

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35375

**Zynga Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**42-1733483**  
(IRS Employer Identification No.)

**699 Eighth Street**  
**San Francisco, CA**  
(Address of Principal Executive Offices)

**94103**  
(Zip Code)

**(855) 449-9642**  
(Telephone No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark 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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes  No

As of April 15, 2012, there were 218,969,756 shares of the Registrant's Class A common stock outstanding, 496,552,654 shares of the Registrant's Class B common stock outstanding and 20,517,472 shares of the Registrant's Class C common stock outstanding.

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**Zynga Inc.**  
**Form 10-Q Quarterly Report**

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

References in this report 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 for 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.”

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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;
- user traffic to Zynga.com and 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;
- 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 “Part II. Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q 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 obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

**Zynga Inc.**  
**Consolidated Balance Sheets**  
*(In thousands, except par value)*  
*(Unaudited)*

	March 31, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 361,074	\$1,582,343
Marketable securities	701,662	225,165
Accounts receivable, net of allowance of \$163 at March 31, 2012 and December 31, 2011	146,746	135,633
Income tax receivable	6,430	18,583
Deferred tax assets	21,794	23,515
Restricted cash	260,021	3,846
Other current assets	47,674	34,824
Total current assets	1,545,401	2,023,909
Long-term marketable securities	458,731	110,098
Goodwill	195,796	91,765
Other intangible assets, net	143,426	32,112
Property and equipment, net	255,251	246,740
Restricted cash	60	4,082
Other long-term assets	7,281	7,940
Total assets	<u>\$2,605,946</u>	<u>\$2,516,646</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 44,312	\$ 44,020
Other current liabilities	181,899	167,271
Deferred revenue	478,303	457,394
Total current liabilities	704,514	668,685
Deferred revenue	10,534	23,251
Deferred tax liabilities	53,020	13,950
Other non-current liabilities	62,508	61,221
Total liabilities	830,576	767,107
Stockholders' equity:		
Common stock, \$.00000625 par value, and additional paid in capital—authorized: 2,020,517 shares; outstanding: 732,178 shares (Class A, 158,317, Class B, 553,344, Class C, 20,517) as of March 31, 2012 and 721,592 shares (Class A, 121,381, Class B, 579,694 Class C, 20,517) as of December 31, 2011	2,537,103	2,426,168
Treasury stock	(282,924)	(282,897)
Accumulated other comprehensive income	636	362
Accumulated deficit	(479,445)	(394,094)
Total stockholders' equity	<u>1,775,370</u>	<u>1,749,539</u>
Total liabilities and stockholders' equity	<u>\$2,605,946</u>	<u>\$2,516,646</u>

See accompanying notes.

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**Zynga Inc.**  
**Consolidated Statements of Operations**  
*(In thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended	
	March 31,	
	2012	2011
Revenue	\$320,972	\$242,890
Costs and expenses:		
Cost of revenue	90,122	67,662
Research and development	186,876	71,760
Sales and marketing	56,837	40,156
General and administrative	72,715	27,110
Total costs and expenses	406,550	206,688
Income (loss) from operations	(85,578)	36,202
Interest income	1,291	518
Other (expense), net	(1,142)	(736)
Income (loss) before income taxes	(85,429)	35,984
(Provision for) / benefit from income taxes	78	(19,226)
Net income (loss)	<u>\$ (85,351)</u>	<u>\$ 16,758</u>
Net income attributable to participating securities	—	15,416
Net income (loss) attributable to common stockholders	<u>\$ (85,351)</u>	<u>\$ 1,342</u>
Net income (loss) per share attributable to common stockholders		
Basic	<u>\$ (0.12)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.12)</u>	<u>\$ 0.00</u>
Weighted average common shares used to compute net income (loss) per share attributable to common stockholders:		
Basic	<u>707,693</u>	<u>258,168</u>
Diluted	<u>707,693</u>	<u>358,312</u>

See accompanying notes.

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**Zynga Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
*(In thousands)*  
*(Unaudited)*

	Three Months Ended	
	March 31,	
	2012	2011
Net income (loss)	\$(85,351)	\$16,758
Other comprehensive income (loss):		
Change in foreign currency translation adjustment	121	(3)
Net change on unrealized gains (losses) on available-for-sale investments, net of tax	153	(74)
Other comprehensive income (loss)	274	(77)
Comprehensive income (loss)	<u>\$(85,077)</u>	<u>\$16,681</u>

*See accompanying notes.*

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**Zynga Inc.**  
**Consolidated Statements of Cash Flows**  
*(In thousands)*  
*(Unaudited)*

	Three Months Ended	
	March 31,	
	2012	2011
Operating activities:		
Net income (loss)	\$ (85,351)	\$ 16,758
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	29,398	17,847
Stock-based expense	133,851	14,506
Accretion and amortization on marketable securities	2,836	868
Loss from sale of property and equipment	12	—
Deferred income taxes	(1,286)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,617)	(21,791)
Income tax receivable	14,242	14,661
Other assets	(4,818)	4,346
Accounts payable	(283)	5,074
Deferred revenue	8,192	43,708
Other liabilities	(12,359)	7,680
Net cash provided by operating activities	<u>78,817</u>	<u>103,657</u>
Investing activities:		
Purchases of marketable securities	\$ (964,741)	\$(272,418)
Sales of marketable securities	16,747	1,501
Maturities of marketable securities	116,126	285,699
Acquisition of property and equipment	(34,994)	(50,222)
Acquisition of purchased technology and other intangible assets	(3,139)	(1,640)
Business acquisitions, net of cash acquired	(182,164)	(10,438)
Restricted cash	(224,952)	(8,020)
Purchases of other investments	(38)	—
Net cash used in investing activities	<u>(1,277,155)</u>	<u>(55,538)</u>
Financing activities:		
Taxes paid related to net share settlement of ZSUs	\$ (23,500)	\$ —
Repurchases of common stock	—	(261,270)
Exercise of stock options	533	1,205
Net proceeds from issuance of preferred stock	—	485,314
Net cash provided by (used in) financing activities	<u>(22,967)</u>	<u>225,249</u>
Effect of exchange rate changes on cash and cash equivalents	36	21
Net increase (decrease) in cash and cash equivalents	(1,221,269)	273,389
Cash and cash equivalents, beginning of period	<u>1,582,343</u>	<u>187,831</u>
Cash and cash equivalents, end of period	<u>\$ 361,074</u>	<u>\$ 461,220</u>

See accompanying notes.

**Zynga Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Overview and Summary of Significant Accounting Policies**

***Organization and Description of Business***

Zynga Inc. (“Zynga,” “we” or “the Company”) develops, markets and operates 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 United States as well as various international office locations in Asia and Europe.

We were originally organized in April 2007 as a California limited liability company under the name Presidio Media LLC, converted to a Delaware corporation in October 2007 and changed our name to Zynga Inc. in November 2010. We completed our initial public offering in December 2011 and our Class A common stock is listed on the NASDAQ Global Select Market under the symbol “ZNGA.”

***Basis of Presentation and Consolidation***

The accompanying consolidated financial statements are presented in accordance with United States generally accepted accounting principles (“U.S. GAAP”). The consolidated financial statements include the operations of Zynga and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes to our accounting policies since our Annual Report that have had a significant impact on our consolidated financial statements and related notes.

***Unaudited Interim Financial Information***

The accompanying interim consolidated balance sheet as of March 31, 2012, the consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2012 and 2011, the consolidated statements of cash flows for the three months ended March 31, 2012 and 2011 and the related footnote disclosures are unaudited. These unaudited interim financial statements have been prepared in accordance with U.S. GAAP. In management’s opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments of a normal recurring nature necessary for the fair presentation of the Company’s statement of financial position as of March 31, 2012, the consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2012 and 2011 and the consolidated statements of cash flows for the three months ended March 31, 2012 and 2011. The results for the three months ended March 31, 2012 are not necessarily indicative of the results expected for the full fiscal year or any interim period.

***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 of virtual goods 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, accounting for business combinations, stock-based expense and evaluation of goodwill and long-lived assets for impairment. Actual results could differ materially from those estimates.

***Recently Adopted Accounting Pronouncements***

***Presentation of Comprehensive Income***

In June 2011, the Financial Accounting Standards Board (“FASB”) issued an amendment to an existing accounting standard which requires companies to present net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. We adopted this standard effective in the first quarter of 2012.

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### *Common Fair Value Measurement and Disclosure Requirements*

In May 2011, the FASB issued an amendment to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The amendment changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. We adopted this standard effective in the first quarter of 2012 with no material impact on our consolidated financial statements and disclosures.

### *Testing of Goodwill Impairment*

In September 2011, the FASB issued an amendment to an existing accounting standard which provides entities an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary, thereby only requiring the current two-step test to be completed if management's qualitative assessment indicates a reporting unit's carrying value is in excess of its fair value. We adopted this standard effective in the first quarter of 2012 with no material impact on our consolidated financial statements and disclosures.

## **2. Marketable Securities**

The following tables summarize the Company's amortized cost, gross unrealized gains and losses and fair value of its available-for-sale investments in marketable securities (in thousands):

	March 31, 2012			Aggregate Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
				(unaudited)
U.S. government debt securities	\$ 779,654	\$ 70	\$ (278)	\$ 779,446
Corporate debt securities	380,677	529	(259)	380,947
<b>Total</b>	<b>\$1,160,331</b>	<b>\$ 599</b>	<b>\$ (537)</b>	<b>\$1,160,393</b>

	December 31, 2011			Aggregate Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. government debt securities	\$ 267,635	\$ 53	\$ (53)	\$ 267,635
Corporate debt securities	67,657	35	(64)	67,628
<b>Total</b>	<b>\$ 335,292</b>	<b>\$ 88</b>	<b>\$ (117)</b>	<b>\$ 335,263</b>

The estimated fair value of available-for-sale marketable securities, classified by their contractual maturities was as follows (in thousands):

	March 31, 2012 (unaudited)
Due within one year	\$ 701,662
One year through three years	458,731
<b>Total</b>	<b>\$1,160,393</b>

Changes in market interest rates and bond yields cause certain of our investments to fall below their cost basis, resulting in unrealized losses on marketable securities. As of March 31, 2012, we had unrealized losses of \$0.5 million related to marketable securities with a fair value of \$806.7 million. As of December 31, 2011, we had unrealized losses of \$0.1 million related to marketable securities with a fair value of \$111.1 million. None of these securities were in a continuous unrealized loss position for more than 12 months.

As of March 31, 2012 and December 31, 2011, we did not consider any of our marketable securities to be other-than-temporarily impaired. When evaluating our investments for other-than-temporary impairment, we review factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer, the Company's ability and intent to hold the security and whether it is more likely than not that the Company will be required to sell the investment before recovery of its cost basis.

### **3. Fair Value Measurements**

Our financial instruments consist of cash equivalents, short-term and long-term marketable securities and accounts receivable. Accounts receivable, net of bad debt allowance, are stated at their carrying value, which approximates fair value due to the short time to expected receipt of cash.

Cash equivalents and short-term and long-term marketable securities, consisting of money market funds and U.S. government and corporate debt securities, are carried at fair value, which is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that knowledgeable and willing market participants would use in pricing an asset or liability. We use a three-tier value hierarchy, which prioritizes based on the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

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The composition of our securities among the three levels of the fair value hierarchy is as follows (in thousands):

	March 31, 2012			
	Level 1	Level 2	Level 3	Total
(unaudited)				
Assets:				
Money market funds	\$ 214,913	\$ —	\$ —	\$ 214,913
U.S. government debt securities	—	779,447	—	779,447
Corporate debt securities	—	403,447	—	403,447
Total	<u>\$ 214,913</u>	<u>\$1,182,894</u>	<u>\$ —</u>	<u>\$1,397,807</u>
	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$1,375,918	\$ —	\$ —	\$1,375,918
U.S. government debt securities	—	267,635	—	267,635
Corporate debt securities	—	68,334	—	68,334
Total	<u>\$1,375,918</u>	<u>\$ 335,969</u>	<u>\$ —</u>	<u>\$1,711,887</u>

## 4. Property and Equipment

Property and equipment consist of the following (in thousands):

	March 31, 2012 (unaudited)	December 31, 2011
Computer equipment	\$ 266,686	\$ 243,986
Software	26,693	25,119
Furniture and fixtures	11,909	9,474
Leasehold improvements	71,299	67,456
	376,587	346,035
Less accumulated depreciation	(121,336)	(99,295)
Total property and equipment, net	<u>\$ 255,251</u>	<u>\$ 246,740</u>

In April 2012, we purchased our corporate headquarters building in San Francisco, California for \$233.7 million. Pursuant to the agreement, we agreed to acquire (i) the building located at 650 Townsend Street, San Francisco, California consisting of approximately 670,000 square feet of space, (ii) fee title to the real property where the building is located, (iii) property located in the building which was owned by the seller and used to operate and maintain the building and (iv) leases and other intangible property related to the building and real property. At March 31, 2012, we deposited \$229 million in escrow, which is classified as short-term restricted cash as of March 31, 2012. The purchase will be accounted for as a business combination pursuant to (ASC) 805, *Business Combinations*.

## 5. Acquisitions

*Acquisition of OMGPOP.* On March 21, 2012, we acquired 100% of the outstanding stock of OMGPOP, Inc., a provider of social games for mobile phones, tablets, PCs and social network sites, for purchase consideration of approximately \$183.1 million in cash. We acquired OMGPOP to expand our social games offerings, particularly on mobile platforms.

As a result of this acquisition, we recorded \$82.3 million of developed technology, \$33.3 million of branding intangible assets, \$5.5 million of net tangible assets acquired, \$42.1 million of deferred tax liabilities assumed and \$104.3 million of residual goodwill. Goodwill from the acquisition represents the excess of the purchase price over the net tangible and intangible assets acquired and is not deductible for tax purposes. Goodwill recorded in connection with this acquisition is primarily attributable to the assembled workforce of the acquired business and the synergies expected to arise after our acquisition of the business. The preliminary fair values of assets acquired and liabilities assumed for the acquisition are subject to change as we obtain additional information for our

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estimates during the respective measurement period, up to one year. The primary areas that are not yet finalized relate to certain tangible assets and liabilities, acquired income and non-income based taxes and residual goodwill. The results of OMGPOP have been included in our consolidated results of operations from the date of acquisition and were not material.

The useful lives for the developed technology and branding intangible assets acquired in the OMGPOP acquisition are expected to be three years and seven years, respectively, and will be amortized on a straight-line basis.

### 6. Goodwill and Other Intangible Assets

Changes in the carrying value of goodwill from December 31, 2011 to March 31, 2012 are as follows (in thousands, unaudited):

Goodwill – December 31, 2011	\$ 91,765
Additions	104,327
Foreign currency translation adjustments	(297)
Goodwill – March 31, 2012	<u>\$195,796</u>

Amortization expense of acquisition-related intangible assets for the three months ended March 31, 2012 and 2011 was \$7.0 million and \$6.1 million, respectively. As of March 31, 2012, future amortization expense related to the intangible assets will be recognized in the periods shown below (in thousands, unaudited):

Year ending December 31:	
2012	\$ 39,652
2013	37,051
2014	33,222
2015	11,891
2016 and thereafter	15,511
	<u>\$137,327</u>

### 7. Income Taxes

The benefit from / (provision for) income taxes decreased \$19.3 million in the first quarter of 2012. The decrease was attributable to the decrease in pre-tax income of \$121.4 million in the first quarter of 2012, which was primarily driven by higher stock-based expense. The income tax expense for the three months ended March 31, 2011 was impacted by non-deductible stock-based expense and the costs of implementing our international structure.

For the foreseeable future, our effective tax rate will be impacted by additional tax expense associated with the implementation of our international tax structure and the deductibility of stock-based expense. As the implementation of our international tax structure is completed, we anticipate that our effective tax rate will be lower than the U.S. statutory rate.

### 8. Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	March 31, 2012 (unaudited)	December 31, 2011
Customer deposits	\$ 44,471	\$ 50,140
Accrued payable from acquisitions	36,099	7,242
Other current liabilities	<u>101,329</u>	<u>109,889</u>
Total other current liabilities	<u>\$181,899</u>	<u>\$167,271</u>

Customer deposits represent amounts received for unredeemed game cards as well as advanced payments from various customers. Accrued payable from acquisitions mainly relates to amounts held in escrow under the terms of certain of our merger agreements. Other current liabilities include various expenses accrued by the Company for transaction taxes, acquisition-related expenses, compensation liabilities and accrued accounts payable.

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**9. Stockholders' Equity**

We recorded stock-based expense related to grants of employee and consultant stock options, warrants, restricted stock and restricted stock units ("ZSUs") in our consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
	(unaudited)	
Cost of revenue	\$ 6,818	\$ 551
Research and development	78,146	9,333
Sales and marketing	12,915	2,440
General and administrative	35,972	2,182
<b>Total stock-based expenses</b>	<b>\$ 133,851</b>	<b>\$ 14,506</b>

The following table shows stock option activity for the three months ended March 31, 2012 (in thousands, except weighted-average exercise price and contractual term):

	Outstanding Options			
	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value of Stock Options Outstanding	Weighted Average Contractual Term (In years)
	(unaudited)			
Balance as of December 31, 2011	102,314	\$ 0.69	\$ 892,135	7.04
Stock option grants	—	—		
Stock option forfeitures and cancellations	(947)	0.47		
Stock option exercises	(2,906)	0.19		
<b>Balance as of March 31, 2012</b>	<b>98,461</b>	<b>\$ 0.71</b>	<b>\$ 1,225,126</b>	<b>7.05</b>

The following table shows a summary of ZSU activity for the three months ended March 31, 2012 (in thousands, except weighted-average fair value and remaining term):

	Outstanding ZSU's			
	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value of Unvested ZSUs	Weighted Average Remaining Term (In years)
	(unaudited)			
Unvested as of December 31, 2011	79,818	\$ 11.24	\$ 751,090	1.45
Granted	11,014	13.89		
Vested	(9,166)	11.57		
Forfeited and cancelled	(4,937)	10.86		
<b>Unvested as of March 31, 2012</b>	<b>76,729</b>	<b>\$ 11.61</b>	<b>\$ 1,008,986</b>	<b>1.62</b>

In March 2012, we donated one million shares of Class A common stock to Zynga.org, an unaffiliated non-profit organization that was formed in March 2012 to support charitable causes in the communities in which we conduct business. Zynga.org is a separate legal entity in which we have no financial interest and do not exercise control and, accordingly, is not consolidated in our consolidated financial statements. For our contribution of Class A common stock we recorded \$13.1 million of stock-based expense, which is included in general and administrative expenses, equal to the fair value of the shares of Class A common stock issued.

#### **10. Net Income (Loss) Per Share of Common Stock**

We compute net income (loss) per share of common stock using the two-class method required for participating securities. Prior to the date of the initial public offering, we considered all series of our convertible preferred stock to be participating securities due to their non-cumulative dividend rights. Additionally, we consider shares issued upon the early exercise of options subject to repurchase and unvested restricted shares to be participating securities, because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares. In accordance with the two-class method, earnings allocated to these participating securities, which include participation rights in undistributed earnings, are subtracted from net income to determine total undistributed earnings to be allocated to common stockholders.

Basic net income (loss) per common share is computed by dividing total undistributed earnings attributable to common stockholders by the weighted-average number of common shares outstanding during the period. In computing diluted net income (loss) attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities, including stock options, warrants and unvested ZSUs. Diluted net income (loss) per share attributable to common stockholders is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding, including potential dilutive common shares including outstanding stock options, warrants and ZSUs.

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The following table sets forth the computation of basic and diluted net income (loss) per share of common stock (in thousands, except per share data):

	Three Months Ended March 31,					
	2012			2011		
	Class A	Class B	Class C	Class A	Class B	Class C
	(unaudited)					
<b>BASIC:</b>						
Net income (loss)	\$ (15,208)	\$ (67,668)	\$ (2,475)	\$ —	\$ 15,426	\$ 1,332
Net income attributable to participating securities	—	—	—	—	14,191	1,225
Net income (loss) attributable to common stockholders	\$ (15,208)	\$ (67,668)	\$ (2,475)	\$ —	\$ 1,235	\$ 107
Weighted-average common shares outstanding	126,102	561,074	20,517	—	237,651	20,517
Basic net income per share	\$ (0.12)	\$ (0.12)	\$ (0.12)	\$ —	\$ 0.01	\$ 0.01
<b>DILUTED:</b>						
Net income (loss) attributable to common stockholders	\$ (15,208)	\$ (67,668)	\$ (2,475)	\$ —	\$ 1,235	\$ 107
Reallocation of net income attributable to participating securities	—	—	—	—	259	—
Reallocation of net income (loss) as a result of conversion of Class C shares to Class B and Class A shares	(2,475)	—	—	—	107	—
Reallocation of net income (loss) as a result of conversion of Class B shares to Class A shares	(67,668)	—	—	—	—	—
Reallocation of net income (loss) to Class B and Class C shares	—	—	—	—	—	(15)
Net income (loss) attributable to common stockholders for diluted net income (loss) per share	\$ (85,351)	\$ (67,668)	\$ (2,475)	\$ —	\$ 1,601	\$ 92
Number of shares used in basic computation	126,102	561,074	20,517	—	237,651	20,517
Conversion of Class C to Class A common shares outstanding	20,517	—	—	—	—	—
Conversion of Class C to Class B common shares outstanding	—	—	—	—	20,517	—
Conversion of Class B to Class A common shares outstanding	561,074	—	—	—	—	—
Weighted-average effect of dilutive securities:						
Employee stock options	—	—	—	—	88,488	—
Warrants	—	—	—	—	11,656	—
Number of shares used in diluted net income (loss) per share	707,693	561,074	20,517	—	358,312	20,517
Diluted net income (loss) per share	\$ (0.12)	\$ (0.12)	\$ (0.12)	\$ —	\$ —	\$ —

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The following weighted-average employee equity awards were excluded from the calculation of diluted net income (loss) per share attributable to common stockholders because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended March 31,	
	2012	2011
	(unaudited)	
Stock options	99,458	940
Warrants	695	—
Restricted shares	19,424	—
ZSUs	75,003	—
Total	<u>194,580</u>	<u>940</u>

## 11. Commitments and Contingencies

### *Lease Commitments*

We have entered into operating leases for facilities, including data center space. In 2010, we executed an operating lease agreement for 267,000 square feet of office space for our headquarters in San Francisco, California. The lease term is seven years from the defined commencement date, with options to renew for two five-year terms. Under the terms of the lease we were provided \$13.6 million in leasehold incentives and \$9.8 million in rent abatements. In 2011, this agreement was amended to add an aggregate of approximately 140,000 square feet of additional office space. Under the terms of the amendments, we were provided an aggregate of \$4.9 million in leasehold incentives and \$5.2 million in rent abatements. In April 2012, we completed the purchase of our corporate headquarters building in San Francisco, California for \$233.7 million from 650 Townsend Associates LLC and terminated the lease agreement for the facilities. Because the lease termination did not occur until April 2012, the minimum lease commitments for our corporate headquarters building are included in the table below. Future minimum lease payments that have initial or remaining non-cancelable lease terms as of March 31, 2012, are as follows (in thousands, unaudited):

Year ending December 31:	
2012	\$ 24,446
2013	37,398
2014	40,115
2015	38,781
2016 and thereafter	110,092
	<u>\$250,832</u>

Included in the table above are \$2.2 million, \$7.4 million, \$10.2 million, \$10.6 million and \$26.4 million of future minimum lease payments associated with the lease of our corporate headquarters building in the years ending December 31, 2012, 2013, 2014, 2015 and 2016 and thereafter, respectively. These lease commitments were cancelled in April 2012 after the purchase of the building was completed.

### *Legal Matters*

From time to time, we may become subject to legal proceedings, claims, and litigation arising in the ordinary course of business. In addition, we may receive notification alleging infringement of patent or other intellectual property rights. Adverse results in litigation, legal proceedings or claims may include awards of substantial monetary damages, costly royalty or licensing agreements, or orders preventing us from offering certain games, features, or services, and may also result in changes in our business practices, which could result in additional costs or a loss of revenues for us and otherwise harm our business. Although the results of litigation cannot be predicted with certainty, we believe that the amount or range of reasonably possible loss related to any pending or threatened litigation will not have a material adverse effect on our business, operating results, cash flows, or financial condition should such litigation be resolved unfavorably. We recognize legal expenses as incurred.

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## 12. Revenue by Type and Geographical Information

### Revenue by Type

The following table presents the components of revenue (in thousands):

	Three Months Ended	
	March 31,	
	2012	2011
	(unaudited)	
Online game	\$292,780	\$229,898
Advertising	28,192	12,992
Total revenue	<u>\$320,972</u>	<u>\$242,890</u>

### Geographical Information

The following represents our geographic revenue based on the location of our players (in thousands):

Revenue	Three Months Ended	
	March 31,	
	2012	2011
	(unaudited)	
United States	\$196,454	\$159,529
All other countries <sup>(1)</sup>	124,518	83,361
Total revenue	<u>\$320,972</u>	<u>\$242,890</u>

- (1) No country exceeded 10% of our total revenue for any periods presented.

The following represents our property and equipment, net by location (in thousands):

Property and equipment, net	March 31,	December 31,
	2012	2011
	(unaudited)	
United States	\$250,827	\$ 242,552
All other countries	4,424	4,188
Total property and equipment, net	<u>\$255,251</u>	<u>\$ 246,740</u>

## 13. Subsequent Events

In April 2012, we completed a secondary offering that allowed certain of our stockholders to sell 49.4 million shares of Class A common stock for approximately \$593 million, net of underwriting discounts and commissions of approximately \$18 million, including the full exercise of the underwriters' option to purchase additional shares. The Company did not receive any proceeds from the sale of the shares. The principal purpose of the offering was to facilitate an orderly distribution of shares and to increase our public float.

## ITEM 2. 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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q, particularly in "Special Note Regarding Forward-Looking Statements" and "Risk Factors."*

### Overview

We are the world's leading online social game developer with 292 million average MAUs in 175 countries. We have launched the most successful social games in the industry in each of the last three years. Our games are accessible on Facebook and other social networks, mobile platforms and Zynga.com, wherever and whenever our players 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. Our objective is to become the worldwide leader in play by connecting the world through games.

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.

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### **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.

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.

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.

We began migrating to Facebook Credits in July 2010, and in April 2011, we completed this migration. Under the 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 or through game cards purchased from retailers and distributors.

On platforms other than Facebook, 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.

*Advertising.* Advertising revenue primarily includes branded virtual goods and sponsorships, engagement ads and offers, mobile ads, display ads and licensing. 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 and distribution platforms.

### **Recent Developments**

*Game Launches.* We launched six games during the first quarter of 2012, including two titles on web-based platforms: *Hidden Chronicles*, our first game in the hidden object category, and *Zynga Slingo*, our first game in the arcade category. We released four titles on mobile platforms: *Scramble with Friends*, *Dream PetHouse*, *Dream Heights* and *Draw Something*, which we acquired in March in connection with the acquisition of OMGPOP.

*Zynga Platform.* 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 other 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.

*Acquisition of OMGPOP.* On March 21, 2012, we acquired 100% of the outstanding stock of OMGPOP, Inc., a provider of social games, including *Draw Something*, for mobile phones, tablets, PCs and social network sites, for purchase consideration of approximately \$183.1 million in cash. We acquired OMGPOP to expand our social games offerings, particularly on mobile platforms.

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*Building Purchase.* In March 2012, we entered into an agreement to purchase our corporate headquarters building in San Francisco, California for \$233.7 million from 650 Townsend Associates LLC. Pursuant to the agreement, on April 2, 2012, we acquired (i) the building located at 650 Townsend Street, San Francisco, California consisting of approximately 670,000 square feet of space, (ii) fee title to the real property (i.e. land) where the building is located, (iii) personal property located in the building which was previously owned by the seller and used in the operation and maintenance of the building and (iv) leases and other intangible property related to the building and real property. Our remaining lease commitments for the building were cancelled in April 2012 after the purchase was completed.

*Secondary Offering.* On April 3, 2012, we completed an underwritten public offering of 49,414,526 shares of our Class A common stock. All of the shares were sold by selling stockholders at a price to the public of \$12.00 per share. As part of the offering, all selling stockholders, as well as all officers and directors, agreed to lock-up agreements that extended the transfer restrictions on their remaining shares owned until at least 90 days following the offering. The principal purposes of the offering were to facilitate an orderly distribution of shares and to increase the company's public float. We did not receive any proceeds from the sale of shares in the offering.

*Zynga.org.* In March 2012, we donated one million shares of Class A common stock to Zynga.org, an unaffiliated non-profit organization that was formed in March 2012 to support charitable causes in the communities in which we conduct business.

### Key Metrics

We regularly review a number of metrics, including the following key financial and operating 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 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 sales which consist 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. 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.

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 US 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.

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

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
<b>Reconciliation of Revenue to Bookings:</b>		
Revenue	\$ 320,972	\$ 242,890
Change in deferred revenue	8,192	43,708
Bookings	<u>\$ 329,164</u>	<u>\$ 286,598</u>

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.

*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 expense 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.

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We have included adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measure we use to evaluate our financial and 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 US GAAP.

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

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
<b>Reconciliation of Net Income (Loss) to Adjusted EBITDA:</b>		
Net income (loss)	\$ (85,351)	\$ 16,758
(Provision for) / benefit from income taxes	(78)	19,226
Other income (expense), net	1,142	736
Interest income	(1,291)	(518)
Gain (loss) from legal settlements	889	—
Depreciation and amortization	29,398	17,847
Stock-based expense	133,851	14,506
Change in deferred revenue	8,192	43,708
Adjusted EBITDA	<u>\$ 86,752</u>	<u>\$ 112,263</u>

### ***Limitations of Bookings and Adjusted EBITDA***

Some limitations of bookings and adjusted EBITDA are:

- adjusted EBITDA does not include the impact of stock-based expense;
- bookings and adjusted EBITDA do not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of virtual goods or as virtual goods are consumed;
- adjusted EBITDA does not reflect income tax expense;
- adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses as well as interest income;
- 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 US GAAP.

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### 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 measure 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 MAUs as a measure of total game audience size.

*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 MUUs 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 payers from certain of our mobile games. MUPs does not include payers who use certain smaller web-based payment methods or payers from certain of our mobile games 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, MAUs, MUUs, MUPs and ABPU, which together we believe best reflect the economic value of all of our players.

	Three Months Ended March 31,	
	2012	2011
	(users and payers in millions)	
Average DAUs	65	62
Average MAUs	292	236
Average MUUs	182	146
Average MUPs	3.5	NA
ABPU	\$ 0.055	\$ 0.051

NA means data is not available.

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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 and distribution platforms and the success of 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.

### **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. 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.

*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. For the three months ended March 31, 2012 and 2011, we estimate that 85% and 93% of our quarterly bookings, respectively, were generated through the Facebook platform. For the three months ended March 31, 2012 and 2011, we estimate that 92% and 93% of our quarterly revenue, respectively, were 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.

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

*Investment in technology stack.* We host 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 that 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 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 other 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 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.

*Stock-based Expense Related to Outstanding ZSUs.* Prior to our initial public offering, we granted ZSUs to our employees that generally vest upon the satisfaction of both a service-period condition of up to four years and a liquidity event condition, the latter of which was satisfied following our initial public offering. Because the liquidity event condition was not met until our initial public offering, prior to the fourth quarter of 2011, we had not recorded any expense relating to our ZSUs. In the first quarter of 2012, we recognized \$93.7 million of stock-based expense related to ZSUs.

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**Results of Operations**

The following table sets forth our results of operations for the periods presented as a percentage of revenue for those periods.

	For The Three Months Ended March 31,	
	2012	2011
<b>Consolidated Statements of Operations Data:</b>		
Revenue	100%	100%
Costs and expenses:		
Cost of revenue	28	28
Research and development	58	30
Sales and marketing	18	17
General and administrative	23	11
Total costs and expenses	127	86
Income (loss) from operations	(27)	14
Interest income	—	—
Other income (expense), net	—	—
Income (loss) before income taxes	(27)	14
(Provision for) / benefit from income taxes	—	(8)
Net income (loss)	<u>(27)%</u>	<u>6%</u>

**Revenue**

	Three Months Ended March 31,		% Change
	2012	2011	
(dollars in thousands)			
Revenue by type:			
Online game	\$ 292,780	\$ 229,898	27%
Advertising	28,192	12,992	117%
Total	<u>\$ 320,972</u>	<u>\$ 242,890</u>	32%

Total revenue increased \$78.1 million in the first quarter of 2012, as a result of growth in both online game and advertising revenue. Bookings increased by \$42.6 million in the first quarter of 2012. ABPU increased from \$0.051 to \$0.055, reflecting improved overall monetization of our players, while average DAUs increased from 62 million to 65 million.

Online game revenue increased \$62.9 million in the first quarter of 2012. *CityVille*, *FarmVille* and *CastleVille* accounted for \$28.5 million, \$24.2 million and \$18.1 million of the increase, respectively. *FarmVille* was launched in June 2009, and the increase in revenue reflects an increase in bookings due to the release of new content, as well as the recognition of revenue derived from deferred revenue built up over a longer period of time. The increase in revenue from *CityVille* and *CastleVille* was the result of the launch of these games in December 2010 and November 2011, respectively. The growth in online game revenue was offset by a decrease of \$26.5 million from *Mafia Wars*. All other games accounted for the remaining net increase of \$18.6 million.

International revenue as a percentage of total revenue accounted for 39% and 34% in the three months ended March 31, 2012 and 2011, respectively.

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In the three months ended March 31, 2012, *FarmVille*, *CityVille*, *Zynga Poker* and *FrontierVille* were our top revenue-generating games and comprised 29%, 17%, 16% and 10%, respectively, of our online game revenue. In the three months ended March 31, 2011, *FarmVille*, *Zynga Poker* and *Mafia Wars* were our top revenue-generating games and comprised 27%, 19% and 18%, respectively, of online game revenue. No other game generated more than 10% of online game revenue during either of these quarterly periods.

Consumable virtual goods accounted for 29% and 35% of online game revenue in the three months ended March 31, 2012 and 2011, respectively. Revenue from consumable virtual goods accounted for 9% of the increase in online game revenue in the first quarter of 2012.

Durable virtual goods accounted for 71% and 65% of online game revenue in the three months ended March 31, 2012 and 2011, respectively. Revenue from durable virtual goods accounted for 91% of the increase in online game revenue in the first quarter of 2012. The estimated weighted-average life of durable virtual goods was 13 months for the first quarter of 2012 compared to 17 months for the first quarter of 2011. In addition, changes in our estimated average life of durable virtual goods during the first quarter of 2012 for various games resulted in an increase in revenue of \$10 million, which is the result of adjusting the remaining recognition period of deferred revenue generated in prior periods at the time of the change in estimate.

Advertising revenue increased \$15.2 million in the first quarter of 2012, due to a \$9.3 million increase in revenue from in-game offers, sponsorships, engagement ads and other in-game display ads, and a \$5.9 million increase in revenue from licensing and other advertising activity.

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[Table of Contents](#)**Cost of revenue**

	<u>Three Months Ended March 31,</u>		<u>% Change</u>
	<u>2012</u>	<u>2011</u>	
	<u>(dollars in thousands)</u>		
Cost of revenue	\$ 90,122	\$ 67,662	33%

Cost of revenue increased \$22.5 million in the first quarter of 2012. The increase was primarily attributable to an increase in third-party payment processing fees of \$8.8 million, an increase of \$7.0 million in depreciation and amortization related to new fixed assets to support our network infrastructure and acquired intangibles, an increase of \$3.6 million in consulting costs primarily related to third-party customer support required as a result of higher player activity and an increase of \$6.3 million in stock-based expense mainly due to expense recognized for ZSUs, as prior to our December 2011 initial public offering, these expenses had not been recorded. These increases in costs of revenue were partially offset by a decrease of \$2.8 million in maintenance and hosting costs in the first quarter of 2012.

**Research and development**

	<u>Three Months Ended March 31,</u>		<u>% Change</u>
	<u>2012</u>	<u>2011</u>	
	<u>(dollars in thousands)</u>		
Research and development	\$ 186,876	\$ 71,760	160%

Research and development expenses increased \$115.1 million in the first quarter of 2012. The increase was primarily attributable to a \$69.6 million increase in stock-based expenses, mainly due to the expense recognized for ZSUs, an increase of \$34.7 million in headcount-related expenses, an increase of \$6.5 million in facilities and other overhead support costs and an increase of \$3.5 million in consulting costs.

**Sales and marketing**

	<u>Three Months Ended March 31,</u>		<u>% Change</u>
	<u>2012</u>	<u>2011</u>	
	<u>(dollars in thousands)</u>		
Sales and marketing	\$ 56,837	\$ 40,156	42%

Sales and marketing expenses increased \$16.7 million in the first quarter of 2012. The increase was primarily attributable to a \$10.5 million increase in stock-based expenses, mainly due to the expense recognized for ZSUs, a \$3.6 million increase in player acquisition costs and an increase in headcount-related expenses of \$2.5 million.

[Table of Contents](#)**General and administrative**

	Three Months Ended March 31,		% Change
	2012	2011	
	(dollars in thousands)		
General and administrative	\$ 72,715	\$ 27,110	168%

General and administrative expenses increased \$45.6 million in the first quarter of 2012. The increase was primarily attributable to an increase of \$33.8 million in stock-based expense, including the expense recognized for ZSUs as well as \$13.1 million in stock-based expense recognized for one million shares of Class A common stock that we donated to Zynga.org, which is an unaffiliated third party. The increase in general and administrative expenses was also due to a \$7.0 million increase in headcount-related expenses, a \$4.3 million increase in depreciation expense and a \$2.8 million increase in consulting expense, which was offset by a decrease of \$5.0 million in facilities and other overhead and office costs.

**(Provision for) / benefit from income taxes**

	Three Months Ended March 31,		% Change
	2012	2011	
	(dollars in thousands)		
(Provision for) / benefit from income taxes	\$ 78	\$ (19,226)	NM

The provision for income taxes decreased by \$19.3 million in the first quarter of 2012. This decrease was attributable to the decrease in pre-tax income of \$121.4 million in the first quarter of 2012, which was primarily driven by stock-based expense. The income tax expense for the three months ended March 31, 2011 was impacted by non-deductible stock-based expense and the costs of implementing our international structure.

For the foreseeable future, our effective tax rate will be impacted by additional tax expense associated with the implementation of our international tax structure and the deductibility of stock-based expense. As the implementation of our international tax structure is completed, we anticipate that our effective tax rate will be lower than the U.S. statutory rate.

**Liquidity and Capital Resources**

	Three Months Ended March 31,	
	2012	2011
	(in thousands)	
<b>Consolidated Statements of Cash Flows Data:</b>		
Acquisition of property and equipment	\$ (34,994)	\$ (50,222)
Depreciation and amortization	29,398	17,847
Cash flows provided by operating activities	\$ 78,817	\$ 103,657
Cash flows used in investing activities	(1,277,155)	(55,538)
Cash flows provided by financing activities	(22,967)	225,249

As of March 31, 2012, we had cash, cash equivalents and marketable securities of approximately \$1.5 billion, which consisted of cash, money market funds, U.S. government debt securities and corporate debt securities. Additionally, we had \$260 million of restricted cash, \$229 million of which was held in escrow pursuant to the terms of an agreement to purchase our corporate headquarters. For the full year ended December 31, 2012, we expect to make capital expenditures of up to \$410 million, which includes the purchase and build out of our corporate headquarters as well as additional investments in network infrastructure to support our expected growth and to continue to improve the player experience. We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from operations, will be sufficient to fund our operations and capital expenditures for at least the next 12 months.

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***Operating Activities***

Operating activities provided \$78.8 million of cash during the three months ended March 31, 2012, primarily driven by our net loss of \$85.4 million, adjusted to exclude non-cash items. Significant non-cash items included stock-based expense of \$133.9 million and depreciation and amortization of \$29.4 million. Stock-based expense was composed primarily of employee ZSU and stock option expense and increased from the three months ended March 31, 2011 due to expense incurred related to ZSUs; as the first quarter of 2011 contained no ZSU expense because at that time the liquidity event-based vesting criteria had not occurred. Depreciation and amortization increased from the three months ended March 31, 2011 as a result of our continued investment in property and equipment and business acquisitions.

***Investing Activities***

Investing activities resulted in a cash outflow of \$1.3 billion during the three months ended March 31, 2012. The primary uses of cash associated with investing activities were \$964.7 million for the purchase of marketable securities, as we continued to invest the proceeds received from our initial public offering; \$229 million of escrow payments made in connection with our agreement to purchase our corporate headquarters; and \$182.2 million, net of cash acquired, for the acquisition of 100% of the outstanding common stock of OMGPOP, Inc. Capital expenditures were \$35.0 million for the quarter, as we continued to invest in our data centers and other hardware and software to support our growth. These uses of cash were partially offset by the sale and maturity of \$132.9 million of marketable securities.

***Financing Activities***

For the three months ended March 31, 2012, our financing activities consisted of tax payments made in connection with the vesting of stock awards and cash received from the exercise of employee stock options. In the three months ended March 31, 2011, we issued 34.9 million shares of Series C preferred stock for net proceeds of \$485.3 million. In addition, we repurchased 23.7 million shares of our outstanding capital stock for a total purchase price of \$261.3 million during the three months ended March 31, 2011.

***Credit Facility***

In July 2011, we executed a revolving credit agreement with certain lenders to borrow up to \$1.0 billion in revolving loans. The interest rate for the credit facility is determined based on a formula using certain market rates. As of March 31, 2012, we had not drawn down any amounts on the credit facility.

***Off-Balance Sheet Arrangements***

We did not have any off-balance sheet arrangement in the first quarter of 2012 or in any prior periods.

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**Lease Obligations**

We have entered into operating leases for facilities, including data center space. In 2010, we executed an operating lease agreement for 267,000 square feet of office space for our headquarters in San Francisco, California, which we expanded to 407,000 square feet in 2011. The lease term was seven years from the defined commencement date. In March 2012, we entered into an agreement to purchase our corporate headquarters building in San Francisco, California for \$233.7 million from 650 Townsend Associates LLC. Because the building purchase was not executed until April 2012, the minimum lease commitments for our corporate headquarters building are included in the table below. Future minimum lease payments that have initial or remaining non-cancelable lease terms as of March 31, 2012, are as follows (in thousands).

Year ending December 31:	
2012	\$ 24,446
2013	37,398
2014	40,115
2015	38,781
2016 and thereafter	<u>110,092</u>
	<u>\$250,832</u>

Included in the table above are \$2.2 million, \$7.4 million, \$10.2 million and \$10.6 million and \$26.4 million of lease payments associated with the lease of our corporate headquarters building in the years ending December 31, 2012, 2013, 2014, 2015 and 2016 and thereafter, respectively. These lease commitments were cancelled in April 2012 after the building purchase agreement was executed.

We do not have any debt or material capital lease obligations, and all of our property, equipment and software has been purchased with cash.

**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 our previously filed Annual Report on Form 10-K. 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. The accounting policies that reflect our more significant estimates and judgments and that we believe are the most critical to fully understand and evaluate our reported financial results include the following:

- Revenue Recognition
- Income Taxes
- Business Combinations
- Stock-Based Expense

During the first quarter of 2012, there were no significant changes to our critical accounting policies and estimates. Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2011 for a more complete discussion of our critical accounting policies and estimates.

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**Recent Accounting Pronouncements**

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 – “Overview and Summary of Significant Accounting Policies” in the notes to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

During the first quarter of 2012, there were no material changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. “Quantitative and Qualitative Disclosure About Market Risk” included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2011 for a more complete discussion on the market risks we encounter.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission (the “SEC”) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of March 31, 2012, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For a description of our material legal proceedings, see Note 11 — “Commitments and Contingencies” in the Notes to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

## ITEM 1A. RISK FACTORS

*We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are not material may also significantly impair our business operations. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes.*

*We have marked with an asterisk (\*) those risks described below that reflect substantive changes from, or additions to, the risks described in our Annual Report on Form 10-K for the year ended December 31, 2011.*

### **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 to 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 and allows us to continue to distribute our game cards for a limited time. We are working with Facebook to transition retailers from our gift card program to Facebook's gift cards. We expect this transition to occur over time and to be completed in the fourth quarter of 2012. Our future bookings and revenue may be negatively impacted during this transition period and upon the expiration of our game card program. Any such changes in the future could significantly alter how players experience our games or interact within our games, which may harm our business.

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### ***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 various 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 March 31, 2012, we had approximately 3.5 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. We have very limited experience launching third-party developed games on the Zynga Platform, and 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.

### ***We expect our bookings and revenue growth rate to decline over time 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 over time. 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 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.

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***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.

***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 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.

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### ***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 March 31, 2012, approximately 52% of our employees had been with us for less than one year and approximately 81% 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;
- 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 or successfully monetize mobile games we develop or acquire.\****

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 additional mobile games, and we cannot guarantee that we will continue to develop games that appeal to our players or advertisers. In addition, we may encounter difficulty in integrating features on games developed for mobile platforms that a sufficient number of players will pay for or otherwise sufficiently monetize mobile games. Our mobile games currently monetize at a lower rate than our web-based games and we may not be successful in our efforts to increase our monetization from mobile games. If we are unable to implement successful monetization strategies for our mobile games, our ability to grow revenue and our financial performance will be negatively affected.

Our ability to successfully develop games for mobile platforms will depend on our ability to:

- anticipate and effectively respond to the changing mobile landscape and the interests of players on mobile platforms;
- attract, retain and motivate talented game designers, product managers and engineers who have experience developing games for mobile platforms;
- expand on our current mobile games;
- effectively market new mobile games to our existing web-based players and players of our current mobile games;
- minimize launch delays and cost overruns on the development of new games; and
- acquire and successfully integrate high quality mobile game assets, personnel or companies.

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

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### ***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.

### ***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 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, 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. To expand our business, we will need to continue 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

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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 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.

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### ***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 International, Inc., 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;
- creating downward pressure on the prices we charge players for our virtual currency and virtual goods;
- causing us to lose revenue from paying players who stop playing a particular game;
- increasing costs we incur to develop technological measures to curtail unauthorized transactions;
- generating legal claims relating to the diminution of value of our virtual goods; and
- increasing 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.

### ***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.

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### ***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 analysts 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 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 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.

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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 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, industry standards and practices by platform providers concerning data privacy 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 on 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 requires 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 or the requirements of platform providers 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, features and advertising practices, possibly in a material manner, and may limit our ability to use of the data that our players 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

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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 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.

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.

***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.

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### ***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 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 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.

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***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.

***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 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' 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 has one vote per share. Mark Pincus, our Chief Executive Officer, beneficially owned approximately 37.6% of the total voting power of our outstanding capital stock as of April 3, 2012, following our secondary offering. As a result, Mr. Pincus has 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. This concentrated voting control will limit the ability of our stockholders 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, Mark 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.

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### ***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;
- 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.\****

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 31, 2012. In addition to the factors discussed in these “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q, 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. 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.

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### ***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 lower 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.

Upon completion of the release of the underwriters' lockup from our public offerings, currently scheduled to expire at various dates through August 15, 2012, subject to extension in certain circumstances, approximately 550 million shares will be eligible for sale in the future upon the expiration of lock-up agreements, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act of 1933, as amended. In addition, the holders of 364.6 million shares of Class B common stock, or 50% of our total outstanding common stock, based on shares outstanding as of March 31, 2012, will be entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors' rights agreement. If these holders of our Class B common stock, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our Class A common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. Sales of substantial amounts of our Class A common stock in the public market following the release of the lock-ups 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.

### ***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 (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.

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As a result of disclosure of information in this Quarterly Report on Form 10-Q and our other public filings with the SEC as 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.*

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.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

### **Recent Sale of Unregistered Securities**

On January 20, 2012 we issued 290,697 shares of Class A Common Stock to an accredited investor pursuant to certain commercial agreements. The offer, sale and issuance of these shares were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act on Regulation D promulgated thereunder as transactions not involving a public offering. The recipient of these securities acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and the recipient of these securities was an accredited investor and had adequate access, through employment, business or other relationships, to information about us.

### **Use of Proceeds**

On December 15, 2011, our registration statement on Form S-1 (File No. 333-175298) was declared effective for our initial public offering pursuant to which we sold 100,000,000 shares of Class A common stock at a public offering price of \$10.00 per share for an aggregate offering price of \$1.0 billion. Morgan Stanley & Co. LLC and Goldman, Sachs & Co. acted as joint book running managers and representatives of the underwriters for the offering, BofA Merrill Lynch, Barclays Capital Inc. and J.P. Morgan Securities LLC acted as additional joint book running managers, and Allen & Company LLC acted as senior co-manager for the offering.

As a result of our initial public offering, we received net proceeds of \$961.4 million, after deducting underwriting discounts and commissions and other offering expenses. None of the expenses associated with the initial public offering were paid to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates.

We intend to use the net proceeds to us from the initial public offering for general corporate purposes, including working capital, game development, marketing activities and capital expenditures. In addition, we may use a portion of the proceeds from the initial public offering for acquisitions of or investments in complementary businesses, technologies or other assets. As of March 31, 2012, the net offering proceeds have been invested in money market funds, debt instruments of the U.S. government and its agencies and high credit quality corporate issuers. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) on December 15, 2011.

### **Issuer Purchases of Equity Securities**

None.

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**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Description of Document</u>
2.1 <sup>(1)</sup>	Purchase and Sale Agreement and Escrow Instructions, by and between 650 Townsend Associates LLC and Zynga Inc., dated February 29, 2012.
3.1 <sup>(2)</sup>	Sixteenth Amended and Restated Certificate of Incorporation of Zynga Inc.
3.2 <sup>(3)</sup>	Amended and Restated Bylaws of the Zynga Inc.
4.1 <sup>(4)</sup>	Form of Zynga Inc. Class A Common Stock Certificate.
10.1 <sup>(5)</sup>	Lease Termination Agreement, dated April 2, 2012, by and between Zynga Inc. and Big Dog Holdings LLC.
10.2 <sup>(6)</sup>	2012 Compensation Information for Registrant's Executive Officers
10.3*	Restricted Stock Unit Grant Notice under the 2011 Equity Incentive Plan.
10.4 <sup>(7)</sup>	Offer Letter between Zynga Inc. and Barry Cottle, dated January 5, 2012.
10.5*	Zynga Inc. Non-Employee Director Compensation Policy.
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1 <sup>(8)</sup>	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS <sup>(9)</sup>	XBRL Instance Document
101.SCH <sup>(9)</sup>	XBRL Taxonomy Extension Schema Document
101.CAL <sup>(9)</sup>	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF <sup>(9)</sup>	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB <sup>(9)</sup>	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE <sup>(9)</sup>	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

- (1) Previously filed as Exhibit 2.1 to Registrant's Current Report on Form 8-K (File No. 001-35375), filed with the Securities and Exchange Commission on March 5, 2012, and incorporated by reference herein.
- (2) Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-35375), filed with the Securities and Exchange Commission on December 21, 2011, and incorporated by reference herein.
- (3) Previously filed as Exhibit 3.4 to the Registrant's Registration Statement on Form S-1/A (File No. 333-175298), filed with the Securities and Exchange Commission on November 17, 2011, and incorporated by reference herein.
- (4) Previously filed as Exhibit 4.1 to Registrant's Registration Statement on Form S-1/A (File No. 333-175298), filed with the Securities and Exchange Commission on November 4, 2011, and incorporated by reference herein.
- (5) Previously filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on April 6, 2012 and incorporated by reference herein.
- (6) Previously filed with Registrant's Current Report on Form 8-K filed on March 15, 2012 and incorporated by reference herein.
- (7) Previously filed as Exhibit 10.28 to Registrant's Amendment No. 1 to Form S-1 (File No. 333-180078), filed with the Securities and Exchange Commission on March 23, 2012, and incorporated by reference herein.
- (8) The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
- (9) Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on May 8, 2012.

**ZYNGA INC.**

By: /s/ David M. Wehner

David M. Wehner  
*Chief Financial Officer*  
*(On behalf of Registrant)*

By: /s/ Mark Vranesh

Mark Vranesh  
*Chief Accounting Officer*  
*(Principal Accounting Officer)*

**EXHIBIT INDEX**

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- (9) Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

**ZYNGA INC.  
RESTRICTED STOCK UNIT GRANT NOTICE  
2011 EQUITY INCENTIVE PLAN**

Zynga Inc. (the “*Company*”) hereby awards to Participant the number of restricted stock units (“*RSUs*”) set forth below (the “*Award*”). The Award is subject to all of the terms and conditions as set forth in this Restricted Stock Unit Grant Notice (the “*Grant Notice*”), the 2011 Equity Incentive Plan (the “*Plan*”) and the Restricted Stock Unit Agreement (including any country-specific terms for Participants located outside the United States set forth in Appendix A, the “*Award Agreement*” or the “*Agreement*”), all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Award Agreement will have the same definitions as in the Plan or the Award Agreement. In the event of any conflict between the terms of the Award and the Plan, the terms of the Plan will control.

Participant: \_\_\_\_\_  
 Date of Grant: \_\_\_\_\_  
 Vesting Commencement Date: \_\_\_\_\_  
 Number of RSUs: \_\_\_\_\_

**Vesting Schedule:** The Award vests as to 25% of the RSUs (rounded down to the nearest whole RSU) one year after the vesting commencement date specified above (the “*Vesting Commencement Date*”), with the balance vesting as to 1/16th of the RSUs (rounded down to the nearest whole RSU, except for the last vesting installment) every three months thereafter, subject to Participant’s Continuous Service with the Company through each such vesting date. Each installment of RSUs that vests hereunder is a “separate payment” for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2).

**Issuance Schedule:** Subject to any change on a Capitalization Adjustment, one share of Common Stock will be issued for each RSU which vests at the time set forth in Section 6 of the Award Agreement.

**Additional Terms/Acknowledgements:** Participant acknowledges receipt of, and understands and agrees to, this Grant Notice, the Agreement, the Plan and the stock plan prospectus for this Plan. As of the date of grant specified above (the “*Date of Grant*”), this Grant Notice, the Agreement and the Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on the terms of the Award, with the exception, if applicable, of (i) any terms intended to govern the Award that may be set forth in a written employment agreement or offer letter agreement entered into between the Company or an Affiliate, as applicable, and Participant, (ii) the Company’s Change in Control Severance Benefit Plan, and (iii) any compensation recovery policy that is adopted by the Company or is otherwise required by applicable law. By accepting this Award, Participant consents to receive Plan documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

ZYNGA INC.

PARTICIPANT:

By: \_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Signature

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENTS: Agreement, Plan

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ZYNGA INC.  
2011 EQUITY INCENTIVE PLAN

**RESTRICTED STOCK UNIT AGREEMENT**

Pursuant to the Restricted Stock Unit Grant Notice (the “*Grant Notice*”) and this Restricted Stock Unit Agreement (including any country-specific terms if you are located outside the United States set forth in Appendix A, the “*Award Agreement*” or the “*Agreement*”), Zynga Inc. (the “*Company*”) has awarded you a Restricted Stock Unit award (the “*Award*”) under its 2011 Equity Incentive Plan (the “*Plan*”) for the number of restricted stock units (“*Restricted Stock Units*”) indicated in the Grant Notice. Capitalized terms not explicitly defined in this Agreement or in the Grant Notice but defined in the Plan will have the same definitions as in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan will control.

The details of your Award, in addition to those set forth in the Grant Notice, Appendix A and the Plan, are as follows.

**1. GRANT OF THE AWARD.** This Award represents your right to be issued on a future date one share of the Company’s Common Stock for each Restricted Stock Unit that vests.

**2. VESTING.** Your Restricted Stock Units will vest as provided in the Grant Notice. Vesting will cease upon the termination of your Continuous Service as further provided in Section 16(j) below. Any Restricted Stock Units that have not yet vested will be forfeited on the termination of your Continuous Service as further provided in Section 16(j) below.

**3. NUMBER OF RESTRICTED STOCK UNITS & SHARES OF COMMON STOCK.**

(a) The Restricted Stock Units subject to your Award will be adjusted for Capitalization Adjustments, as provided in the Plan.

(b) Any additional Restricted Stock Units and any shares, cash or other property that become subject to the Award pursuant to this Section 3 will be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units and shares covered by your Award.

(c) No fractional shares or rights for fractional shares of Common Stock will be created pursuant to this Section 3. Any fraction of a share will be rounded down to the nearest whole share.

**4. SECURITIES LAW COMPLIANCE.** You will not be issued any Common Stock underlying the Restricted Stock Units or other shares with respect to your Restricted Stock Units unless either (i) the shares are registered under the Securities Act, or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award also must comply with other applicable laws and regulations

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governing the Award, and you will not receive shares underlying your Restricted Stock Units if the Company determines that such receipt would not be in material compliance with such laws and regulations.

**5. TRANSFERABILITY.** Prior to the time that shares of Common Stock have been delivered to you, you may not transfer, pledge, sell or otherwise dispose of any portion of the Restricted Stock Units or the shares in respect of your Restricted Stock Units. For example, you may not use shares that may be issued in respect of your Restricted Stock Units as security for a loan, nor may you transfer, pledge, sell or otherwise dispose of such shares. This restriction on transfer will lapse upon delivery to you of shares in respect of your vested Restricted Stock Units.

**(a) Death.** Your Restricted Stock Units are not transferable other than by will and by the laws of descent and distribution. Upon receiving written permission from the Board or its duly authorized designee, you may, by delivering written notice to the Company, in a form provided by or otherwise satisfactory to the Company and any broker designated by the Company to effect transactions under the Plan, designate a third party who, in the event of your death, will thereafter be entitled to receive any distribution of Common Stock or other consideration to which you were entitled at the time of your death pursuant to this Agreement. In the absence of such a designation, your executor or administrator of your estate will be entitled to receive, on behalf of your estate, such Common Stock or other consideration.

**(b) Domestic Relations Orders.** Upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration under your Restricted Stock Units, pursuant to the terms of a domestic relations order or official marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss with the Company's General Counsel the proposed terms of any such transfer prior to finalizing the domestic relations order or marital settlement agreement to help ensure the required information is contained within the domestic relations order or marital settlement agreement. The Company is not obligated to allow you to transfer your Award in connection with your domestic relations order or marital settlement agreement.

**6. DATE OF ISSUANCE.**

**(a)** The issuance of shares in respect of the Restricted Stock Units is intended to comply with U.S. Treasury Regulation Section 1.409A-1(b)(4) and will be construed and administered in such a manner.

**(b)** Subject to the satisfaction of the withholding obligations set forth in Section 10 of this Award Agreement, in the event one or more Restricted Stock Units vests, the Company will issue to you, on the applicable vesting date, one share of Common Stock for each Restricted Stock Unit that vests and such issuance date is referred to as the "**Original Issuance Date**." If the Original Issuance Date falls on a date that is not a business day, delivery will instead occur on the next following business day.

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(c) However, if (i) the Original Issuance Date does not occur (1) during an “open window period” applicable to you, as determined by the Company in accordance with the Company’s then-effective policy on trading in Company securities, or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established Company-approved 10b5-1 trading plan), and (ii) the Company elects, prior to the Original Issuance Date, (1) not to satisfy the Withholding Taxes described in Section 10 by withholding shares of Common Stock from the shares otherwise due, on the Original Issuance Date, to you under this Award, (2) not to permit you to enter into a “same day sale” commitment with a broker-dealer pursuant to Section 10 of this Award Agreement (including but not limited to a commitment under a previously established Company-approved 10b5-1 trading plan) and (3) not to permit you to pay your Withholding Taxes in cash, then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Company’s Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with U.S. Treasury Regulation Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the year following the year in which the shares of Common Stock under this Award are no longer subject to a “substantial risk of forfeiture” within the meaning of U.S. Treasury Regulation Section 1.409A-1(d).

**7. DIVIDENDS.** You will receive no benefit or adjustment to your Restricted Stock Units with respect to any cash dividend, stock dividend or other distribution except as provided in the Plan with respect to a Capitalization Adjustment.

**8. RESTRICTIVE LEGENDS.** The Common Stock issued with respect to your Restricted Stock Units will be endorsed with appropriate legends determined by the Company.

**9. AWARD NOT A SERVICE CONTRACT.** Your Continuous Service is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason (whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), with or without cause and with or without notice. Nothing in this Agreement (including, but not limited to, the vesting of your Restricted Stock Units or the issuance of the shares subject to your Restricted Stock Units), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ or service of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company of the right to terminate you without regard to any future vesting opportunity that you may have.

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## 10. WITHHOLDING OBLIGATIONS.

(a) You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Withholding Taxes**”), is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Restricted Stock Unit, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Unit, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends. Further, if you are subject to Withholding Taxes in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction.

(b) On each relevant taxable or tax withholding event, as applicable, you agree to make adequate provision for any Withholding Taxes. Specifically, the Company or the Employer may, in its sole discretion, satisfy all or any portion of the Withholding Taxes relating to your Award by any of the following means or by a combination of such means: (i) withholding from any compensation otherwise payable to you by the Company or the Employer; (ii) causing you to tender a cash payment; (iii) permitting or requiring you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”) whereby you irrevocably elect to sell a portion of the shares to be delivered in connection with your Restricted Stock Units to satisfy the Withholding Taxes and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Withholding Taxes directly to the Company and/or the Employer; or (iv) subject to the approval of the Committee in a manner that complies with applicable laws and regulations, withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with your Restricted Stock Units with a Fair Market Value (measured as of the date shares of Common Stock are issued to you) equal to the amount of such Withholding Taxes. For clarity, the Committee may choose not to approve withholding of shares if, among other things, there is no statutory minimum tax withholding rate, or the withholding of shares would otherwise be reasonably likely to result in liability accounting.

(c) Depending on the withholding method, the Company may withhold or account for Withholding Taxes by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Withholding Taxes is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Withholding Taxes.

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(d) Unless the Withholding Taxes of the Company and/or any Affiliate are satisfied, the Company will have no obligation to deliver to you any Common Stock.

(e) In the event the Company's obligation to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the Company's withholding obligation was greater than the amount withheld by the Company, you agree to indemnify and hold the Company harmless from any failure by the Company to withhold the proper amount.

**11. UNSECURED OBLIGATION.** Your Award is unfunded, and as a holder of vested Restricted Stock Units, you will be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares or other property pursuant to this Agreement. You will not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, will create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

**12. OTHER DOCUMENTS.** You hereby acknowledge receipt of and the right to receive a document providing the information required by Rule 428(b) (1) promulgated under the Securities Act, which includes the Plan prospectus. In addition, you acknowledge receipt of the Company's policy permitting certain individuals to sell shares only during certain "window" periods and the Company's insider trading policy, in effect from time to time.

**13. NOTICES.** Any notices provided for in this Agreement or the Plan will be given in writing (including electronically) and will be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request your consent to participate in the Plan by electronic means. By accepting this Award, you consent to receive such documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

**14. MISCELLANEOUS.**

(a) The rights and obligations of the Company under your Award will be transferable to any one or more persons or entities, and all covenants and agreements hereunder will inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting

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your Award, and fully understand all provisions of your Award. You further acknowledge that the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock.

(d) This Agreement will be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

#### **15. DATA PRIVACY.**

(a) *You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

(b) *You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").*

(c) *You understand that Data will be transferred to Morgan Stanley Smith Barney, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorizes the Company, Morgan Stanley Smith Barney and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand if you reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to*

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*Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

**16. NATURE OF GRANT.** In accepting the grant, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Restricted Stock Unit is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
- (c) all decisions with respect to future Restricted Stock Unit or other grants, if any, will be at the sole discretion of the Company;
- (d) the Restricted Stock Unit grant and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company, the Employer or any Affiliate and shall not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate your employment or service relationship (if any);
- (e) you are voluntarily participating in the Plan;
- (f) the Restricted Stock Unit and the shares of Common Stock subject to the Restricted Stock Unit are not intended to replace any pension rights or compensation;
- (g) the Restricted Stock Unit and the shares of Common Stock subject to the Restricted Stock Unit, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty;

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(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Unit resulting from termination of your Continuous Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Restricted Stock Unit to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, any of its Affiliates or the Employer, waive your ability, if any, to bring any such claim, and release the Company, its Affiliates and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) in the event of termination of your Continuous Service (for any reason whatsoever, whether or not later to be found invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Restricted Stock Unit under the Plan, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active services would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); the Board or the chief executive officer shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Restricted Stock Unit grant;

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Unit and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Unit or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(l) the following provisions apply only if you are providing services outside the United States:

(i) the Restricted Stock Unit and the shares of Common Stock subject to the Restricted Stock Unit are not part of normal or expected compensation or salary for any purpose;

(ii) you acknowledge and agree that neither the Company, the Employer nor any Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the U.S. dollar that may affect the value of the Restricted Stock Unit or of any amounts due to you pursuant to the settlement of the Restricted Stock Unit or the subsequent sale of any shares of Common Stock acquired upon settlement.

**17. GOVERNING PLAN DOCUMENT.** Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be

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promulgated and adopted pursuant to the Plan. Except as expressly provided in this Agreement, in the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan will control. In addition, your Award (and any compensation paid or shares issued under your Award) is subject to recoupment in accordance with The Dodd–Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law.

**18. SEVERABILITY.** If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

**19. WAIVER.** You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

**20. GOVERNING LAW AND VENUE.** The Restricted Stock Unit grant and the provisions of this Restricted Stock Unit Agreement are governed by, and subject to, the laws of the State of California, without regard to the conflict of law provisions. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

**21. LANGUAGE.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**22. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS.** The value of the Award subject to this Agreement will not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

**23. AMENDMENT.** Any amendment to this Agreement must be in writing, signed by a duly authorized representative of the Company. The Board reserves the right to amend this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, interpretation, ruling, or judicial decision.

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**24. COMPLIANCE WITH SECTION 409A OF THE CODE.** This Award is intended to comply with the “short-term deferral” rule set forth in U.S. Treasury Regulation Section 1.409A-1(b)(4). However, if this Award fails to satisfy the requirements of the short-term deferral rule and is otherwise not exempt from, and therefore deemed to be deferred compensation subject to, Section 409A of the Code, and if you are a “Specified Employee” (within the meaning set forth in Section 409A(a)(2)(B)(i) of the Code) as of the date of your separation from service (within the meaning of U.S. Treasury Regulation Section 1.409A-1(h)), then the issuance of any shares that would otherwise be made upon the date of the separation from service or within the first six months thereafter will not be made on the originally scheduled dates and will instead be issued in a lump sum on the date that is six months and one day after the date of the separation from service, with the balance of the shares issued thereafter in accordance with the original vesting and issuance schedule set forth above, but if and only if such delay in the issuance of the shares is necessary to avoid the imposition of taxation on you in respect of the shares under Section 409A of the Code. Each installment of shares that vests is a “separate payment” for purposes of U.S. Treasury Regulation Section 1.409A-2(b)(2).

**25. NO OBLIGATION TO MINIMIZE TAXES.** The Company has no duty or obligation to minimize the tax consequences to you of this Award and will not be liable to you for any adverse tax consequences to you arising in connection with this Award. You are hereby advised to consult with your own personal tax, financial and/or legal advisors regarding the tax consequences of this Award and by signing the Grant Notice, you have agreed that you have done so or knowingly and voluntarily declined to do so.

**26. APPENDIX.** Notwithstanding any provisions in this Award Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in Appendix A to this Award Agreement for your country. Moreover, if you relocate to one of the countries included in Appendix A, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix A constitutes part of this Award Agreement.

**27. IMPOSITION OF OTHER REQUIREMENTS.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Restricted Stock Unit and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

\* \* \*

This Agreement will be deemed to be signed by you upon the signing by you of the Grant Notice to which it is attached.

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APPENDIX A

ZYNGA INC.  
2011 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

**TERMS AND CONDITIONS**

This Appendix A includes additional terms and conditions that govern the Restricted Stock Units if you reside in one of the countries listed below. These terms and conditions are in addition to, or if so indicated, in place of, the terms and conditions in the Award Agreement. Capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan, the Award Agreement and the Grant Notice.

**NOTIFICATIONS**

This Appendix A also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2012. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out-of-date when the Restricted Stock Units vest and/or you sell any shares of Common Stock acquired under the Plan.

In addition, the information contained herein is general in nature, does not address all laws that may apply to the Restricted Stock Units, and may not apply to your particular situation. As a result, the Company is not in a position to assure you of any particular result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.**

*If you are a citizen or resident of a country other than the one in which you are currently working, transfer employment and/or residency after the Restricted Stock Unit is granted, or are considered a resident of another country for local law purposes, the notifications contained in this Appendix A may not be applicable to you in the same manner. In addition, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to you.*

**CANADA**

**TERMS AND CONDITIONS**

**Settlement.** Notwithstanding any provision to the contrary in the Grant Notice or the Award Agreement and any discretion contained in Section 6(b) of the Plan, the grant of Restricted Stock Units does not provide any right for you to receive a cash payment and the Award is payable in shares of Common Stock only.

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The following provisions will apply to Participants who are residents of Québec:

**Language Consent.** The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

**Data Privacy.** This provision supplements Section 15 of the Award Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, its Affiliates and the administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Affiliate to record such information and to keep such information in your file.

## **CHINA**

### **TERMS AND CONDITIONS**

The following terms apply only to citizens of the People's Republic of China ("**PRC**"):

**Settlement.** Notwithstanding Section 6 of the Award Agreement, the issuance of shares will not occur until such time as the Company has received all necessary exchange control and other approvals from the State Administration of Foreign Exchange or its local counterpart ("**SAFE**") under applicable exchange control rules for Restricted Stock Units granted under the Plan. The Company shall issue the shares as soon as reasonably practicable following receipt of SAFE approval.

**Sale Restriction.** Notwithstanding anything to the contrary in the Award Agreement, in order to facilitate compliance with exchange control laws in China, you agree that any shares of Common Stock acquired at vesting of the Restricted Stock Units may be immediately sold at vesting or, at the Company's discretion or as required under the conditions of any necessary SAFE approval, at a later time. You further agree that the Company is authorized to instruct its FINRA Dealer to assist with the mandatory sale of such shares (on your behalf pursuant to this authorization), and you expressly authorize such FINRA Dealer to complete the sale of such shares. You also agree to sign any agreements, forms and /or consents that may be reasonably requested by the Company (or the Company's FINRA Dealer) to effectuate the sale of the shares of Common Stock (including, without limitation, as to the transfers of the proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters, provided that you shall not be permitted to exercise any influence over how, when

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or whether the sales occur. You acknowledge that the Company's FINRA Dealer is under no obligation to arrange for the sale of the shares of Common Stock at any particular price. Upon the sale of the shares of Common Stock, the Company agrees to pay the cash proceeds from the sale, less any brokerage fees or commissions, to you in accordance with applicable exchange control laws and regulations and provided any liability for Withholding Taxes resulting from the vesting of the Restricted Stock Units has been satisfied. Due to fluctuations in the share price and/or the U.S. dollar exchange rate between the vesting date and (if later) the date on which the shares of Common Stock are sold, the sale proceeds may be more or less than the Fair Market Value of the shares of Common Stock on the vesting date (which is the amount relevant to determining your tax liability). You understand and agree that the Company is not responsible for the amount of any loss you may incur and that the Company assumes no liability for any fluctuations in the share price and/or U.S. dollar exchange rate.

**Exchange Control Restrictions.** You understand and agree that, due to exchange control laws in China, you will be required to immediately repatriate to China the cash proceeds from the sale of any shares of Common Stock acquired at vesting of the Restricted Stock Units and any dividends received in relation to the shares of Common Stock. You further understand that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company or an Affiliate, and you hereby consent and agree that the proceeds from the sale of shares of Common Stock acquired under the Plan and any dividends received in relation to the shares of Common Stock may be transferred to such special account prior to being delivered to you. The proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. In the event the proceeds are paid to you in U.S. dollars, you understand that you will be required to set up a U.S. dollar bank account in China and provide the bank account details to the Employer and/or the Company so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, you agree to bear any currency fluctuation risk between the time the shares of Common Stock are sold or dividends are paid and the time the proceeds are distributed to you through any such special account. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

#### **GERMANY**

There are no country-specific provisions as of the date that this Award Agreement was originally approved for use by the Company.

#### **INDIA**

##### ***NOTIFICATIONS***

**Exchange Control Information.** You must immediately repatriate all proceeds received from the sale of shares of Common Stock or the receipt of any dividends to India. You will receive a foreign inward remittance certificate ("**FIRC**") from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

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**IRELAND****NOTIFICATIONS**

**Director Notification Requirement.** If you are a director, shadow director<sup>1</sup> or secretary of an Irish Affiliate of the Company, pursuant to Section 53 of the Irish Company Act 1990, you must notify the Irish Affiliate of the Company in writing within five (5) business days of receiving or disposing of an interest in the Company (e.g., a Restricted Stock Unit, shares of Common Stock, etc.), or within five (5) business days of becoming aware of the event giving rise to the notification requirement, or within five (5) business days of becoming a director, shadow director or secretary if such an interest exists at that time. This notification requirement also applies with respect to the interests of a spouse or minor child, whose interests will be attributed to the director, shadow director or secretary.

**JAPAN**

There are no country-specific provisions as of the date that this Award Agreement was originally approved for use by the Company.

**LUXEMBOURG**

There are no country-specific provisions as of the date that this Award Agreement was originally approved for use by the Company.

**UNITED KINGDOM****TERMS AND CONDITIONS**

**Settlement.** Notwithstanding any provision to the contrary in the Grant Notice or the Award Agreement and any discretion contained in Section 6(b) of the Plan, the grant of Restricted Stock Units does not provide any right for you to receive a cash payment and the Award is payable in shares of Common Stock only.

**Withholding Obligations.** In Section 10 of the Award Agreement, reference to “Withholding Taxes” shall include any income tax in respect of PAYE income (as provided for in Part 11 of the Income Tax (Earning and Pensions) Act 2003) and any primary class 1 national insurance contributions (employee’s national insurance contributions) but shall exclude any secondary class 1 national insurance contributions (employer’s national insurance contributions).

<sup>1</sup> A shadow director is an individual who is not on the board of directors of the Irish Affiliate but who has sufficient control such that the board of directors of the Irish Affiliate acts in accordance with the directions or instructions of the individual.

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In addition, the following language supplements the language in Section 10 of the Award Agreement:

If payment or withholding of any income tax due is not made within 90 days of the event giving rise to the income tax liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “*Due Date*”), the amount of any uncollected income tax shall (assuming you are not a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), constitute a loan owed by you to the Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current HM Revenue and Customs (“*HMRC*”) Official Rate, it will be immediately due and repayable, and the Company and/or the Employer may recover it at any time thereafter by any of the means referred to in Section 10 of the Award Agreement. If you are a director or executive officer and income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax will constitute a benefit to you on which additional income tax and national insurance contributions will be payable. You will be responsible for reporting any income tax and national insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

You agree with the Company and the Employer that you shall bear or reimburse the cost of any secondary class 1 national insurance contributions (employer’s national insurance contributions) that the Company and/or the Employer (as the case may be) is required to account for to the UK tax authority in respect of any gain (calculated under section 479 of the Income Tax (Earnings and Pensions) Act 2003) arising on the delivery of any shares of Common Stock in settlement of any vested Restricted Stock Units. In this regard, you agree that the cost of any such secondary class 1 national insurance contributions shall be dealt with pursuant to the process set out in the second paragraph of Section 10 of the Award Agreement.

## ZYNGA INC.

## NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

On March 9, 2012, the Compensation Committee of the Board of Directors (the “**Board**”) of Zynga Inc. (the “**Company**”) approved the following compensation policy (the “**Policy**”) for non-employee directors of the Company, effective retroactive to January 1, 2012. For purposes of this Policy, a “**Non-Employee Director**” is a director who has not served as an employee or executive officer of the Company or its affiliates or otherwise provided services to the Company or its affiliates in a capacity other than as a director during the preceding year.

Each Non-Employee Director will be eligible to compensatory equity awards under the Company’s 2011 Equity Incentive Plan (the “**Plan**”) as consideration for service on the Board. All grants under this Policy will be made automatically in accordance with the terms of this Policy and the Plan, without the need for any additional corporate action by the Board or the Compensation Committee of the Board. Vesting of all equity awards granted under this Policy is subject to the Non-Employee Director’s “Continuous Service” (as defined in the 2011 Plan) from the date of grant through each applicable vesting date. Each equity award granted under this Policy will be subject to the Company’s standard form of Restricted Stock Unit Agreement, as most recently adopted by the Board for use under this Policy.

**Annual Equity Award.** Each year, on the date of the first regular annual meeting of the Company’s stockholders (the “**Annual Meeting**”), the Company will automatically grant each continuing Non-Employee Director who is re-elected at such meeting, restricted stock units of Class A Common Stock (collectively, the “**Annual Equity Award**”) with an aggregate value on the date of grant equal to the Base Annual Retainer plus, with respect to the Chairperson of the Audit Committee, the Committee Retainer, in each case as set forth in the table below. The Annual Equity Award will vest, subject to continued service, on the 15th day of the month of the one year anniversary of the Annual Meeting (the “**Vesting Date**”).

**Pro-Rated Annual Equity Award for New Non-Employee Directors.** If an individual first becomes a Non-Employee Director other than at the Annual Meeting, the Company will automatically grant such new Non-Employee Director, on the date that he or she is first elected or appointed to the Board, restricted stock units of Class A Common Stock with an aggregate value on the date of grant equal to the pro rata portion of the Annual Equity Grant, which pro rata portion reflects a reduction for each month prior to the date of grant that has elapsed since the preceding Annual Meeting (the “**Pro-Rated Annual Equity Award**”).

Board Compensation <sup>1</sup>	
Base Annual Retainer	\$250,000
Committee Retainer For Serving as Chairperson of the Audit Committee	\$ 50,000

<sup>1</sup> The number of restricted stock units granted will be equal to (i) the applicable dollar value set forth above, divided by (ii) the Fair Market Value (as defined in the Plan) of the Class A common stock of the Company on the date of grant.

**Expense Reimbursement.** All Non-Employee Directors will be entitled to reimbursement from the Company for their reasonable travel (including airfare and ground transportation), lodging and meal expenses incident to meetings of the Board or committees thereof. The Company will also reimburse directors for attendance at director continuing education programs that are relevant to their service on the Board and which attendance is pre-approved by the Chair of the Nominating and Corporate Governance Committee or Chair of the Board. The Company will make reimbursement to a Non-Employee Director within a reasonable amount of time following submission by the Non-Employee Director of reasonable written substantiation for the expenses.

## CERTIFICATIONS

I, Mark Pincus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zynga Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ Mark Pincus

Mark Pincus

Chairman of the Board, Chief Executive Officer and Director  
*(Principal Executive Officer)*

## CERTIFICATIONS

I, David M. Wehner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zynga Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2012

/s/ David M. Wehner

David M. Wehner

Chief Financial Officer (*Principal Financial Officer*)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Mark Pincus, Chief Executive Officer of Zynga Inc. (the "Company"), and David M. Wehner, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2012, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 8<sup>th</sup> day of May, 2012.

/s/ Mark Pincus

Mark Pincus  
Chief Executive Officer

/s/ David M. Wehner

David M. Wehner  
Chief Financial Officer

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Zynga Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."

