

BEFORE THE
DEPARTMENT OF BUSINESS OVERSIGHT
OF THE
STATE OF CALIFORNIA

In the Matter of the Application of) NOTICE OF HEARING IN CONNECTION
FACEBOOK, INC.) WITH THE ACQUISITION OF OCULUS
) VR, INC.
)
) FILE NO. 506-3656
for a Permit Authorizing the Sale and Issuance of)
Securities Pursuant to Section 25121 of the)
Corporate Securities Law of 1968, as amended.)

TO ALL STOCKHOLDERS AND HOLDERS OF OPTIONS OF OCULUS VR, INC.:

THIS GIVES YOU NOTICE that a public hearing (the “**Hearing**”) will be held by the California Commissioner of Business Oversight (the “**Commissioner**”) in connection with the proposed acquisition of Oculus VR, Inc., a Delaware corporation (“**Oculus VR**”), by Facebook, Inc., a Delaware corporation (“**Facebook**”), pursuant to which Oculus VR will be merged with and into a wholly owned subsidiary of Facebook as further described below.

The Hearing will be held on July 15, 2014 at 10:00 a.m. in the office of the California Department of Business Oversight at One Sansome Street, Suite 600, San Francisco, California 94104-4428. The Hearing will be conducted by Gayle Oshima, Assistant Chief Counsel, acting on behalf of the Commissioner.

The Hearing will be held in response to the permit application (the “**Application**”) filed by Facebook on April 11, 2014 under Section 25142 of the Corporate Securities Law of 1968, as amended. In the acquisition, a wholly owned subsidiary of Facebook will be merged with and into Oculus VR and then Oculus VR (as the surviving company) will be merged with and into another wholly owned subsidiary of Facebook, as a result of which mergers Oculus VR will cease to exist as a separate company. The consideration to be paid and issued by Facebook in connection with the acquisition and in exchange for all of Oculus VR’s outstanding equity securities includes cash and shares of Facebook’s Class B Common Stock, par value \$0.000006 per share (“**Facebook Common Stock**”), payable and issuable, respectively, to holders of Oculus VR Common Stock (after giving effect to the conversion of all outstanding shares of Oculus VR Preferred Stock into shares of Oculus VR Common Stock) and the holders of vested (and unexercised) Oculus VR options (“**Vested Options**”) (collectively, the “**Converting Holders**”). “**Oculus VR Common Stock**” means, collectively, the common stock, par value of \$0.001 per share, of Oculus VR designated as Class A Common Stock and the common stock, par value of \$0.001 per share, of Oculus VR designated as Class B Common Stock and “**Oculus VR Preferred Stock**” means, collectively, the preferred stock, par value of \$0.001 per share, of

Oculus VR designated as Series A Preferred Stock and the preferred stock, par value of \$0.001 per share, of Oculus VR designated as Series B-1 Preferred Stock. Holders of Vested Options who exercise such Vested Options will be treated as Oculus VR stockholders with respect to the shares of Oculus VR Common Stock issued pursuant to such exercise.

THIS NOTICE OF HEARING NEITHER CONSTITUTES AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES REFERRED TO IN THIS NOTICE OF HEARING. NO OFFER, SOLICITATION OR SALE OF ANY OF THE SECURITIES REFERRED TO IN THIS NOTICE OF HEARING SHALL BE MADE IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION OF SUCH SECURITIES UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

THE MERGER IS A COMPLEX TRANSACTION. OCULUS VR STOCKHOLDERS ARE STRONGLY URGED TO READ AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS NOTICE OF HEARING. EACH OCULUS VR STOCKHOLDER MUST PERFORM SUCH STOCKHOLDER'S OWN INDEPENDENT EVALUATION AND MAKE SUCH INVESTIGATION AS IT DEEMS APPROPRIATE.

NO PROXIES OR STOCKHOLDER CONSENTS ARE BEING SOLICITED AT THIS TIME.

A. Facts Giving Rise to the Hearing.

The purpose of the Hearing is to enable the Commissioner to determine the fairness of the terms and conditions of the transaction described below pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended.

Facebook, Inception Acquisition Sub, Inc., a Delaware corporation and directly wholly owned subsidiary of Facebook (“**Merger Sub I**”), Inception Acquisition Sub II, LLC, a Delaware limited liability company and directly wholly owned subsidiary of Facebook (“**Merger Sub II**” and together with Merger Sub I, the “**Merger Subs**”), Oculus VR and Shareholder Representative Services LLC (the “**Stockholders’ Agent**”), have entered into an Amended and Restated Agreement and Plan of Merger, dated as of April 21, 2014 (as may be amended from time to time in accordance with its terms, the “**Merger Agreement**”).

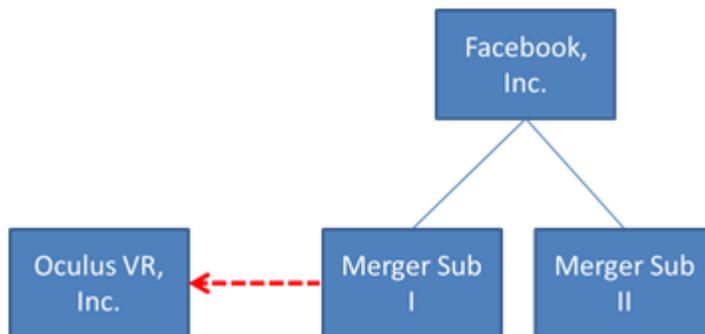
Facebook has requested authority to issue shares of Facebook Common Stock in connection with the proposed Merger (as defined below). The proposed Merger will be conducted in accordance with Delaware law and California law and effected in accordance with the Merger Agreement, such that at the closing of the Merger, (1) Merger Sub I will be merged

with and into Oculus VR, with Oculus VR continuing as the surviving entity and becoming a wholly owned subsidiary of Facebook (the “**First Merger**”) and (2) as part of the same overall transaction, immediately following the consummation of the First Merger, Oculus VR will be merged with and into Merger Sub II, with Merger Sub II continuing as the surviving entity and as a wholly owned subsidiary of Facebook (the “**Second Merger**” and, collectively or in *seriatim* with the First Merger, the “**Merger**”). The date on which the closing of the First Merger occurs (the “**Closing**”) is referred to herein as the “**Closing Date**”.

A simple diagram of the Merger is as follows:

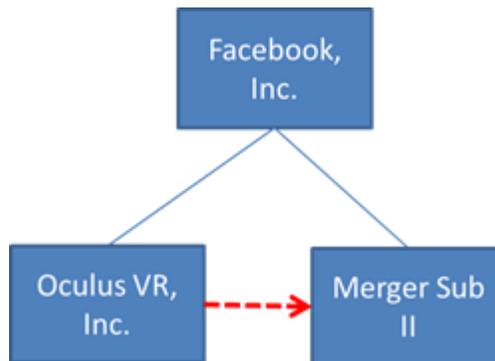
Step 1: First Merger

Merger Sub I merges with and into Oculus VR, as a result of which Oculus VR becomes a wholly-owned subsidiary of Facebook.



Step 2: Second Merger

The surviving entity of the First Merger merges with and into Merger Sub II, as a result of which Merger Sub II continues as the surviving entity.



Resulting Structure

The surviving entity of the Second Merger continues as a wholly-owned subsidiary of Facebook for the foreseeable future.



The stockholders of Oculus VR, including those who became stockholders pursuant to the exercise of Vested Options (the “**Oculus VR Stockholders**”), will be asked to adopt the Merger Agreement and approve the Merger following the issuance of the Permit (as defined

below). The Hearing will cover the issuance of shares of Facebook Common Stock in connection with the Merger. The Merger Agreement contemplates that the issuance of Facebook Common Stock to the Converting Holders in connection with the Merger will be exempt from the registration requirements of the Securities Act of 1933, as amended (the “**Securities Act**”), by virtue of the exemption provided by Section 3(a)(10) of the Securities Act. The availability of the exemption provided by Section 3(a)(10) of the Securities Act is contingent upon the issuance of a permit (the “**Permit**”) qualifying the issuance of the maximum number of shares of Facebook Common Stock issuable in connection with the Merger following a public hearing (which hearing is the subject of this notice) on the fairness of the terms and conditions of the Merger and the Merger Agreement (to be conducted pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended).

B. The Merger and Related Transactions.

The description of the Merger and the material features of the Merger contained herein does not purport to be complete and is qualified in its entirety by the copy of the Merger Agreement (and the exhibits thereto) attached to the Application and by the more detailed description provided in the information statement that will be distributed to the Oculus VR Stockholders if the Permit is issued (the “**Information Statement**”). See Section D of this Notice of Hearing to find out how to obtain a copy of the Merger Agreement. Reference should be made to the Merger Agreement (and the exhibits thereto) for a complete description of the terms of the Merger. In the event of any inconsistency between the terms of the Merger Agreement as summarized herein and the terms set forth in the Merger Agreement (and the exhibits thereto), the terms set forth in the Merger Agreement (and the exhibits thereto) shall govern.

1. Summary Descriptions of the Parties.

a. Facebook.

Facebook is an online social networking service that allows its users to share and connect with each other. Facebook currently has more than 1.2 billion monthly active users. Facebook generates substantially all of its revenue from advertising and from fees associated with its payments infrastructure that enables users to purchase virtual and digital goods from developers with applications on the Facebook website. Facebook’s principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025. Facebook’s phone number is (650) 543-4800.

b. Oculus VR.

Oculus VR was initially formed as a California limited liability corporation in June 2012 and was later converted into a California corporation in September 2012. Oculus VR was later reincorporated as a Delaware corporation in May 2013. Oculus VR is a technology company that develops a virtual reality headset for immersive gaming. Oculus VR’s principal executive offices are located at 19800 MacArthur Blvd., Suite 200, Irvine, California 92612. Oculus VR’s phone number is (949) 502-2070.

c. Merger Subs.

Merger Sub I and Merger Sub II are both direct, wholly owned subsidiaries of Facebook, and were created for the sole purpose of facilitating the First Merger and the Second Merger, respectively. Merger Sub I and Merger Sub II have not carried on any activities to date, other than activities incidental to their formation or undertaken in connection with the transactions contemplated by the Merger.

d. Section 2115 of the California Corporations Code.

Under Section 2115 of the California Corporations Code (the “CCC”), certain foreign corporations (i.e., corporations not organized under California law) may be placed in a special category referred to as “pseudo-California corporations” if they have characteristics of ownership and operation which indicate that they have significant contacts with California. If the requirements of Section 2115 are satisfied, Delaware corporations or other foreign corporations that fall within this pseudo-California corporation category become subject to a number of significant provisions of the CCC, including provisions relating to the election and removal of directors, cumulative voting, supermajority voting requirements, prohibition of classified boards of directors, standards of liability of directors, distributions, dividends and repurchase of shares, shareholder meetings, approval of certain corporate transactions, appraisal rights and inspection of corporate records.

Section 2115(a) of the CCC provides that a foreign corporation transacting business in California is a pseudo-California corporation subject to Section 2115 if the average of its property factor, payroll factor and sales factor (as defined in the California Revenue and Taxation Code) is more than 50% during its latest full tax year and if more than one-half of its outstanding voting securities were held of record by persons having addresses in California on the record date for the latest meeting of shareholders held during its latest full income year (or, if no meeting was held during that year, on the last day of the latest full income year).

Oculus VR was reincorporated as a Delaware corporation in May 2013, making 2014 Oculus VR’s first full income year. Pursuant to Section 2115(d) of the CCC, the requirements of Section 2115(b) do not become applicable to a foreign corporation until the first day of the first income year of the corporation commencing on or after the 135th day of the income year immediately following the latest income year with respect to which the tests set forth in Section 2115(a) of the CCC have been met. The earliest date on which Oculus VR believes it could become subject to the requirements of Section 2115(b) would be January 1, 2016. However, if Section 2115 were to become applicable, then Oculus VR would be subject to a number of significant provisions of the CCC, including provisions relating to the election and removal of directors, cumulative voting, supermajority voting requirements, prohibition of classified boards of directors, standards of liability of directors, distributions, dividends and repurchase of shares, shareholder meetings, approval of certain corporate transactions, appraisal rights and inspection of corporate records.

2. Reasons for the Merger

a. Oculus VR. (as prepared by Oculus VR).

The board of directors of Oculus VR (the “**Oculus VR Board**”) has carefully considered the terms of the Merger Agreement and has (1) declared the Merger Agreement and the transactions contemplated thereby, including the Merger, advisable, fair to and in the best interests of Oculus VR and the Oculus VR Stockholders, (2) approved the Merger Agreement in accordance with Delaware law and (3) adopted a resolution directing that the adoption of the Merger Agreement and approval of the Merger be submitted to the Oculus VR Stockholders for consideration and recommending that all of the Oculus VR Stockholders adopt the Merger Agreement and approve the Merger.

In evaluating the Merger, the Oculus VR Board consulted with Oculus VR’s management and legal advisors and considered a number of alternatives to enhance Oculus VR’s competitive position in the virtual reality industry and to increase stockholder value. Of these alternatives, the Oculus VR Board concluded that the Merger is in the best interest of Oculus VR and the Oculus VR Stockholders. The Oculus VR Board’s decision to approve the Merger and adopt the Merger Agreement and to recommend the adoption of the Merger Agreement and the approval of the Merger to the Oculus VR Stockholders was based on a number of factors:

- Oculus VR’s lack of operating history, and the difficulty of predicting future performance based on limited operations to date;
- the absence of any established consumer market for virtual reality products, and the difficulty of predicting consumer acceptance of and demand for such products;
- the recognition that the current market and economy are subject to potential economic and political risks and uncertainties that could affect the prospect of building a relevant long-term business in the virtual reality industry;
- anticipated competition from established companies in the consumer electronics and other industries, many of which have significantly greater resources than Oculus VR;
- the substantial investment necessary to bring a consumer version of Oculus VR’s Oculus Rift product to market and to develop, produce and market new products and technologies;
- the accompanying risks associated with financing such development, production and marketing efforts and the related costs of capital, including the dilutive effect of future equity financings on Oculus VR’s existing stockholders;
- the general risks associated with Oculus VR’s ability to continue to execute its financial plan and the likelihood of creating stockholder value in excess of the Merger consideration being offered by Facebook;

- the difficulty of attracting and retaining highly qualified engineers and other employees due to actual or perceived financial risks of working for a start-up company;
- challenges related to managing Oculus VR’s growth, including the expansion of overseas operations; and
- the lack of liquidity and market for Oculus VR stock.

b. Facebook.

Facebook’s Board of Directors (the “*Facebook Board*”) has approved the Merger Agreement and the transactions contemplated thereby, including the Merger and the issuance of shares of Facebook Common Stock in connection therewith, upon the terms and subject to the conditions set forth therein. The Facebook Board considered the potential advantages as well as the possible disadvantages of consummating the Merger and determined it to be in Facebook’s best interest to consummate the Merger.

3. Material Features of the Merger.

a. Effective Time.

After issuance of the Permit and subject to the satisfaction or waiver of specified conditions set forth in the Merger Agreement (including the adoption of the Merger Agreement and the approval of the Merger by the Oculus VR Stockholders), the parties will cause the Merger to be consummated. The effective time of the Merger is herein referred to as the “**Effective Time.**” It is presently contemplated that the Effective Time will occur as soon as reasonably practicable after the Permit has been issued and the requisite consent of the Oculus VR Stockholders has been obtained.

b. Summary of Operative Provisions of Merger Agreement.

The following is a high-level, plain language summary of the operative provisions of the Merger Agreement. The below summary is subject to the Merger Agreement (and the exhibits thereto) and the Application and all papers and documents filed in connection therewith.

Merger Structure; Tax The First Merger is structured as a reverse triangular merger and the Second Merger is structured as a forward triangular merger. The parties intend that, for U.S. federal income Tax purposes, the First Merger and the Second Merger will be treated as part of the same overall transaction and constitute a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code, as amended.

Merger Consideration The aggregate potential amount of consideration to be paid by Facebook in exchange for all of Oculus VR’s outstanding stock on a fully-diluted basis

(the “**Total Consideration**”) is \$460,000,000 in cash and 26,532,083 shares of Facebook Common Stock, of which \$60,000,000 in cash (the “**Contingent Cash Payment Consideration**”) and 3,460,706 shares of Facebook Common Stock (the “**Contingent Stock Payment Consideration**”) are payable and issuable, respectively, following the Closing and upon the achievement of certain milestones (the “**Contingent Payment**”).

The aggregate cash amount to be paid at the closing of the Merger to the Oculus VR Stockholders will be equal to \$400,000,000 *less* the sum of (A) the Closing net working capital shortfall, if any, *plus* (B) an amount in cash equal to transaction expenses that are incurred but unpaid as of the Closing *plus* (C) the Aggregate Option Cash-Out Amount (as defined below) and is referred to herein as the “**Cash Consideration.**” The aggregate number of shares of Facebook Common Stock to be issued at the closing of the Merger to Oculus VR Stockholders will be equal to 23,071,377 and is referred to herein as the “**Stock Consideration.**” Certain current officers and key employees of Oculus VR have entered into vesting agreements that provide for vesting of their Cash Consideration and Stock Consideration following the Merger, as described in more detail in the section entitled “Vesting of Consideration for Certain Stockholders” below.

A portion of the cash and stock payable and issuable at the closing of the Merger will be withheld by Facebook and placed in the Escrow Fund (as defined below) as partial security for certain indemnification obligations of the Converting Holders as set forth below.

The amount of the Cash Consideration payable per share of Oculus VR Common Stock (the “**Common Per Share Cash Consideration**”) at the Closing, will be an amount of cash equal to (A) the Cash Consideration *divided by* (B) (X) the Fully-Diluted Company Common Stock (as defined below) *less* (Y) the Total Vested Options (as defined below).

The amount of the Stock Consideration issuable per share of Oculus VR Common Stock (the “**Common Per Share Stock Consideration**”) at the Closing, will be a number of shares of Facebook Common Stock equal to (A) the Stock Consideration *divided by* (B) (X) the Fully-Diluted Company Common Stock *less* (Y) Total Vested Options.

“**Contingent Cash Payment Per Share Consideration**” means the Contingent Cash Payment Consideration *divided by* the Fully-Diluted Company Common Stock.

“**Contingent Stock Payment Per Share Consideration**” means the Contingent Stock Payment Consideration *divided by* the Fully-Diluted Company Common Stock.

Upon the terms and subject to the conditions set forth in the Merger Agreement, each share of Oculus VR Common Stock issued and outstanding immediately prior to the Effective Time (including any exercised Vested Options), other than the Dissenting Shares (as defined below), will be cancelled and extinguished and converted automatically into the right to receive, (A) an amount in cash, without interest, equal to the Common Per Share Cash Consideration and a number of shares of Facebook Common Stock equal to the Common Per Share Stock Consideration (in each case, reduced by the amounts withheld and deposited into the Escrow Fund and the Stockholders' Agent Expense Fund (each as defined below)) (B) an amount in cash, without interest, equal to the Contingent Cash Payment Per Share Consideration and a number of shares equal to the Contingent Stock Payment Per Share Consideration, (C) the right to receive upon release from the Escrow Fund such Converting Holder's *pro rata* share (in cash and shares of Facebook Common Stock) of the Escrow Fund and (D) the right to receive such Converting Holder's *pro rata* share of the Stockholders' Agent Expense Fund.

“Fully-Diluted Company Common Stock” means the sum, without duplication, of (i) the aggregate number of shares of Oculus VR Common Stock that are issued and outstanding immediately prior to the Effective Time and (ii) the aggregate number of shares of Oculus VR Common Stock that are issuable upon the exercise of, vested Oculus VR options or other direct or indirect rights to acquire shares of Oculus VR Common Stock that are issued and outstanding immediately prior to the Effective Time (excluding any vested Oculus VR options that are cancelled as of the Closing pursuant to an option waiver).

**Treatment of
Outstanding
Oculus Options**

Upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the Oculus VR, Inc. 2013 Equity Incentive Plan, each outstanding Oculus VR option (each, an **“Oculus VR Option”**), whether vested or unvested, that is unexercised and outstanding immediately prior to the Effective Time will, without any further action on the part of any holder thereof, be terminated and cancelled at the Effective Time. Holders of Oculus VR Options that are unvested as of immediately prior to the Effective Time are not entitled to any payment under the Merger Agreement in respect of such cancelled Oculus VR Options. Holders of Oculus VR Options that are vested (and unexercised) as of immediately prior to the Effective Time are entitled to receive a portion of the Total Consideration under the Merger Agreement in respect of such cancelled Oculus VR Options determined as follows: at the Effective Time, each vested Oculus VR Option will be converted into and represent the right to receive, subject to and in accordance with the Merger Agreement, (A) an amount in cash, without interest, with respect to each share of Oculus VR Common Stock underlying such Oculus VR option,

equal to the Option Per Share Consideration (as defined below) (reduced by the amounts withheld and deposited into the Escrow Fund and the Stockholders' Agent Expense Fund), (B) an amount in cash, without interest, equal to the applicable portion of the Contingent Cash Payment Per Share Consideration and a number of shares equal to the applicable portion of the Contingent Stock Payment Per Share Consideration, (C) the right to receive upon release from the Escrow Fund such Converting Holder's *pro rata* share, in cash, of the Escrow Fund and (D) the right to receive such Converting Holder's *pro rata* share of the Stockholders' Agent Expense Fund.

In the event an Oculus VR Option holder exercises his or her vested Oculus VR Options prior to the Effective Time, the shares of Oculus VR Common Stock issued to such holder upon such exercise would be treated like any other shares of Oculus VR Common Stock in the Merger, and such holder would be entitled to receive the consideration payable to holders of Oculus VR Common Stock in respect of such shares rather than the consideration payable to holders of vested Oculus VR Options in respect of such Oculus VR Options.¹

“Option Per Share Consideration” means the excess of (i) the sum of (A) the Common Per Share Cash Consideration *plus* (B) the product of (I) the Common Per Share Stock Consideration (as defined below) *multiplied by* (II) \$69.35 over (ii) the per share exercise price of such vested Oculus VR option. For reference, \$69.35 is the average closing price of Facebook's Class A Common Stock for the 20 trading days ending March 20, 2014 (inclusive).

“Total Vested Options” means the aggregate number of shares of Oculus VR Common Stock that are issuable upon the exercise of all Oculus VR options that are vested as of the Closing.

“Aggregate Option Cash-Out Amount” means the Option Per Share Consideration multiplied by Total Vested Options.

Appraisal Rights

Upon the terms and subject to the conditions set forth in the Merger Agreement, any shares of Oculus VR Capital Stock (as defined below) that are outstanding immediately prior to the Effective Time, held by a holder who has properly demanded appraisal of, or otherwise perfected dissenters' rights with respect to, such shares (**“Dissenting Shares”**) will not be converted into the right to receive the applicable portion of the Total Consideration, but will instead be converted into the right to receive

¹ Under the terms of Oculus VR's 2013 Equity Incentive Plan, to exercise a stock option, the optionee would be required to deliver cash in payment of the exercise price and may be required to deliver additional funds to cover estimated withholding.

such consideration as may be determined to be due with respect to any such Dissenting Shares pursuant to Delaware law or California law.

Contingent Payment

Upon the terms and subject to the conditions set forth in the Merger Agreement and in Exhibit A-3 (Contingent Payment Terms) of the Application, the Converting Holders may be entitled to receive the Contingent Payment as follows: (i) 25% of the Contingent Payment will be paid and issued, respectively, on the date that is within 10 business days following the date on which certain milestones are satisfied, provided that such date occurs prior to the third anniversary of the Closing Date (the “**End Date**”), and (ii) 75% of the Contingent Payment will be paid and issued respectively, on the date that is within 10 business days following the End Date, provided that the milestones are satisfied prior to the End Date. The aforesaid milestones, which are more fully described on Exhibit A-3 (Contingent Payment Terms) of the Application, relate to certain metrics with respect to the number of Oculus VR registered devices and total user hours logged.

Notwithstanding the foregoing, in the event the Converting Holder becomes an employee of Facebook following the Closing, such Converting Holder must be continuously employed by Facebook on each such payment date in order to receive the Contingent Payment.

Table Summarizing Conversion of Securities

A table that shows each category of Oculus VR’s securities and the percentage ownership that each category currently owns of Oculus VR is below. The table also reflects the number of shares of Facebook stock that each category will receive and the percentage ownership of the Total Consideration that each such category will represent immediately following the Closing.

Ownership and Consideration by Class (1)

	Shares of Oculus VR Common Stock Outstanding (2)	Percentage Ownership of Oculus VR (2)	Estimated Shares of Facebook Common (Regular Consideration)	Estimated Shares of Facebook Common (Contingent Consideration)	Percentage of Total Consideration (3)
Class A Common Stock	754,667	35.89%	8,383,339	1,242,107	35.89%
Class B Common Stock	66,025	3.14%	733,449	108,671	3.14%
Series A Preferred Stock	573,066	27.26%	6,365,996	943,210	27.26%
Series B-1 Preferred Stock	683,124	32.49%	7,588,593	1,124,354	32.49%
Vested Options	25,739	1.22%	-	42,364	1.22%
	2,102,621	100.00%	23,071,377	3,460,706	100.00%

(1) The numbers set forth in this table are based on an estimate of (a) 2,076,882 outstanding shares of Oculus VR Common Stock and (b) 25,739 Total Vested Options as of the Effective Time, in addition to following assumptions: (i) the Closing were to occur on the date of the Application, (ii) there is working capital shortfall as of Closing, (iii) the Transaction Expenses equal \$3,000,000 and (iv) the weighted average exercise price of the Total Vested Options and the exercise price of the applicable Vested Options are each \$7.09 per share. Based on the foregoing, the per share transaction value of one share of Oculus VR Common Stock would comprise \$179.46817 in cash and 11.10866 shares of Facebook Common Stock

(2) Calculated on an as-converted basis, and assuming the exercise of Vested Options.

(3) Based on a value of \$69.35 for each share of Facebook's Class B Common Stock pursuant to the Merger Agreement.

Mathematical Formulas

The formulas below are mathematical descriptions of how the Common Per Share Stock Consideration, Common Per Share Cash Consideration and Option Per Share Consideration are calculated under the Merger Agreement.

➤ *Common Per Share Stock Consideration: $X = 23,071,377 / (A - B)$*

➤ *Common Per Share Cash Consideration:*

○ $Y = (C + (D * B) - (Y * B) - (\$69.35 * X * B)) / (A - B)$

OR

○ $Y = (C + (D * B) - (69.35 * B * X)) / A$

➤ *Option Per Share Consideration: $Z = (Y + (X * \$69.35)) - E$*

where A = Fully-Diluted Company Common Stock;

B = Total Vested Options;

C = \$400,000,000, *minus* unpaid Transaction Expenses and Closing Net Working Capital Shortfall;

D = Weighted-average exercise price of the Total Vested Options; and

E = Exercise price of the applicable vested Company Option.

Hypothetical

Applying these calculations, a hypothetical holder of 500 shares of Oculus VR Common Stock or Oculus VR Preferred Stock would be entitled to:

Consideration

- \$80,451.51 ($\$160.90302 * 500$) in cash, 4998 ($9.99779 * 500$) shares of Facebook Common Stock and \$62.07 ($\$69.35 * 0.895$) in cash as a fractional share payment at the Closing;
- a potential payment of up to \$9,044.76 ($\$18.08951 * 500$) in cash, 555 ($1.11087 * 500$) shares of Facebook Common Stock and \$30.17 ($\$69.35 * .435$) in cash as a fractional share payment from the Escrow Fund (as defined below); and
- a potential contingent payment of \$14,267.91 ($\$28.53582 * 500$) in cash, and 822 ($1.6459 * 500$) shares of Facebook Common Stock, along with \$65.89 ($\$69.35 * .95$) in cash as a fractional share payment, from the Contingent Cash Payment Consideration and the Contingent Stock Payment Consideration, respectively.

A hypothetical holder of 500 vested (and unexercised) Oculus VR Options would be entitled to:

- \$423,936.85 ($\$847.87370 * 500$) in cash at the Closing;
- a potential payment of up to \$47,208.99 ($\$94.41798 * 500$) in cash from the Escrow Fund; and
- a potential contingent payment of \$14,267.91 ($\$28.53582 * 500$) in cash and 822 ($1.6459 * 500$) shares of Facebook Common Stock, along with \$65.89 ($\$69.35 * .95$) in cash as a fractional share payment, from the Contingent Cash Payment Consideration and the Contingent Stock Payment Consideration, respectively.

Please note that the above-referenced calculations will not be finally determined until immediately prior to the closing of the merger. The estimated numbers referenced above are for illustrative purposes only based on the assumptions set forth in Footnote 1 in the section entitled Table Summarizing Conversion of Securities above and will change based on a number of variables, each of which variables will not be determined until just prior to the Merger under the terms of the Merger Agreement.

Voting Agreements

Certain Oculus VR Stockholders who are either directors and/or members of Oculus VR's management have entered into a stockholder agreement with Facebook to support the Merger (the "**Stockholder Agreement**"). The shares subject to the Stockholder Agreements comprise 90.9% of the Oculus VR Capital Stock and, if voted in compliance with the Stockholder Agreement, will be sufficient to adopt the Merger Agreement and approve the Merger.

Employee and Related Issues

Certain current officers and other key employees of Oculus VR have entered into a new employment agreement with Facebook, which will become effective upon the Closing. Such employment agreements provide for base salary, incentive compensation, employee benefits and a grant of Facebook restricted stock units.

Certain key employees have entered into a non-competition agreement with Facebook, which will become effective upon the Closing. Pursuant to such non-competition agreements, such key employees agreed not to engage in a business similar to that of Oculus VR for a two-year period following the Closing.

Certain current officers and key employees of Oculus VR have entered into vesting agreements that provide for vesting of their Cash Consideration and Stock Consideration following the Merger, as described in more detail in the section entitled “Vesting of Consideration for Certain Stockholders” below.

**Closing
Conditions**

The obligations of Facebook, the Merger Subs and Oculus VR to effect the Merger are subject to the satisfaction or waiver of customary and certain other conditions set forth in the Merger Agreement, including the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “**HSR Act**”). Such early termination of the applicable waiting period under the HSR Act was granted by the United States Federal Trade Commission (the “**FTC**”) on April 22, 2014.

Termination

At any time prior to the Closing, the Merger Agreement may be terminated and the Merger abandoned by the mutual written consent of Facebook and Oculus VR or pursuant to certain other customary termination rights set forth in the Merger Agreement.

Indemnification

The representations and warranties made by Oculus VR in the Merger Agreement, and in the Oculus VR Disclosure Letter (including any exhibit to or schedule of the Oculus VR Disclosure Letter) and in the other certificates contemplated by the Merger Agreement will survive the Closing and remain in full force and effect, regardless of any investigation or disclosure made by or on behalf of any of the parties thereto, until the date that is 12 months following the Closing Date; provided that, regardless of any investigation or disclosure made by or on behalf of any of the parties to the Merger Agreement, (i) the Special Representations (as defined below) (other than the representations and warranties made by Oculus VR with respect to taxes) will remain operative and in full force and effect until the expiration of the applicable statute of limitations (if later than the expiration of 12 months following the Closing Date) and (ii) the representations and warranties made by Oculus VR with respect to taxes will remain operative and in full force and effect until the date that is six years following the Closing Date, in each case of clauses (i) and (ii) for claims against the Converting Holders that seek recovery of Indemnifiable Damages arising out, resulting from or in connection with an inaccuracy in such representations or warranties. “**Special Representations**” means the representations and warranties made by Oculus VR (A) with respect to its capital structure, its authority to enter into and perform under the Merger

Agreement, taxes and transaction fees, contained in the Merger Agreement or (B) in any certificate delivered to Facebook pursuant to the Merger Agreement that are within the scope of those covered by the foregoing representations and warranties.

If the Merger is consummated, all covenants, agreements and obligations of the parties to the Merger Agreement will expire and be of no further force or effect as of the Closing, except to the extent such covenants, agreements and obligations provide that they are to be performed after the Closing; provided that no right to indemnification pursuant to Article VIII of the Merger Agreement in respect of any claim based upon any breach of a covenant, agreement or obligation will be affected by the expiration of such covenant, agreement or obligation.

Only certain indemnification obligations of the Oculus VR Stockholders are limited to recovery from the Escrow Fund. The Merger Agreement provides that, subject to certain exceptions, the indemnification obligations under the Merger Agreement will be subject to the following limitations:

If the Merger is consummated, recovery from the Escrow Fund constitutes the sole and exclusive remedy for the indemnity obligations of each Converting Holder under the Merger Agreement for Indemnifiable Damages (as defined below) (and not specific performance or other equitable remedies) arising out of, relating to or in connection with any failure of any certification, representation or warranty made by the Oculus VR in the Merger Agreement (including any exhibit to or schedule of the Oculus VR Disclosure Letter) and in any certificate delivered to Facebook to be true and correct as of March 25, 2014 (the date of the execution of the original Merger Agreement) and as of the Closing Date as though such representation or warranty were made as of the Closing Date (except in the case of representations and warranties that by their terms speak only as of a specific date or dates, which representations and warranties must be true and correct as of such date), except (i) in the case of fraud or intentional misrepresentation by or on behalf of Oculus VR or such Converting Holder and (ii) any failure of any of the Special Representations to be true and correct. In addition, the Indemnified Persons may not make any claims for Indemnifiable Damages against the Escrow Fund with respect to such failure of representations and warranties as set forth above, unless the aggregate losses incurred exceed \$5,000,000, at which such time claims may be made for all losses incurred.

In the case of any claims for Indemnifiable Damages arising out of, resulting from or in connection with the failure of any of the Special Representations to be true and correct or any of the other Indemnifiable Damages arising from any other matter listed in the Merger Agreement, after Indemnified Persons have exhausted or made claims upon all

amounts of cash and/or a number of shares of Facebook Common Stock held in the Escrow Fund (after taking into account all other claims for indemnification from the Escrow Fund made by Indemnified Persons), each Converting Holder will have liability for such Converting Holder's *pro rata* share of the amount of any Indemnifiable Damages resulting therefrom; provided that such liability will be limited to the aggregate amount of cash and the aggregate number of shares of Facebook Common Stock actually received by such Converting Holder pursuant to Section 1.3(a) of the Merger Agreement; provided, further, that any limitation of liability as noted above, will not apply in the case of fraud committed by such Converting Holder.

"Indemnifiable Damages" means, collectively, any and all losses, liabilities, damages, fees, taxes, interest, costs and expenses, including reasonable costs of investigation and defense and reasonable fees and expenses of counsel, experts and other professionals, directly or indirectly, whether or not due to a third-party claim, in each case, to the extent arising out of or resulting from certain events more fully set forth in the Merger Agreement.

"Indemnified Person" means each of Facebook, the Merger Subs and Oculus VR and their respective officers, directors, agents and employees and each person, if any, who controls or may control Facebook within the meaning of the Securities Act.

Escrow Fund

At the Closing, Facebook will withhold from the payment and issuance of the Total Consideration to the Converting Holders, and deposit with an escrow agent, (i) an amount of cash equal to \$40,000,000 (which represents approximately 10% of the Cash Consideration payable at the Closing) and (ii) a number of shares of Facebook Common Stock equal to 2,307,137 (which represents approximately 10% of the Stock Consideration issuable at the Closing) (such cash and such shares of Facebook Common Stock, as they may be reduced by any losses for which Facebook is entitled to recovery pursuant to the Converting Holders' indemnification obligations pursuant to the Merger Agreement, the **"Escrow Fund"**).

Stockholders' Agent Expense Fund

At the Closing, Facebook will withhold from the payment of the Cash Consideration to the Converting Holders, and deposit with the Stockholders' Agent, an amount of cash equal to \$1,000,000 (the **"Stockholders' Agent Expense Fund"**).

Vesting of Consideration for Certain Stockholders

At the Closing, each current Oculus VR employee that will be employed by Facebook after the Merger and holds shares of Oculus VR Common Stock will enter into a vesting agreement with Facebook that provides for the vesting of a portion of such employee's Cash Consideration and Stock Consideration following the Merger, in each case over a 4-year vesting

schedule pursuant to which such unvested cash and shares will vest in equal installments on each three-month anniversary of the 15th day of the month in which the Closing Date occurs. In the event that Facebook terminates the employee's employment with Facebook for any reason other than for Cause (as defined the vesting agreement), subject to the employee executing an enforceable release of claims, any unvested portion of the Cash Consideration and the Stock Consideration will vest immediately.

Fees and Expenses

Whether or not the Merger is consummated, except as otherwise set forth in the Merger Agreement, all costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereunder will be paid by the party incurring such expense.

c. Stockholder Representative.

In the event that the Merger is approved by the Oculus VR Stockholders, the Converting Holders will, without any further act of any stockholder, be deemed to have consented to and approved the appointment of Shareholder Representative Services LLC as the Stockholders' Agent, and the taking by the Stockholders' Agent of any and all actions and the making of any and all decisions required or permitted to be taken by it, pursuant to the Merger Agreement, including the negotiation and settlement of indemnification claims as described above and in Article VIII of the Merger Agreement.

4. Other Material Provisions of the Merger Agreement.

a. Representations and Warranties.

The Merger Agreement contains customary representations and warranties of Facebook, the Merger Subs and Oculus VR.

b. Conduct Prior to the Effective Time.

Pursuant to the Merger Agreement, Oculus VR has agreed, among other things, that until the earlier of the Effective Time or the termination of the Merger Agreement in accordance with its terms, or unless the parties to the Merger Agreement otherwise agree in writing or as may be required by applicable laws, it will conduct its business in the ordinary course consistent with or better than past practice and refrain from specified actions without the consent of the Facebook. The parties to the Merger Agreement also agreed to take specified actions in support of consummation of the Merger.

c. Conditions to Closing.

The obligations of Facebook, the Merger Subs and Oculus VR to effect the Merger are subject to the satisfaction or waiver of customary and certain other conditions set forth in Article VI of the Merger Agreement, including the expiration or early termination of the

applicable waiting period under the HSR Act. Such early termination of the applicable waiting period under the HSR Act was granted by the FTC on April 22, 2014.

d. Termination of Merger Agreement.

At any time prior to the Closing, the Merger Agreement may be terminated and the Merger abandoned by the mutual written consent of Facebook and Oculus VR or pursuant to certain other customary termination rights set forth in Article VII the Merger Agreement.

5. Stockholder Approval.

a. Vote Required.

(i) *Facebook*

Based upon the terms of the Merger, no vote of the holders of Facebook Common Stock will be required to adopt the Merger Agreement or approve the Merger.

(ii) *Oculus VR*

Under applicable law and Oculus VR's certificate of incorporation and bylaws, the Merger Agreement and the transactions contemplated thereby, including the Merger, must be adopted and approved by (i) the holders of a majority of the outstanding shares of Oculus VR Common Stock and Oculus VR Preferred Stock (voting together as a single voting class on an as-converted to Common Stock basis), (ii) the holders of a majority of the outstanding shares of Oculus VR Common Stock (voting as a separate voting class) and (iii) the holders of a majority of the outstanding shares of Oculus VR Preferred Stock (voting as a separate voting class).

The Merger Agreement requires, as a condition to Closing, that the Merger Agreement be adopted and the Merger approved by the Oculus VR Stockholders holding at least (i) 90% of the Oculus VR Capital Stock issued and outstanding as of immediately prior to the closing of the Merger and (ii) 90% of the voting power of all Oculus VR Capital Stock issued and outstanding as of immediately prior to the Closing. "**Oculus VR Capital Stock**" means, collectively, the Oculus VR Common Stock and the Oculus VR Preferred Stock.

In connection with the execution of the Merger Agreement, certain of the Oculus VR Stockholders who are either directors and/or members of Oculus VR's management have entered into a stockholder agreement with Facebook to support the Merger (the "**Stockholder Agreement**"). The shares subject to the Stockholder Agreements comprise 90.9% of the Oculus VR Capital Stock and if voted in compliance with the Stockholder Agreements, will be sufficient to adopt the Merger Agreement and approve the Merger.

Oculus VR will provide an Information Statement to the Oculus VR Stockholders as soon as practicable after Facebook receives the Permit. The written consent of the Oculus VR Stockholders will be solicited as soon as practicable following the distribution

of such Information Statement. Oculus VR is sending this Notice of Hearing to the Oculus VR Stockholders and to the holders of options prior to the fairness hearing in accordance with Sections 250.19 and 250.20 of Title 10 of the California Code of Regulations.

The Oculus VR Stockholders are entitled to exercise specified appraisal rights under the Delaware law and specified dissenters' rights under California law in connection with the Merger. Under Section 262 of the Delaware General Corporation Law and Chapter 13 of the California Corporations Code, the Oculus VR Stockholders who do not vote to adopt the Merger or consent thereto and who follow certain procedures may, under certain circumstances, be entitled to exercise rights of appraisal and receive cash for the "fair value" of their shares of Oculus VR without regard to the Merger. Oculus VR Stockholders who elect to exercise and perfect these rights in accordance with the procedures specified under Section 262 of Delaware General Corporation Law or Chapter 13 of California Corporations Code will have the right to receive such consideration as may be determined to be due with respect to their shares of Oculus VR pursuant to California law or Delaware law. In order to exercise such rights, Oculus VR Stockholders must fully and completely comply with all applicable statutory requirements.

6. Information about Facebook Common Stock.

No established trading market exists for Facebook's Class B Common Stock. A holder of Facebook's Class B Common Stock may convert into one share of Facebook's Class A Common Stock at any time. Facebook's Class A Common Stock is traded on the NASDAQ Global Select Market under the symbol "FB." Facebook's Class A Common Stock began trading on the NASDAQ Global Select Market under the symbol "FB" on May 18, 2012. The high and low closing sales prices of Facebook Common Stock as reported on the NASDAQ Global Select Market during the period between May 18, 2012 and the trading day prior to the date of this Application is \$72.03 and \$17.55.

	2014		2013		2012	
	High	Low	High	Low	High	Low
First Quarter	\$72.03	\$53.53	\$32.51	\$24.72	n/a	n/a
Second Quarter			\$29.07	\$22.67	\$45.00	\$25.52
Third Quarter			\$51.60	\$24.15	\$32.88	\$17.55
Fourth Quarter			\$58.58	\$43.55	\$28.88	\$18.80

7. Information about Oculus VR Stock.

No established trading market exists for Oculus VR Capital Stock.

8. Directors and Executive Officers.

a. Facebook

The directors and executive officers of Facebook are as follows:

Name	Title
Mark Zuckerberg	Chairman, Chief Executive Officer and Director
Sheryl K. Sandberg	Chief Operating Officer and Director
David Wehner	Chief Financial Officer
David B. Fischer	Vice President, Business and Marketing Partnerships
Mike Schroepfer	Chief Technology Officer and Vice President, Engineering
Christopher Cox	Chief Product Officer
Colin S. Stretch	Vice President, General Counsel and Secretary
Marc L. Andreessen	Director
Erskine B. Bowles	Director
Susan D. Desmond-Hellmann	Director
Donald E. Graham	Director
Reed Hastings	Director
Peter A. Thiel	Director

b. Oculus VR

The directors and executive officers of Oculus VR are as follows:

Name	Title
Brendan Iribe Trexler	Chairman, Chief Executive Officer and Director
Laird Malamed	Treasurer, Secretary, Chief Financial Officer, Chief Operating Officer and Director
Michael Antonov	Chief Software Architect
John Carmack	Chief Technology Officer
Antonio Rodriguez	Director
Santo Politi	Director
Marc L. Andreessen	Director
Chris Dixon	Director

C. Solicitation of Oculus VR Stockholder Approval.

Oculus VR will provide an Information Statement to the Oculus VR Stockholders as soon as practicable after Facebook receives the Permit. The written consent of the Oculus VR Stockholders will be solicited concurrently with or as soon as practicable following the distribution of such Information Statement.

D. Additional Information.

Additional information concerning the Merger can be found in Facebook's Application file and the documents filed in connection therewith (including the Merger Agreement) at the offices of the Department of Business Oversight, One Sansome Street, Suite 600, San Francisco, California 94104-4428. A copy of such materials are also available for inspection at Facebook's executive offices at 1601 Willow Road, Menlo Park, California 94025.

E. Hearing.

Any interested persons may be present at the Hearing, may (but need not) be represented by legal counsel, and will be given an opportunity to be heard. Any interested person will be entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents and other items by applying for such subpoenas to the Department of Business Oversight, One Sansome Street, Suite 600, San Francisco, California 94104-4428, Attention: Gayle Oshima, Assistant Chief Counsel. If you are interested in this matter, you may appear at the Hearing in favor of or in opposition to the granting of the Permit. Whether you plan to attend or not, you are invited to make your views known by sending correspondence for receipt no later than July 9, 2014, which is four business days prior to the date of the Hearing, to:

Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, California 94104-4428
Telephone (Gayle Oshima): (415) 972-8579

Hearing Conference Call Information
Telephone (Toll Free): (800) 755-1805

The Hearing will be held for the purpose of enabling the Commissioner to determine the fairness of the terms and conditions of the issuance of the securities by Facebook pursuant to the Merger Agreement and the Merger and will be based upon the Application and all papers and documents filed in connection therewith. Section 25142 of the Corporate Securities Law of 1968, as amended, authorizes the Commissioner to hold such hearing when securities will be issued in exchange for other outstanding securities, whether or not the securities are exempt from qualification, to approve the terms and conditions of such issuance and exchange and to determine whether such terms and conditions are fair, just and equitable.

