

Exhibit 4

ZYNGA INC

FORM S-1/A (Securities Registration Statement)

Filed 03/23/12

Address	699 EIGHTH STREET SAN FRANCISCO, CA 94103
Telephone	800-762-2530
CIK	0001439404
Symbol	ZNGA
SIC Code	7374 - Computer Processing and Data Preparation and Processing Services
Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

As filed with the Securities and Exchange Commission on March 23, 2012

Registration No. 333-180078

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to FORM S-1 REGISTRATION STATEMENT

Under
The Securities Act of 1933

Zynga Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

7371
(Primary Standard Industrial
Classification Code Number)
699 Eighth Street
San Francisco, CA 94103
(855) 449-9642

42-1733483
(I.R.S. Employer
Identification Number)

(Address, including zip code and telephone number, of Registrant's principal executive offices)

David M. Wehner
Zynga Inc.
699 Eighth Street
San Francisco, CA 94103
(855) 449-9642

(Name, address, including zip code and telephone number, including area code, of agent for service)

Eric C. Jensen
Kenneth L. Guernsey
David G. Peinsipp
Cooley LLP
101 California Street, 5th Floor
San Francisco, CA 94111
(415) 693-2000

Copies to:
Reginald D. Davis
Karyn R. Smith
Devang S. Shah
Chrystal N. Menard
Zynga Inc.
699 Eighth Street
San Francisco, CA 94103
(855) 449-9642

Keith F. Higgins
Brian C. Erb
Ropes & Gray LLP
Three Embarcadero Center
San Francisco, CA 94111
(415) 315-6300

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price ⁽¹⁾⁽²⁾	Amount of Registration Fee ⁽³⁾
Class A Common Stock, \$0.00000625 par value per share	49,414,526	\$13.91	\$687,356,057	\$78,772

(1) Includes additional shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low sales prices of the Registrant's Class A common stock as reported by the NASDAQ Global Select Market on March 22, 2012.

(3) The Registrant previously paid \$45,840 of this in connection with the previous filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we and the selling stockholders are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued March 23, 2012

42,969,153 Shares



Class A Common Stock

Certain stockholders of Zynga Inc. are offering 42,969,153 shares of Class A common stock. We will not receive any proceeds from the sale of shares in this offering.

We have three classes of authorized common stock, Class A common stock, Class B common stock and Class C common stock. The rights of the holders of each class are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to seven votes per share. Each share of Class C common stock is entitled to 70 votes per share. Each share of the Class B common stock and Class C common stock is convertible at any time into one share of Class A common stock. Following this offering, outstanding shares of Class B common stock will represent approximately 70.3% of the voting power of our outstanding capital stock following this offering, and outstanding shares of Class C common stock will represent approximately 26.6% of the voting power of our outstanding capital stock following this offering. Mark Pincus, our founder and Chief Executive Officer, holds shares of Class B common stock and all of the shares of Class C common stock and will control approximately 35.4% of the total voting power of our outstanding capital stock immediately following this offering.

Our Class A common stock is listed on the NASDAQ Global Select Market under the symbol "ZNGA." On March 22, 2012, the last reported sale price of our Class A common stock on the NASDAQ Global Select Market was \$13.76 per share.

Investing in our Class A common stock involves risks. See "[Risk Factors](#)" beginning on page 13.

	PRICE \$	A SHARE		
			<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Selling Stockholders</u>
Per Share		<u>Price to Public</u>	\$	\$
Total	\$	\$	\$	\$

Certain of the selling stockholders have granted the underwriters the right to purchase up to an additional 6,445,373 shares of Class A common stock. We will not receive any proceeds from the sale of shares in this offering.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on _____, 2012.

MORGAN STANLEY
BofA MERRILL LYNCH

BARCLAYS
ALLEN & COMPANY LLC

GOLDMAN, SACHS & CO.
J.P. MORGAN

, 2012

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Prospectus Summary	1	Executive Compensation	92
Risk Factors	13	Certain Relationships and Related Person Transactions	112
Special Note Regarding Forward-Looking Statements	31	Principal and Selling Stockholders	116
Market Data and User Metrics	33	Description of Capital Stock	120
Use of Proceeds	34	Shares Eligible for Future Sale	125
Market Price of Class A Common Stock	34	Material United States Federal Income Tax Consequences	
Dividend Policy	34	to Non-U.S. Holders of Our Class A Common Stock	128
Selected Consolidated Financial Data	35	Underwriting	131
Management's Discussion and Analysis of Financial		Legal Matters	137
Condition and Results of Operations	39	Experts	137
Business	63	Where You Can Find More Information	137
Management	85	Index to Consolidated Financial Statements	F-1

You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders, nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. The selling stockholders are offering to sell, and seeking offers to buy, our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock.

For investors outside of the United States: Neither we, the selling stockholders, nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

References in this prospectus to "DAUs" mean daily active users of our games, "MAUs" mean monthly active users of our games, "MUUs" mean monthly unique users of our games, "MUPs" mean monthly unique payers of our games and "ABPU" means average daily bookings per average DAU. Unless otherwise indicated, these metrics are based on internally-derived measurements across all platforms on which our games are played. For further information about DAUs, MAUs, MUUs, MUPs and ABPU as measured by us, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics." We also refer in this prospectus to DAUs and MAUs as measured and published by AppData, an independent service that publicly reports traffic data for games and other applications on Facebook. For further information about DAUs and MAUs as measured by AppData, including an explanation of differences between these metrics as measured by AppData and the corresponding metrics as measured by us, see the section titled "Market Data and User Metrics—User Metrics."

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ZYNGA INC.

Our Vision for Play

We founded Zynga in 2007 with the vision that play—like search, share and shop—would become one of the core activities on the Internet. As a pioneer of online social games, we have made them accessible, social and fun. We are excited that games have grown to become the second most popular online activity in the United States by time spent, even surpassing email. We have a lot of hard work, innovation and growth ahead of us to create a future where social games are a daily habit for nearly everyone.

Our mission is to connect the world through games.

Overview

We are the world’s leading provider of social game services with 240 million average monthly active users, or MAUs, in 175 countries. We have launched the most successful social games in the industry in each of the last three years and have generated over \$1.85 billion in cumulative revenue and over \$2.35 billion in cumulative bookings since our inception in 2007. Our games are accessible to players worldwide on Facebook and other social networks, mobile platforms and Zynga.com, wherever and whenever they want. Currently, substantially all of our revenue is generated from players accessing our games via the Facebook platform. We operate our games as live services, by which we mean that we continue to support and update games after launch and gather daily, metrics-based player feedback that enables us to continually enhance our games by adding new content and features. Most of our games are free to play, and we generate revenue primarily through the in-game sale of virtual goods and advertising.

We believe our leadership position in social games is the result of our significant investment in our people, content, brand, technology and infrastructure. Our leadership position in social games is defined by the following:

- **Large and Global Community of Players.** According to AppData, as of December 31, 2011, we had the largest player audience on Facebook, with more MAUs than the next 15 social game developers combined. Our players are also more engaged, with our games being played by 57 million average daily active users, or DAUs, worldwide as of December 31, 2011. According to AppData, as of December 31, 2011, our games were played by more DAUs than the next 14 social game developers combined.
- **Leading Portfolio of Social Games.** We have many of the most popular and successful online social games, including *CityVille*, *FarmVille*, *CastleVille*, *Hidden Chronicles*, *Words with Friends* and *Zynga Poker*. As of December 31, 2011, according to AppData, we had the top five social games on Facebook based on DAUs. On mobile platforms, we have several of the most popular games, including *Words with Friends* and *Hanging with Friends*, which were the top two games in the word category based on the number of downloads from the Apple App Store for iPhone as of December 31, 2011. In addition, in March 2012, we added the popular game, *Draw Something*, to our portfolio of mobile games through our acquisition of OMGPOP, Inc. In March 2012, Apple announced that *Words with Friends* was the number one free game app of all time on the iPhone.

Table of Contents

- **Rapid Game Growth.** Our games have achieved rapid and widespread adoption. *FarmVille* grew to 43 million MAUs in its first 100 days and *CityVille* grew to 61 million MAUs in its first 50 days. *CastleVille*, which launched in November 2011, reached 30 million MAUs in its first 25 days.
- **Scalable Technology and Data.** We process and serve more than a petabyte of content for our players every day, a volume of data that we believe is unmatched in the social game industry. We continually analyze game data to optimize our games. We believe that combining data analytics with creative game design enables us to create a superior player experience.

We leverage our scale to increase player engagement, cross-promote our portfolio of games, continually enhance existing games, launch new games and build the Zynga brand. We believe our scale results in network effects that deliver compelling value to our players, and we are committed to making significant investments that will further grow our community of players, their engagement and our monetization over time.

We have achieved significant growth in our business in a short period of time. From 2009 to 2011, our revenue increased from \$121.5 million to \$1.14 billion, our bookings increased from \$328.1 million to \$1.16 billion, we went from a net loss of \$52.8 million to net loss of \$404.3 million and our adjusted EBITDA increased from \$168.2 million to \$303.3 million. For a discussion of the limitations associated with using bookings and adjusted EBITDA rather than the comparable U.S. generally accepted accounting principles (“GAAP”) measures and a reconciliation of these measures to revenue and net income (loss), see the section titled “Selected Consolidated Financial Data—Non-GAAP Financial Measures.”

Consistent with our free to play model, a small portion of our players have been payers. During the three months ended December 31, 2011, we had approximately 2.9 million monthly unique payers, or MUPs (excluding payers who use certain payment methods for which unique payer data is not available). Because the opportunity for social interactions increases as the number of players increases, we believe that maintaining and growing our overall number of players, including the number of players who may not purchase virtual goods, is important to the success of our business. As a result, we believe that the number of players who choose to purchase virtual goods will continue to constitute a small portion of our overall players as our business grows.

Our top three games historically have contributed the majority of our revenue. Our top three games accounted for 83%, 78% and 57% of our online game revenue in 2009, 2010 and 2011, respectively.

Our Opportunity

Our opportunity is being driven by the confluence of three primary trends regarding how people use, communicate through and socialize on the Internet:

- **Growth of Social Networks.** Over the past decade, social networks have emerged as mainstream platforms that enable people to connect with each other online, share information and enjoy experiences with their friends and families. IDC, a market research firm, estimates that there were approximately 1.1 billion users of social networks globally, including over 845 million active users on Facebook, in 2011. IDC forecasts that the number of users on social networks globally will grow to 1.6 billion by 2014.
- **Emergence of the App Economy.** In order to provide users with a wider range of engaging experiences, social networks and mobile operating systems have opened their platforms to developers, transforming the creation, distribution and consumption of digital content. We refer to this as the “App Economy.” In the App Economy, developers can create applications accessing unique features of the platforms, distribute applications digitally to a broad audience and regularly update existing applications.

Table of Contents

- **Rapid Growth of Free-to-Play Games.** Most social games are free to play and generate revenue through the in-game sale of virtual goods. According to In-Stat, a market intelligence firm, the worldwide market for the sale of virtual goods was estimated to be more than \$9 billion in 2011 and is expected to grow to \$15 billion by 2014. Compared to pay-to-play business models, the free-to-play approach tends to attract a wider audience of players, thereby increasing the number of players who have the potential to become paying users. By attracting a larger audience, the free-to-play model also enables a higher degree of in-game social interaction, which enhances the game experience for all players.

We believe social games represent a new form of entertainment that will continue to capture an increasing proportion of consumer leisure time. In addition, social games are the most popular applications on Facebook and we believe they have been, and will continue to be, a key driver of engagement on social networks, and increasingly on mobile platforms. As consumers gravitate toward more social forms of online entertainment, we believe that social games will capture an increasing portion of the overall \$50 billion video game software market and \$83 billion online advertising market, as estimated for 2011 by IDC, as well as the global entertainment market.

Our social games leverage the global connectivity and distribution on Facebook, other social networks and mobile platforms, such as Apple iOS and Google Android. In addition to these third-party platforms, on March 1, 2012, we announced the Zynga Platform, which includes Zynga.com, a new destination for social games, and Zynga Platform Partners, a program that allows third-party game developers to create and publish games on Zynga.com. On March 5, 2012, we launched the beta version of Zynga.com. As a destination dedicated to social games, Zynga.com allows players to play with existing friends and connect with other players who share a common interest in our games. Zynga.com currently offers five of our top games, including *CityVille*, *CastleVille* and *Words with Friends*, and, in the future, will offer games from our third-party developer partners. In addition, because Zynga.com is integrated with Facebook, our players can continue to log in with their Facebook ID, easily play games with their existing Facebook friends and use Facebook Credits to purchase virtual goods.

Our Player-Centric Approach

We believe that a player-centric approach is the key to our continued success. We design our games to be:

- **Accessible by Everyone, Anywhere, Anytime.** Our games are easy to learn, playable in short sessions and accessible on multiple platforms. We operate our games as live services that can be played anytime and anywhere.
- **Social.** We believe games are most engaging and fun when they are social. We have devoted significant efforts to providing our community of players with simple ways to find their friends online and connect, play and share with them.
- **Free.** Our free-to-play approach attracts a larger audience than a traditional pay-to-play approach. This enables a higher degree of social interaction and improves the game experience for all players. Our players can choose to purchase virtual goods to enhance their game experience.
- **Fun.** We keep our games fun and engaging by regularly delivering new content, features, quests, challenges and virtual goods that enhance the experience for our players.
- **Supportive of Social Good.** Our players are able to enjoy fun social games while also contributing to charitable causes that they support through the purchase of special virtual goods.

Our Core Strengths

We believe the following strengths provide us with competitive advantages:

- **Deep Base of Talent.** Our unique company culture serves as the foundation of our success and helps us attract, grow and retain world class talent. We believe our culture and success to date have made us an employer of choice amongst innovators in our industry.

Table of Contents

- **Large and Global Community of Players.** We have 240 million average MAUs in 175 countries. According to AppData, as of December 31, 2011, we had more MAUs on Facebook than the next 15 social game developers combined.
- **Leading Portfolio of High Quality Social Games.** Our portfolio of games includes many of the most popular and successful social games on social networks and mobile platforms, including *CityVille*, *FarmVille*, *CastleVille*, *Hidden Chronicles*, *Words with Friends* and *Zynga Poker*. As of December 31, 2011, we had the top five games on Facebook, based on DAUs, as measured by AppData.
- **Sophisticated Data Analytics.** The extensive engagement of our players provides over 15 terabytes of game data per day that we use to enhance our games by designing, testing and releasing new features on an ongoing basis.
- **Scalable Technology Infrastructure and Game Engines.** We have invested extensively in developing proprietary technology to support the growth of our business. We have developed a flexible game engine that we leverage for the development and launch of new games. With each release, we add features and functionality to improve our core code base for future game development.
- **Powerful Network Effects.** Because of our large community, our players are more likely to find and connect with others to play and build relationships. Our games are more social and fun as more people play them, creating an incentive for existing players to encourage their friends and family to play.

Our Key Metrics

We measure our business by using several key financial metrics, which include bookings and adjusted EBITDA, and operating metrics, which include DAUs, MAUs, MUUs, MUPs and ABPU. Our operating metrics help us to understand and measure the engagement levels of our players, the size of our audience, our reach and overall monetization of our players.

For a description of how we calculate each of our key metrics and factors that have caused fluctuations in these metrics, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics.”

In July 2010, we began migrating to Facebook Credits as the primary payment method for our games played through Facebook, and by April 2011, we had completed this migration. Facebook remits to us an amount equal to 70% of the face value of Facebook Credits purchased by our players for use in our games played through Facebook. We record bookings and recognize revenue net of the amounts retained by Facebook.

The table below shows the metrics for the eight quarters indicated:

	For the Three Months Ended							
	Mar 31,	Jun 30,	Sep 30,	Dec 31,	Mar 31,	Jun 30,	Sep 30,	Dec 31,
	2010	2010	2010	2010	2011	2011	2011	2011
	(in millions, except MUPs and ABPU)							
Bookings	\$ 178	\$ 195	\$ 222	\$ 243	\$ 287	\$ 275	\$ 288	\$ 307
Revenue	\$ 101	\$ 130	\$ 171	\$ 196	\$ 243	\$ 279	\$ 307	\$ 311
Adjusted EBITDA	\$ 94	\$ 94	\$ 102	\$ 103	\$ 112	\$ 65	\$ 58	\$ 68
Net Income (Loss)	\$ 6	\$ 14	\$ 27	\$ 43	\$ 17	\$ 1	\$ 13	\$ (435)
Average DAUs	67	60	49	48	62	59	54	54
Average MAUs	236	234	203	195	236	228	227	240
Average MUUs	124	119	110	111	146	151	152	153
Average MUPs (in thousands)	NA	NA	NA	NA	NA	NA	2,568	2,901
ABPU	\$ 0.030	\$ 0.036	\$ 0.049	\$ 0.055	\$ 0.051	\$ 0.051	\$ 0.058	\$ 0.061

NA means data is not available.

Table of Contents

Our Strategy

Our mission is to connect the world through games. In pursuit of our mission, we encourage entrepreneurship and intelligent risk taking to produce breakthrough innovations, which we call bold beats. The key elements of our strategy are:

- ***Make Games Accessible and Fun.*** We operate our games as live services that are available anytime and anywhere, including on Zynga.com. We design our social games to provide players with easy access to shared experiences that delight, amuse and entertain, and we will continue to update our games on an ongoing basis with fresh content and new features to make them more social and fun for our players.
- ***Enhance Existing Franchises.*** We will continue to enhance our market-leading franchises including *CityVille*, *FarmVille*, *CastleVille*, *Words with Friends* and *Zynga Poker*. We regularly update our games after launch to encourage social interactions, add new content and features and improve monetization.
- ***Launch New Games.*** We will continue to invest in building new games to expand the genres of games that we offer, further engage with our existing players and attract new players. With our Zynga Platform Partners program, we enable third-party developers to reach our community of 240 million average MAUs and will allow our players to access a greater number of genres and games.
- ***Continue Mobile Growth.*** We believe there is a large opportunity to extend our brand and games to mobile platforms such as Apple iOS and Google Android. We will continue to make our games accessible on a large number of mobile and other Internet-connected devices and invest in developing and acquiring mobile development talent, technologies and content.
- ***Continue International Growth.*** We have seen significant growth in the number of our players in international markets. We have games available in up to 16 languages. We intend to expand our international audience by making more of our games available in multiple languages, creating more localized game content and partnering with leading international social networking sites and mobile partners.
- ***Extend Our Technology Leadership Position.*** Our proprietary technology stack and data analytics are competitive advantages that enhance our ability to create the world's best social games. We will continue to innovate and optimize our network infrastructure to cost-effectively ensure high performance and high availability for our social games. We believe continued investments in infrastructure and systems will allow us to extend our technology leadership.
- ***Increase Monetization of Our Games.*** We plan to offer increased selection, better merchandising and more payment options to increase the sales of our virtual goods. Our players purchase these virtual goods to extend their play sessions, personalize their game environments, accelerate their progress or send unique gifts to their friends. We will also continue to pursue additional revenue opportunities from advertising, including branded virtual goods and sponsorships.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. Some of these risks are:

- if we are unable to maintain a good relationship with Facebook, our business will suffer;
- we operate in a new and rapidly changing industry, which makes it difficult to evaluate our business and prospects;
- we have a new business model and a short operating history, which makes it difficult to evaluate our prospects and future financial results and may increase the risk that we will not be successful;

Table of Contents

- we rely on a small portion of our total players for nearly all of our revenue;
- our growth prospects may suffer if the Zynga Platform is unsuccessful;
- we expect our bookings and revenue growth rate to decline and anticipate operating margins may decline in the future;
- a small number of games have generated a majority of our revenue, and we must continue to launch and enhance games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position;
- if our top games do not maintain their popularity, our results of operations could be harmed;
- any failure or significant interruption in our network could impact our operations and harm our business;
- security breaches, computer viruses and computer hacking attacks could harm our business and results of operations;
- failure in pursuing or executing new business initiatives could have a material adverse impact on our business and future growth;
- expansion into international markets is important for our growth, and as we expand internationally, we face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs and hinder such growth; and
- the three class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to this offering, including our founder and Chief Executive Officer and our other executive officers, employees and directors and their affiliates; this will limit your ability to influence corporate matters.

Corporate Information

We were originally organized in April 2007 as a California limited liability company under the name Presidio Media LLC, and we converted to a Delaware corporation in October 2007. We changed our name to Zynga Inc. in November 2010. Our principal executive offices are located at 699 Eighth Street, San Francisco, CA 94103, and our telephone number is (855) 449-9642. Our website address is www.zynga.com. Information contained on our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only. Unless the context requires otherwise, the words “Zynga,” “we,” “company,” “us” and “our” refer to Zynga Inc. and its subsidiaries.

Zynga, the Zynga logo and other trademarks or service marks of Zynga appearing in this prospectus are the property of Zynga. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.

Table of Contents

THE OFFERING

Class A common stock offered by the selling stockholders	42,969,153 shares
Class A common stock to be outstanding after this offering	164,350,185 shares
Class B common stock to be outstanding after this offering	536,724,930 shares
Class C common stock to be outstanding after this offering	20,517,472 shares
Total Class A, Class B and Class C common stock to be outstanding after this offering	721,592,587 shares
Option to purchase additional shares granted by certain of the selling stockholders	6,445,373 shares
Use of proceeds	The selling stockholders will receive all of the net proceeds from this offering. See "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 13 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.
NASDAQ Global Select Market symbol	"ZNGA"

The number of shares of Class A common stock, Class B common stock and Class C common stock to be outstanding after this offering is based on 121,381,032 shares of our Class A common stock, 579,694,083 shares of our Class B common stock and 20,517,472 shares of our Class C common stock outstanding as of December 31, 2011, and excludes:

- 102,313,602 shares of Class B common stock issuable upon the exercise of stock options outstanding as of December 31, 2011 under our 2007 Equity Incentive Plan at a weighted-average exercise price of \$0.69 per share;
- 79,818,251 shares of Class B common stock issuable from time to time after this offering upon the vesting of ZSUs outstanding as of December 31, 2011 under our 2007 Equity Incentive Plan;
- 694,848 shares of Class B common stock issuable upon the exercise of warrants outstanding as of December 31, 2011 at a weighted-average exercise price of \$0.50375 per share;
- 54,282,457 shares of Class A common stock reserved for future issuance under our 2011 Equity Incentive Plan;
- 8,500,000 shares of Class A common stock reserved for future issuance under our 2011 Employee Stock Purchase Plan; and
- 1,000,000 shares of Class A common stock approved by our board of directors in March 2012 for issuance to Zynga.org.

Unless we specifically state otherwise, the share information in this prospectus is as of December 31, 2011 and reflects or assumes:

- no exercises of outstanding options;

Table of Contents

- no additional increases in the shares reserved for issuance under our 2011 Equity Incentive Plan and 2011 Employee Stock Purchase Plan; and
- no exercise of the underwriters' option to purchase up to an additional 6,445,373 shares of Class A common stock from certain of the selling stockholders, none of which are executive officers or directors.

Table of Contents

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data and should be read together with our consolidated financial statements and related notes, as well as the sections titled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” appearing elsewhere in this prospectus. We have derived the consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2010 and 2011 from our audited consolidated financial statements appearing elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that should be expected in the future.

	Year Ended December 31,		
	2009	2010	2011
(in thousands, except per share data)			
Consolidated Statements of Operations Data:			
Revenue	\$121,467	\$597,459	\$1,140,100
Costs and expenses:			
Cost of revenue	56,707	176,052	330,043
Research and development	51,029	149,519	727,018
Sales and marketing	42,266	114,165	234,199
General and administrative	24,243	32,251	254,456
Total costs and expenses	174,245	471,987	1,545,716
Income (loss) from operations	(52,778)	125,472	(405,616)
Interest income	177	1,222	1,680
Other income (expense), net	(209)	365	(2,206)
Income (loss) before income taxes	(52,810)	127,059	(406,142)
(Provision for) / benefit from income taxes	(12)	(36,464)	1,826
Net income (loss)	\$ (52,822)	\$ 90,595	\$ (404,316)
Deemed dividend to a Series B-2 convertible preferred stockholder	—	4,590	—
Net income attributable to participating securities	—	58,110	—
Net income (loss) attributable to common stockholders	\$ (52,822)	\$ 27,895	\$ (404,316)
Net income (loss) per share attributable to common stockholders :			
Basic	\$ (0.31)	\$ 0.12	\$ (1.40)
Diluted	\$ (0.31)	\$ 0.11	\$ (1.40)
Weighted-average common shares used to compute net income (loss) per share attributable to common stockholders :			
Basic	171,751	223,881	288,599
Diluted	171,751	329,256	288,599
	Year Ended December 31,		
	2009	2010	2011
(dollars in thousands, except ABPU)			
Other Financial and Operational Data:			
Bookings ⁽¹⁾	\$328,070	\$838,896	\$1,155,509
Adjusted EBITDA ⁽²⁾	\$168,187	\$392,738	\$ 303,274
Average DAUs (in millions) ⁽³⁾	41	56	57
Average MAUs (in millions) ⁽⁴⁾	153	217	233
Average MUUs (in millions) ⁽⁵⁾	86	116	151
ABPU ⁽⁶⁾	\$ 0.035	\$ 0.041	\$ 0.055

Table of Contents

- (1) See the section titled “—Non-GAAP Financial Measures” below for how we define and calculate bookings, a reconciliation between bookings and revenue (the most directly comparable GAAP financial measure) and a discussion about the limitations of bookings and adjusted EBITDA.
- (2) See the section titled “—Non-GAAP Financial Measures” below as to how we define and calculate adjusted EBITDA and for a reconciliation between adjusted EBITDA and net income (loss), the most directly comparable GAAP financial measure and a discussion about the limitations of bookings and adjusted EBITDA.
- (3) DAUs is the number of individuals who played one of our games during a particular day, as recorded by our internal analytics systems. Average DAUs is the average of the DAUs for each day during the period reported. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics—DAUs” for more information as to how we define and calculate DAUs. Reflects 2009 data commencing on July 1, 2009.
- (4) MAUs is the number of individuals who played a particular game during a 30-day period, as recorded by our internal analytics systems. Average MAUs is the average of the MAUs at each month-end during the period reported. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics—MAUs” for more information as to how we define and calculate MAUs. Reflects 2009 data commencing on July 1, 2009.
- (5) MUUs is the number of unique individuals who played any of our games on a particular platform during a 30-day period, as recorded by our internal analytics systems. Average MUUs is the average of the MUUs at each month-end during the period reported. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics—MUUs” for more information as to how we define and calculate MUUs. Reflects 2009 data commencing on July 1, 2009.
- (6) ABPU is defined as (i) our total bookings in a given period, divided by (ii) the number of days in that period, divided by (iii) the average DAUs during the period. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics—ABPU” for more information as to how we define and calculate ABPU. Reflects 2009 data commencing on July 1, 2009.

	As of December 31,		
	2009	2010	2011
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash, cash equivalents and marketable securities	\$199,958	\$ 738,090	\$1,917,606
Property and equipment, net	34,827	74,959	246,740
Working capital	(12,496)	385,564	1,355,224
Total assets	258,848	1,112,572	2,516,646
Deferred revenue	223,799	465,236	480,645
Total stockholders' equity (deficit)	(21,478)	482,215	1,749,539

Non-GAAP Financial Measures**Bookings**

To provide investors with additional information about our financial results, we disclose within this prospectus bookings, a non-GAAP financial measure. We have provided below a reconciliation between bookings and revenue, the most directly comparable GAAP financial measure.

Table of Contents

Bookings is a non-GAAP financial measure and is equal to revenue recognized in the period plus the change in deferred revenue during the period. We record the sale of virtual goods as deferred revenue and then recognize that revenue over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. Advertising revenue consisting of certain branded virtual goods and sponsorships is also deferred and recognized over the estimated average life of the branded virtual good, similar to online game revenue.

We use bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for revenue recognized in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate bookings differently or not at all, which reduces its usefulness as a comparative measure.

In July 2010, we began migrating to Facebook Credits as the primary payment method for our games played through Facebook, and by April 2011, we had completed this migration. Facebook remits to us an amount equal to 70% of the face value of Facebook Credits purchased by our players for use in our games. We record bookings and recognize revenue net of the amounts retained by Facebook. Prior to adoption of Facebook Credits, we recorded a majority of our online game revenue at the gross price charged to the customer. If we had been subject to Facebook Credits beginning January 1, 2009, we estimate our bookings would have been approximately \$90 million, \$150 million and \$20 million lower than actual results in 2009, 2010 and 2011, respectively, by assuming a 30% reduction in estimated bookings generated from payment methods that were replaced by Facebook Credits.

The following table presents a reconciliation of revenue to bookings for each of the periods presented:

	Year Ended December 31,		
	2009	2010 (in thousands)	2011
Reconciliation of Revenue to Bookings:			
Revenue	\$121,467	\$ 597,459	\$1,140,100
Change in deferred revenue	206,603	241,437	15,409
Bookings	<u>\$328,070</u>	<u>\$ 838,896</u>	<u>\$1,155,509</u>

Adjusted EBITDA

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted EBITDA, a non-GAAP financial measure. We have provided below a reconciliation between adjusted EBITDA and net income (loss), the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

Table of Contents

The following table presents a reconciliation of net income (loss) to adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,		
	2009	2010 (in thousands)	2011
Reconciliation of Net Income (Loss) to Adjusted EBITDA:			
Net income (loss)	\$ (52,822)	\$ 90,595	\$(404,316)
(Provision for) / benefit from income taxes	12	36,464	(1,826)
Other income (expense), net	209	(365)	2,206
Interest income	(177)	(1,222)	(1,680)
Gain (loss) from legal settlements	—	(39,346)	(2,145)
Depreciation and amortization	10,372	39,481	95,414
Stock-based compensation	3,990	25,694	600,212
Change in deferred revenue	206,603	241,437	15,409
Adjusted EBITDA	<u>\$168,187</u>	<u>\$392,738</u>	<u>\$ 303,274</u>

Limitations of Bookings and Adjusted EBITDA

Some limitations of bookings and adjusted EBITDA are:

- adjusted EBITDA does not include stock-based compensation expense;
- bookings and adjusted EBITDA do not reflect that we defer and recognize revenue over the estimated average life of virtual goods or as virtual goods are consumed;
- adjusted EBITDA does not reflect income tax payments that may represent a reduction in cash available to us;
- adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses;
- adjusted EBITDA excludes depreciation and amortization and although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- adjusted EBITDA does not include gains and losses associated with legal settlements; and
- other companies, including companies in our industry, may calculate bookings and adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure.

Because of these limitations, you should consider bookings and adjusted EBITDA along with other financial performance measures, including revenue, net income (loss) and our financial results presented in accordance with GAAP.

Table of Contents

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase shares of our Class A common stock. If any of the following risks are realized, our business, operating results, financial condition and prospects could be materially and adversely affected. In that event, the 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 are unable to maintain a good relationship with Facebook, our business will suffer.

Facebook is the primary distribution, marketing, promotion and payment platform for our games. We generate substantially all of our revenue and players through the Facebook platform and expect to continue to do so for the foreseeable future. Any deterioration in our relationship with Facebook would harm our business and adversely affect the value of our Class A common stock.

We are subject to Facebook's standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on the Facebook platform. We have entered into an addendum to these terms and conditions pursuant to which we have agreed to use Facebook Credits, Facebook's proprietary payment method, as the primary means of payment within our games played through Facebook. This addendum expires in May 2015.

Our business would be harmed if:

- Facebook discontinues or limits access to its platform by us and other game developers;
- Facebook terminates or does not renew our addendum;
- Facebook modifies its terms of service or other policies, including fees charged to, or other restrictions on, us or other application developers, or Facebook changes how the personal information of its users is made available to application developers on the Facebook platform or shared by users;
- Facebook establishes more favorable relationships with one or more of our competitors; or
- Facebook develops its own competitive offerings.

We have benefited from Facebook's strong brand recognition and large user base. If Facebook loses its market position or otherwise falls out of favor with Internet users, we would need to identify alternative channels for marketing, promoting and distributing our games, which would consume substantial resources and may not be effective. In addition, Facebook has broad discretion to change its terms of service and other policies with respect to us and other developers, and those changes may be unfavorable to us. For example, in 2010 Facebook adopted a policy requiring applications on Facebook accept only its virtual currency, Facebook Credits, as payment from users. As a result of this change, which we completed in April 2011, Facebook receives a greater share of payments made by our players than it did when other payment options were allowed. Facebook may also change its fee structure, add fees associated with access to and use of the Facebook platform, change how the personal information of its users is made available to application developers on the Facebook platform or restrict how Facebook users can share information with friends on their platform. Beginning in early 2010, Facebook changed its policies for application developers regarding use of its communication channels. These changes limited the level of communication among users about applications on the Facebook platform. As a result, the number of our players on Facebook declined. Our agreement with Facebook allows our users to use Zynga-branded game cards for the redemption of Facebook Credits. The agreement allows us to continue to distribute our game cards only until April 30, 2012. Our future bookings and revenue may be negatively impacted upon the expiration of the game card program on April 30, 2012. Any such changes in the future could significantly alter how players experience our games or interact within our games, which may harm our business.

Table of Contents

We operate in a new and rapidly changing industry, which makes it difficult to evaluate our business and prospects.

Social games, from which we derive substantially all of our revenue, is a new and rapidly evolving industry. The growth of the social game industry and the level of demand and market acceptance of our games are subject to a high degree of uncertainty. Our future operating results will depend on numerous factors affecting the social game industry, many of which are beyond our control, including:

- continued worldwide growth in the adoption and use of Facebook and other social networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms of entertainment;
- the worldwide growth of personal computer, broadband Internet and mobile device users, and the rate of any such growth; and
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending.

Our ability to plan for game development, distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of our current and potential players. New and different types of entertainment may increase in popularity at the expense of social games. A decline in the popularity of social games in general, or our games in particular would harm our business and prospects.

We have a new business model and a short operating history, which makes it difficult to evaluate our prospects and future financial results and may increase the risk that we will not be successful.

We began operations in April 2007, and we have a short operating history and a new business model, which makes it difficult to effectively assess our future prospects. Our business model is based on offering games that are free to play. To date, only a small portion of our players pay for virtual goods. You should consider our business and prospects in light of the challenges we face, including the ones discussed in these “Risk Factors.”

We rely on a small portion of our total players for nearly all of our revenue.

Compared to all players who play our games in any period, only a small portion are paying players. During the three months ended December 31, 2011, we had approximately 2.9 million MUPs (excluding payers who use certain payment methods for which unique payer data is not available). We lose players in the ordinary course of business. In order to sustain our revenue levels, we must attract, retain and increase the number of players or more effectively monetize our players. To retain players, we must devote significant resources so that the games they play retain their interest and attract them to our other games. If we fail to grow or sustain the number of our players, or if the rates at which we attract and retain players declines or if the average amount our players pay declines, our business may not grow and our financial results will suffer.

Our growth prospects may suffer if the Zynga Platform is unsuccessful.

We launched the Zynga Platform in March 2012. Our ability to increase our player base and revenue will depend, in part, on the successful operation of the Zynga Platform. If the Zynga Platform fails to engage players, interest third party game developers or attract advertisers, we may fail to generate sufficient revenue, operating margin or other value to justify our investment in the development and operation of the Zynga Platform. No third-party developed games have yet been launched on the Zynga Platform and we have no experience supporting games developed by third parties. We may encounter technical and operational challenges operating a platform. In addition, although the Zynga Platform is integrated with Facebook and uses Facebook Credits as the only payment method for purchasing virtual goods, our launch and promotion of the Zynga Platform could harm our relationship with Facebook. If we are not successful with the overall monetization of the Zynga Platform, we may not be able to maintain or grow our revenue as anticipated and our financial results could be adversely affected.

Table of Contents

We expect our bookings and revenue growth rate to decline and anticipate operating margins may decline in the future.

From 2010 to 2011, our revenue grew from \$597.5 million to \$1.14 billion, which represents an annual growth rate of approximately 91%. We expect that as our bookings and revenue increase the growth rate in bookings and revenue will decline. We believe our operating margin will also experience downward pressure as a result of increasing competition and the need for increased operating expenditures for many aspects of our business in addition to increased stock-based compensation expense associated with vested restricted stock units, or ZSUs, which we had not recognized prior to the initial public offering. We also expect to continue to expend substantial financial and other resources on game development, international expansion and our network infrastructure.

A small number of games have generated a majority of our revenue, and we must continue to launch and enhance games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position.

Historically we have depended on a small number of games for a majority of our revenue and we expect that this dependency will continue for the foreseeable future. Our growth depends on our ability to consistently launch new games that achieve significant popularity. Each of our games requires significant engineering, marketing and other resources to develop, launch and sustain via regular upgrades and expansions, and such costs on average have increased. Our ability to successfully launch, sustain and expand games and attract and retain players largely will depend on our ability to:

- anticipate and effectively respond to changing game player interests and preferences;
- anticipate or respond to changes in the competitive landscape;
- attract, retain and motivate talented game designers, product managers and engineers;
- develop, sustain and expand games that are fun, interesting and compelling to play;
- effectively market new games and enhancements to our existing players and new players;
- minimize launch delays and cost overruns on new games and game expansions;
- minimize downtime and other technical difficulties; and
- acquire high quality assets, personnel and companies.

It is difficult to consistently anticipate player demand on a large scale, particularly as we develop games in new genres or new markets, including international markets and mobile platforms. If we do not successfully launch games that attract and retain a significant number of players and extend the life of our existing games, our market share, reputation and financial results will be harmed.

If our top games do not maintain their popularity, our results of operations could be harmed.

In addition to creating new games that are attractive to a significant number of players, we must extend the life of our existing games, in particular our most successful games. For a game to remain popular, we must constantly enhance, expand or upgrade the game with new features that players find attractive. Such constant enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased. We may not be able to successfully enhance, expand or upgrade our current games. Any reduction in the number of players of our most popular games, any decrease in the popularity of our games or social games in general, any breach of game-related security or prolonged server interruption, any loss of rights to any intellectual property underlying such games, or any other adverse developments relating to our most popular games, could harm our results of operations.

Table of Contents

Any failure or significant interruption in our network could impact our operations and harm our business.

Our technology infrastructure is critical to the performance of our games and to player satisfaction. Our games run on a complex distributed system, or what is commonly known as cloud computing. We own, operate and maintain the primary elements of this system, but some elements of this system are operated by third parties that we do not control and which would require significant time to replace. We expect this dependence on third parties to continue. In particular, a meaningful portion of our game traffic is hosted by Amazon Web Services (“AWS”). In the fourth quarter of 2011, AWS hosted approximately one-third of our game traffic. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. For example, the operation of a few of our significant games, including *FarmVille* and *CityVille*, was interrupted for several hours in April 2011 due to a network outage. If a particular game is unavailable when players attempt to access it or navigation through a game is slower than they expect, players may stop playing the game and may be less likely to return to the game as often, if at all. A failure or significant interruption in our game service would harm our reputation and operations. We expect to continue to make significant investments in our technology infrastructure to maintain and improve all aspects of player experience and game performance. To the extent that our disaster recovery systems are not adequate, or we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate increasing traffic, our business and operating results may suffer. We do not maintain insurance policies covering losses relating to our systems and we do not have business interruption insurance.

Security breaches, computer viruses and computer hacking attacks could harm our business and results of operations.

Security breaches, computer malware and computer hacking 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. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and operating results. We have experienced and will continue to experience hacking attacks. Because of our prominence in the social game industry, we believe we are a particularly attractive target for hackers. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players.

If we fail to effectively manage our growth, our business and operating results could be harmed.

We continue to experience rapid growth in our headcount and operations, which will continue to place significant demands on our management and our operational, financial and technological infrastructure. As of December 31, 2011, approximately 54% of our employees had been with us for less than one year and approximately 84% for less than two years. As we continue to grow, we must expend significant resources to identify, hire, integrate, develop and motivate a large number of qualified employees. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our ability to continue launching new games and enhance existing games could suffer.

To effectively manage the growth of our business and operations, we will need to continue spending significant resources to improve our technology infrastructure, our operational, financial and management controls, and our reporting systems and procedures by, among other things:

- monitoring and updating our technology infrastructure to maintain high performance and minimize down time;

Table of Contents

- enhancing information and communication systems to ensure that our employees and offices around the world are well-coordinated and can effectively communicate with each other;
- enhancing our internal controls to ensure timely and accurate reporting of all of our operations; and
- appropriately documenting our information technology systems and our business processes.

These enhancements and improvements will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to implement these enhancements and improvements effectively, our ability to manage our expected growth and comply with the rules and regulations that are applicable to public reporting companies will be impaired. In addition, if our operating costs are higher than we expect or if we do not maintain adequate control of our costs and expenses, our operating results will suffer.

Our growth prospects will suffer if we are unable to continue to develop successful games for mobile platforms.

Developing games for mobile platforms is an important component of our strategy. We have devoted and we expect to continue to devote substantial resources to the development of our mobile games, and we cannot guarantee that we will continue to develop such games that appeal to players or advertisers. The uncertainties we face include:

- we have relatively limited experience working with wireless carriers, mobile platform providers and other partners whose cooperation we may need in order to be successful;
- we may encounter difficulty in integrating features on games developed for mobile platforms that a sufficient number of players will pay for; and
- we will need to move beyond payment methods provided by social networks and successfully allow for a variety of payment methods and systems based on the mobile platform, geographies and other factors.

These and other uncertainties make it difficult to know whether we will succeed in continuing to develop commercially viable games for mobile. If we do not succeed in doing so, our growth prospects will suffer.

Our core values of focusing on our players first and acting for the long term may conflict with the short-term interests of our business.

One of our core values is to focus on surprising and delighting our players, which we believe is essential to our success and serves the best, long-term interests of Zynga and our stakeholders. Therefore, we have made in the past and we may make in the future, significant investments or changes in strategy that we think will benefit our players, even if our decision negatively impacts our operating results in the short term. For example, in late 2009 and in 2010 we reduced in-game advertising offers in order to improve player experience. This decrease in in-game offers led to a reduction of advertising revenue in 2010 as compared to 2009. Our decisions may not result in the long-term benefits that we expect, in which case the success of our games, business and operating results could be harmed.

If we lose the services of our founder and Chief Executive Officer or other members of our senior management team, we may not be able to execute our business strategy.

Our success depends in a large part upon the continued service of our senior management team. In particular, our founder and Chief Executive Officer, Mark Pincus, is critical to our vision, strategic direction, culture, products and technology. We do not maintain key-man insurance for Mr. Pincus or any other member of our senior management team. The loss of our founder and Chief Executive Officer, even temporarily, or any other member of senior management would harm our business.

Table of Contents

If we are unable to attract and retain highly qualified employees, we may not be able to grow effectively.

Our ability to compete and grow depends in large part on the efforts and talents of our employees. Such employees, particularly game designers, product managers and engineers, are in high demand, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees. We have historically hired a number of key personnel through acquisitions, and as competition with several other game companies increases, we may incur significant expenses in continuing this practice. The loss of employees or the inability to hire additional skilled employees as necessary could result in significant disruptions to our business, and the integration of replacement personnel could be time-consuming and expensive and cause additional disruptions to our business.

We believe that two critical components of our success and our ability to retain our best people are our culture and our competitive compensation practices. As we continue to grow rapidly, and we develop the infrastructure of a public company, we may find it difficult to maintain our entrepreneurial, execution-focused culture. In addition, many of our employees may be able to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Moreover, there may also be disparities of wealth between those of our employees whom we hired prior to our initial public offering in December 2011 and those who joined us after we became a public company. This offering is expected to create additional disparities of wealth, which may harm our culture and relations among employees.

An increasing number of individuals are utilizing devices other than personal computers to access the Internet, and versions of our games developed for these devices might not gain widespread adoption, or may not function as intended.

The number of individuals who access the Internet through devices other than a personal computer, such as smartphones, tablets, televisions and set-top box devices, has increased dramatically, and we believe this trend is likely to continue. The generally lower processing speed, power, functionality and memory associated with these devices make playing our games through such devices more difficult; and the versions of our games developed for these devices may not be compelling to players. In addition, each device manufacturer or platform provider may establish unique or restrictive terms and conditions for developers on such devices or platforms, and our games may not work well or be viewable on these devices as a result. We have limited experience in developing and optimizing versions of our games for players on alternative devices and platforms. To expand our business, we will need to support a number of alternative devices and technologies. Once developed, we may choose to port or convert a game into separate versions for alternative devices with different technological requirements. As new devices and new mobile platforms or updates to platforms are continually being released, we may encounter problems in developing versions of our games for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such devices and platforms. If we are unable to successfully expand the platforms and devices on which our games are available, or if the versions of our games that we create for alternative platforms and devices are not compelling to our players, our business will suffer.

Expansion into international markets is important for our growth, and as we expand internationally, we will face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs and hinder such growth.

Continuing to expand our business to attract players in countries other than the United States is a critical element of our business strategy. An important part of targeting international markets is developing offerings that are localized and customized for the players in those markets. We have a limited operating history as a company outside of the United States. We expect to continue to devote significant resources to international expansion through acquisitions, the establishment of additional offices and development studios, and increasing our foreign language offerings. Our ability to expand our business and to attract talented employees and players in an increasing number of international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial

Table of Contents

infrastructures. We have experienced difficulties in the past and have not been successful in all the countries we have entered. Expanding our international focus may subject us to risks that we have not faced before or increase risks that we currently face, including risks associated with:

- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- developing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with significant market share in those markets and with a better understanding of player preferences;
- protecting and enforcing our intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to us and protective of our rights;
- the inability to extend proprietary rights in our brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual goods in a manner that complies with local laws and practices and protects us from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content;
- compliance with anti-bribery laws including without limitation, compliance with the Foreign Corrupt Practices Act;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;
- foreign exchange controls or U.S. tax restrictions that might restrict or prevent us from repatriating income earned in countries outside the United States;
- political, economic and social instability;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

Entering new international markets will be expensive, our ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of our senior management team could harm our business.

Competition within the broader entertainment industry is intense and our existing and potential players may be attracted to competing forms of entertainment such as offline and traditional online games, television, movies and sports, as well as other entertainment options on the Internet.

Our players face a vast array of entertainment choices. Other forms of entertainment, such as offline, traditional online, personal computer and console games, television, movies, sports, online gambling and the Internet, are much larger and more well-established markets and may be perceived by our players to offer greater variety, affordability, interactivity and enjoyment. These other forms of entertainment compete for the discretionary time and income of our players. If we are unable to sustain sufficient interest in our games in comparison to other forms of entertainment, including new forms of entertainment, our business model may no longer be viable.

Table of Contents

There are low barriers to entry in the social game industry, and competition is intense.

The social game industry is highly competitive, with low barriers to entry and we expect more companies to enter the sector and a wider range of social games to be introduced. Our competitors that develop social games for social networks vary in size and include publicly-traded companies such as Electronic Arts Inc. and The Walt Disney Company and privately-held companies such as Crowdstar, Inc., Vostu, Ltd., DeNA Co. Ltd., King.com and wooga GmbH. In addition, online game developers and distributors who are primarily focused on specific international markets, such as Tencent Holdings Limited in Asia, and high-profile companies with significant online presences that to date have not developed social games, such as Amazon.com, Facebook, Google Inc., and Microsoft Corporation, may decide to develop social games. Some of these current and potential competitors have significant resources for developing or acquiring additional games, may be able to incorporate their own strong brands and assets into their games, have a more diversified set of revenue sources than we do and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the online social game industry. In addition, we have limited experience in developing games for mobile and other platforms and our ability to succeed on those platforms is uncertain. As we continue to devote significant resources to developing games for those platforms, we will face significant competition from established companies, including Electronic Arts, GREE, DeNA, Gameloft SA, Glu Mobile Inc., Disney and Rovio Mobile Ltd. We expect new mobile-game competitors to enter the market and existing competitors to allocate more resources to develop and market competing games and applications.

The value of our virtual goods is highly dependent on how we manage the economies in our games. If we fail to manage our game economies properly, our business may suffer.

Paying players purchase virtual goods in our games because of the perceived value of these goods which is dependent on the relative ease of securing an equivalent good via non-paid means within the game. The perceived value of these virtual goods can be impacted by an increase in the availability of free or discounted Facebook Credits or by various actions that we take in the games including offering discounts for virtual goods, giving away virtual goods in promotions or providing easier non-paid means to secure these goods. If we fail to manage our virtual economies properly, players may be less likely to purchase virtual goods and our business may suffer.

Some of our players may make sales and/or purchases of virtual goods used in our games through unauthorized third-party websites, which may impede our revenue growth.

Some of our players may make sales and/or purchases of our virtual goods, such as *Zynga Poker* virtual poker chips, through unauthorized third-party sellers in exchange for real currency. These unauthorized transactions are usually arranged on third-party websites. We do not generate any revenue from these transactions. Accordingly, these unauthorized purchases and sales from third-party sellers could impede our revenue and profit growth by, among other things:

- decreasing revenue from authorized transactions;
- downward pressure on the prices we charge players for our virtual currency and virtual goods;
- lost revenue from paying players who stop playing a particular game;
- costs we incur to develop technological measures to curtail unauthorized transactions;
- legal claims relating to the diminution of value of our virtual goods; and
- increased customer support costs to respond to dissatisfied players.

To discourage unauthorized purchases and sales of our virtual goods, we have stated in our terms of service that the buying or selling of virtual currency and virtual goods from unauthorized third-party sellers may result in bans from our games and/or legal action. We have banned players as a result of such activities. We have also developed technological measures to help detect unauthorized transactions. If we decide to implement further restrictions on players' ability to transfer virtual goods, we may lose players, which could harm our financial condition and results of operations.

Table of Contents

The proliferation of “cheating” programs and scam offers that seek to exploit our games and players affects the game-playing experience and may lead players to stop playing our games.

Unrelated third parties have developed, and may continue to develop, “cheating” programs that enable players to exploit our games, play them in an automated way or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly and may disrupt the virtual economy of our games. In addition, unrelated third parties attempt to scam our players with fake offers for virtual goods. We devote significant resources to discover and disable these programs and activities, and if we are unable to do so quickly our operations may be disrupted, our reputation damaged and players may stop playing our games. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims relating to the diminution in value of our virtual currency and goods, and increased customer service costs needed to respond to dissatisfied players.

Our quarterly operating results are volatile and difficult to predict, and our stock price may decline if we fail to meet the expectations of securities analysts or investors.

Our bookings, revenue, traffic and operating results could vary significantly from quarter-to-quarter and year-to-year and may fail to match our past performance or the expectations of securities analysis or investors because of a variety of factors, some of which are outside of our control. Any of these events could cause the market price of our Class A common stock to fluctuate. Factors that may contribute to the variability of our operating results include the risk factors listed in these “Risk Factors” and the factors discussed in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Performance.”

In particular, we recognize revenue from sale of our virtual goods in accordance with GAAP, which is complex and based on our assumptions and historical data with respect to the sale and use of various types of virtual goods. In the event that such assumptions are revised based on new data or there are changes in the historical mix of virtual goods sold due to new game introductions, reduced virtual good sales in existing games or other factors or there are changes in our estimates of average playing periods, the amount of revenue that we recognize in any particular period may fluctuate significantly. For further information regarding our revenue recognition policy, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Revenue Recognition.”

Given our short operating history and the rapidly evolving social game industry, our historical operating results may not be useful in predicting our future operating results. In addition, metrics we have developed or those available from third parties regarding our industry and the performance of our games, including DAUs, MAUs, MUUs, MUPs and ABPU may not be indicative of our financial performance.

Failure to protect or enforce our intellectual property rights or the costs involved in such enforcement could harm our business and operating results.

We regard the protection of our trade secrets, copyrights, trademarks, trade dress, domain names and other product rights as critical to our success. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We enter into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain locations outside the United States. We are seeking to protect our trademarks, patents and domain names in an increasing number of jurisdictions, a process that is expensive and time-consuming and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in

Table of Contents

protecting our innovations through increased patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced. The Leahy-Smith America Invents Act (“the Leahy-Smith Act”) was adopted in September 2011. The Leahy-Smith Act includes a number of significant changes to United States patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The United States Patent and Trademark Office is currently developing regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act will not become effective until up to 18 months after its enactment. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could harm our business.

Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property rights, our business and operating results may be harmed.

We are, and may in the future be, subject to intellectual property disputes, which are costly to defend and could require us to pay significant damages and could limit our ability to use certain technologies in the future.

From time to time, we have faced, and we expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from our competitors, non-practicing entities and former employers of our personnel. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the result of any court judgment or settlement we may be obligated to cancel the launch of a new game, stop offering a game or certain features of a game, pay royalties or significant settlement costs, purchase licenses or modify our games and features while we develop substitutes.

In addition, we use open source software in our games and expect to continue to use open source software in the future. From time to time, we may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our games, any of which would have a negative effect on our business and operating results.

Although we do not believe that the final outcome of litigation and claims that we currently face will have a material adverse effect on our business, our expectations may not prove to be correct. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, operating results, financial condition, reputation or the market price of our Class A common stock.

Programming errors or flaws in our games could harm our reputation or decrease market acceptance of our games, which would harm our operating results.

Our games may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch, particularly as we launch new games and rapidly release new features to existing games under tight time constraints. We believe that if our players have a negative experience with our games, they may be less inclined to continue or resume playing our games or recommend our games to other potential players. Undetected programming errors, game defects and data corruption can disrupt our operations, adversely affect

Table of Contents

the game experience of our players by allowing players to gain unfair advantage, harm our reputation, cause our players to stop playing our games, divert our resources and delay market acceptance of our games, any of which could result in legal liability to us or harm our operating results.

Evolving regulations concerning data privacy may result in increased regulation and different industry standards, which could prevent us from providing our current games to our players, or require us to modify our games, thereby harming our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet and mobile platforms have recently come under increased public scrutiny, and civil claims alleging liability for the breach of data privacy have been asserted against us. The U.S. government, including the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. In addition, the European Union is in the process of proposing reforms to its existing data protection legal framework, which may result in a greater compliance burden for companies with users in Europe. Various government and consumer agencies have also called for new regulation and changes in industry practices.

We began operations in 2007 and have grown rapidly. While our administrative systems have developed rapidly, during our earlier history our practices relating to intellectual property, data privacy and security, and legal compliance may not have been as robust as they are now, and there may be unasserted claims arising from this period that we are not able to anticipate. In addition, our business, including our ability to operate and expand internationally, could be adversely affected if laws or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our website, games, features or our privacy policy. In particular, the success of our business has been, and we expect will continue to be, driven by our ability to responsibly use the data that our players share with us. Therefore, our business could be harmed by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of data our players choose to share with us, or regarding the manner in which the express or implied consent of consumers for such use and disclosure is obtained. Such changes may require us to modify our games and features, possibly in a material manner, and may limit our ability to develop new games and features that make use of the data that our players voluntarily share with us.

We process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

We receive, store and process personal information and other player data, and we enable our players to share their personal information with each other and with third parties, including on the Internet and mobile platforms. There are numerous federal, state and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the Internet and mobile platforms, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We generally comply with industry standards and are subject to the terms of our own privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, to the extent reasonably attainable. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to players or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our

Table of Contents

players to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as players, vendors or developers, violate applicable laws or our policies, such violations may also put our players' information at risk and could in turn have an adverse effect on our business.

In the area of information security and data protection, many states have passed laws requiring notification to players when there is a security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws may increase in the future as a result of changes in interpretation. Furthermore, any failure on our part to comply with these laws may subject us to significant liabilities.

Our business is subject to a variety of other U.S. and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of laws in the United States and abroad, including laws regarding consumer protection, intellectual property, export and national security, that are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the United States. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. It is also likely that as our business grows and evolves and our games are played in a greater number of countries, we will become subject to laws and regulations in additional jurisdictions. We are potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm our business or expose us to liability. In addition, certain of our games, including *Zynga Poker*, may become subject to gambling-related rules and regulations and expose us to civil and criminal penalties if we do not comply. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject. See the discussion included in the section titled "Business—Government Regulation."

If we are not able to comply with these laws or regulations or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our games, which would harm our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and operating results.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in the United States and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through the Internet and mobile devices. We anticipate that scrutiny and regulation of our industry will increase and we will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the regulation of currency and banking institutions may be interpreted to cover virtual currency or goods. If that were to occur we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of social game services and impair our business.

Table of Contents

Companies and governmental agencies may restrict access to Facebook, our website or the Internet generally, which could lead to the loss or slower growth of our player base.

Our players need to access the Internet and in particular Facebook and our website to play our games. Companies and governmental agencies, could block access to Facebook, our website or the Internet generally for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, our website or other social platforms. For example, the government of the People's Republic of China has blocked access to Facebook in China. If companies or governmental entities block or limit access to Facebook or our website or otherwise adopt policies restricting players from playing our games our business could be negatively impacted and could lead to the loss or slower growth of our player base.

Our business will suffer if we are unable to successfully integrate acquired companies into our business or otherwise manage the growth associated with multiple acquisitions.

We have acquired businesses, personnel and technologies in the past and we intend to continue to pursue acquisitions that are complementary to our existing business and expand our employee base and the breadth of our offerings. Our ability to grow through future acquisitions will depend on the availability of suitable acquisition and investment candidates at an acceptable cost, our ability to compete effectively to attract these candidates and the availability of financing to complete larger acquisitions. Since we expect the social game industry to consolidate in the future, we may face significant competition in executing our growth strategy. Future acquisitions or investments could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt, contingent liabilities or amortization expenses related to goodwill and other intangible assets, any of which could adversely affect our financial condition and results of operations. The benefits of an acquisition or investment may also take considerable time to develop, and we cannot be certain that any particular acquisition or investment will produce the intended benefits.

Integration of a new company's operations, assets and personnel into ours will require significant attention from our management. The diversion of our management's attention away from our business and any difficulties encountered in the integration process could harm our ability to manage our business. Future acquisitions will also expose us to potential risks, including risks associated with any acquired liabilities, the integration of new operations, technologies and personnel, unforeseen or hidden liabilities and unanticipated, information security vulnerabilities, the diversion of resources from our existing businesses, sites and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, players, and other suppliers as a result of integration of new businesses.

Failure in pursuing or executing new business initiatives could have a material adverse impact on our business and future growth.

Our growth strategy includes evaluating, considering and effectively executing new business initiatives, which can be difficult. Management may not properly ascertain or assess the risks of new initiatives, and subsequent events may alter the risks that were evaluated at the time we decided to execute any new initiative. Entering into any new initiatives can also divert our management's attention from other business issues and opportunities. Failure to effectively identify, pursue and execute new business initiatives, including online gambling as discussed below, may adversely affect our reputation, business, financial condition and results of operations.

We have recently stated publicly that we are evaluating the opportunity of expanding our business to include online gambling. Although we may not ultimately pursue this opportunity, we believe it could have risks that are different than those associated with other new initiatives. In particular, online gambling is subject to stringent, complicated and rapidly changing licensing and regulatory requirements, both federally and in each state, as well as internationally. Regulatory and legislative developments may prevent or significantly limit our ability to enter into or succeed in online gambling. Becoming familiar with and complying with these requirements will increase

Table of Contents

our costs and subject our business to greater scrutiny by regulators in many different jurisdictions. If our brand becomes associated with online gambling we may lose current players, advertisers or partners or have difficulty attracting new players, advertisers or partners, which could adversely impact our business.

Fluctuations in foreign currency exchange rates will affect our financial results, which we report in U.S. dollars.

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. We incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency, and an increasing percentage of our international revenue is from players who pay us in currencies other than the U.S. dollar. Fluctuations in the exchange rates between the U.S. dollar and those other currencies could result in the dollar equivalent of such expenses being higher and/or the dollar equivalent of such foreign-denominated revenue being lower than would be the case if exchange rates were stable. This could have a negative impact on our reported operating results.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to the large and expanding scale of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

A change in the application of the tax laws of various jurisdictions could result in an increase to our worldwide effective tax rate and a change in how we operate our business.

Our corporate structure and intercompany arrangements, including the manner in which we develop and use our intellectual property and the transfer pricing of our intercompany transactions, are intended to provide us worldwide tax efficiencies. The application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business is not consistent with the manner in which we report our income to the jurisdictions, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other natural disaster could cause damage to our facilities and equipment, which could require us to curtail or cease operations.

Our principal offices and network operations centers are located in the San Francisco Bay Area, an area known for earthquakes, and are thus vulnerable to damage. We are also vulnerable to damage from other types of disasters, including power loss, fire, explosions, floods, communications failures, terrorist attacks and similar events. If any disaster were to occur, our ability to operate our business at our facilities could be impaired.

Table of Contents

We may require additional capital to meet our financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new games and features or enhance our existing games, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Risks Related to This Offering and Ownership of Our Class A Common Stock

The three class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our founder and Chief Executive Officer and our other executive officers, employees and directors and their affiliates; this limits our other stockholders' and your ability to influence corporate matters.

Our Class C common stock has 70 votes per share, our Class B common stock has seven votes per share and our Class A common stock, which is the stock we are offering in this offering, has one vote per share. The holders of Class B common stock and Class C common stock, including our founder and Chief Executive Officer, Mark Pincus, and our other executive officers, employees and directors and their affiliates, will collectively hold approximately 96.9% of the voting power of our outstanding capital stock immediately following this offering. Mr. Pincus will beneficially own approximately 35.4% of the total voting power of our outstanding capital stock immediately following this offering. As a result, Mr. Pincus and the other holders of our Class B common stock will continue to have significant influence over the management and affairs of the company and control over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets, for the foreseeable future. This concentrated voting control will limit your ability to influence corporate matters and could adversely affect the market price of our Class A common stock.

Future transfers or sales by holders of Class B common stock or Class C common stock will result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those stockholders who retain their existing shares of Class B or Class C common stock. In addition, as shares of Class B common stock are transferred or sold and converted to Class A common stock, the sole holder of Class C common stock, Mr. Pincus, will have greater relative voting control to the extent he retains his existing shares of Class C common stock, and as a result he could in the future control a majority of our total voting power. Mr. Pincus is entitled to vote his shares in his own interests and may do so.

Certain provisions in our charter documents and under Delaware law could limit attempts by our stockholders to replace or remove our board of directors or current management and limit the market price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in our board of directors or management. Our certificate of incorporation and bylaws include provisions that:

- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;

Table of Contents

- prohibit cumulative voting in the election of directors; and
- reflect three classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

Our share price has been and will likely continue to be volatile, and you may be unable to sell your shares at or above the offering price, if at all.

The trading price of our Class A common stock has been, and is likely to continue to be, highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. Since shares of our Class A common stock were sold in our initial public offering in December 2011 at a price of \$10.00 per share, our stock price has ranged from \$7.97 to \$15.91, through March 23, 2012. In addition to the factors discussed in these “Risk Factors” and elsewhere in this prospectus, factors that may cause volatility in our share price include:

- changes in projected operational and financial results;
- issuance of new or updated research or reports by securities analysts;
- market rumors or press reports;
- the use by investors or analysts of third-party data regarding our business that may not reflect our actual performance;
- the expiration of contractual lock-up agreements;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- the activities, public announcements and financial performance of our commercial partners, such as Facebook;
- fluctuations in the trading volume of our shares, or the size of our public float relative to the total number of shares of our Class A, Class B and Class C common stock that are issued and outstanding;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- general economic and market conditions.

Furthermore, 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 companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. If the market price of our Class A common stock after this offering does not exceed the offering price, you may not realize any return on your investment and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could harm our business.

Table of Contents

Our Class A common stock price may be volatile due to third-party data regarding our games.

Third parties, such as AppData, publish daily data about us and other social game companies with respect to DAUs and MAUs and other information concerning social game usage, in particular on Facebook. These metrics can be volatile, particularly for specific games, and in many cases do not accurately reflect the actual levels of usage of our games across all platforms and may not correlate to our bookings or revenue from the sale of virtual goods. There is a possibility that third parties could change their methodologies for calculating these metrics in the future. To the extent that securities analysts or investors base their views of our business or prospects on such third-party data, the price of our Class A common stock may be volatile and may not reflect the performance of our business.

If securities or industry analysts do not publish research about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock, to some extent, depends on the research and reports that securities or industry analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Future sales or potential sales of our common stock in the public market could cause our share price to decline.

We have a small public float relative to the total number of shares of our Class A, Class B and Class C common stock that are issued and outstanding and a substantial majority of our issued and outstanding shares are currently restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers.

Substantially all of our outstanding shares, other than those sold in our initial public offering, are subject to lock-up agreements from that offering that expire on May 28, 2012. We are releasing the selling stockholders from these lock-ups to permit them to sell up to 49,414,526 shares (including the underwriters' option to purchase additional shares) in this offering. In addition, we are releasing non-executive employees holding an aggregate of approximately 114,000,000 shares from the lock-up, effective upon closing of this offering. However, these employees are subject to our trading window "blackout" policy and thus will not be able to sell such shares until the third business day following our earnings release for the first quarter, which we currently expect to occur in the last week of April 2012, and as a result expect these shares to first be available for sale on or about April 30, 2012. Although the selling stockholders are entering into new lock-up agreements in connection with this offering, there will be lock-up releases that occur at several times over the next five months. See "Shares Eligible for Future Sale." Sales of a substantial amount of our Class A common stock in the public market following the release of lock-up restrictions or otherwise, or the perception that these sales could occur, could cause the market price of our Class A common Stock to decline.

If we are unable to implement and maintain effective internal control over financial reporting in the future, the accuracy and timeliness of our financial reporting may be adversely affected.

If we are unable to maintain adequate internal controls for financial reporting in the future, or if our auditors are unable to express an opinion as to the effectiveness of our internal controls as required pursuant to the Sarbanes-Oxley Act, investor confidence in the accuracy of our financial reports may be impacted or the market price of our Class A common stock could be negatively impacted.

Table of Contents

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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 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. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results.

We also expect that being a public company, subject to these rules and regulations, will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition have become 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.

We do not intend to pay dividends for the foreseeable future, and as a result your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections titled “Prospectus Summary,” “Risk Factors,” “Market Data and User Metrics,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and “Shares Eligible for Future Sale,” contains forward-looking statements. In some cases you can identify these statements by forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” or the negative or plural of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our future relationship with Facebook;
- our corporate strategy and initiatives;
- launching new games and enhancements to games that are commercially successful;
- publishing games from third-party developers on Zynga.com;
- continued growth in demand for virtual goods and in the social games industry;
- building and sustaining our franchise games;
- the ability of our games to generate revenue and bookings for a significant period of time after launch;
- the proposed purchase of our headquarters;
- capital expenditures and investment in our network infrastructure, including data centers;
- our use of working capital in general;
- retaining and adding players and increasing the monetization of our player base;
- maintaining a technology infrastructure that can efficiently and reliably handle increased player usage, fast load times and the deployment of new features and products;
- attracting and retaining qualified employees and key personnel;
- designing games for mobile and other non-PC devices, and pursuing mobile initiatives generally;
- our successful growth internationally and in advertising revenue;
- our evaluation of new business opportunities, including online gambling;
- maintaining, protecting and enhancing our intellectual property;
- protecting our players’ information and adequately addressing privacy concerns; and
- successfully acquiring and integrating companies and assets.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in “Risk Factors.” 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 forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no

Table of Contents

obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

Table of Contents**MARKET DATA AND USER METRICS****Market Data**

Unless otherwise indicated, information contained in this prospectus concerning our industry and the sector in which we operate, including our general expectations and position, opportunity and size estimates, is based on information from various sources, on assumptions that we have made that are based on those and other similar sources and on our knowledge of the audience for our games. This information involves a number of assumptions and limitations, and we caution you not to give undue weight to such estimates. We have not independently verified any third-party information and while we believe the position, opportunity and sector size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

We believe that our games compete for the attention of players with the other forms of entertainment that comprise the global entertainment industry. Collectively, we refer to these markets as the “Worldwide Entertainment Market.” According to IDC, the worldwide markets for Internet advertising, television advertising, video game software and radio advertising in 2011 were forecasted to be \$83 billion, \$212 billion, \$50 billion and \$34 billion, respectively. According to Global Betting and Gaming Consultants, a gambling consultancy firm, the worldwide markets for locally licensed online betting and cash gaming were forecasted to be \$15 billion in 2011 and are expected to grow to approximately \$23 billion by 2014. According to IBISWorld, Inc., a media research and consulting company, the worldwide markets for movies, books, newspapers (including newspaper advertising), magazines (including magazine advertising) and recorded music in 2011 were estimated to be \$122 billion, \$95 billion, \$169 billion, \$116 billion and \$30 billion, respectively. According to Screen Digest, Ltd., a market research firm, the worldwide market for television subscriptions in 2011 was forecasted to be \$200 billion. Aggregating these sources, we believe that the Worldwide Entertainment Market in 2011 was more than \$1.0 trillion.

User Metrics

In this prospectus, when we refer to DAUs, MAUs, MUUs, MUPs or ABPU, unless otherwise indicated, we are referring to internally-measured user information. For information concerning these metrics as measured by us, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Key Operating Metrics.” We also refer in this prospectus to DAUs and MAUs as measured and published by AppData, an independent service that publicly reports traffic data for games and other applications on Facebook. We rely on AppData information whenever we refer to the ranking of our games on Facebook or compare our games to the games of other developers on Facebook. Each of these references is identified by the phrase “according to AppData” or a similar phrase. References in this prospectus to AppData mean Inside Network’s AppData service, together with other services run by Inside Network. Our DAU and MAU information is based on our own internal analytics systems and may differ from the corresponding information published by AppData. We count a user as an “active user” of a game only after the user has navigated to the game and the game has been installed or loaded on the user’s computer or other connected device. AppData’s information includes only users who access our games through Facebook, while our information includes users across all platforms on which our games are played.

AppData has changed its methodologies for calculating DAUs and MAUs in the past and may change its methodologies in the future. Prior to October 15, 2011, AppData counted a user of an application as an “active user” as soon as the user navigated to a web page requesting permission to install the application, irrespective of whether an application was actually installed. For data after October 15, 2011, AppData uses a methodology similar to ours to define an “active user.”

Table of Contents**USE OF PROCEEDS**

The selling stockholders are selling all of the shares of Class A common stock being sold in the offering, including any shares sold upon exercise of the underwriters' option to purchase additional shares. Accordingly, we will not receive any proceeds from the sale of shares of our Class A common stock in this offering. The principal purposes of this offering are to facilitate an orderly distribution of shares and to increase our public float.

MARKET PRICE OF CLASS A COMMON STOCK

Our Class A common stock has been listed on the NASDAQ Global Select Market under the symbol "ZNGA" since December 16, 2011. Prior to that date, there was no public trading market for our Class A common stock. The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our Class A common stock as reported on the NASDAQ Global Select Market:

	<u>High</u>	<u>Low</u>
Fourth Quarter 2011 (from December 16, 2011)	\$11.50	\$8.75
First Quarter 2012 (through March 22, 2012)	\$15.91	\$7.97

On March 22, 2012, the last reported sale price of our Class A common stock on the NASDAQ Global Select Market was \$13.76 per share. As of December 31, 2011, we had 109 holders of record of our Class A common stock, 1,461 holders of record of our Class B common stock and one holder of record of our Class C common stock. The actual number of Class A and Class B stockholders is greater than these numbers of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Table of Contents

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 the consolidated financial statements and the related notes included elsewhere in this prospectus. 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 prospectus, particularly in "Risk Factors."

Overview

We are the world's leading online social game developer with 240 million average MAUs in 175 countries. We have launched the most successful social games in the industry in each of the last three years and generated over \$1.85 billion in cumulative revenue and over \$2.35 billion in cumulative bookings since our inception in 2007. Our games are accessible to players worldwide on Facebook and other social networks, mobile platforms and Zynga.com, wherever and whenever they want. All of our games are free to play, and we generate revenue through the in-game sale of virtual goods and advertising.

We are a pioneer and innovator of social games and a leader in making play a core activity on the Internet. We believe our leadership position in social games is the result of our significant investment in our people, content, brand, technology and infrastructure. Highlights in our history include:

- In April 2007, we began operations and by the end of 2008 had launched several games, including *Zynga Poker* in July 2007 and *Mafia Wars* in June 2008 on multiple platforms, including Facebook and Myspace. In addition, in June 2008, we acquired the *YoVille* game in order to expand our game portfolio. As of December 31, 2008, we had 157 employees.
- In June 2009, we launched *FarmVille*, which quickly became the most popular social game on Facebook. In the second half of 2009, we launched several other games, including *Café World* in September 2009. In the fourth quarter of 2009, we achieved \$144.6 million in bookings. As of December 31, 2009, we had 576 employees.
- In 2010, we saw continued growth from existing games and new game launches. We launched *FrontierVille* in June 2010 and *CityVille* in December 2010. During 2010, in order to enhance our product portfolio and game development capabilities around the world, we acquired several companies, including Newtoy, Inc., the creator of the mobile game *Words with Friends*. In the fourth quarter of 2010, we achieved \$243.5 million in bookings. As of December 31, 2010, we had 1,483 employees.
- In 2010, we entered into an addendum with Facebook that modified Facebook's standard terms and conditions for game developers as they apply to us and that govern the promotion, distribution and operation of our games on Facebook. In July 2010, we began migrating to Facebook Credits, and by April 2011, we had migrated all of our games on Facebook to Facebook Credits.
- In the first quarter of 2011, we released *FarmVille English Countryside*, an expansion of *FarmVille*. We also launched *Words with Friends* on the Google Android platform in the first quarter.
- In the second quarter of 2011, we launched *Empires & Allies*, our first strategy combat game, and *Hanging with Friends*, a mobile game that was developed in our Zynga with Friends studio.
- In the third quarter of 2011, we launched *Adventure World* and released *Words with Friends* on Facebook and achieved \$287.7 million in bookings.
- In the fourth quarter of 2011, we launched *CastleVille* and achieved \$306.5 million in bookings in that quarter. As of December 31, 2011, we had 2,846 employees.

Table of Contents

In 2011, our revenue and bookings were \$1.14 billion and \$1.16 billion, respectively, which represented increases from 2010 of \$542.6 million and \$316.6 million, respectively. Consistent with our free-to-play business model, compared to all players who play our games in any period, only a small portion are payers. Because the opportunity for social interactions increases as the number of players increases, we believe that maintaining and growing our overall number of players, including the number of players who may not purchase virtual goods, is important to the success of our business. As a result, we believe that the number of players who choose to purchase virtual goods will continue to constitute a small portion of our overall players as our business grows.

The games that constitute our top three games vary over time but historically the top three revenue-generating games in any period have contributed the majority of our revenue. Our top three games accounted for 83%, 78% and 57% of our online game revenue in 2009, 2010 and 2011, respectively. The reduction in percentage of online game revenue related to our top three games occurred throughout these periods as new games were launched and we recognized revenue from these games. Historically, our most popular games have generated revenue and bookings for a significant period of time after their release. During 2011, bookings from our games launched prior to December 31, 2009, or Pre-2010 Games, were 97% of bookings from these games during 2010. Bookings from Pre-2010 Games were 58% of total 2011 bookings.

We made significant investments in 2011 to drive long-term growth. We continue to invest in game development, creating both new games and new features and content in existing games designed to engage our players. We are also investing in other key areas of our business, including international market development, mobile games and our technology infrastructure. In 2012, we expect to make capital expenditures of up to \$160 million as we invest in network infrastructure to support our expected growth and to continue to improve the player experience. We expect to make additional capital expenditures of \$228 million in connection with the purchase of our corporate headquarters. In addition, assuming this purchase is completed, we expect to make capital expenditures of \$20 million to \$25 million in 2012 related to improvements for our corporate headquarters.

How We Generate Revenue

We operate our games as live services that allow players to play for free. We generate revenue primarily from the in-game sale of virtual goods and advertising.

Online Game. We provide our players with the opportunity to purchase virtual goods that enhance their game-playing experience. We believe players choose to pay for virtual goods for the same reasons they are willing to pay for other forms of entertainment. They enjoy the additional playing time or added convenience, the ability to personalize their own game boards, the satisfaction of leveling up and the opportunity for sharing creative expressions. We believe players are more likely to purchase virtual goods when they are connected to and playing with their friends, whether those friends play for free or also purchase virtual goods.

In May 2010, we entered into an addendum to Facebook's standard terms and conditions requiring us to transition our payment method to Facebook Credits, Facebook's proprietary payment method, as the primary means of payment within our games played through Facebook. We began migrating to Facebook Credits in July 2010, and in April 2011, we completed this migration. Under this addendum, Facebook remits to us an amount equal to 70% of the face value of Facebook Credits purchased by our players for use in our games. We recognize revenue net of amounts retained by Facebook. Prior to this addendum, we used third-party payment processors and paid these processors service fees ranging from 2% to 10% of the purchase price of our virtual goods which were recorded in cost of revenue. Players can purchase Facebook Credits from Facebook, directly through our games and through game cards purchased from retailers and distributors.

On platforms that do not utilize Facebook Credits, players purchase our virtual goods through various widely accepted payment methods offered in the games, including credit cards, PayPal, Apple iTunes accounts and direct wires. Players can purchase game cards from retailers and distributors for use on these platforms.

Table of Contents

Advertising. Advertising revenue primarily includes branded virtual goods, sponsorships and engagement ads. We generally report our advertising revenue net of amounts due to advertising agencies and brokers.

Revenue growth will depend largely on our ability to attract and retain players and more effectively monetize our player base through the sale of virtual goods and advertising. We intend to do this through the launch of new games, enhancements to current games and expansion into new markets, distribution platforms and Zynga.com.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Key Financial Metrics

Bookings. Bookings is a non-GAAP financial measure that is equal to revenue recognized during the period in addition to the change in deferred revenue during the period. Bookings, as opposed to revenue, is the fundamental top-line metric we use to manage our business, as we believe it is a better indicator of the sales activity in a given period. Over the long term, the factors impacting our bookings and revenue are the same. However, in the short term, there are factors that may cause revenue to exceed or be less than bookings in any period. For a reconciliation of revenue to bookings, see the section titled “—Non-GAAP Financial Measures” included in Selected Consolidated Financial Data.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted for (provision for) / benefit from income taxes; other income (expense), net; interest income; gain (loss) from legal settlements; depreciation and amortization; stock-based compensation and change in deferred revenue. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. For a reconciliation of net income (loss) to adjusted EBITDA, see the section titled “—Non-GAAP Financial Measures” included in Selected Consolidated Financial Data.

Key Operating Metrics

We manage our business by tracking several operating metrics: “DAUs,” which measures daily active users of our games, “MAUs,” which measures monthly active users of our games, “MUUs,” which measures monthly unique users of our games, “MUPs”, “ which measures monthly unique payers in our games, and ABPU, which measures our average daily bookings per average DAU, each of which is recorded by our internal analytics systems.

DAUs . We define DAUs as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks on the same day would be counted as two DAUs. Average DAUs for a particular period is the average of the DAUs for each day during that period. We use DAU as a measure of audience engagement.

MAUs. We define MAUs as the number of individuals who played a particular game in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs. Similarly, an individual who plays the same game on two different platforms (e.g., web and mobile) or on two different social networks in a 30-day period would be counted as two MAUs. Average MAUs for a particular period is the average of the MAUs at each month-end during that period. We use MAU as a measure of total game audience size.

Table of Contents

MUUs. We define MUUs as the number of unique individuals who played any of our games on a particular platform in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as a single MUU. However, because we cannot always distinguish unique individuals playing across multiple platforms, an individual who plays any of our games on two different platforms (e.g., web and mobile) in a given 30-day period may be counted as two MUUs in the event that we do not have data that allows us to de-duplicate the player. Because many of our players play more than one game in a given 30-day period, MUUs are always lower than MAUs in any given time period. Average MUUs for a particular period is the average of the MUUs at each month-end during that period. We use MUU as a measure of total audience reach across our network of games.

MUPs. We define MUPs as the 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, including mobile payers. MUPs does not include payers who use certain smaller web-based 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 period, the player would be counted as two unique payers in that period. Monthly unique payers are presented as a quarterly average of the three months in the applicable quarter.

Average Bookings per User (ABPU). We define ABPU as (i) our total bookings in a given period, divided by (ii) the number of days in that period, divided by, (iii) the average DAUs during the period. We believe that ABPU provides useful information to investors and others in understanding and evaluating our results in the same manner as our management and board of directors. We use ABPU as a measure of overall monetization across all of our players through the sale of virtual goods and advertising.

Our business model for social games is designed so that, as there are more players that play our games, social interactions increase and the more valuable the games and our business becomes. All engaged players of our games help drive our bookings and, consequently, both online game revenue and advertising revenue. Virtual goods are purchased by players who are socializing with, competing against or collaborating with other players, most of whom do not buy virtual goods. Accordingly, we primarily focus on bookings, DAUs, MUUs, MUPs and ABPU, which together we believe best reflect the economic value of all of our players.

	For the Three Months Ended						
	Mar 31, 2010	June 30, 2010	Sep 30, 2010	Dec 31, 2010 (users in millions)	Mar 31, 2011	June 30, 2011	Sep 30, 2011 Dec 31, 2011
Average DAUs	67	60	49	48	62	59	54
Average MAUs	236	234	203	195	236	228	227
Average MUUs	124	119	110	111	146	151	152
Average MUPs (in thousands)	NA	NA	NA	NA	NA	NA	2,568
ABPU	\$0.030	\$0.036	\$0.049	\$0.055	\$0.051	\$0.051	\$0.058

NA means data is not available.

Our user metrics are impacted by several factors that cause them to fluctuate on a quarterly basis. Beginning in early 2010, Facebook changed its policies for application developers regarding use of its communication channels. These changes limited the level of communication among users about applications on the Facebook platform, which we believe contributed to a decline in our number of players throughout 2010. In addition, beginning with the third quarter of 2010, our bookings and revenue growth rates were negatively impacted due to our adoption of Facebook Credits as the primary payment method on Facebook. We account for Facebook Credits net of amounts retained by Facebook. Our DAUs, MAUs and MUUs all increased in the three months ended March 31, 2011, primarily due to the launch of *CityVille* in December 2010, the addition of new content to existing games and the launch of several mobile initiatives. In the third and fourth quarters of 2011, DAUs declined compared to the first two quarters of the year, mainly due to a decline in players of our more mature games. However, during that six-month same period we saw an increase in MAUs and ABPU as we continued to expand our reach as a result of new game launches and improve our monetization as a result of both new game

Table of Contents

launches and increased bookings from advertising. Future growth in audience and engagement will depend on our ability to retain current players, attract new players, launch new games and expand into new markets, distribution platforms and Zynga.com.

Our operating metrics may not correlate directly to quarterly bookings or revenue trends in the short term. For instance, revenue has grown every quarter since our inception, including in quarters where DAU, MAU and MUU did not grow.

Other Metrics

Although certain mobile payer data for the third and fourth quarters of 2011 became available to us in the fourth quarter of 2011, the table below shows quarterly unique payers excluding mobile payers in all periods presented in order to present a payer metric that excludes mobile payer data for all periods. The following table presents certain bookings and estimated quarterly unique payer data for the last eight quarters.

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	(in thousands, except per unique payer data)							
Bookings	\$178,318	\$194,696	\$222,383	\$243,499	\$286,598	\$274,743	\$287,661	\$306,507
Unique payer bookings ⁽¹⁾	\$164,374	\$176,427	\$197,140	\$214,893	\$254,002	\$233,898	\$247,800	\$257,730
Quarterly unique payers ⁽²⁾	2,330	2,577	2,754	3,027	3,676	3,336	3,407	3,499
Unique payer bookings per quarterly unique payer ⁽³⁾	\$ 71	\$ 68	\$ 72	\$ 71	\$ 69	\$ 70	\$ 73	\$ 73

- (1) Unique payer bookings represents the amount of bookings that we received through payment methods for which we can quantify the number of unique payers. Amounts included in bookings but excluded from unique payer bookings include bookings from advertising and bookings received through certain mobile payment platforms and certain smaller web-based payment methods for which we cannot quantify the number of unique payers.
- (2) Quarterly unique payers represents the aggregate number of unique players who made a payment at least once during the quarter through a payment method for which we can quantify the number of unique payers. It does not include payers who use certain mobile platforms and payers who use certain smaller web-based 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 period, the player would be counted as two unique payers in that period.
- (3) Unique payer bookings per unique payer is calculated by dividing unique payer bookings by quarterly unique payers.

Unique payers increased each period from the first quarter of 2009 through the fourth quarter of 2011, except for the second quarter of 2011, as a result of the introduction of new games, new content in our games and additional payment methods throughout these periods. Unique payers decreased by approximately 340,000 in the second quarter of 2011 compared to the first quarter due to the launch of *CityVille* just prior to the beginning of the first quarter and no other new game launches from December 2010 through May 2011.

Factors Affecting Our Performance

Launch of new games and release of enhancements. Our bookings and revenue growth have been driven by the launch of new games and the release of fresh content and new features in existing games. For a summary of key game launch dates and other significant events, see the section titled "Overview" above. Although the amount of revenue and bookings we generate from a new game or an enhancement to an existing game can vary significantly, we expect our revenue and bookings growth to be correlated to the success of our new games and our success in releasing engaging content and features.

Table of Contents

Game monetization . We generate most of our bookings and revenue from the sale of virtual goods in our games. The degree to which our players choose to pay for virtual goods in our games is driven by our ability to create content and virtual goods that enhance the game-play experience. Our bookings, revenue and overall financial performance are affected by the number of players and the effectiveness of our monetization of players through the sale of virtual goods and advertising. In addition, international players have historically lagged the monetization that we achieve for U.S. players, and the percentage of paying international players may increase or decrease based on a number of factors, including growth in overall international players, localization of content and the availability of payment options.

Changes in Facebook or other platforms. Facebook is the primary distribution, marketing, promotion and payment platform for our social games. We generate substantially all of our bookings, revenue and players through the Facebook platform and expect to continue to do so for the foreseeable future. Facebook and other platforms have broad discretion to change their platforms, terms of service and other policies with respect to us or other developers, and those changes may be unfavorable to us. The table below presents the estimated percentages of our quarterly bookings and revenue generated through the Facebook platform. We have had to estimate this information because certain payment methods used do not allow us to determine the platform used.

	For the Three Months Ended							
	Mar 31,	Jun 30,	Sep 30,	Dec 31,	Mar 31,	Jun 30,	Sep 30,	Dec 31,
	2010	2010	2010	2010	2011	2011	2011	2011
Bookings	94%	93%	91%	93%	93%	93%	94%	93%
Revenue	94%	93%	91%	94%	93%	93%	93%	94%

Investment in game development . In order to develop new games and enhance the content and features in our existing games, we must invest a significant amount of engineering and creative resources. These expenditures generally occur months in advance of the launch of a new game, website or the release of new content, and the resulting revenue may not equal or exceed our development costs.

Investment in technology stack . By the fourth quarter of 2011, we hosted a significant portion of our game traffic on our own network infrastructure. We will continue to invest in our network infrastructure, with the goal of reducing our reliance on third-party web hosting services and moving towards the use of self-operated data centers. Under this approach, we host data and traffic for our games on servers located in the data centers which we lease, build and operate. Investment in our network infrastructure will require capital expenditures for equipment. We believe that over the long term this investment will produce further operating leverage by reducing our game operation costs and will enhance our games and player experience. However, as we continue to grow, the capital investment necessary to build and maintain our infrastructure will be significant and will require that we successfully migrate our games to ensure the best customer service for our players.

Player acquisition costs. Although we acquire most of our players through unpaid channels, we also utilize advertising and other forms of player acquisition and retention to grow and retain our player audience. These expenditures generally relate to the promotion of new game launches and ongoing performance-based programs to drive new player acquisition and lapsed player reactivation. Over time, these acquisition and retention-related programs may become either less effective or more costly, negatively impacting our operating results.

New market development. We are investing in new distribution channels such as mobile and third-party platforms, including other social networks and in international markets to expand our reach and grow our business. For example, we have continued to hire additional employees and acquire companies with experience developing mobile applications. We have also invested resources in integrating and operating some of our games on additional third-party platforms, including Google+, mixi, and Tencent. As we expand into new markets and distribution channels, we expect to incur headcount, marketing and other operating costs in advance of the associated bookings and revenue. Our financial performance will be impacted by our investment in these initiatives and their success.

Table of Contents

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 revenue for each of the eight quarters ended December 31, 2011 (certain items may not reconcile due to rounding). We also present other financial and operations data, and a reconciliation of revenue to bookings and net income (loss) to adjusted EBITDA, for the same periods. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included in this prospectus. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments, that 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 elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(in thousands, except per share data)								
Consolidated Statements of Operations Data:								
Revenue	\$100,927	\$130,099	\$170,674	\$195,759	\$242,890	\$279,144	\$306,829	\$ 311,237
Costs and expenses:								
Cost of revenue	32,911	41,636	49,902	51,603	67,662	78,076	80,170	104,135
Research and development	27,851	30,386	39,782	51,500	71,760	95,747	114,809	444,702
Sales and marketing	17,398	29,530	28,957	38,280	40,156	38,098	43,717	112,228
General and administrative	16,452	15,130	17,757	(17,088)	27,110	54,218	36,395	136,733
Total costs and expenses	94,612	116,682	136,398	124,295	206,688	266,139	275,091	797,798
Income (loss) from operations	6,315	13,417	34,276	71,464	36,202	13,005	31,738	(486,561)
Net income (loss)	\$ 6,435	\$ 13,951	\$ 27,217	\$ 42,992	\$ 16,758	\$ 1,391	\$ 12,540	\$(435,005)
Earnings per share—basic	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.06	\$ 0.01	\$ 0.00	0.00	\$ (1.22)
Earnings per share—diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.00	0.00	\$ 0.00	\$ (1.22)

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
(as a percentage of revenue)								
Consolidated Statements of Operations Data:								
Revenue	100%	100%	100%	100%	100%	100%	100%	100%
Costs and expenses:								
Cost of revenue	33	32	29	26	28	28	26	33
Research and development	28	23	23	26	30	34	38	143
Sales and marketing	17	23	17	20	17	14	14	36
General and administrative	16	12	11	(9)	11	19	12	44
Total costs and expenses	94	90	80	63	86	95	90	256
Income (loss) from operations	6%	10%	20%	37%	14%	5%	10%	(156)%
Net income (loss)	6%	11%	16%	22%	6%	0%	4%	(140)%

Table of Contents

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	(dollars in thousands, except ABPU)							
Other Financial and Operations Data								
Bookings	\$178,318	\$194,696	\$222,383	\$243,499	\$286,598	\$274,743	\$287,661	\$ 306,507
Adjusted EBITDA	\$ 93,552	\$ 93,794	\$102,200	\$103,192	\$112,263	\$ 65,080	\$ 58,130	\$ 67,801
Average DAUs (in millions)	67	60	49	48	62	59	54	54
Average MAUs (in millions)	236	234	203	195	236	228	227	240
Average MUUs (in millions)	124	119	110	111	146	151	152	153
Average MUPs (in thousands)	NA	NA	NA	NA	NA	NA	2,568	2,901
ABPU	\$ 0.030	\$ 0.036	\$ 0.049	\$ 0.055	\$ 0.051	\$ 0.051	\$ 0.058	\$ 0.061
Headcount (at period end)	761	961	1,246	1,483	1,858	2,289	2,789	2,846

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	(in thousands)							
Reconciliation of Revenue to Bookings:								
Revenue	\$100,927	\$130,099	\$170,674	\$195,759	\$242,890	\$279,144	\$306,829	\$ 311,237
Change in deferred revenue	\$ 77,391	\$ 64,597	\$ 51,709	\$ 47,740	\$ 43,708	\$ (4,401)	\$ (19,168)	\$ (4,730)
Bookings	<u>\$178,318</u>	<u>\$194,696</u>	<u>\$222,383</u>	<u>\$243,499</u>	<u>\$286,598</u>	<u>\$274,743</u>	<u>\$287,661</u>	<u>\$ 306,507</u>
Reconciliation of Net Income (Loss) to Adjusted EBITDA:								
Net income (loss)	\$ 6,435	\$ 13,951	\$ 27,217	\$ 42,992	\$ 16,758	\$ 1,391	\$ 12,540	\$(435,005)
(Provision for) / benefit from income taxes	391	789	6,452	28,832	19,226	12,257	19,723	(53,032)
Other income (expense), net	(430)	(1,101)	1,053	113	736	(200)	(263)	1,933
Interest income	(81)	(222)	(446)	(473)	(518)	(443)	(262)	(457)
Gain on legal settlements	—	—	—	(39,346)	—	—	—	(2,145)
Depreciation and amortization	6,456	8,504	11,292	13,139	17,847	23,365	22,936	31,266
Stock-based compensation	3,300	7,276	4,923	10,195	14,506	33,111	22,624	529,971
Change in deferred revenue	<u>77,391</u>	<u>64,597</u>	<u>51,709</u>	<u>47,740</u>	<u>43,708</u>	<u>(4,401)</u>	<u>(19,168)</u>	<u>(4,730)</u>
Adjusted EBITDA	\$ 93,552	\$ 93,794	\$102,200	\$103,192	\$112,263	\$ 65,080	\$ 58,130	\$ 67,801

Quarterly Trends

Bookings increased sequentially during all periods presented except for a decrease of 4% in the three months ended June 30, 2011 compared to the three months ended March 31, 2011, which was primarily attributable to a decrease in DAUs while ABPU was stable over the quarter. We did not launch any new games in the first half of 2011 in time to materially impact bookings in the first two quarters of 2011. Failure in future

Table of Contents

Contractual Obligations

We have entered into operating leases for facilities space. In 2010, we executed an operating lease agreement for 267,000 square feet of office space for our future headquarters in San Francisco, California, which we expanded to 407,000 square feet in 2011. The lease term is seven years from the defined commencement date, with options to renew for two five-year terms. In addition, we have entered into several service contracts for web hosting services. The minimum lease payments and the future minimum purchase commitments as of December 31, 2011 are included in the table below, including minimum lease payments related to our corporate headquarters since our proposed purchase of the building has not yet closed. We do not have any debt or material capital lease obligations, and all of our property, equipment and software has been purchased with cash. This table excludes our unrecognized tax benefits totaling \$19.5 million as of December 31, 2011 since we have determined that the timing of payments with respect to this liability cannot be reasonably estimated.

	Payments Due by Period				
	Total	Less than 1 year	1 -3 years (in millions)	4-5 years	More than 5 years
Operating lease obligations	\$257.3	\$ 31.1	\$77.4	\$73.6	\$ 75.2
Purchase commitments	11.2	9.3	1.9	—	—
Total	<u>\$268.5</u>	<u>\$ 40.4</u>	<u>\$79.3</u>	<u>\$73.6</u>	<u>\$ 75.2</u>

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and related notes. Our significant accounting policies are described in Note 1 to our consolidated financial statements included in this prospectus. We have identified below our critical accounting policies and estimates that we believe require the greatest amount of judgment. These estimates and judgments have a significant impact on our consolidated financial statements. Actual results could differ materially from those estimates.

Revenue Recognition

We derive revenue from the sale of virtual goods and from the sale of advertising within our games.

Online game

We operate our games as live services that allow players to play for free. Within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. Players can primarily pay for our virtual currency using Facebook Credits when playing our games through the Facebook platform, and can use other payment methods such as credit cards or PayPal on other platforms. We also sell game cards that are initially recorded as a customer deposit liability which is included in other current liabilities on the consolidated balance sheet, net of fees retained by retailers and distributors. Upon redemption of a game card into one of our games and delivery of virtual currency to the player, these amounts are reclassified to deferred revenue.

We recognize revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the player; (3) the collection of our fees is reasonably assured; and (4) the amount of fees to be paid by the customer is fixed or determinable. For purposes of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying player to continue displaying the purchased virtual goods within the online game over their estimated life or until they are consumed. The proceeds from the sales of virtual goods are initially recorded in deferred revenue. We categorize our virtual goods as either consumable or durable. Consumable virtual goods,

Table of Contents

such as energy in *CityVille*, represent goods that can be consumed by a specific player action. Common characteristics of consumable goods may include virtual goods that are no longer displayed on the player's game board after a short period of time, do not provide the player any continuing benefit following consumption or often times enable a player to perform an in-game action immediately. For the sale of consumable virtual goods, we recognize revenue as the goods are consumed. Durable virtual goods, such as tractors in *FarmVille*, represent virtual goods that are accessible to the player over an extended period of time. We recognize revenue from the sale of durable virtual goods ratably over the estimated average playing period of paying players for the applicable game, which represents our best estimate of the average life of our durable virtual goods. If we do not have the ability to differentiate revenue attributable to durable virtual goods from consumable virtual goods for a specific game, we recognize revenue from the sale of durable and consumable virtual goods for that game ratably over the estimated average period that paying players typically play our games (as further discussed below), which ranged from eight to 25 months in 2011. Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average playing periods may change in the future.

Prior to October 1, 2009, we did not have the data to determine the consumption dates for our consumable virtual goods or to differentiate revenue attributable to durable virtual goods from consumable virtual goods. Beginning in October 2009, we had sufficient data to separately account for consumable and durable virtual goods in one of our games, thus allowing us to recognize revenue related to consumable goods upon consumption. Since January 2010, we have had this data for substantially all of our games, thus allowing us to recognize revenue related to consumable goods upon consumption. We expect that in future periods there will be changes in the mix of durable and consumable virtual goods sold, reduced virtual good sales in existing games, changes in estimates in average paying payer life and/or changes in our ability to make such estimates. When such changes occur, and in particular if more of our revenue in any period is derived from goods for which revenue is recognized over the estimated average playing period, or that period increases on average, the amount of revenue that we recognize in a future period may be reduced, perhaps significantly.

On a quarterly basis, we determine the estimated average playing period for paying players by game beginning at the time of a payer's first purchase in that game and ending on a date when that paying player is no longer playing the game. To determine when paying players are no longer playing a given game, we analyze monthly cohorts of paying players for that game who made their first in-game payment between six and 18 months prior to the beginning of each quarter and determine whether each player within the cohort is an active or inactive player as of the date of our analysis. To determine which players are inactive, we analyze the dates that each paying player last logged into that game. We determine a paying player to be inactive once they have reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. For the payers deemed inactive as of our analysis date we analyze the dates they last logged into that game to determine the rate at which inactive players stopped playing. Based on these dates we then project a date at which all paying players for each monthly cohort are expected to cease playing our games. We then average the time periods from first purchase date and the date the last player is expected to cease playing the game for each of the monthly cohorts to determine the total playing period for that game. To determine the estimated average playing period we then divide this total playing period by two. The use of this "average" approach is supported by our observations that paying players become inactive at a relatively consistent rate for each of our games. If future data indicates paying players do not become inactive at a relatively consistent rate, we will modify our calculations accordingly. If a new game is launched and only a limited period of paying player data is available for our analysis, then we also consider other factors, such as the estimated average playing period for other recently launched games with similar characteristics, to determine the estimated average playing period.

In May 2010, we entered into an agreement with Facebook to accept Facebook Credits as the primary in-game payment method for our games played through the Facebook platform. The agreement required us to begin migrating our games to Facebook Credits in our games beginning in July 2010, and by April 2011 this migration was complete. Facebook Credits is Facebook's proprietary virtual currency that Facebook sells for use on the Facebook platform. Under the terms of our agreement, Facebook sets the price our players pay for

Table of Contents

- **Powerful Network Effects.** Because of our large community, our players are more likely to find and connect with others to play and build relationships. Our games are more social and fun as more people play them, creating an incentive for existing players to encourage their friends and family to play. Our players and our business benefit from these powerful network effects.

Our Key Metrics

We measure our business by using several key financial metrics, which include bookings, adjusted EBITDA and ABPU, and operating metrics, which include DAUs, MAUs, MUUs and MUPs. Our operating metrics help us to understand and measure the engagement levels of our players, the size of our audience and our reach.

For a description of how we calculate each of our key metrics and factors that have caused fluctuations in these metrics, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics.”

In July 2010, we began migrating to Facebook Credits as the primary payment method for our games played through Facebook, and by April 2011, we had completed this migration. Facebook remits to us an amount equal to 70% of the face value of Facebook Credits purchased by our players for use in our games played through Facebook. We record bookings and recognize revenue net of the amounts retained by Facebook.

The table below shows the metrics for the eight quarters indicated:

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	(in millions, except MUPs and ABPU)							
Bookings	\$ 178	\$ 195	\$ 222	\$ 243	\$ 287	\$ 275	\$ 288	\$ 307
Revenue	\$ 101	\$ 130	\$ 171	\$ 196	\$ 243	\$ 279	\$ 307	\$ 311
Adjusted EBITDA	\$ 94	\$ 94	\$ 102	\$ 103	\$ 112	\$ 65	\$ 58	\$ 68
Net Income (Loss)	\$ 6	\$ 14	\$ 27	\$ 43	\$ 17	\$ 1	\$ 13	\$ (435)
Average DAUs	67	60	49	48	62	59	54	54
Average MAUs	236	234	203	195	236	228	227	240
Average MUUs	124	119	110	111	146	151	152	153
Average MUPs (in thousands)	NA	NA	NA	NA	NA	NA	2,568	2,901
ABPU	\$0.030	\$0.036	\$0.049	\$0.055	\$0.051	\$0.051	\$0.058	\$0.061

NA means data is not available.

Our Strategy

Our mission is to connect the world through games. In pursuit of our mission, we encourage entrepreneurship and intelligent risk taking to produce breakthrough innovations, which we call bold beats. The key elements of our strategy are:

- **Make Games Accessible and Fun.** We operate our games as live services that are available anytime and anywhere, including on Zynga.com. We design our social games to provide players with easy access to shared experiences that delight, amuse and entertain, and we will continue to update our games on an ongoing basis with fresh content and new features to make them more social and fun for our players.
- **Enhance Existing Franchises.** We will continue to enhance our market-leading franchises including *CityVille*, *FarmVille*, *CastleVille*, *Words with Friends* and *Zynga Poker*. We regularly update our games after launch to encourage social interactions, add new content and features and improve monetization. For example, we established a weekly cadence of new content releases for our *FarmVille*.

Table of Contents

franchise after its launch in 2009. *FarmVille* achieved record revenue in the quarter ended March 31, 2011. Further, during the first two days of our *FarmVille English Countryside* expansion in March 2011, we saw a large increase in bookings. Other notable features in our franchises that we developed post launch include the “spice rack” in *Café World* where players can use their spices to accelerate cooking a dish, “robbing” in *Mafia Wars* that augments a player’s “fighting,” and a “hand strength meter” in *Zynga Poker* to help players calculate the effectiveness of their poker hands.

- **Launch New Games.** We will continue to invest in building new games to expand the genres of games that we offer, further engage with our existing players and attract new players. For example, in November 2011, we launched *CastleVille*, which in its first two weeks became the second most popular game on Facebook based on DAUs, as measured by AppData. With our Zynga Platform Partners program, we enable third-party developers to reach our community of 240 million average MAUs and will allow our players to access a greater number of genres and games.
- **Continue Mobile Growth.** We believe there is a large opportunity to extend our brand and games to mobile platforms such as Apple iOS and Google Android. We will continue to make our games accessible on a large number of mobile and other Internet-connected devices and invest in developing and acquiring mobile development talent, technologies and content. As of December 31, 2011, we had a total of 13 games available on mobile platforms. We have recently extended franchise games, such as *Zynga Poker*, to mobile platforms and we have developed games, such as *Hanging with Friends*, for initial launch on mobile platforms. Our DAUs on mobile platforms grew more than 16-fold from November 1, 2010 to December 31, 2011 and reached 15 million during the fourth quarter of 2011.
- **Continue International Growth.** We have seen significant growth in the number of our players in international markets. We have games available in up to 16 languages. In December 2010, *CityVille* was our first game to launch in multiple languages. We intend to expand our international audience by making more of our games available in multiple languages, creating more localized game content and partnering with leading international social networking sites and mobile partners. We believe we have a significant opportunity to better monetize our games in international markets as we offer more targeted virtual goods and additional payment options.
- **Extend our Technology Leadership Position.** Our proprietary technology stack and data analytics are competitive advantages that enhance our ability to create the world’s best social games. We will continue to innovate and optimize our network infrastructure to cost-effectively ensure high performance and high availability for our social games. We believe continued investments in infrastructure and systems will allow us to extend our technology leadership.
- **Increase Monetization of Our Games.** We plan to offer increased selection, better merchandising and more payment options to increase the sales of our virtual goods. Our players purchase these virtual goods to extend their play sessions, personalize their game environments, accelerate their progress or send unique gifts to their friends. We will also continue to pursue additional revenue opportunities from advertising, including branded virtual goods and sponsorships.

Our Social Games

We design our social games to provide players with shared experiences that surprise and delight them. Our games are free to play, span a number of genres and attract a community of players that is demographically and geographically diverse. Our social games leverage the global connectivity and distribution on Facebook, other social networks and mobile platforms, such as Apple iOS and Google Android. In addition to these third-party platforms, on March 1, 2012, we announced the Zynga Platform, which includes Zynga.com, a new destination for social games, and Zynga Platform Partners, a program that allows third-party game developers to create and publish games on Zynga.com. On March 5, 2012, we launched the beta version of Zynga.com. As a destination dedicated to social games, Zynga.com allows players to play with existing friends and connect with other players who share a common interest in our games, such as *CityVille*, *CastleVille* and *Words with Friends*, and, in the future, games from our third-party developer partners. In addition, because Zynga.com is integrated with

Table of Contents

Facebook, our players can continue to log in with their Facebook ID, easily play games with their existing Facebook friends and use Facebook Credits to purchase virtual goods.

We operate our games as live services and update them with fresh content and new features to make them more social, enhance player engagement and improve monetization. We analyze the data generated by our players' game play and social interactions to guide the creation of new content and features. We use this ongoing feedback loop to keep our games compelling and enhance the player experience.

Play, invest and express are player actions that we believe are central to our social games. Players generally start with a standard game board, such as a virtual castle in *CastleVille*, which they then customize and personalize through their game play. We design our games to inspire and enable our players to express their personalities by customizing the appearances of their characters and building and decorating their own virtual city, farm, castle, manor or restaurant. Players invest time in our games in a variety of ways, such as by tending virtual crops or developing specialized skills like winemaking or baking. Through activities such as these, players advance in the game, which we refer to as leveling up. Players can choose to advance in the game by investing additional time, requesting help from their friends or purchasing virtual goods.

Descriptions of some of our leading games are provided below:



Genre: Virtual World

Platforms: Facebook, iOS, Google+, Tencent, Zynga.com

Launched: December 2010

CityVille is the largest game on Facebook by MAUs, according to AppData. In *CityVille*, our players build the city of their dreams. Players can build homes, businesses, famous landmarks and public buildings to grow their city. In addition, players can socialize within cities with their family and friends by asking them to help by working in community buildings, such as police departments, or by building franchises, such as toy stores. *CityVille* surpassed 61 million MAUs within the first 50 days after launch. *CityVille* was our first game launched in multiple languages (English, French, German, Italian and Spanish). In June 2011, we launched *CityVille Hometown*, a mobile application available on Apple iOS platforms. *CityVille Hometown* enables players to build small towns and villages and connect with their Facebook friends.



Genre: Card

Platforms: Facebook, Myspace, Yahoo!, Android, iOS, Google+, Google TV, Zynga.com

Launched: July 2007

Zynga Poker was our first social game and is the largest free-to-play online poker game in the world. Players have the option to play at any table, meet new people from around the world or join friends for a game, choosing from casual Hold 'Em tables, tournament play or VIP tables. A leader board shows players how they compare in chip ranking to their friends and through the gift shop players can personalize and decorate their seat at the table. Players interact with other players by chatting, completing challenges and sending and receiving gifts, including poker chips. According to AppData, it is the fourth most popular game on Facebook, four years after its launch. Also available on Google Android and Apple iOS, *Zynga Poker* was a top three grossing game in the Apple App Store for iPhone as of September 30, 2011.

Table of Contents



Genre: Puzzle

Platforms: Facebook, Zynga.com

Launched: January 2012

Hidden Chronicles is our first social hidden object game. In *Hidden Chronicles*, our players explore stunning scenes to uncover thousands of cleverly-concealed objects, solve puzzles and find clues in an effort to unravel the mystery of Ramsey Manor. We have integrated core social elements into *Hidden Chronicles*. For example, exploring the grounds, players meet and interact with unique caretakers and have the ability to build, decorate and customize the Manor. In addition, our players can challenge their friends to find the most hidden objects in 60 seconds. We launched *Hidden Chronicles* in January 2012 and within 40 days after launch, it reached 30 million MAUs, becoming the largest hidden objects game on Facebook.



Genre: Virtual World

Platforms: Facebook, iOS, Farmville.com

Launched: June 2009

FarmVille lets players cultivate their farms by plowing, planting and harvesting crops and trees. Players also care for their farm animals: milking their cows and collecting eggs from their chickens. According to AppData, *FarmVille* was the top game by DAUs on Facebook between August 2009 and December 2010, when *CityVille* claimed the top spot. We continue to enhance the social aspects of the game, including in-game gifting to friends, cooperative crafting jobs and trading goods in the farmer's market. In March 2011, we released *FarmVille English Countryside*, which provides players the opportunity to create a second farm styled after an English country farm. In March 2012, we launched *FarmVille Hawaiian Paradise*, another expansion where players celebrate *FarmVille* with some tropical fun. In our first retail tie-in in May 2010, we partnered with 7-Eleven to offer *FarmVille*-branded game cards and items on many of the convenience retailer's products, including Slurpee and Big Gulp drinks in nearly 7,000 stores. We partnered with Lady Gaga in May 2011 by creating *GagaVille*—a Lady Gaga-inspired farm where players could visit and listen to songs from her album *Born This Way*.



Genre: Virtual World

Platforms: Facebook, Zynga.com

Launched: November 2011

CastleVille launched in November 2011 and allows our players to help each other build the kingdoms of their dreams and explore magnificent lands. Set in a rich medieval world, *CastleVille* features an engaging storyline, with a touch of fantasy, and memorable characters. Players build their very own kingdom in a magical land where they must banish the gloom and nasty beasts in order to grow their kingdom. *CastleVille* reached 37 million MAUs within the first 45 days after launch.

Table of Contents



Genre: Strategy
Platform: Facebook
Launched: June 2011

Empires & Allies launched in June 2011 in 12 languages and lets players build up their island empires, create virtual armies of tanks, planes and ships, and battle their enemies while defending their allies. Players decide whether to help and trade with each other or attack each other's military defenses while pillaging resources. The game also features a single-player story-based campaign with a cast of more than 20 heroes and villains. *Empires & Allies* is our first strategy combat game. *Empires & Allies* reached 27 million MAUs for the first month after launch.



Genre: Role-Playing
Platform: Facebook
Launched: June 2010

FrontierVille lets players tame the wilderness and explore the Wild West. Players begin with a covered wagon and a plot of land to establish and grow a homestead with friends and family. We believe that *FrontierVille* was innovative in the industry with a strong, evolving storyline about life on the frontier. It was our first social game to enable the ability to control multiple avatars on a single screen, raise a virtual family and interact with other players' game boards. In November 2010, *FrontierVille* released a set of five limited-time Thanksgiving missions which increased engagement and bookings. Players planted seasonal fall crops, helped friends with their wish lists, built a feast table and prepared a Thanksgiving meal for their friends.



Genre: Word
Platforms: iOS
Launched: January 2012

Scramble with Friends, launched in January 2012, is a fun, social, fast-paced game that combines the brain bending fun of Zynga's original Scramble with the classic features that have made the 'With Friends' games beloved by millions. *Scramble with Friends* is a made-for-mobile game where players compete against opponents to beat the clock and find as many words as possible on the game board. Each match consists of three rounds of two-minutes, and the player with the highest point total at the end wins. As of March 20, 2012, *Scramble with Friends* had approximately 2.8 million DAUs.

Table of Contents



Genre: Word

Platforms: Android, iOS, Facebook, Zynga.com

Launched: June 2009

Acquired: November 2010

In 2012 to date, we have launched *Hidden Chronicles* and *Zynga Slingo* on web platforms and *Scramble with Friends*, *Dream PetHouse* and *Dream Heights* on mobile platforms. In addition, we released the beta version of *Zynga Bingo* and our social games destination site, *Zynga.com*. In March 2012, we added the popular game, *Draw Something*, to our portfolio of mobile games through the acquisition of OMGPOP, a provider of social games for mobile phones, tablets and PCs.

Our Platform

In March 2012, we announced the beta release of our Zynga Platform, hosted at *Zynga.com*. *Zynga.com* is built with the goal of bringing players more ways to connect with more people on a new destination dedicated to social games. The Zynga Platform enables players to meet and connect with other players who share a love for social games, ultimately giving them more friends to play with. Players progress faster in their games by connecting with the entire community to instantly get what they need to complete quests, obtain virtual items and advance to the next level. *Zynga.com* is one of the first sites to be completely integrated with Facebook as an extension of our partnership. It allows players to log in with their Facebook ID, use Facebook Credits and easily play games with their existing Facebook friends, as well as other people who love to play the same games.

The initial beta release of *Zynga.com* features:

- **zFriends** —*Zynga.com* allows players to play with existing friends and connect with other players who share a common interest in our games.
- **Top Games** —Five of our top games – *CastleVille*, *Words with Friends*, *CityVille*, *Hidden Chronicles* and *Zynga Poker* —are accessible on the site. New games will also be developed and published for the site by third-party developers.
- **Social Stream** —Live social stream allows players to connect with each other without leaving their game boards.
- **Player Profile** —A profile page allows players to engage around how they play, highlighting favorite games, top zFriends, recent activity and their helpfulness score.
- **Live Chat** —Without leaving the game board, players can also chat with zFriends in real-time and send gifts or strategize.

Words with Friends is a leading social mobile game challenging players to create the highest-scoring words while playing against family and friends. Players can be engaged in up to 20 games at once and are able to chat with each other in game. In Apple's App Store for iPhone, *Words with Friends* has regularly been the leading game in the word category since 2010 until *Hanging with Friends* became the leading game in June 2011. In August 2011, we released *Words with Friends* on Facebook, our first adaptation of one of our mobile games for Facebook. *Words with Friends* was acquired through our purchase of Newtoy, Inc. By leveraging our scale, technology infrastructure and deep knowledge of social game mechanics, we were able to double the DAUs for *Words with Friends* within approximately 120 days after the acquisition. In February 2012, Apple announced that *Words with Friends* was the number one free game app of all time on the iPhone.

Table of Contents**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth, as of January 31, 2012, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Class A common stock, Class B common stock or Class C common stock;
- each of our named executive officers;
- each of our directors;
- all of our current executive officers and directors as a group; and
- each of the selling stockholders.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable within 60 days of January 31, 2012. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of Class A common stock, Class B common stock and Class C common stock shown that they beneficially own, subject to community property laws where applicable. Unless otherwise indicated, based on the information supplied to us by or on behalf of the selling stockholders, no selling stockholder is a broker-dealer or an affiliate of a broker-dealer.

Our calculation of the percentage of beneficial ownership prior to this offering is based on 121,703,195 shares of our Class A common stock, 583,538,335 shares of our Class B common stock and 20,517,472 shares of our Class C common stock outstanding as of January 31, 2012. We have based our calculation of the percentage of beneficial ownership after this offering on 164,672,348 shares of our Class A common stock, 540,569,182 shares of our Class B common stock and 20,517,472 shares of our Class C common stock outstanding immediately after the closing of this offering (assuming the sale of 42,969,153 shares of our Class A common stock by or on behalf of the selling stockholders and no exercise of the underwriters' option to purchase additional shares from certain of the selling stockholders, none of which are executive officers or directors).

Common stock subject to stock options currently exercisable or exercisable within 60 days of January 31, 2012, are deemed to be outstanding for computing the percentage ownership of the person holding these options and the percentage ownership of any group of which the holder is a member but are not deemed outstanding for computing the percentage of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Zynga Inc., 699 Eighth Street, San Francisco, CA 94103.

Table of Contents

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering						Total Voting % ⁽¹⁾	Number of Shares Being Offered	Shares Beneficially Owned After this Offering						Total Voting % ⁽¹⁾	
	Class A		Class B		Class C				Class A		Class B		Class C			
	Shares	%	Shares	%	Shares	%			Shares	%	Shares	%	Shares	%		
5% Stockholders:																
Mark Pincus and related entities ⁽²⁾	—	—	91,385,846	15.5	20,517,472	100.0	36.5	16,500,000	—	—	74,085,846	13.5	20,517,472	100.0	35.9	
KPCB Holdings, Inc., as Nominee ⁽³⁾	21,000,000	17.3	44,159,896	7.6	—	—	5.9	—	21,000,000	13.0	44,159,896	8.2	—	—	6.1	
Institutional Venture Partners XII, L.P. ⁽⁴⁾	—	—	34,326,072	5.9	—	—	4.3	5,835,432	—	—	28,490,640	5.3	—	—	3.7	
Entities affiliated with Union Square Ventures ⁽⁵⁾	—	—	30,738,892	5.3	—	—	3.8	5,225,612	—	—	25,513,280	4.7	—	—	3.3	
Foundry Venture Capital 2007, L.P. ⁽⁶⁾	—	—	34,560,060	5.9	—	—	4.3	—	—	—	34,560,060	6.4	—	—	4.5	
Avalon Ventures VIII, LP ⁽⁷⁾	—	—	34,680,608	5.9	—	—	4.3	—	—	—	34,680,608	6.4	—	—	4.5	
Capital Research Global Investors ⁽⁸⁾	16,370,856	13.5	4,740,144	*	—	—	*	—	16,370,856	10.1	4,740,144	*	—	—	*	
Morgan Stanley Mutual Funds ⁽⁹⁾	10,660,001	8.8	5,346,026	*	—	—	*	—	10,660,001	6.6	5,346,026	1.0	—	—	*	
JPMorgan Chase & Co. ⁽¹⁰⁾	6,725,991	5.5	—	—	—	—	*	—	6,725,991	4.2	—	—	—	—	*	
Named Executive Officers and Directors:																
Mark Pincus ⁽²⁾	—	—	91,385,846	15.5	20,517,472	100.0	36.5	16,500,000	—	—	74,085,846	13.5	20,517,472	100.0	35.9	
David M. Wehner ⁽¹¹⁾	—	—	706,828	*	—	—	*	386,865	—	—	319,963	*	—	—	*	
John Schappert ⁽¹²⁾	—	—	716,332	*	—	—	—	322,350	—	—	393,982	*	—	—	*	
Jeff Karp ⁽¹³⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	*	
Reginald D. Davis ⁽¹⁴⁾	—	—	1,545,122	*	—	—	*	314,643	—	—	1,230,479	*	—	—	*	
William “Bing” Gordon ⁽¹⁵⁾	21,000,000	17.3	41,241,020	7.1	—	—	5.5	—	21,000,000	13.0	41,241,020	7.6	—	—	5.7	
Reid Hoffman ⁽¹⁶⁾	—	—	4,584,176	*	—	—	*	687,626	—	—	3,896,550	*	—	—	*	
Jeffrey Katzenberg ⁽¹⁷⁾	—	—	388,410	*	—	—	*	—	—	—	388,410	*	—	—	*	
Stanley J. Meresman ⁽¹⁸⁾	—	—	70,000	*	—	—	*	—	—	—	70,000	*	—	—	*	
Sunil Paul ⁽¹⁹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	*	
Owen Van Natta ⁽²⁰⁾	—	—	2,680,945	*	—	—	*	505,267	—	—	2,175,678	*	—	—	*	
All executive officers and directors as a group (14 persons) ⁽²¹⁾ :	21,000,000	17.3	153,445,708	25.8	20,517,472	100.0	44.5	20,254,631	21,000,000	12.8	132,391,077	24.4	20,517,472	100.0	43.9	
Certain Other Selling Stockholders:																
Entities affiliated with SilverLake Partners ⁽²²⁾	—	—	23,304,718	4.0	—	—	2.9	3,961,802	—	—	19,342,916	3.6	—	—	2.5	
Google, Inc. ⁽²³⁾	—	—	23,304,716	4.0	—	—	2.9	3,961,802	—	—	19,342,914	3.6	—	—	2.5	
Zynga.org ⁽²⁴⁾	—	—	—	—	—	—	—	1,000,000	—	—	—	—	—	—	—	
Silicon Valley Community Foundation ⁽²⁵⁾	—	—	—	—	—	—	—	800,000	—	—	—	—	—	—	—	
Gary Leff	—	—	400,120	*	—	—	*	68,020	—	—	332,100	*	—	—	*	
All Other Selling Stockholders ⁽²⁶⁾	—	—	5,511,312	*	—	—	*	1,861,854	—	—	3,649,458	*	—	—	*	

Table of Contents

-
- * Represents beneficial ownership of less than one percent (1%) of the applicable class of outstanding common stock.
- (1) Total voting power percentage represents voting power with respect to all shares of our Class A, Class B and Class C common stock. Each holder of Class C common stock entitled to seventy votes per share of Class C common stock, each holder of Class B common stock is entitled to seven votes per share of Class B common stock and each holder of Class A common stock is entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote.
 - (2) Consists of (i) 20,517,472 shares of Class C common stock; (ii) 53,652,912 shares of Class B common stock; (iii) 7,200,000 shares of Class B common stock issuable pursuant to stock options exercisable within 60 days of January 31, 2012, 1,866,666 shares of which will be unvested; (iv) 2,767,300 shares of Class B common stock held by or jointly with Alison Pincus; and (v) 27,765,634 shares of Class B common stock held by Ogden Enterprises LLC for which Mr. Pincus holds shared voting and dispositive power. The number of shares of Class B common stock held by Mr. Pincus prior to the offering includes 800,000 shares donated by Mr. Pincus to Silicon Valley Community Foundation in March 2012.
 - (3) Includes 16,936,016 shares of Class B common stock beneficially owned by KPCB XIII, LLC and (ii) 1,223,984 shares of Class B common stock beneficially owned by individuals and entities affiliated with KPCB XIII, LLC and held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the accounts of such individuals and entities, each of whom exercise their own voting and dispositive control over such shares. In December 2011, KPCB Holdings, Inc., as nominee, converted an aggregate of 21,000,000 shares of Class B common stock beneficially owned by it into an equal number of shares of Class A common stock on behalf of all of the holders and KPCB XIII, LLC. Additionally, the outstanding shares include (i) 41,387,892 shares held by Kleiner Perkins Caufield & Byers XIII, LLC; (ii) 1,678,119 shares held by KPCB Digital Growth Fund, LLC; (iii) 103,891 shares held by KPCB Digital Growth Founders Fund, LLC; (iv) 911,118 shares held directly by Mr. Gordon; and (v) 2,918,876 shares in the aggregate beneficially owned by individuals and entities affiliated with Kleiner, Perkins Caufield Byers XIII, LLC and held for convenience in the name of "KPCB, Holdings Inc. as nominee," for the accounts of such individuals and entities each of whom exercise their own voting and dispositive control over such shares. The managing member of Kleiner Perkins Caufield & Byers XIII, LLC is KPCB XIII Associates, LLC. The managing member for KPCB Digital Growth Fund, LLC and KPCB Digital Growth Founders Fund, LLC is KPCB DGF Associates, LLC. Brook Byers, L. John Doerr, Raymond Lane, Theodore Schlein, William Joy and Mr. Gordon, the managing directors of KPCB DGF Associates, LLC, exercise shared voting and dispositive control over the shares directly held by KPCB Digital Growth Fund, LLC. Brook H. Byers, L. John Doerr, Joseph Jacob, Raymond J. Lane and Theodore E. Schlein, the managing directors of KPCB XIII Associates, LLC, and Mr. Gordon, a member of KPCB XIII Associates, LLC, exercise shared voting and dispositive control over the shares directly held by KPCB XIII LLC. Mr. Gordon, a member of our board of directors, is a member of KPCB XIII Associates and KPCB DGF Associates and may be deemed to share voting and dispositive power with respect to shares held by KPCB XIII, LLC, KPCB Digital Growth Fund, LLC, and KPCB Digital Growth Founders Fund, LLC. The address for KPCB Holdings, Inc., as Nominee, is 2750 Sand Hill Road, Menlo Park, CA 94025.
 - (4) Institutional Venture Management XII, LLC ("IVM XII") serves as the sole General Partner of Institutional Venture Partners XII, L.P. ("IVP XII"), and has sole voting and investment control over the respective shares owned by IVP XII, and may be deemed to own beneficially the shares held by IVP XII. Todd C. Chaffee, Norman A. Fogelsong, Stephen J. Harrick, J. Sanford Miller and Dennis B. Phelps are Managing Directors of IVM XII and share voting and dispositive power over the shares held by IVP XII. The address for Institutional Venture Partners XII, L.P. is c/o Institutional Venture Partners, 3000 Sand Hill Road, Bldg. 2, Suite 250, Menlo Park, CA 94025.
 - (5) Consists of (i) 30,138,528 shares held of record by Union Square Ventures 2004, LP and (ii) 600,364 shares held of record by Union Square Principals 2004, LLC. Union Square GP 2004, LLC serves as the General Partner of Union Square Ventures 2004, LP and Union Square Principals 2004, LLC, and has sole voting and investment control over the respective shares, and may be deemed to own beneficially the shares. Brad Burnham, Fred Wilson, Albert Wenger and John Buttrick are Partners at Union Square Ventures and share voting and dispositive power over the shares held by Union Square Ventures 2004, LP and Union Square Principals 2004, LLC. The address for Union Square Ventures 2004, LP is c/o Union Square Ventures, 915 Broadway 19th Floor, New York, NY 10010.
 - (6) Seth Levine, Ryan McIntyre, Jason Mendelson and Brad Feld, a former member of our board of directors, are Managing Members of Foundry Group, an affiliate of Foundry Venture Capital 2007, L.P., and share voting and dispositive power over the shares. The address for Foundry Venture Capital 2007, L.P. is c/o Foundry Group, 1050 Walnut St # 210, Boulder, CO 80302. Mr. Feld was a member of our board of directors from November 2007 through November 2011.
 - (7) Kevin Kinsella, Stephen Tomlin, Richard Levandov, Brady Bohrmann, Doug Downs and Jay Lichter are Managing Directors of Avalon Ventures VIII, LP, and share voting and dispositive power over the shares held by it. The address for Avalon Ventures VIII, LP is c/o Avalon Ventures, 1134 Kline Street, La Jolla, CA. 92037.
 - (8) Includes shares of Class B Common Stock purchased prior to our initial public offering by The Growth Fund of America, Inc., a client of Capital Research Global Investors. The address for Capital Research Global Investors is 333 South Hope Street, Los Angeles, CA 90071.
 - (9) Reflects the securities beneficially owned, or that may be deemed to be beneficially owned, by certain operating units (collectively, the "MS Reporting Units") of Morgan Stanley and its subsidiaries and affiliates (collectively, "MS"). Does not reflect securities, if any, beneficially owned by any operating units of MS whose ownership of securities is disaggregated from that of the MS Reporting Units. The shares listed for Morgan Stanley as a parent holding company are owned, or may be deemed to be beneficially owned, by Morgan Stanley Investment Management Inc., an investment adviser. Morgan Stanley Investment Management Inc. is a wholly-owned subsidiary of Morgan Stanley. held The address for Morgan Stanley is 1585 Broadway, New York, NY 10036.
 - (10) The address for JPMorgan Chase & Co. is 270 Park Avenue, New York, NY 10017.

Table of Contents

- (11) Mr. Wehner holds 2,218,750 ZSUs, of which 281,250 are subject to vesting conditions expected to occur within 60 days of January 31, 2012 and 1,937,500 are subject to vesting conditions not expected to occur within 60 days of January 31, 2012.
- (12) Mr. Schappert holds 2,148,997 ZSUs, of which 716,332 are subject to vesting conditions expected to occur within 60 days of January 31, 2012 and 1,432,665 are subject to vesting conditions not expected to occur within 60 days of January 31, 2012.
- (13) Mr. Karp holds 1,000,000 ZSUs, all of which are subject to vesting conditions not expected to occur within 60 days of January 31, 2012.
- (14) Mr. Davis holds stock options exercisable for 1,178,436 shares of our Class B common stock within 60 days of January 31, 2012, 595,102 of which will be vested and 583,334 of which shall remain subject to vesting conditions and 554,166 ZSUs, none of which are subject to vesting conditions expected to occur within 60 days of January 31, 2012.
- (15) Consists of shares listed in footnote (3) above, including 41,387,892 shares held by Kleiner Perkins Caulfield & Byers XIII, LLC; 1,678,119 shares held by KPCB Digital Growth Fund, LLC; 103,891 shares held by KPCB Digital Growth Founders Fund, LLC, and 911,118 shares held directly by William "Bing" Gordon. However, the shares do not include 2,918,876 shares in the aggregate beneficially owned by individuals and entities affiliated with Kleiner Perkins Caulfield & Byers XIII, LLC and held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the accounts of such individuals and entities each of whom exercise their own voting and dispositive control over such shares. The managing member of Kleiner Perkins Caulfield & Byers XIII, LLC is KPCB XIII Associates, LLC. The managing member for KPCB Digital Growth Fund, LLC and KPCB Digital Growth Founders Fund, LLC is KPCB DGF Associates, LLC. The voting and dispositive control over these shares is shared by individual managing directors of KPCB XIII Associates, LLC and KPCB DGF Associates, LLC, respectively none of whom has veto power. William "Bing" Gordon, a member of our board of directors, is a member of KPCB XIII Associates, LLC and KPCB DGF Associates, LLC and may be deemed to share voting and dispositive control of these shares. Mr. Gordon disclaims beneficial ownership of the shares, except to the extent of his pecuniary interest therein.
- (16) Mr. Hoffman holds 30,717 ZSUs, all of which are subject to vesting conditions expected to occur within 60 days of January 31, 2012.
- (17) Consists of 388,410 shares held by TLA Investments LLC. Jeffrey Katzenberg, one of our directors, is the President of M&JK Dream Corp., which is the manager of TLA Investments LLC and has indirect voting and dispositive power over the shares. The address for TLA Investments LLC is 11400 W. Olympic Boulevard, #550, Los Angeles, CA 90064.
- (18) All of these shares of Class B common stock are subject to repurchase within 60 days of January 31, 2012.
- (19) Mr. Paul joined our board of directors in November 2011.
- (20) Mr. Van Natta holds stock options exercisable for 2,109,375 shares of our Class B common stock issuable within 60 days of January 31, 2012 and 750,000 ZSUs, of which 62,500 are subject to vesting conditions expected to occur within 60 days of January 31, 2012 and 687,500 are subject to vesting conditions not expected to occur within 60 days of January 31, 2012.
- (21) In addition to the individuals listed above, includes (i) 2,252,467 outstanding shares of Class B common stock; (ii) 7,787,062 shares issuable pursuant to outstanding stock options exercisable within 60 days of January 31, 2012, 1,653,335 shares of which will be unvested and (iii) 200,572 ZSUs, 87,552 of which are subject to vesting conditions expected to occur within 60 days of January 31, 2012. Also includes 1,537,880 shares to be sold by two executive officers.
- (22) Consists of (i) 23,061,074 shares held of record by Silver Lake Partners III, L.P. ("SLP") and (ii) 243,644 shares held of record by Silver Lake Technology Investors III, L.P. ("SLTI"). Silver Lake Technology Associates III, L.P. ("SLTA") serves as the general partner of SLP and SLTI and may be deemed to beneficially own the shares directly owned by SLP and SLTI. SLTA III (GP), L.L.C. ("SLTA GP") serves as the general partner of SLTA and may be deemed to beneficially own the shares directly owned by SLP and SLTI. Silver Lake Group, L.L.C. ("SLG") serves as the managing member of SLTA GP and may be deemed to beneficially own the shares directly owned by SLP and SLTI. SLG has sole voting and investment control over the shares directly owned by SLP and SLTI. James Davidson, Glenn Hutchins and David Roux are the managing members of SLG and share voting and dispositive power over the shares held by SLP and SLTI. The address for each of SLP, SLTI, SLTA, SLTA GP and SLG is 2775 Sand Hill Road, Suite 100 Menlo Park, CA 94025.
- (23) Google Inc. ("Google") is a publicly traded company. The acquisition committee of the board of directors of Google has delegated voting and dispositive power over these shares to the officers of Google, such other persons as may be designated by any one of the officers of Google and certain other employees of Google. Google's address is 1600 Amphitheatre Parkway, Mountain View, CA 94043.
- (24) Our board of directors approved the issuance of 1,000,000 shares of Class A common stock to Zynga.org in March 2012, all of which are to be sold in this offering. Zynga.org did not hold any shares as of January 31, 2012.
- (25) Silicon Valley Community Foundation is a non-profit organization that holds shares obtained through a gift from Mark Pincus, our Chief Executive Officer and Chairman, in March 2012. Silicon Valley Community Foundation did not hold any shares as of January 31, 2012. The address for Silicon Valley Community Foundation is 2440 West El Camino Real, Suite 300 Mountain View, CA 94040.
- (26) Represents shares held by 7 selling stockholders not listed above who, as a group, own less than 1% of the outstanding common stock prior to this offering. Of these selling stockholders, 4 are current employees of our company.

Table of Contents**DESCRIPTION OF CAPITAL STOCK****General**

The following description of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to our amended and restated certificate of incorporation and the amended and restated bylaws. Copies of these documents have been filed with the SEC and are incorporated by reference as exhibits to the registration statement of which this prospectus forms a part.

Our amended and restated certificate of incorporation provides for three classes of common stock: Class A common stock, Class B common stock and Class C common stock. In addition, our amended and restated certificate of incorporation authorizes shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Our authorized capital stock consists of 2,022,517,472 shares, all with a par value of \$0.00000625 per share, of which:

- 1,100,000,000 shares are designated Class A common stock;
- 900,000,000 shares are designated Class B common stock;
- 20,517,472 shares are designated Class C common stock; and
- 2,000,000 shares are designated preferred stock.

As of December 31, 2011, we had outstanding 121,381,032 shares of Class A common stock, 579,694,083 shares of Class B common stock and 20,517,472 shares of Class C common stock. As of December 31, 2011, we had 109 holders of record of our Class A common stock, 1,461 holders of record of our Class B common stock and one holder of record of our Class C common stock.

Class A Common Stock, Class B Common Stock and Class C Common Stock***Voting Rights***

Holders of our Class A common stock, Class B common stock and Class C common stock have identical voting rights, provided that, except as otherwise expressly provided in our amended and restated certificate of incorporation or required by applicable law, on any matter that is submitted to a vote of our stockholders, holders of Class A common stock are entitled to one vote per share, holders of Class B common stock are entitled to seven votes per share and holders of Class C common stock are entitled to 70 votes per share. Holders of shares of Class A common stock, Class B common stock and Class C common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders. In addition, our Class B common stock and Class C common stock will vote together as a separate class in the following circumstances:

- if we propose to alter or change the powers, preferences or other special rights (including voting) of the Class B common stock or Class C common stock;
- if we propose to reclassify any outstanding shares of our capital stock into shares having rights, preferences or privileges as to dividend rights, liquidation preferences or voting preferences senior to or on parity with the Class B common stock or Class C common stock;
- if we propose to affect a transaction pursuant to which the Class B common stock or Class C common stock is not treated equally on a per share basis with respect to any consideration; or
- if we propose to increase or decrease the total number of authorized shares of Class B common stock or Class C common stock other than in connection with a redemption or a proportionate subdivision or combination of all shares of common stock and preferred stock.

Table of Contents**SHARES ELIGIBLE FOR FUTURE SALE**

Future sales of our Class A common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our Class A common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares outstanding as of March 15, 2012, upon the closing of this offering, 165,902,395 shares of Class A common stock, 544,087,266 shares of Class B common stock and 20,517,472 shares of Class C common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares and no exercise of outstanding options or warrants. All of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below.

Substantially all of the shares of Class B common stock and Class C common stock outstanding as of March 15, 2012, and the underlying Class A common stock issuable upon conversion thereof, are restricted securities as such term is defined in Rule 144 under the Securities Act or are subject to various lock-up agreements as described in detail below. These shares may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

All of our officers and directors and the holders of substantially all of our capital stock have entered into lock-up agreements with us or our underwriters in connection with our initial public offering and/or this offering, in which they agreed not to offer, sell or transfer any shares of our common stock beneficially owned by them for a certain period of time following the date of the applicable offering. These restrictions cannot be waived without the prior consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co.

Based on the number of shares outstanding as of March 15, 2012, under these various lock-up agreements, subject to volume and other restrictions of Rule 144 or Rule 701, shares will be released and become available for sale in the public market as follows:

- approximately 115 million shares held by non-executive employees (including outstanding options that are vested and exercisable as of March 15, 2012) at the closing date of this offering, provided, however, that these employees are subject to our insider trading policy, which prohibits trading in our capital stock until the third business day after we release our earnings for the first quarter of 2012, which we currently expect to occur in the last week of April 2012, and as a result expect these shares to first be available for sale on or about April 30, 2012;
- approximately 325 million shares held by non-employee stockholders that are not participating in this offering on May 29, 2012;
- approximately 50 million shares held by our directors and executive officers and the selling stockholders in this offering on July 6, 2012; and
- approximately 150 million shares held by our directors and executive officers and the selling stockholders in this offering on August 16, 2012.

Table of Contents

Each of these last three periods are subject to possible extension if:

- during the 15 days immediately prior to the release date or during the last 17 days of the restricted period we issue a release regarding earnings or regarding material news or events relating to us; or
- prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the release date or the 16-day period beginning on the last day of the applicable restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These agreements are described in more detail below under the section titled “Underwriting.”

In addition to the shares listed above that may become eligible for sale during the various lock-up periods, as of March 15, 2012, there was an aggregate of approximately 30 million shares underlying outstanding options, ZSUs and restricted stock grants that may vest and be issued or become exercisable at various times between March 15, 2012 and August 15, 2012.

In addition, in connection with this offering, we have agreed with the underwriters that through and including July 5, 2012, we will not offer, sell, assign, transfer, pledge, contract to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock, subject to specified exceptions. Morgan Stanley & Co. LLC and Goldman, Sachs & Co. may, in their sole discretion, at any time, release us from these restrictions.

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we have been subject to the Securities Exchange Act of 1934, as amended, periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately 1.6 million shares immediately after this offering; or
- the average weekly trading volume of our Class A common stock on the NASDAQ Global Select Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Provided, in each case, that we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under the section titled “Underwriting” and will become eligible for sale at the expiration of those agreements.

Table of Contents

Registration Rights

Based on the number of shares outstanding as of December 31, 2011, the holders of approximately 363,241,145 shares of our Class B common stock, or their transferees, will be entitled to certain rights with respect to the registration of those shares under the Securities Act, subject to certain restrictions on exercise of such rights in the lock-up agreements described above. For a description of these registration rights, please see “Description of Capital Stock—Registration Rights.” If these shares are registered, they will be freely tradable without restriction under the Securities Act.

Equity Incentive Plans

We have filed a Form S-8 registration statement under the Securities Act to register shares of our common stock issued or reserved for issuance under our equity compensation plans and agreements. This registration statement became effective immediately upon filing, and shares covered by this registration statement are eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equity compensation plans, see the section titled “Executive Compensation—Employee Benefit and Stock Plans.”

Table of Contents

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Goldman, Sachs & Co. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them the number of shares indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
J.P. Morgan Securities LLC	
Allen & Company LLC	
Total	<u>42,969,153</u>

The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Class A common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Class A common stock offered by this prospectus if any such shares are taken. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part. In addition, the underwriters are not required to take or pay for the shares covered by the underwriters' option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of Class A common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

Certain of the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 6,445,373 additional shares of Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of Class A common stock as the number of shares listed next to the underwriter's name in the preceding table bears to the total number of shares of Class A common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to the selling stockholders. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional 6,445,373 shares of Class A common stock.

	<u>Per Share</u>	<u>Total No Exercise</u>	<u>Full Exercise</u>
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by the selling stockholders			
	\$	\$	\$
Proceeds, before expenses, to selling stockholders	\$	\$	\$

Table of Contents

The estimated offering expenses payable by us are approximately \$950,000.

In connection with our initial public offering, all of our officers and directors and the holders of substantially all of our capital stock entered into lock-up agreements with us, in which they agreed not to offer, sell or transfer any shares of our common stock beneficially owned by them for 165 days following the date of the initial public offering, subject to extension under certain circumstances. We agreed with Morgan Stanley & Co. LLC and Goldman, Sachs & Co. not to waive these lock-up restrictions without their prior consent. These agreements are scheduled to expire on May 28, 2012.

Approximately 115 million shares from these lock-up agreements held by non-executive employees shall be released and available for sale at the closing date of this offering. As employees of Zynga, however, these employees are subject to our employee trading window “blackout” policy, which prohibits sales of our capital stock until the third business day after we release our earnings for the second quarter, which we currently expect to occur in the last week of April 2012.

Our Class A common stock is listed on the NASDAQ Global Select Market under the trading symbol “ZNGA.”

We, and all of our directors and executive officers and the selling stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. on behalf of the underwriters, we and they will not, during a certain period after the date of this prospectus as set forth below, subject to certain exceptions:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

These provisions apply to us, all of our directors and executive officers and the selling stockholders as follows:

- We are restricted for a period following the date of the offering through and including July 5, 2012; and
- Approximately 50 million shares held by our directors and executive officers and the selling stockholders, following the offering, are restricted through and including July 5, 2012, and approximately 150 million shares held by our directors and executive officers and the selling stockholders are restricted through and including August 15, 2012.

Each of these periods are subject to possible extension if:

- during the 15 days immediately prior to the early release date or during the last 17 days of the restricted period we issue a release regarding earnings or regarding material news or events relating to us; or
- prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the early release date or the 16-day period beginning on the last day of the restricted period,

Table of Contents

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In order to facilitate the offering of the Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option to purchase additional shares. The underwriters can close out a covered short sale by exercising the option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option to purchase additional shares. The underwriters may also sell shares in excess of the option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of Class A common stock in the open market to stabilize the price of the Class A common stock. These activities may raise or maintain the market price of the Class A common stock above independent market levels or prevent or retard a decline in the market price of the Class A common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

We, the selling stockholders and the underwriters have agreed to severally indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of Class A common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses. Certain of the underwriters or their affiliates are lenders under our credit facility.

In February 2011, ten mutual funds affiliated with Morgan Stanley & Co. LLC purchased 5,330,560 shares of our Series C preferred stock for an aggregate purchase price of \$74,783,040. As part of the transaction, the funds entered into the Fifth Amended and Restated Investors' Rights Agreement. The shares of Series C preferred stock converted upon the closing of our initial public offering into 5,330,560 shares of Class B common stock. A 401(k) savings plan sponsored by Morgan Stanley & Co. LLC or one of its affiliates permits employees to invest in one of the mutual funds that owns Series C preferred stock. As a result, pursuant to the rules of the Financial Industry Regulatory Authority, at the time of our initial public offering Morgan Stanley & Co. LLC beneficially owned approximately 107,478 shares of our Class B common stock.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Zynga Inc.

We have audited the accompanying consolidated balance sheets of Zynga Inc. as of December 31, 2010 and 2011, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in Part II, Item 16.(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 consolidated 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 Zynga Inc. at December 31, 2010 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, 2011 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Francisco, California
February 28, 2012

Table of Contents**Zynga Inc.****Notes to Consolidated Financial Statements****1. Overview and Summary of Significant Accounting Policies*****Organization and Description of Business***

Zynga Inc. (“Zynga,” “we” or “the Company”) was originally organized as a California limited liability company under the name Presidio Media, LLC on April 19, 2007. On October 26, 2007, Presidio Media, LLC converted from a California LLC into a Delaware corporation and became Presidio Media, Inc. On February 11, 2008, we changed our name from Presidio Media, Inc. to Zynga Game Network Inc. On November 17, 2010, we changed our name from Zynga Game Network Inc. to Zynga Inc.

We develop, market and operate online social games as live services played over the Internet and on social networking sites and mobile platforms. We generate revenue primarily through the in-game sale of virtual goods. Our operations are headquartered in San Francisco, California, and we have several operating locations in the U.S. as well as various international office locations in Asia and Europe.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements are presented in accordance with U.S. GAAP. The consolidated financial statements include the operations of Zynga and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

In September 2011, we adopted a three class common stock structure in which we retitled and redesignated the existing classes of Class A and Class B common stock as Class B and Class C common stock, respectively, and authorized 1.1 billion shares of a new class of common stock titled Class A common stock. The Class A common stock was designated for issuance in the Company’s initial public offering. All share, per share and related information presented in these financial statements and accompanying footnotes have been retroactively adjusted to reflect the impact of the three class common stock structure.

Initial Public Offering

On December 15, 2011, we completed our initial public offering in which we issued and sold 100 million shares of Class A common stock at a public offering price of \$10.00 per share. We raised a total of \$961.4 million of net proceeds after deducting underwriter discounts and commissions of \$32.5 million and other offering expenses of \$6.1 million. Upon the closing of the initial public offering, all shares of the Company’s then-outstanding convertible preferred stock automatically converted into an aggregate of 304.9 million shares of Class B common stock. Additionally, 15.7 million vested ZSUs, after deducting shares withheld to satisfy minimum tax withholding obligations, were automatically converted into Class B common shares.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes thereto. Significant estimates and assumptions reflected in the financial statements include, but are not limited to, the estimated lives and paying player periods that we use for revenue recognition, the chargeback reserve for our third-party payment processors, the allowance for doubtful accounts, useful lives of property and equipment and intangible assets, accrued liabilities, income taxes, fair value of stock awards issued, accounting for business combinations, and evaluating goodwill and long-lived assets for impairment. Actual results could differ materially from those estimates.

Table of Contents

Segments

We have one operating segment with one business activity, developing and monetizing social games. Our Chief Operating Decision Maker (CODM), our Chief Executive Officer, manages our operations on a consolidated basis for purposes of allocating resources. When evaluating performance and allocating resources, the CODM reviews financial information presented on a consolidated basis, accompanied by disaggregated bookings information for our games.

Revenue Recognition

We derive revenue from the sale of virtual goods associated with our online games and the sale of advertising within our games.

Online Game

We operate our games as live services that allow players to play for free. Within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. Players can pay for our virtual currency using Facebook Credits when playing our games through the Facebook platform, and can use other payment methods such as credit cards or PayPal on other platforms. We also sell game cards that are initially recorded as a customer deposit liability which is included in other current liabilities on the consolidated balance sheet, net of fees retained by retailers and distributors. Upon redemption of a game card in one of our games and delivery of the purchased virtual currency to the player, these amounts are reclassified to deferred revenue. Advance payments from customers that are non-refundable and relate to non-cancellable contracts that specify our obligations are recorded to deferred revenue. All other advance payments that do not meet these criteria are recorded as customer deposits.

We recognize revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the player; (3) the collection of our fees is reasonably assured; and (4) the amount of fees to be paid by the player is fixed or determinable. For purposes of determining when the service has been provided to the player, we have determined that an implied obligation exists to the paying player to continue displaying the purchased virtual goods within the online game over their estimated life or until they are consumed. The proceeds from the sale of virtual goods are initially recorded in deferred revenue. We categorize our virtual goods as either consumable or durable. Consumable virtual goods represent goods that can be consumed by a specific player action. For the sale of consumable virtual goods, we recognize revenue as the goods are consumed, which approximates one month. Durable virtual goods represent virtual goods that are accessible to the player over an extended period of time. We recognize revenue from the sale of durable virtual goods ratably over the estimated average playing period of paying players for the applicable game, which represents our best estimate of the estimated average life of durable virtual goods. If we do not have the ability to differentiate revenue attributable to durable virtual goods from consumable virtual goods for a specific game we recognize revenue on the sale of durable and consumable virtual goods for that game ratably over the estimated average period that paying players typically play that game.

Prior to October 1, 2009, we did not have the data to determine the consumption dates for our consumable virtual goods or to differentiate revenue attributable to durable virtual goods from consumable virtual goods. Beginning in October 2009, we had sufficient data to separately account for consumable and durable virtual goods in one of our games, thus allowing us to recognize revenue related to consumable goods upon consumption. Since January 2010, we have had this data for substantially all of our games thus allowing us to recognize revenue related to consumable goods upon consumption. Future usage patterns may differ from historical usage patterns and therefore the estimated average playing periods may change in the future. We assess the estimated average playing period for paying players and the estimated average life of our virtual goods quarterly. Cumulative changes in estimated average playing period for paying players in 2011 resulted in an increase in revenue of \$53.9 million and will result in an offsetting reduction of 2012 revenue in the same amount.

Table of Contents

We estimate chargebacks from Facebook and third-party payment processors to account for potential future chargebacks based on historical data and record such amounts as a reduction of revenue.

In May 2010, we entered into an agreement with Facebook that required us to accept Facebook Credits as the primary in-game payment method for our games played through the Facebook platform. The agreement required us to begin migrating our games to Facebook Credits in our games beginning in July 2010, and by April 2011 this migration was complete. Facebook Credits is Facebook's proprietary virtual currency that Facebook sells for use on the Facebook platform. Under the terms of our agreement, Facebook sets the price our players pay for Facebook Credits and collects the cash from the sale of Facebook Credits. Facebook's current stated face value of a Facebook Credit is \$0.10. For each Facebook Credit purchased by our players and redeemed in our games, Facebook remits to us \$0.07, which is the amount we recognize as revenue. We recognize revenue net of the amounts retained by Facebook because we do not set the pricing of Facebook Credits sold to our players. Prior to the implementation of Facebook Credits in our games, players could purchase our virtual goods through various widely accepted payment methods offered in the games and we recognized revenue based on the transaction price paid by the player.

Advertising

We have contractual relationships with agencies, advertising brokers and certain advertisers for advertisements within our games. We recognize advertising revenue for branded virtual goods and sponsorships, engagement advertisements and offers, mobile advertisements and other advertisements as advertisements are delivered to customers as long as evidence of the arrangement exists (executed contract), the price is fixed or determinable, and we have assessed collectability as reasonably assured. Certain branded in-game sponsorships that involve virtual goods are deferred and recognized over the estimated life of the branded virtual good or as consumed, similar to online game revenue. Price is determined to be fixed or determinable when there is a fixed price in the applicable evidence of the arrangement, which may include a master contract, insertion order, or a third party statement of activity. For branded virtual goods and sponsorships, we determine the delivery criteria has been met based on delivery information from our internal systems. For engagement advertisements and offers, mobile advertisements, and other advertisements, delivery occurs when the advertisement has been displayed or the offer has been completed by the customer, as evidenced by third party verification reports supporting the number of advertisements displayed or offers completed.

We report our advertising revenue net of amounts due to advertising agencies and brokers because we are not the primary obligor in our arrangements, we do not set the pricing, and we do not establish or maintain the relationship with the advertiser.

Multiple-element Arrangements

Beginning on January 1, 2011, we adopted new authoritative guidance on multiple-element arrangements, using the prospective method for all arrangements entered into or materially modified from the date of adoption. Under this new guidance, we allocate arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all deliverables based on the relative selling price method, generally based on our best estimate of selling price. We offer certain promotions to customers from time to time that include the sale of in-game virtual currency via the sale of a game card and also other deliverables such as a limited edition in-game virtual good. There was no material impact on our financial statements as a result of implementing this newly adopted authoritative guidance in 2011.

LOCK-UP LETTER AGREEMENT

March 15, 2012

Zynga Inc.
699 Eighth Street
San Francisco, CA 94103

Ladies and Gentlemen:

The undersigned understands that Zynga Inc., a Delaware corporation (the “**Company**”), proposes to enter into an Underwriting Agreement (the “**Underwriting Agreement**”) with Morgan Stanley & Co. LLC and Goldman, Sachs & Co. (together, the “**Representatives**”), providing for the public offering (the “**Offering**”) pursuant to a Registration Statement on Form S-1, by the several underwriters, including the Representatives (the “**Underwriters**”), of shares of the Class A Common Stock, \$0.00000625 par value, of the Company (the “**Common Stock**”). For purposes of this letter agreement, Common Stock will include shares of the Company’s Class A Common Stock, Class B Common Stock and Class C Common Stock and any securities convertible into or exercisable or exchangeable for such Common Stock and any shares issued as a dividend or other distribution with respect to or in exchange for or in replacement of such Common Stock as a result of any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event.

To induce the Underwriters to continue their efforts in connection with the Offering, the undersigned hereby agrees that it will not, during the period commencing on the date hereof through and including August 15, 2012 (such period, the “**Restricted Period**”), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), by the undersigned, or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise; *provided, however*, beginning on and including July 6, 2012, that number of shares of Common Stock that is equal to twenty-five (25%) of the Common Stock held by the undersigned as of the date of the final prospectus (the “**Prospectus**”) relating to the Offering (excluding any shares of Common Stock that are sold in the Offering by the undersigned) shall be released from the foregoing covenant (such date, the “**Early Release Date**”).

Notwithstanding the foregoing, if:

- (1) during the 15 days immediately prior to the Early Release Date or during the last 17 days of the Restricted Period the Company issues an earnings release or material news or a material event relating to the Company occurs; or
- (2) prior to the expiration of the Restricted Period, the Company announces that it will release earnings results during the 16-day period beginning on the Early Release Date or the 16-day period beginning on the last day of the Restricted Period;

in each case, the Early Release Date or the Restricted Period, as applicable, will be automatically extended until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless the Company waives, in writing, such extension; *provided, however*, that, for the avoidance or doubt, in no event shall the Restricted Period be extended beyond September 1, 2012.

Notwithstanding anything to the contrary, the lock-up restrictions set forth herein will not apply to:

- (a) sales of securities pursuant to the terms of the Underwriting Agreement;
- (b) transactions relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the Offering, *provided* that no filing under Section 16 of the Exchange Act will be required or will be voluntarily made in connection with subsequent offers, pledges, sales, or other transfer or disposition of Common Stock or other securities acquired in such open market transactions during the Restricted Period;
- (c) transfers of shares of Common Stock or any security convertible into or exercisable for Common Stock as a *bona fide* gift;
- (d) transfers of shares of Common Stock or any security convertible into or exercisable for Common Stock in connection with divorce proceedings, qualified domestic relations orders and similar court or legal settlements;
- (e) transfers of shares of Common Stock or any security convertible into or exercisable for Common Stock by will or intestacy or to any trust for the direct or indirect benefit of the undersigned or any spouse, domestic partner, parent, sibling, child or grandchild of the undersigned;
- (f) distributions by a trust to its beneficiaries;
- (g) the receipt by the undersigned from the Company of shares of Common Stock upon the exercise of an option, insofar as such option is outstanding as of the date hereof or as of the date of the Prospectus, *provided* that no public reports including but not limited to filings under Section 16 of the Exchange Act will be required to be filed or will be voluntarily made by the undersigned within 30 days after the date of the Prospectus, and after such 30th day any public report or filing under Section 16 of the Exchange Act shall clearly indicate in the footnotes thereto that the filing relates to the exercise of a stock option, that no shares were sold by the reporting person and that the shares received upon exercise of the stock option are subject to a lock-up agreement with the underwriters of the Offering;
- (h) the disposition of shares of Common Stock to the Company, or the withholding of shares of Common Stock by the Company, or a sale in the open market through a broker in which the undersigned directs the broker to deliver the proceeds to the Company, in each case to cover the payment of taxes due with respect to the vesting of restricted stock or restricted stock units, insofar as such restricted stock or restricted stock units is or are outstanding as of the date hereof or as of the date of the Prospectus;
- (i) the conversion of shares of any class of capital stock of the Company into shares of another class of capital stock of the Company;
- (j) transfers to the Company in connection with the repurchase of shares of Common Stock issued pursuant to employee benefit plans disclosed in the Prospectus or pursuant to agreements pursuant to which such shares of Common Stock were issued; or

(k) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, provided that such plan does not provide for the transfer of Common Stock prior to July 6, 2012, and does not provide for the transfer of Common Stock in excess of the number of shares allowed to be transferred pursuant to the second paragraph hereof during the Restricted Period;

provided that in the case of any transfer or distribution pursuant to clause (c), (d), (e) or (f), (A) each donee, transferee or distributee will sign and deliver a lock-up letter substantially in the form of this letter and (B) no filing under Section 16 of the Exchange Act, reporting a reduction in beneficial ownership of shares of Common Stock, will be required or will be voluntarily made prior to the Early Release Date.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

The undersigned understands that the Company and the Underwriters are relying upon this letter agreement in proceeding toward consummation of the Offering. The undersigned understands that this letter agreement is irrevocable and will be binding upon the undersigned's heirs, legal representatives, successors and assigns. Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation among the Company and the Representatives.

This letter agreement shall be governed by and construed in accordance with the internal laws of the State of California, without regard to conflict of law provisions that would defer to the laws of another jurisdiction. Should any provision of this letter agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable. In the event of any conflict between this letter agreement and any other market stand-off or lock-up agreement between the undersigned and the Company, the terms and provisions of this letter agreement shall control.

To the extent not prohibited the Underwriting Agreement to be entered into between the Company and the Representatives, the Company may waive the restrictions set forth in this letter agreement, in whole or in part, in its sole discretion. This letter agreement will automatically terminate upon the earlier to occur of: (i) the date upon which the Company provides the Representatives with written notice that it does not intend to proceed with the Offering, which written notice must be executed and delivered to the Representatives prior to the signing of the Underwriting Agreement; (ii) the termination of the Underwriting Agreement (other than the provisions thereof which survive termination) before the closing of the Offering, (iii) the registration statement for the Offering is withdrawn, or (iv) if the Underwriting Agreement does not become effective by April 15, 2012.

[Signature Page Follows]

Very truly yours,

Name of Securityholder: _____

By: _____

Title (if applicable): _____

Address: _____

Opinions of Cooley LLP (Counsel to the Company)

Opinion of Counsel to the Selling Stockholders

1. The Underwriting Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Stockholder.

2.(a) The execution and delivery by each Selling Stockholder of the Underwriting Agreement and the Custody Agreement and Powers of Attorney of such Selling Stockholder, and the performance by such Selling Stockholder of its obligations under the Underwriting Agreement and the Custody Agreement and Powers of Attorney of such Specified Selling Stockholder, do not contravene any United States federal or state law, rule or regulation that in our experience is normally applicable to such person or entity, as the case may be, in relation to transactions of the type contemplated by the Underwriting Agreement and the Custody Agreement and Power of Attorney, provided that counsel need not express an opinion as to federal or state securities laws; and (b) no consent, approval, authorization or order of, or qualification with, any governmental body or agency under United States federal or state law known to us to be customarily applicable to transactions of this nature is required for the performance by such Selling Stockholder of its obligations under the Underwriting Agreement or the Custody Agreement and Power of Attorney of such Selling Stockholder, except such as have been obtained or made under the Securities Act and the Exchange Act, and as may be required following closing by the terms of the Underwriting Agreement and the Custody Agreement and Power of Attorney.

3. With respect to shares held in certificated form, upon (a) payment by the Underwriters for the Shares to be sold by the Selling Stockholder to the Underwriters in accordance with the Underwriting Agreement, (b) delivery by the Selling Stockholder of security certificates representing such Shares to Cede & Co. ("Cede") or such other nominee as may be designated by DTC to hold securities on its behalf, duly endorsed to Cede or such other nominee or in blank by an effective endorsement, (c) registration of the security certificates representing such Shares in the name of Cede or such other nominee on the Company's share registry, and (d) the crediting of such Shares by entries on the books of DTC to such Underwriter's securities account (as defined in Section 8-501 of the UCC), DTC shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC assuming that DTC does not have notice of any adverse claim (within the meaning of Section 8-102 of the UCC) with respect to such Shares, and the Underwriters will acquire a security entitlement in respect of such Shares, and no action based on any adverse claim (as defined in Section 8-102 of the UCC) with respect to such Shares may be asserted against the Underwriters.