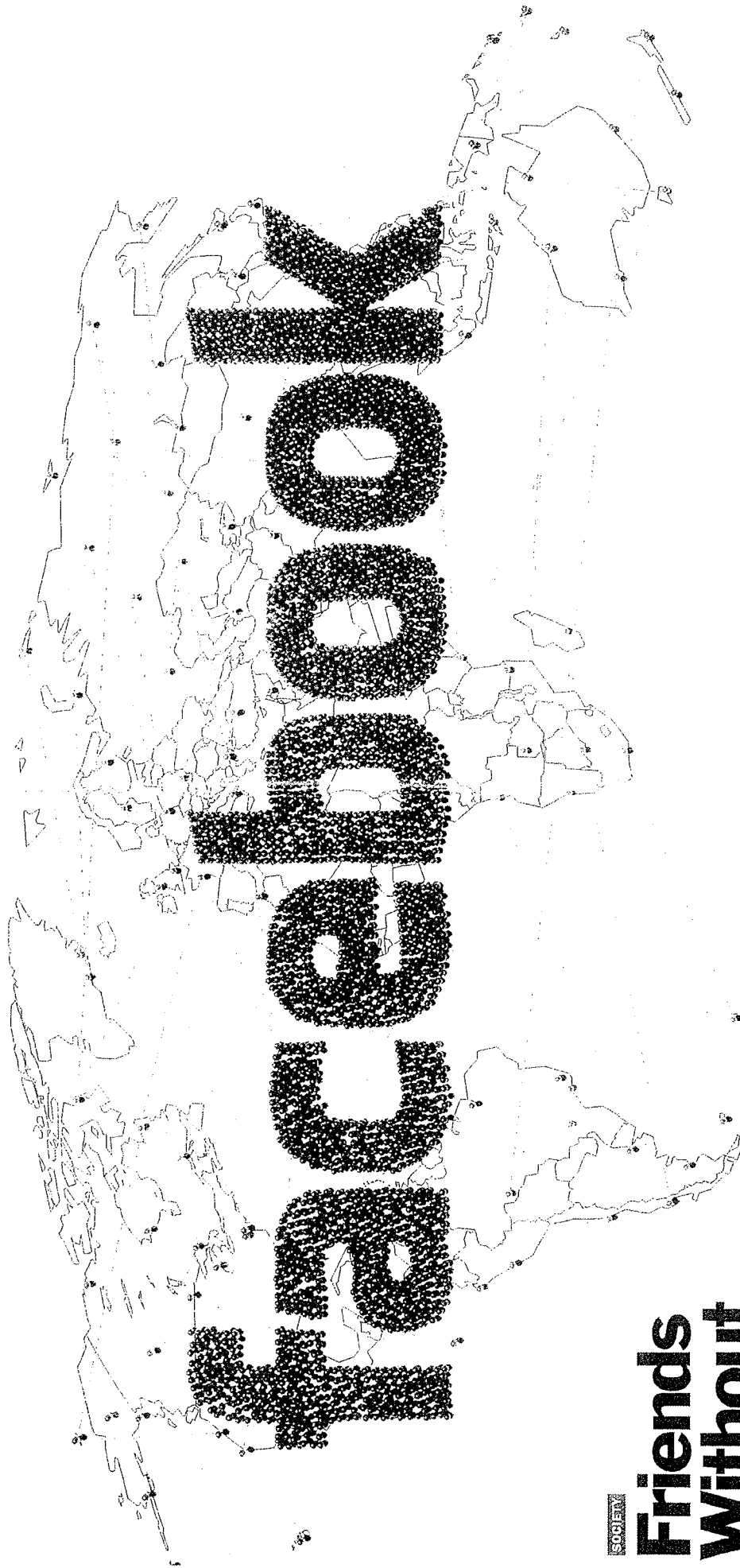
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SOCIETY

Friends Without Borders

Nearly 500 million people worldwide live their lives—or versions of them—on Facebook. Is there a limit to how much we'll share? CEO Mark Zuckerberg is betting there isn't

BY DAN FLETCHER

SOMETIME IN THE NEXT FEW WEEKS, FACEBOOK will officially log its 500 millionth active citizen. If the website were granted territorial status, it would be the world's third largest country by population, two-thirds bigger than the U.S. More than 1 in 4 people who browse the Internet not only have a Facebook account but have returned to the site within the past 30 days.

Just six years after Harvard undergraduate Mark Zuckerberg helped found Facebook in his dorm room as a way for Ivy League students to keep tabs on one another, the

company has joined the ranks of the Web's great superpowers. Microsoft made computers easy for everyone to use. Google helps us search our data. YouTube keeps us entertained. But Facebook has a huge advantage over those other sites: the emotional investment of its users. Facebook makes us smile, shudder, squeeze into photographs so we can see ourselves online later, fret when no one responds to our witty remarks, snicker over who got fat after high school, pause during weddings to update our relationship status to Married or codify a break-

up by setting our status back to Single. (I'm glad we can still be friends, Elise.)

Getting to the point where so many of us are comfortable living so much of our life on Facebook represents a tremendous cultural shift, particularly since 28% of the site's users are older than 34. Facebook's fastest-growing demographic, Facebook has changed our social DNA, making us more accustomed to openness. But the site is premised on a contradiction: Facebook is rich in intimate opportunities—you can celebrate your niece's first steps there and

mourn the death of a close friend—but the company is making money because you are, on some level, broadcasting those moments online. The feelings you experience on Facebook are heartfelt; the data you're providing feeds a bottom line.

The willingness of Facebook's users to share and overshare—from descriptions of our bouts of food poisoning (gross) to our uncensored feelings about our bosses (not advisable)—is critical to its success. Thus far, the company's motto has been to press users to share more, then let up if too

Artwork by Yuji Yoshimoto. Photograph by Tom Schellitz for TIME

Facebook and You.

PILL IN THE SENTENCE. "On average, I spend four hours a day on Facebook—more time than I spend eating!" —TIMOTHY SENO, LAFAYETTE CITY, THE PHILIPPINES

WHEN DID YOU JOIN FACEBOOK—AND WHY? "I joined a few years ago to spy on my kids, and then I found out I needed to be their friend!" —KANDIA GUASTELLA, BROOKLYN

HAVE YOU ADJUSTED YOUR PRIVACY SETTINGS RECENTLY? "Yes... I don't trust Facebook! Best? I met a boyfriend." —SANDRA RYAN, DUBLIN

WHAT WOULD LIFE BE LIKE WITHOUT FACEBOOK? "Like the sky without stars." —ADIGUNA WIDJAYA-AUDYANI, SALEM, ORE.

"It would be cold and dark." —JACQUELINE BLAKE, SAN DIEGO



user information so that everyone—even non-Facebook members—could see such details as status updates and lists of friends and interests. Many of us scrambled for cover, restricting who gets to see what on our profile pages. But it's still nearly impossible to tease out how our data might be used in other places, such as Facebook applications or elsewhere on the Web.

There's something unsettling about granting the world a front-row seat to all of our innermost secrets. But Zuckerberg is betting that it's not unsettling enough to enough people that we'll stop sharing all the big and small moments of our lives with the site. On the contrary, he's betting that there's almost no limit to what people will share and to how his company can benefit from it.

Since the site expanded membership to high schoolers in 2005 and to anyone over the age of 13 in 2006, Facebook has become a kind of virtual pacemaker setting the rhythms of our online lives, letting us ramp up both the silly socializing and the serious career networking. Zuckerberg's next goal is even more ambitious: to make Facebook a kind of second nervous system that's rapid-firing most of our thoughts and feelings over the Web. Or, in change the metaphor, Facebook wants to be not just a destination but the vehicle too.

"I'm CEO... Bitch"

FACEBOOK'S WORLD HEADQUARTERS IN Palo Alto, Calif., looks like an afterthought, a drab office building at the end of a sleepy stretch of California Avenue. Lacking the scale of Microsoft's sprawling campus or the gleaming grandeur of Google HQ, Facebook's home base is unpretentious and underwhelming. The sign in front (colored

red, not the company's trademark cobalt blue) features a large, boldface address with a tiny Facebook logo nestled above. Inside the building, Facebook crams in hundreds of employees, who work in big, open-air bullpen. Without cubicles or walls, there isn't much privacy, so each desk seems like well a Facebook profile—small, visible to all spaces decorated with photos and personal sundries. Zuckerberg spent the past year in a dimly lit bullpen on the ground floor. But perhaps in a confession to the fact that the CEO needs some privacy, the 26-year-old billionaire recently moved upstairs to a small office, albeit one with a glass wall so everyone can see what he's doing in there.

Steve Jobs has his signature black turtlenecks; Zuckerberg usually sports a hoodie. In Facebook's early years, he was the cocky coder kid with business cards that read "I'm CEO... Bitch." (Zuckerberg has said publicly they were a joke from a friend.) And elements of the Palo Alto headquarters—snack tables, Ping-Pong—still impart some semblance of that hacker-in-a-dorm-room feel.

The office's design reflects Facebook's business model too. Openness is fundamental to everything the company does, from generating revenue to its latest plans to weave itself into the fabric of the Web. "Our core belief is that one of the most transformational things in this generation is that there will be more information available," Zuckerberg says. That idea has always been key to Facebook's growth. The company wants to expand the range of information you're sharing and get you to share a lot more of it. For this to happen, the 1,400 Facebook employees in Palo Alto and around the

world (Dublin, Sydney, Tokyo, etc.) work toward two goals. The first is expansion, something the company has gotten prodigiously good at. The site had 17 million unique visitors in the U.S. in March, and the company says some 70% of its users are in other countries. In cellular-connected Japan, the company is focusing on the mobile app. In cricket-crazed India, Facebook shared fans by helping the Indian Premier League build a fan page on Facebook's site.

There's a technical aspect too. The slightest fraction of a second in how long it takes to load a Facebook page can make the difference between someone's logging in again or not, so the company keeps shaving down milliseconds to make sure you stay. It also mobilized Facebook users to volunteer to help translate the site into 70 languages, from Afrikaans to Zulu, to make each moment on Facebook feel local.

The Aha! Moment

FACEBOOK DID NOT INVENT SOCIAL NETWORKING, but the company has fine-tuned it into a science. When a newcomer logs in, the experience is designed to generate something Facebook calls the aha! moment. This is an observable emotional connection, gleaned by videotaping the expressions of test users navigating the site for the first time. My mom, a Facebook holdout whose friends finally persuaded her to join last summer, probably had her aha! moment within a few minutes of signing up. Facebook sprung into action. First it asked to look through her e-mail address book to quickly find fellow Facebook users she knew. Then it let her choose which of these people she wanted to start "getting short status updates from." Details about what a long-

lost friend from high school just cooked for dinner. Photos of a co-worker's new baby. Or of me carousing on a Friday night. (No need to lecture, Mom.)

Facebook has developed a formula for the precise number of aha! moments a user must have before he or she is hooked. Company officials won't say exactly what that magic number is, but everything about the site is geared to reach it as quickly as possible. And if you ever try to leave Facebook, you get what I like to call the aha! moment's nasty sibling, the obnoxious moment, when Facebook tries to guilt-trip you with pictures of your friends who, the site warns, will "miss you" if you deactivate your account.

So far, at least, the site has avoided the digital exorcises that beset its predecessors, MySpace and Friendster. This is partly because Facebook is so good at making itself indispensable. Losing Facebook hurts. In 2008, my original Facebook account was shut down because I had created multiple Dan Fletchers using variants of the same e-mail address. A Facebook no-no but an ingenious way to expand my power in the Web Wars game on Facebook's site. When

"What people want isn't complete privacy... It's that they want control over what they share and what they don't."

—MARK ZUCKERBERG, FACEBOOK CO-FOUNDER AND CEO

Facebook cracked down and gave me and my fictional mafia the kiss of death, I lost all my photos, all my messages and all my status updates from my senior year of high school through the first two years of college. I still miss those digital memories, and it's both comforting and maddening to know they likely still exist somewhere, scaled off in Facebook's archives.

Being excommunicated from Facebook today would be even more painful. For many people, it's a second home. Users share more than 25 billion pieces of information with Facebook each month. They're adding photos—perhaps the most intimate information Facebook collects—at a rate of nearly 1 billion unique images a week. These pics range from cherished Christmas mornings to nights of partying we, uh, struggle to remember. And we're posting pictures not just of ourselves but also of our friends, and naming, or tagging, them in captions embedded in the images. Not happy someone posted an unflattering shot of you from junior high? Unless the photo is obscene or otherwise violates the site's terms of use, the most you can do is untag your name so people will have a harder time finding the picture (and making fun of you).

With 48 billion unique images, Facebook houses the world's largest photo collection. All that sharing happens on the site. But in two giant leaps, the company has made it so that users can register their opinions on other sites too. That first happened in 2008, when the company released a platform called Facebook Connect. This allows your profile to follow you around the Internet from site to site, acting as a kind of passport for the Web. Want to

SOCIETY/FACEBOOK

post a comment about this article on TIME.com? Instead of having to register specifically with that site, Facebook users just have to click one button. This idea of a single sign-on—a profile that obviates the need for multiple user names and passwords—is something a lot of other companies have attempted. But Facebook had the critical mass to make it work.

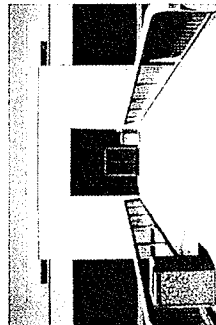
Targeting Your Likes

ZUCKERBERG UNVEILED THE SECOND BIG initiative, Open Graph, this spring. It's a nerdy name for something that's surprisingly simple: letting other websites place a Facebook Like button next to pieces of content. The idea is to let Facebook users flag the content from as many Web pages as possible. For example, if I'm psyched about *Iron Man 2*, I can click the Like button for that movie on IMDB, and the film will automatically be filed under Movies on my Facebook profile. I can set my privacy controls so that my friends can find out in one of three ways that this is a movie I like. They can go to IMDB, where my charming profile picture will display on the page. They can get a status update about my liking this movie. Or they can see it on my Facebook profile.

Facebook wants you to get into the habit of clicking the Like button anytime you see it next to a piece of content you enjoy. Less than a month after launching Open Graph—which made its debut with some 30 content partners, including TIME.com—Facebook is quickly approaching the point where it will process 100 million unique clicks of a Like button each day.

The company's goal with Open Graph is to give you ways to discover both new content and more common ground with the people you're friends with. That's the social benefit Zuckerberg sees, and it's shared by those in his employ. Sherry Sandberg, Facebook's chief operating officer, is at her most enthusiastic when she's describing Peace Facebook.com, part of the website that tracks the number of friendships made each day between members of groups that have historically disagreed, such as Israelis and Palestinians and Sunnis and Shi'ites. "We don't pretend Facebook's this profound all the time," Sandberg says. "But isn't harder to shoot at someone who you've connected to personally? Yeah. Is it harder to hate when you've seen pictures of that person's kids? We think the answer is yes."

Command control From the outside, Facebook headquarters in Palo Alto, Calif., resembles a bunker. On the inside, the office plan is all about openness



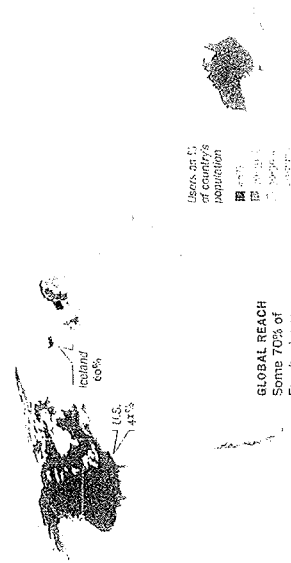
have known this for a really long time. I'm much more likely to do something that's recommended by a friend," Sandberg says.

As powerful as each piece of Facebook's strategy is, the company isn't forcing its users to drink the Kool-Aid. It's just serving up nice cold glasses, and we're gulping it down. The friends, the connections, the likes—these are all produced by us. Facebook is the ultimate enabler. It's enabling us to give it a cornucopia of information about ourselves. It's a brilliant model, and Facebook, through its skill at weaving the site into the fabric of modern life, has made it work better than anyone else.

What Voldemort Is to Harry Potter

ZUCKERBERG BELIEVES THAT MOST PEOPLE want to share more about themselves online. He's almost paternalistic in describing the trend. "The way that people think about privacy is changing a bit," he says. "What people want isn't complete privacy. It isn't that they want secrecy. It's that they want control over what they share and what they don't."

Unfortunately, Facebook has a shaky history of granting people that control. In November 2007, when the company tried to make its first foray into the broader Web, it rolled out Facebook Beacon, in which users were automatically signed up for a program that sent a notice to all their friends on Facebook. If they didn't like the idea, they could opt out. But, as it turned out, many users didn't know they had the option. Facebook's security analysts found that even after users hit No Thanks, web-sites sent purchase details back to Facebook, which the company then deleted. Amid a



500 Million Served. Now the site grows itself into the fabric of our online world

torrent of complaints, Facebook quickly changed Beacon to be an opt-in system, and by December 2007, the company gave users the option of turning off Beacon completely. Ask Zuckerberg and other executives about the program now, and you'll notice that Beacon has become to Facebook what Voldemort is to Harry Potter's world—the thing that shall not be named.

Facebook isn't the only company to have made a serious social-networking infraction. In February, Google apologized after the rollout of its Twitteresque Buzz application briefly revealed whom its users e-mailed and chatted with most, a move that alarmed, among others, political dissidents and cheating spouses. But at Facebook, the Beacon debacle didn't stop the company from pushing to make more information public. This winter, the company changed its privacy controls and made certain profile details public, including a user's name, profile photo, status updates and any college or professional networks. During the transition, Zuckerberg's private photos were briefly visible to all, including several pictures in which he looks, shall we say, overserved. He quickly altered his settings.

In April, the site started giving third-party applications more access to user data. Apps like my beloved Mob Wars used to be allowed to keep your data for only 24 hours; now they can store your info indefinitely—unless you uninstall them. This spring, Facebook also launched something called Instant Personalization, which lets a few sites piggyback onto Facebook user data to create recommendation engines. Once again, as with Beacon, users were automatically enrolled.

With each set of changes to Facebook's evolving privacy policy, protest groups form and users spread warnings via status messages. In some cases, these outcries have been quite sizable. Zuckerberg points to 2006, when users protested the launch of Facebook's News Feed, a streaming compilation of your friends' status updates. Without much warning, tidbits that you used to have to seek out by going to an individual's profile page were suddenly being broadcast to everyone on that person's list of friends. "We only had 10 million users at the time, and 1 million were complaining," Zuckerberg says. "Now, to think that there wouldn't be a news feed is insane." He's right—protesting the existence of a news feed seems silly in hindsight; Twitter built its entire site around the news-feed concept. So give Zuckerberg some credit for prescience—and perseverance. "That's a big part of what we do, figuring out what the next things are that everyone wants to do and then bringing them along to get them there," he says.



Private citizen Zuckerberg is responsible for turning friend into a verb. But don't try to friend the 26-year-old CEO: the button on his profile has been disabled

But corralling 500 million people is a lot harder than corralling 10 million. And some users are ready to pull the plug entirely. Searches for "how to delete Facebook" on Google have nearly doubled in volume since the start of this year.

The Web's Sketchy Big Brother

IF FACEBOOK WANTS TO KEEP UP THE information revolution, then Zuckerberg needs to start talking more and make his case for an era of openness more transparently. Otherwise, Facebook will continue to be cast in the role of the Web's sketchy

Big Brother, sucking up our identities into a massive Borg brain to slice, dice and categorize for advertisers.

But amid all the angst, don't forget that we actually like to share. Yes, Facebook is a moneymaking venture. But after you talk to the company's key people, it's tough to doubt that they truly believe that sharing information is better than keeping secrets, that the world will be a better place if you persuade (or perhaps push) people to be more open. "Even with all the progress that we've made, I think we're much closer to the beginning than the end of the trend," Zuckerberg says.

Want to stop that trend? The onus, as always, is on you to pull your information. Starve the beast dead. None of Facebook's vision, be it for fostering peace and harmony or for generating ad revenue, is possible without our feeding in our thoughts and preferences. "The way that people decide whether they want to use something or not is whether they like the product or not," Zuckerberg says. Facebook is hoping that we're hooked. As for me? Time to see if the ex-girlfriend has added new photos. ■

The company isn't forcing its users to drink the Kool-Aid. It's just serving up nice cold glasses, and we're gulping it down

Exhibit 9

EXHIBIT 9
Ashley Soevyn, CSR No. 12019
Date 12/22/11
Witness: YU

Consumer and Real Estate
Auctions and Business Opportunities

Business

SUNDAY, NOVEMBER 24, 2008

The New York Times



The masters of Facebook, Mark Zuckerberg, left, and Chris Cox, preside over a five-year-old company that is nearing a milestone of 200 million users, double the number last August.

Is Facebook Growing Up Too Fast?

By BRAD STONE

WHEN Facebook signed up its 100 millionth member last August, its employees spread out in two parks in Palo Alto, Calif., for a huge barbecue. Sometime this week, this five-year-old start-up, born in a dorm room at Harvard, expects to register its 200 millionth user.

That staggering growth rate — doubling in size in just eight months — suggests Facebook is rapidly becoming the Web's dominant social ecosystem and an essential personal and business networking tool in much of the wired world.

Yet Facebook executives say they aren't planning to observe their latest milestone in any significant way. It is, perhaps, a poor time to celebrate. The company that has given users new ways to connect and speak truth to power now often finds itself as the target of that formidable grass-roots

firepower — most recently over controversial changes it made to users' home pages.

As Facebook expands, it's also struggling to match the momentum of hot new start-ups like Twitter, the micro-blogging service, while managing the expectations of young, tech-savvy early adopters, attracting mainstream moms and dads, and justifying its hype-carbonated valuation.

By any measure, Facebook's growth is a great accomplishment. The crew of Mark Zuckerberg, the company's 24-year-old co-founder and chief executive, is signing up nearly a million new members a day, and now more than 70 percent of the service's members live overseas, in countries like Italy, the Czech Republic and Indonesia. Facebook's ranks in those countries swelled last year after the company offered its site in their languages.

All of this mojo puts Facebook on a par with other groundbreaking — and wildly popular — Internet services like free e-mail, Google, the online calling network Skype and e-commerce sites like eBay. But Facebook promises to change how we communicate even more fundamentally, in part by digitally mapping and linking disparate people across space and time, allowing them to publicly share joy and often very personal elements of their lives.

Unlike search engines, which ably track prominent Internet presences, Facebook reconnects regular folks with old friends and strengthens their bonds with new pals — even if the glue is nothing more than embarrassing old pictures or memories of their second-grade teacher.

Facebook can also help rebuild families. Karen Haber, a

Continued on Page 6

Facebook

From Preceding Page

chanic and former buddies from his days as a stock car driver.

In the course of his new half-hour-a-day Facebook habit, Mr. Hall also "friended" the 60 high school students he is directing in a school play, so he could coordinate rehearsal times. That led some of them to deny his request because, as he says they told him, their parents "found it creepy." Along the way, Mr. Hall also found photographs of his 19-year-old son on the site, drinking beer at a Friday night bonfire.

"He denied it and said he wasn't there," Mr. Hall says. "I said, 'Let's go to this page together and look at these photos.' Of course he did it. There are no secrets anymore."

Dwindling secrets, and prying eyes, are at the heart of the Facebook conundrum. While offering an efficient and far-reaching way for people to bond, the site has also eroded sometimes natural barriers.

"People usually spend a lot of time trying to be separate — parents and children are a good example," says Danah Boyd, a social scientist who has studied social networks and now works in the research department of Microsoft, which has invested in Facebook. "You are already seeing young people sitting there thinking, 'Why am I hanging out with my mother who is reminiscing with her high school mates?' You are seeing some reticence with young people that wasn't there two years ago."

For their part, Facebook executives say they are less interested in being cool than in being a

useful place where anyone can go to share elements of their lives.

"The people who started the company weren't cool. I'm not cool," Mr. Cox says. "If you look at the people who work here, it's much more nerdy and curious than cool."

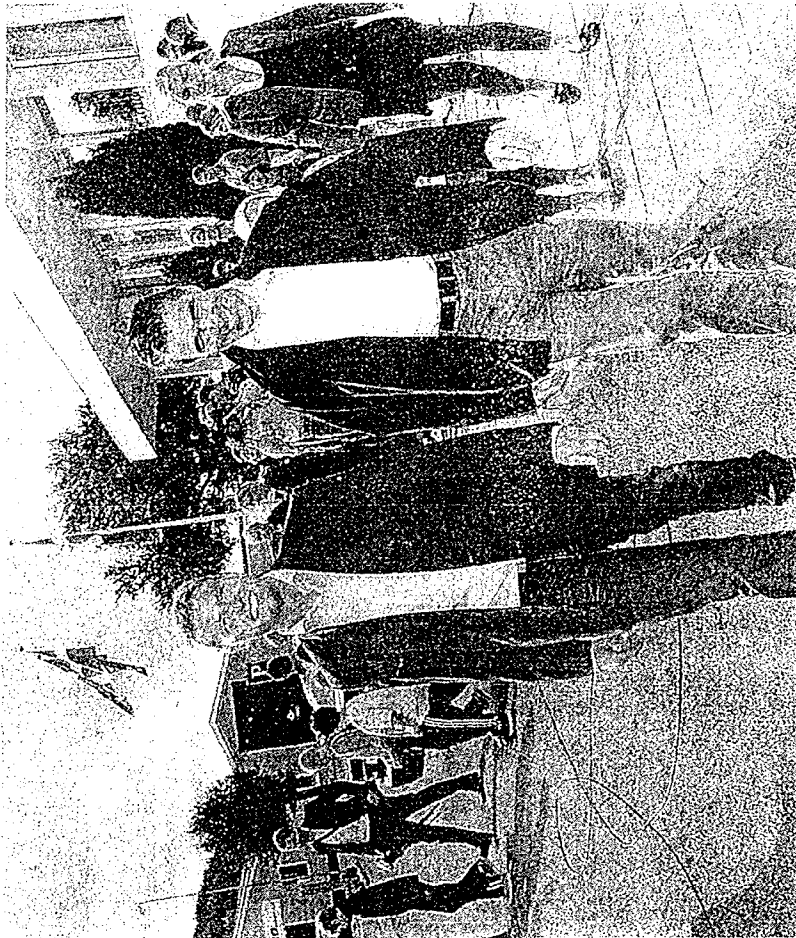
"Cool only lasts for so long, but being useful is something that applies to everyone."

MR. ZUCKERBERG hopes that being ubiquitous and useful translates to the bottom line.

Though Facebook is privately held and doesn't publicly disclose its earnings, various press and analysts' estimates of its 2008 revenues span from \$250 million to \$400 million. That range may not be enough to cover the company's escalating expenses, and it hardly justifies some of the atmospheric valuations that have been placed on the start-up, including the \$15 billion that Microsoft assigned to the company when it invested in it in 2007.

Facebook's financial challenges aren't unique. Popular free e-mail services like Hotmail from Microsoft and Gmail from Google have little in the way of profits to show for their vast audiences, aside from a few text ads that people rarely click on. Instant messaging networks like Microsoft Messenger and AIM from American Online are similarly popular but have never been hyperprofitable, for the simple reason that people do not want intrusive ads inserted into personal conversations.

Facebook's approach is to invite advertisers to join in the conversation. New "engagement" ads ask users to become fans of products and companies — sometimes with the promise of discounts. If a person gives in, that commercial allegiance is then



Claus Drachmann, a teacher, left, "friended" Prime Minister Anders Fogh Rasmussen of Denmark and asked him to speak to his special-needs class. Mr. Rasmussen did so last fall.

broadcast to all of the person's friends on the site.

A new kind of engagement ad, now being tested, will invite people to vote — "what's your favorite color M&M?" for example — and brands will pay every time a Facebook member participates.

"We are trying to provide the antidote for the consumer rebellion against interruptive advertising," says Sheryl Sandberg, Facebook's chief operating officer and Mr. Zuckerberg's business consigliere.

Ms. Sandberg, who ran Google's highly successful advertising initiatives before leaving the search giant to join Facebook, said her company's revenue was growing despite a brutal downturn that is hurting other kinds of online advertising. She also puts one rumor to rest, saying the company "is not considering changing members for any aspect

of its service."

"We're pretty pleased with the overall trajectory," she says. "Our conversations with big advertisers have broadened in scope and we also have more people asking about how they can work with us."

Facebook recently introduced advertising tools to let companies focus on users based on the language they use on the site and their geographic location. So, for

example, an advertiser can now tailor a message to the Latino community in Los Angeles or French speakers in Montreal.

Despite the gloom permeating much of the advertising world, and the formidable challenges facing the site, some advertisers say they glimpse the future in Facebook's brand of interactive advertising.

"Our clients all want to see if they can make this work," says Al Cadena, the interactive account director at Threshold Interactive in Los Angeles, which represents companies like Nestlé, Honda and Sony. "Advertising used to be a one-way communication from advertiser to consumer, but now people want to have a dialogue. And Facebook is becoming the default way to do that, not only in the States but really for the whole world."

Internet evangelists say that when a technology diffuses into society, as Facebook appears to be doing, it has achieved "critical mass." The sheer presence of all their friends, family and colleagues on Facebook creates potent ties between users and the site — ties that are hard to break even when people want to break them.

Many who have tried to free themselves of their daily Facebook habit and leave the site, like ferry Dooherty, a student at Pepperdine University's law school, speak of a powerful gravitational pull and an undercurrent of peer pressure that eventually brings them back.

"People gave me a hard time for leaving Facebook," says Ms. Dooherty, who quit at the end of 2007 but then rejoined six months later. "Everyone has a love-hate relationship with it. They wanted me to be wasting my time on it just like they were wasting their time on it." □

Exhibit 10

To find out how Shell is helping prepare for the new energy future, visit
www.shell.com/newenergyfuture



CNNMoney.com

EXHIBIT 10
 Ashley Seevyn, CSR No. 12018

Date 12/22/11
 Witness: YU

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How Facebook is taking over our lives

President Obama used it to get elected. Dell will recruit new hires with it. Microsoft's new operating system borrows from it. No question, Facebook has friends in high places. Can CEO Mark Zuckerberg make those connections pay off?



By [Jessi Hempel](#), writer

Last Updated: March 11, 2009: 9:39 AM ET

(Fortune Magazine) -- Facebook held no appeal for Peter Lichtenstein. The New Paltz, N.Y., resident had checked out so-called social networking sites before, and he wasn't impressed. ("MySpace," he recalls, "was ridiculous.")

A chiropractor and acupuncturist, Lichtenstein was already a member of a few professional web-based user groups. The last thing he needed was another message box to check. Then a buddy posted a link to photos from a trip to Thailand and India on his Facebook page and flatly refused to distribute them any other way. The friend's assumption: Duh - everyone's on Facebook.

And so Lichtenstein, 57, recently became an official member of the Facebook army, 175 million strong and, Facebook says, growing at the astounding rate of about five million new users a week, making it a rare bright spot in a dismal economy. If Facebook were a country, it would have a population nearly as large as Brazil's. It even edges out the U.S. television audience for Super Bowl XLIII, which drew a record-setting 152 million eyeballs.

But these days the folks fervently updating their Facebook pages aren't just tech-savvy kids: The college and post-college crowd the site originally aimed to serve (18- to 24-year-olds) now makes up less than a quarter of users. The newest members - the ones behind Facebook's accelerating growth rate - are more, ahem, mature types like Lichtenstein, who never thought they'd have the time or inclination to overshare on the web. It's just that Facebook has finally started to make their busy lives a little more productive - and a lot more fun.

Try logging in to quickly check a message, and you may find yourself scrolling through new baby photos from that guy who used to sit next to you in Mr. Peterson's English class. How did such a goofball end up with such a cute baby? And how'd he find you here anyhow? Soon you're checking the friends you have in common. This addictive quality keeps Facebook's typical user on the site for an average of 169 minutes a month, according to ComScore. Compare that with Google News, where the average reader spends 13 minutes a month checking up on the world, or the *New York Times* website, which holds on to readers for a mere ten minutes a month.

The "stickiness" of the site is a key part of 24-year-old CEO Mark Zuckerberg's original plan to build an online version of the relationships we have in real life. Offline we bump into friends and end up talking for hours. We flip through old photos with our family. We join clubs. Facebook lets us do all that in digital form. Yet we also present different faces to the different people in our lives: An "anything goes" page we share with pals might not be appropriate for office mates - or for the moms and grandmas who increasingly are joining the site. Basic privacy controls today allow users to share varying degrees of information with friends, but when I recently met with Zuckerberg in Palo Alto, he waxed philosophical about eventually giving a user the ability to have a different Facebook personality for each Facebook friendship, a sort of online version of the line from Walt Whitman's "Song of Myself": "I contain multitudes."

His ultimate goal is less poetic - and perhaps more ambitious: to turn Facebook into the planet's standardized communication (and marketing) platform, as ubiquitous and intuitive as the telephone but far more interactive, multidimensional - and indispensable. Your Facebook ID quite simply will be your gateway to the digital world, Zuckerberg predicts. "We think that if you can build one worldwide platform where you can just type in anyone's name, find the person you're looking for, and communicate with them," he told a German audience in January, "that's a really valuable system to be building."

Just how valuable is subject to great debate. Microsoft ([MSFT](#), [Fortune 500](#)) in 2007 invested \$240 million for a 1.6% stake in the company, giving Facebook a valuation of about \$15 billion. But according to a June 23, 2008, court proceeding, the company values itself at \$3.7 billion. (With a 20% to 30% stake, Zuckerberg quite possibly is the world's youngest self-made billionaire, on paper at least.) A big part of the challenge in assigning a valuation to Facebook is that its financial results don't come anywhere near to matching its runaway success signing up members: The site pulled in estimated revenues of just \$280 million last year, and sources close to the company say it didn't break even.

Indeed, sometimes it seems as if everyone but Facebook is capitalizing on the platform. The Democratic Party in Maine is using it to organize regular meetings. Accounting firm Ernst & Young relies on the site to recruit new hires, and Dell ([DELL](#), [Fortune 500](#)) will soon do the same. Microsoft's new operating system has a slew of features lifted straight from Facebook's playbook.

Zuckerberg knows this is a make-or-break moment for the company he founded five years ago in his linoleum-floored Harvard dorm room. He must figure out how to continue to add new members and make Facebook vital to its mass audience without alienating the kids and early adopters who helped popularize the site. (Growth has leveled off at MySpace, the original mega--social networking site with 130 million members, and it may wind up as a playground for music lovers.)

He'll have to fend off search giant Google, which has its own grand plan to profit from social networks. And he has to live up to his change-the-world bravado: The Net is riddled with examples of companies and services that promised to be the next great communications platform - AOL (owned by Fortune's parent) and Yahoo ([YHOO](#), [Fortune 500](#)), to name two - but failed to do so.

To help Facebook figure out how to profit from its scale and popularity, Zuckerberg has brought in a chief operating officer, Sheryl Sandberg, who built Google's money-minting AdWords program. YouTube's former chief financial officer, Gideon Yu, runs the finance operation. And the board is packed with old-school cred (*Washington Post* publisher Don Graham and venture capitalist Jim Breyer) and tech smarts (PayPal co-founder Peter Thiel and Netscape founder Marc Andreessen). Zuckerberg, who favors jeans and T-shirts, has taken to wearing ties beneath his black North Face jacket because, as he tells his colleagues, "2009 is a serious year."

And not just for Facebook. Few ultra-young tech company founders manage to hold on to the CEO reins as long as Zuckerberg has. They either go on to become the stuff of legend (Bill Gates) or flame out fabulously. There are certainly those who wonder whether the wunderkind is in over his head, punting on profitability when every other company in Silicon Valley is under enormous pressure to make money. And what's a stiff, reticent guy who'd rather be writing code doing in the CEO's job in the first place? Sure, Zuckerberg's done pretty well so far, creating a site that has won a rabid following among mainstream web users. But a lot of those people were once passionate about their AOL accounts too. Zuckerberg has our attention. What's he going to do with it?

A digital world

Mark Zuckerberg has always liked to build things. I first spoke with him in the summer of 2005 when he was still crashing on a friend's couch in Menlo Park, Calif.? He was on his cellphone, pacing back and forth in the backyard as he explained his parents' reaction to his project: "The thing I made before Facebook almost got me kicked out of school," he said, referring to Facemash, a site that let people rate photos. He went before the school's administrative board to answer questions about how he gathered data. "When I started making Facebook, [my parents] were, like, don't make another site." Then all his Harvard classmates - as well as students from the rest of the Ivy League - joined, and he spent the remainder of his college money on servers. So much for school.

Even in our initial interview, Zuckerberg was clear that he wasn't simply creating another online tool for college kids to check each other out. He called Facebook a "social utility" and explained that one day everyone would be able to use it to locate people on the web - a truly global digital phone book. And he also knew that if the site were easy to use, a combination of peer pressure and the so-called network effect would, like, totally kick in. Since that summer afternoon Zuckerberg has passed legal drinking age, found an apartment, accepted more than \$400 million in venture capital, and attended the World Economic Forum in Davos, Switzerland, several times.

But Zuckerberg makes it clear to me that he's still intensely focused on connecting the entire world on Facebook - only now his vision goes well beyond the site as a digital phone book. It becomes the equivalent of the phone itself: It is the main tool people use to communicate for work and pleasure. It also becomes the central place where members organize parties, store pictures, find jobs, watch videos, and play games. Eventually they'll use their Facebook ID as an online passkey to gain access to websites and online forums that require personal identification. In other words, Facebook will be where people live their digital lives, without the creepy avatars.

To achieve that goal Zuckerberg has brought in plenty of seasoned veterans, like Google's Sandberg, but he's also surrounded himself with young enthusiasts who share his view that Facebook can change the way people live and work. Like the early employees at Google, most won't see 30 for a long time. Pass by a receptionist, a straw-haired woman with funky glasses, and you'll notice she's updating her Facebook profile. Stroll through the stretch of University Avenue in Palo Alto that houses the company's different offices (it is getting ready to consolidate operations in new digs in April) and you'll be able to differentiate the Facebook employees from the venture capitalists who toil in offices nearby: The Facebookers are the super-young brainiacs in ratty T-shirts and jeans.

At times it may seem hard to reconcile Zuckerberg's lofty aspirations for Facebook with the utterly commonplace content that users create on the site. Consider 25 Random Things, a new take on the chain letter that has grown so popular it was written up in the *New York Times* Style section. You list 25 supposedly random things about yourself and send the note on to 25 of your friends (who are supposed to do the same), but your randomness also ends up on display to any gawker who may be surfing your profile. The items range from the banal (No. 17: I never, ever, ever throw up. Like five times in my adult life) to the intimate (No. 2: I knew I was gay in the sixth grade but didn't tell anyone until I was 19). The feature is high profile - some 37,500 lists sprang up in just two weeks - but taken as a whole it just seems like a lot of user-generated babble.

Yet it is that very babble that makes Facebook so valuable to marketers. Imagine if an advertiser had the ability to eavesdrop on every phone conversation you've ever had. In a way, that's what all the wall posts, status updates, 25 Random Things, and picture tagging on Facebook amount to: a semipublic airing of stuff people are interested in doing, buying, and trying. Sure, you can send private messages using Facebook, and Zuckerberg eventually hopes to give you even more tools to tailor your profile so that the face you present to, say, your employer is very

different from the way you look online to your college roommate. Just like in real life. But the running lists of online interactions on Facebook, known as "feeds," are what make Facebook different from other social networking sites - and they are precisely what make corporations salivate.

The stream

Every user on Facebook has two feeds. There's a personal feed, which you'll find on your profile page along with your photo and list of interests. Every time you log a status update, comment, or video post, that interaction is captured and stored for your review; those changes also become fodder for a second news feed that runs on your home page, the first page you see when you log on to the site.

That feed keeps tabs on all the interactions your friends are having (and alerts friends to updates you've made on your personal feed). If your brother RSVP'd to a dinner party, for example, you might be notified about it, even if you weren't invited to attend. And if you change your profile photo, it may let your brother know. Like Facebook itself, the feeds are subject to the network effect: The more data you share and interact with, the more robust your news feed becomes.

Zuckerberg calls the sum of those interactions the "stream," and it's his newest obsession. Unlike Google, which uses complex algorithms to serve up advertisements based on what you search for, Facebook lets you help "curate" your feeds. The information that pops up is partly a result of controls you establish in your privacy settings and feedback you provide to Facebook. But Facebook also can track your behavior, and if the site notices you're spending a lot of time on the fan page of a certain movie star, for example, it will send you more information about that celebrity.

Needless to say, marketers would love to tap into that information. "If there are 150 million people in a room, you should probably go to that room," says Narinder Singh, chief product officer for Appirio, which helps big companies like Dell and Starbucks ([SBUX](#), [Fortune 500](#)) find ways to connect with users over the site. "It's too attractive a set of people and too large a community for businesses to ignore."

Yet because businesses haven't yet effectively infiltrated Facebook, its users may be under the mistaken impression that they aren't under surveillance. "What I like is that it doesn't bombard you with advertisements, so it feels really personal," says Heather Rowley, a 35-year-old photographer in Berkeley. It seems inevitable that some members will feel betrayed or uneasy when ads based on casual chats with friends start to appear on their feeds.

Facebook already has had one brush with member backlash in 2007 when it introduced a feature called Beacon, which allowed members to see what websites their friends visited, and even showed purchases on e-commerce sites. Users protested vehemently - one even filed a lawsuit on privacy grounds - and Facebook apologized.

Now the company is trying a slightly different approach. A feature called Facebook Connect lets users log on to company websites using their Facebook logins. The system, which dovetails with Zuckerberg's vision of a Facebook account as a form of personal ID on the web (privacy settings and all), appeals to advertisers for a couple of reasons. When a user logs on to a third-party site using Facebook Connect, that activity may be reported on her friends' news feeds, which serves as a de facto endorsement. The tool also makes it easy for members to invite their friends to check out the advertiser's site. Starbucks, for example, uses Facebook Connect on its Pledge5 site, which asks people to donate five hours of time to volunteer work. If you sign in using a Facebook account, a new screen, a hybrid of Facebook and the Pledge5 home page, pops up with information on how to find local volunteer opportunities. A tab on the page asks you to "help spread the word." Click on it and your entire address book of Facebook friends pops up, enabling you to evangelize Pledge5 with just a few keystrokes.

So far most of the organizations using Facebook Connect are social enterprises, like Pledge5, or news outlets, like CNN, soliciting members for discussion groups. Who knows how Facebook users will react when a brokerage asks a member to spread the word about its services. Of course, members can ignore the exhortations to invite

friends, the same way they might decline to forward their 25 Random Things.

He also insists that marketing on Facebook isn't obtrusive, and that users can control what kind of advertising they see: Each ad contains a small thumbs-up or thumbs-down button. If a user finds an ad irrelevant, repetitive, or offensive, she clicks thumbs-down, and Facebook records her dissatisfaction. Eventually the inappropriate ads will go away. And when ads are useful, many online users do click on them. Rowley, the California photographer who values Facebook's intimacy, says she recently clicked on a Virgin America ad for tickets to the East Coast when it popped up on her news feed. "I was going there, so it made sense," she says.

Still, the company couldn't have picked a worse time to start wooing marketers in earnest. Online advertising growth is expected to decelerate in 2009 from 17.5% last year to just 8.9%. And historically most of those ad dollars have flowed to portals and other online destinations, not experimental sites and social networks like Facebook. When Sheryl Sandberg arrived at Facebook, a substantial chunk of the company's revenues were still coming from a 2006 deal with Microsoft in which the software behemoth sold traditional banner ads on Facebook pages and the parties split the revenue. But attempts to sell traditional online ads on Facebook and other social-networking sites have failed miserably: Banner ads can sell for as little as 15 cents per 1,000 clicks (compared with, say, \$8 per 1,000 clicks for an ad on a targeted news portal such as Yahoo Auto) because marketers know that members ignore them.

Sandberg acknowledges that Facebook has much more work to do to secure advertisers. "What we have to figure out is, How do we build a monetization machine which is in keeping with what users are doing on the site?" she says. "It's about execution, doing things faster and better, getting more users and more advertisers."

Facebook's march to 200 million users began in earnest in January 2008. That's when the site made translation tools available to international users. Today more than 70% of Facebook users are outside the U.S., and most of them read it in their native language. But anecdotal evidence suggests that American baby-boomers have discovered Facebook in a big way: Some, like Microsoft CEO Steve Ballmer, use the site to keep an eye on their kids' online activities. Others are using it as a networking tool in a bad economy.

The fastest-growing demographic on the site? Women 55 and older, up 175% since September 2008. Cynics might say that if Granny is on Facebook, the site absolutely has jumped the shark. Quite the contrary: Having a broad swath of users is exactly what Zuckerberg wants. The arrival of an older, less web-centric crowd suggests that he has succeeded in making the site easy to use. And Facebook can't become a standardized platform if only cool kids use it. Besides, there doesn't currently seem to be another hot social-networking site that is drawing young users away from Facebook in large numbers.

But the Facebook juggernaut still could very easily go awry: Remember AOL's Instant Messenger? Teenagers lived on it and companies started using it in lieu of e-mail. But AOL never figured out a way to make money on it.

Facebook could meet a similar fate; indeed, it is a little worrisome that neither Zuckerberg nor Sandberg seems to feel any particular urgency about putting Facebook in the black. Zuckerberg prefers to leave the question of revenues to Sandberg, who punts: "I think what's really important is that we are able to fund our expansion, and we're very focused on that," she told me in mid-February. Investors seem pretty passive about it as well. Early board member Jim Breyer, who put in \$1 million of his own money and \$12.7 million from an Accel Partners fund, says that profits are "a secondary consideration in this stage of the growth." He wants to get a return on his investment, but he's not pushing anything now.

And then there's Microsoft, which is in the unusual position of being a Facebook owner, a partner, and, through its Windows Live social network, a competitor. Since taking a stake in Facebook, Microsoft has been working closely with the site to create links between Facebook and the Windows Live social network so that when members update their status message or upload photos on Facebook, that information appears on the Microsoft site too.

Facebook has influenced Microsoft in other ways. Its new operating system, OS 7, features a list of interactions,


news, and information that happens to look a lot like Facebook's news feed. Could Microsoft end up buying Facebook outright? Both sides would have much to gain from the arrangement. Facebook investors could get their money out, and Microsoft, which has been searching for a way to deliver more of its software applications over the Internet, would own a viable online platform for selling a new generation of services. But Zuckerberg, like that other famous technology-loving Harvard dropout, seems determined to create a business empire that touches virtually every computer user in the world. Zuckerberg's not interested in selling to Microsoft; he wants to build the next Microsoft. And with 175 million "friends," he's off to a helluva start.

REPORTER ASSOCIATE *Beth Kowitt contributed to this article.* ■

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