

EXHIBIT 40

UNREDACTED VERSION OF DOCUMENT SOUGHT TO BE LODGED UNDER SEAL

From: Andrew Bosworth </O=THEFACEBOOK/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=ABOSWORTH>
Sent: Thursday, December 20, 2012 1:39 AM
To: John Hegeman; Sheryl Sandberg; Antonio Garcia-Martinez; Brian Boland; Gokul Rajaram; Greg Badros; Sam Lessin; Scott Shapiro; John Ciancutti; Kelly MacLean; Nipun Mathur; Mike Vernal
Cc: Mark Rabkin; Jason Sobel; Will Cathcart; Mike Schroepfer
Subject: Re: FBX discussion
Attachments: photo.png

+Vernal. It is worth noting it might be reasonable to staff this as a joint effort between ads, platform, and possibly even mobile.

Seriously leaving now,
boz

From: Andrew Bosworth <boz@fb.com>
Date: Wednesday, December 19, 2012 11:14 PM
To: John Hegeman <jhegeman@fb.com>, Sheryl Sandberg <sheryl@fb.com>, Antonio Garcia-Martinez <antoniofgm@fb.com>, Brian Boland <btboland@fb.com>, Gokul Rajaram <Gokul@fb.com>, Greg Badros <badros@fb.com>, Sam Lessin <sl@fb.com>, Scott Shapiro <scott.shapiro@fb.com>, John Ciancutti <jciancutti@fb.com>, Kelly MacLean <kellymaclean@fb.com>, Nipun Mathur <nipunmathur@fb.com>
Cc: Mark Rabkin <mrabkin@fb.com>, Jason Sobel <jsobel@fb.com>, Will Cathcart <wcathcart@fb.com>, Mike Schroepfer <schrep@fb.com>
Subject: FBX discussion

Hey all

After our discussion on Tuesday, Sobel, Rabkin, Cathcart and I circled up to share our thoughts on FBX and I think we made some pretty good progress towards a decision framework. This is high level by design; it is easy to get caught up in the many details of these complex system. As much as possible I'd like any ensuing discussion to follow suit.

Fundamentally, we think the heart of the gamble revolves around how much Facebook believes it can shape the marketplace within which it operates. We have two options: Go For Broke, or Take The Money. I will detail those later.

We have a few advantages (in order):

- 1/ Inventory advantage. We possess a lot of inventory that we believe is very effective across every platform. This advantage is relatively unassailable barring product disasters.
- 2/ Data advantage. Our advantage with identity is strong as our results from Starling demonstrate. At the same time, our competitors are certainly working to close the gap here and we remain at a disadvantage around "closed loop" data such as purchases.
- 3/ Platform advantage. Our developer ecosystem could be leveraged to fortify both inventory (with an ad network) and data (with Neko or equivalent install focused product). While we have an advantage today it is relatively latent as those products aren't real or being developed.

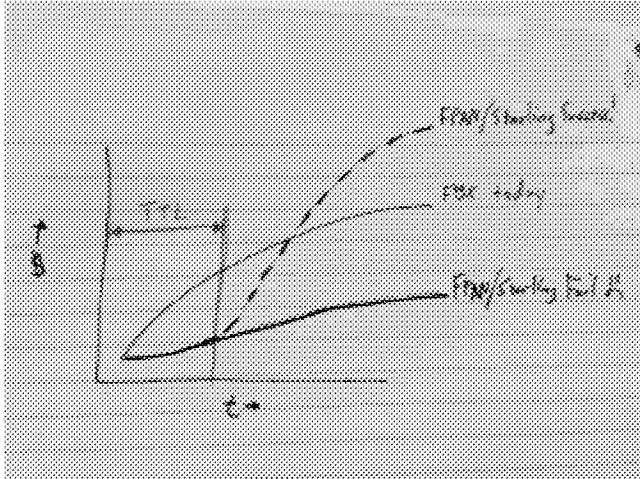
We have a few threats (in order):

- 1/ Consolidation. This will reduce our data advantage and also create network effects which will reduce our ability to compete as time goes on.
- 2/ Disintermediation. If we aren't shaping this marketplace then others will do it instead and when we enter we will be constrained by them. In the worst case, we won't be able to unseat them and we lose margins to them.
- 3/ Friction. If people get very comfortable working with DSPs it will be hard to move budgets later even if we have a superior product.

Our decision to deprioritize FPAN/Starling/Neko was essentially a decision not to press our advantages but instead hope that they are big enough that even though they will decay over time (and our threats will grow) when we are finally able to staff those teams and enter the market we will still be able to compete and win.

One fundamental point of debate we saw yesterday revolved around this; people have different beliefs about the magnitude of each advantage or threat and consequently feel differently about how likely we are to win this space. Indeed, some feel that even if we had a full investment today we would not win, others feel that we can wait quite a while and still be competitive if we retain enough value for ourselves.

That led us to create this chart:



The black path is the Go For Broke path where we wait and withhold premium features from FBX. Until we actually launch our products (interfaces, fpan, starling, etc...) we all agree we will make less money than if we had released news feed and custom audiences to FBX. That Time To Launch (TTL) is the red line and it is a critical variable we will return to later. From the launch point, one of two paths emerge:

- the dotted line. In this world the features we withheld create sufficient value for us to substantially shape the marketplace and retain a higher percentage of ultimate revenue, not to mention having a simpler product in the marketplace.
- the solid line. In this world the marketplace has consolidated around us and is intractable by the time we arrive. We have forfeited the money we would have gotten by integrating with FBX sooner and have less mindshare.

The blue path is the Take The Money path where we follow the lead of Antonio and his team and integrate with FBX. We will certainly make more money in the short term and hopefully continue to be able to grow along with it. There is also a chance that this line will trend upwards if budgets are more elastic than we are assuming.

Which path you prefer will depend primarily on your sensitivity to the variables as well as your risk tolerance.

As for the opinion of our group, we have been imagining a future where we have a premium channel in News Feed to capture brand and high end DR dollars at high prices and then another channel with FPAN replacing RHC for everything else. The dotted black line appeals to us and we believe we can get to it but only if the TTL is very short. Given that we don't have enough engineers or (especially) designers right now to staff it, that is in serious jeopardy.

Consequently, we propose to reframe this choice in the following way: Are we willing to commit to fully staff Starling, FPAN, and Neko in the 3-6 month time frame?

If so, that would make TTL sufficiently small that we, as an engineering leadership team, would feel it a worthwhile risk to take the Go For Broke path. It is worth noting, however, that whether we buy a company to get this team or build it from scratch, it can't be entirely bootcampers. This path is not a small tweak, it is a substantial investment.

If not, then the risk is just too great and we should just Take The Money we can get, when we can get it, by opening up more features to FBX.

The one thing we should most likely not do is take neither path, which means making a decision relatively quickly is important. I'm going to be on a plane to Antarctica in 12 hours, but I'm sure this group can figure it out!

boz