

## Facebook Spins-up a Big Cloud of Cotton Candy

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**Today's Zuckerberg statement is akin to cotton candy: A serving of brightly colored sugar, all spun-up into a billowing cloud of fluff, worthy of comments aplenty, but in the end lacking the ability to truly satisfy your hunger.**

**Summary and Opinion:** After days of bad news, and his company under rising pressure from many sides, this afternoon Facebook CEO [Mark Zuckerberg \("Zuck"\) broke his silence with a statement posted to Facebook](#). Here's our quick take on it –

Zuck's comments today, a day late and a dollar short, leave us unimpressed. They would carry much more weight if he wasn't trying to play the victim. Johnson & Johnson (JNJ) could claim victim over poisoned Tylenol capsules, as they really were. But the Facebook business model made them complicit. They need your data. They need to sell your data.

The statement is anchored in blame-shifting to those nasty apps and no-good developers. There's little that speaks to Facebook's role in this, or Zuck's taking ownership of the culture that tolerated such behaviors.

We observe with jaded eye the carefully crafted language that sounds good, yet also plants the seeds of plausible denial for Zuck, "I've been working to understand exactly what happened and how to make sure this doesn't happen again."

Translation: Golly me, I had no idea!

And then we get this drivel, "I'm responsible for what happens on our platform." Really? What does that mean in the real world of how we dole out consequences for CEOs? So long as Mark's got that super-voting stock it means little. But it sounds nice, so they put it in.

Through the years I've met people like Enron's Jeff Skilling and Martha Stewart - long before they got their invites to stay at Club Fed. There's a pattern to these people - They see themselves as above the fray and believe their charm, smarts, and press releases will save them. The Mark and Sheryl (Sandberg) show, predisposed to position themselves as "brands" now, and believed by some to have political aspirations, may be especially prone to this type of thinking.

For investors going forward, we say watch to see if Zuck actually gets hauled before Congress, as opposed to just threats. The company truly does not want him going there and has spent meaningful time and energy to keep it from happening. We can't gauge if he'll go, we just say it's meaningful if he does.

The wild card we've not heard elsewhere is whether Facebook execs, including Zuck, get an invite to "chat" with Special Counsel Robert Mueller and the gang. Perhaps they already have. Can't imagine the market would react positively on that news.

- **John P. Gavin, CFA**  
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