

1 UNITED STATES DISTRICT COURT  
2 WESTERN DISTRICT OF WASHINGTON  
3 AT SEATTLE

4 JONATHAN REINSCHMIDT, Individually  
5 and on Behalf of All Others Similarly Situated,  
6  
7 Plaintiff,

7 vs.

8 ZILLOW, INC., RICHARD N. BARTON,  
9 SPENCER M. RASCOFF, LLOYD D. FRINK,  
10 CHAD M. COHEN and DAVID A. BEITEL,

11 Defendants.

No.

COMPLAINT FOR VIOLATION OF THE  
FEDERAL SECURITIES LAWS

**DEMAND FOR JURY TRIAL**

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COMPLAINT FOR VIOLATION OF  
THE FEDERAL SECURITIES LAWS



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1 **I. INTRODUCTION**

2 1. This is a securities fraud class action on behalf of all persons who purchased the  
3 common stock of Zillow, Inc. (“Zillow” or the “Company”) between February 15, 2012 and  
4 November 6, 2012, inclusive (the “Class Period”). This action is brought against Zillow and  
5 certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (the  
6 “1934 Act”).

7 2. Zillow is a real estate information marketplace. The Company provides  
8 information about homes, real estate listings and mortgages through its Website and mobile  
9 applications, enabling homeowners, buyers, sellers and renters to connect with real estate and  
10 mortgage professionals.

11 **II. SUMMARY OF THE ACTION**

12 3. During the Class Period, defendants issued materially false and misleading  
13 statements regarding the Company’s business practices and financial results. Specifically,  
14 defendants concealed the difficulties Zillow was having signing up new real estate agents as  
15 subscribers and the churn it was experiencing in existing subscribers. As a result of defendants’  
16 false statements, Zillow’s stock traded at artificially inflated prices during the Class Period,  
17 reaching a high of \$46.17 per share on September 20, 2012. While Zillow’s stock price was  
18 inflated, Company insiders sold 3.1 million shares of their own Zillow stock for proceeds of  
19 nearly \$115 million, including \$103 million worth of stock sold by the officers named as  
20 defendants herein. The Company also was able to raise \$156 million in proceeds through a  
21 follow-on offering, just eight weeks before reducing projections and just 30 days after assuring  
22 investors that the Form S-3 Registration Statement was not intended for a follow-on offering but  
23 was just part of “good housekeeping.”

24 4. On November 5, 2012, after the market closed, Zillow issued a press release  
25 announcing its third quarter 2012 financial results. Additionally, Zillow provided an update to  
26 its fourth quarter and full year 2012 revenue guidance, revealing revenue expectations in the

1 range of \$30.0 to \$31.0 million for the fourth quarter of 2012 and revenue guidance for the full  
2 year 2012 of \$113.0 million. This guidance fell below analysts' estimates. Furthermore, Zillow  
3 announced that its estimates of home valuation, referred to as "Zestimates," had lost a large  
4 display advertiser, Foreclosure.com, and therefore defendants expected weakness in the  
5 Company's display advertising business.

6 5. These disclosures caused Zillow stock to collapse \$6.22 per share to close at  
7 \$28.15 per share on November 6, 2012, a one-day decline of nearly 18% on volume of 7.4  
8 million shares.

9 6. As a result of defendants' false statements, Zillow stock traded at artificially  
10 inflated levels during the Class Period. However, after the above revelations seeped into the  
11 market, the Company's shares were hammered by massive sales, sending them down 39% from  
12 their Class Period high.

### 13 **III. JURISDICTION AND VENUE**

14 7. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise  
15 under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

16 8. Venue is proper in this district pursuant to §27 of the 1934 Act. Many of the false  
17 and misleading statements were made in or issued from this district.

18 9. Zillow maintains its principal executive offices at 1301 Second Avenue, Floor 31,  
19 Seattle, Washington 98101.

20 10. Certain of the acts and conduct complained of herein, including the dissemination  
21 of materially false and misleading information to the investing public, occurred in this district.

22 11. In connection with the acts and conduct alleged in this complaint, defendants,  
23 directly or indirectly, used the means and instrumentalities of interstate commerce, including, but  
24 not limited to, the mails and interstate wire and telephone communications.

1 **IV. PARTIES**

2 12. Plaintiff Jonathan Reinschmidt purchased the common stock of Zillow during the  
3 Class Period as set forth in the certification attached hereto and was damaged as the result of  
4 defendants' wrongdoing as alleged in this complaint.

5 13. Defendant Zillow engages in a real estate information marketplace in the United  
6 States. It is headquartered at 1301 Second Avenue, Seattle, Washington, within this judicial  
7 district. Defendant Zillow trades on the NASDAQ under the ticker symbol "Z".

8 14. Defendant Richard N. Barton ("Barton") co-founded Zillow. Defendant Barton  
9 is, and at all relevant times has been, the Company's Executive Chairman of the Board. During  
10 the Class Period, Barton sold over 1.1 million shares of his Zillow stock for proceeds of over  
11 \$42.2 million.

12 15. Defendant Spencer M. Rascoff ("Rascoff") was one of Zillow's founding  
13 employees and is, and at all relevant times has been, the Company's Chief Executive Officer  
14 ("CEO") and a director. During the Class Period, Rascoff sold 54,500 shares of his Zillow stock  
15 for proceeds of \$2.1 million.

16 16. Defendant Lloyd D. Frink ("Frink") co-founded Zillow. Defendant Frink is, and  
17 at all relevant times has been, the Company's Vice Chairman. During the Class Period, Frink  
18 sold over 1.3 million shares of his Zillow stock for proceeds of nearly \$48.0 million.

19 17. Defendant Chad M. Cohen ("Cohen") is, and at all relevant times has been, the  
20 Company's Chief Financial Officer ("CFO"). During the Class Period, Cohen sold 50,791  
21 shares of his Zillow stock for proceeds of over \$1.76 million.

22 18. Defendant David A. Beitel ("Beitel") is, and at all relevant times has been, the  
23 Company's Chief Technology Officer. During the Class Period, Beitel sold 257,500 shares of  
24 his Zillow stock for proceeds of \$9.2 million.

25 19. The defendants referenced above in ¶¶14-18 are referred to herein as the  
26 "Individual Defendants."

1           20.     The Individual Defendants, because of their positions with the Company,  
2 possessed the power and authority to control the contents of Zillow’s quarterly reports, press  
3 releases and presentations to securities analysts, money and portfolio managers and institutional  
4 investors, *i.e.*, the market. They were provided with copies of the Company’s reports and press  
5 releases alleged herein to be misleading prior to or shortly after their issuance and had the ability  
6 and opportunity to prevent their issuance or cause them to be corrected. Because of their  
7 positions with the Company, and their access to material non-public information available to  
8 them but not to the public, the Individual Defendants knew that the adverse facts specified herein  
9 had not been disclosed to and were being concealed from the public and that the positive  
10 representations being made were then materially false and misleading. The Individual  
11 Defendants are liable for the false statements pleaded herein.

12                           **V.     FRAUDULENT SCHEME AND COURSE OF BUSINESS**

13           21.     Defendants are liable for: (i) making false statements; or (ii) failing to disclose  
14 adverse facts known to them about Zillow. Defendants’ fraudulent scheme and course of  
15 business that operated as a fraud or deceit on purchasers of Zillow common stock was a success,  
16 as it: (i) deceived the investing public regarding Zillow’s prospects and business; (ii) artificially  
17 inflated the price of Zillow common stock; (iii) caused plaintiff and other members of the Class  
18 to purchase Zillow common stock at inflated prices; and (iv) permitted Company insiders to sell  
19 3.1 million shares of their Zillow stock at artificially inflated prices for proceeds of nearly \$115  
20 million.

21                           **VI.    BACKGROUND**

22           22.     Zillow is a real estate information marketplace. The Company provides  
23 information about homes, real estate listings and mortgages through its Website and mobile  
24 applications, enabling homeowners, buyers, sellers and renters to connect with real estate and  
25 mortgage professionals. The Company’s database has more than 100 million U.S. homes,  
26 including homes for sale, homes for rent and homes not currently on the market. Individuals and

1 businesses that use Zillow have updated information on more than 33 million homes and added  
2 more than 50 million home photos. These profiles include detailed information about homes,  
3 such as property facts, listing information and purchase and sale data.

4 23. While reporting subscriber numbers and emphasizing the Company's growth in  
5 subscribers, defendants concealed subscriber churn and cancellations, forcing investors to rely on  
6 defendants' statements about growth and customer satisfaction.

## 7 **VII. DEFENDANTS' FALSE AND MISLEADING STATEMENTS** 8 **ISSUED DURING THE CLASS PERIOD**

9 24. On February 15, 2012, Zillow issued a press release announcing its fourth quarter  
10 and full year 2011 financial results. The Company reported net income of \$0.9 million, or \$0.03  
11 diluted earnings per share ("EPS"), and revenue of \$19.9 million for the fourth quarter of 2011.  
12 The Company reported average monthly unique users grew to 23.5 million subscribers for its  
13 fourth quarter 2011. The Company additionally reported net income of \$1.1 million and revenue  
14 of \$66.1 million for the full year 2011. The release stated in part:

15 "The fourth quarter was another excellent one for Zillow, capping  
16 off an outstanding year that further strengthens our market  
17 leadership position," said Spencer Rascoff, chief executive officer  
18 of Zillow. "Our continued product innovation, particularly on  
19 mobile and in expanding the types of services we offer real estate  
20 professionals, is fueling our growth and expanding Zillow's total  
21 addressable market. Additionally, our revenue model spans across  
22 the Web and mobile, which positions us exceptionally well for  
23 further revenue gains from mobile in 2012 and beyond."

24 25. After releasing its 2011 fourth quarter and full year financial results on February  
25 15, 2012, Zillow hosted a conference call with analysts, investors and media representatives,  
26 during which defendant Rascoff represented the following:

The fourth quarter was an excellent one for Zillow, capping off an  
outstanding year. During the quarter we delivered record  
performance across key operating and financial metrics that  
exceeded even our own expectations. In the fourth quarter, total  
revenue grew 108% year over year to a record \$19.9 million,  
resulting in EBITDA in the quarter of \$3.31 million, or 17%  
margin.

1 \* \* \*

2 This is an important distinction, because while the number of  
3 Premier Agents nearly doubled year over year, 2011 Marketplace  
4 revenue, which is predominantly derived from our Premier Agent  
5 program, grew more than twice that rate, increasing 219% year  
6 over year. We are focused on the tremendous runway we have  
7 here in a large-market opportunity. Keep in mind we have only a  
8 small fraction of today's estimated 1.8 million real estate agents  
9 enrolled in our Premier Agent program, and an even a smaller  
10 share of the \$6 billion these agent spend to market their services.  
11 To capture this opportunity, we must simultaneously attract new  
12 agents to Zillow, while also increasing the share of wallet our  
13 existing agents invest in our platform, which is exactly what we are  
14 doing. It's also important to note that by evolving Zillow's range  
15 of services beyond just advertising, we not only increase the value  
16 and touch points we offer agents, but we also increase our total  
17 addressable market beyond the \$6 billion that relates to just  
18 advertising and marketing.

19 26. On May 2, 2012, Zillow issued a press release announcing its first quarter 2012  
20 financial results. The Company reported net income of \$1.7 million, or \$0.06 diluted EPS, and  
21 revenue of \$22.8 million for the quarter ended March 31, 2012. The Company further provided  
22 its outlook for the second quarter of 2012, with expected revenue in the range of \$25.5 to \$26.5  
23 million. The release stated in part:

24 "Mobile usage and site traffic grew substantially during the first  
25 quarter, which led to record revenue and EBITDA levels exceeding  
26 our prior outlook, and our sixth consecutive quarter of triple-digit,  
year-over-year revenue growth," said Spencer Rascoff, chief  
executive officer of Zillow. "We continue to expand our  
addressable market and competitive advantage as we extend our  
mobile leadership, launch more services for real estate  
professionals, and grow our mortgage and rentals marketplaces. In  
particular, we took a giant leap forward in growing our rentals  
marketplace with today's announcement that Zillow is acquiring  
RentJuice. This acquisition will provide us with a comprehensive  
suite of business and marketing services for rental professionals,  
similar to what took us years to build and grow in our parallel  
marketplace for real estate agents."

27 27. After releasing its first quarter 2012 financial results on May 2, 2012, Zillow  
28 hosted a conference call with analysts, investors and media representatives, during which  
29 defendants represented the following:

1 [RASCOFF:] Our financial results in Q1 exhibited solid execution  
2 as we exceeded our outlook for revenue and EBITDA. Flow  
3 through of high[er] than expected revenue led to EBITDA of \$5.4  
4 million in the quarter, representing a 24% EBITDA margin.

5 These results demonstrate the leverage potential in our model over  
6 the long-term. We have previously discussed the 30% to 35%  
7 EBITDA margin at a \$200 million to \$250 million revenue run  
8 rate, and that the road to that margin level would not be smooth.  
9 We have had some quarters without performance on margin, and  
10 then in subsequent quarters our investments would increase,  
11 thereby reducing margin in the quarter.

12 \* \* \*

13 [COHEN:] Also as a reminder, in the first quarter of 2011 we  
14 ended offering 12-month subscriptions to our Platinum service, so  
15 as of February 2012 the [sic] only offer a six-month subscriptions  
16 [sic], which give us more flexibility and pricing, given that we  
17 continue to see very healthy growth in our traffic metrics.

18 28. On August 7, 2012, Zillow issued a press release announcing its second quarter  
19 2012 financial results. The Company reported net income of \$1.3 million, or \$0.04 diluted EPS,  
20 and revenue of \$27.8 million for the second quarter ended June 30, 2012. The Company further  
21 provided its outlook for the third quarter of 2012, with expected revenue in the range of \$30.0 to  
22 \$31.0 million. The release stated in part:

23 “Zillow had an excellent second quarter as record usage and  
24 effective monetization on mobile and Web propelled revenue and  
25 adjusted EBITDA ahead of our outlook,” said Spencer Rascoff,  
26 chief executive officer of Zillow. “We continue to extend our  
leadership and expand our three core marketplaces in real estate,  
mortgages and rentals with products and services that delight  
consumers and help local professionals better manage and market  
their businesses. I’m particularly pleased with the momentum in  
forging strong partnerships with high-profile real estate  
brokerages, and the industry’s reception to our new products, such  
as our award-winning Premier Agent Websites, which help local  
professionals manage and market their businesses.”

27 29. After releasing its second quarter 2012 financial results on August 7, 2012, Zillow  
28 hosted a conference call with analysts, investors and media representatives, during which  
29 defendants represented the following:



1 [RASCOFF:] Turning now to our results in the second quarter, we  
2 once again set records in quarterly revenue and usage across  
3 mobile and web. Total revenue for the second quarter was \$27.8  
4 million, increasing 75% compared to the same period last year.  
5 Our marketplace revenue category, which includes our local  
6 subscription-based Premier Agent business, as well as Zillow  
7 mortgage marketplace, increased 102% versus last year to \$19.6  
8 million. Marketplace revenue now comprises 71% of total  
9 revenues, up from 61% in the same period last year, a desirable  
10 mix shift towards more endemic and useful advertising for our  
11 consumers.

12 \* \* \*

13 During the month of July, 37 million unique users visited our  
14 Zillow, Inc. mobile apps and website which is an all-time record,  
15 and represented growth of 59% over July 2011.

16 By exceeding our outlook for revenue, our EBITDA benefited  
17 from the operating leverage in our model. Flow-through of higher  
18 than expected revenue led to EBITDA of \$5.3 million in the  
19 quarter, representing a 19% EBITDA margin, and 6% point up side  
20 variance from our guidance. These results, once again,  
21 demonstrate the incremental margin potential in our model over  
22 the long-term.

23 \* \* \*

24 [COHEN:] On August 1, we became S-3 eligible, and today  
25 filed a shelf with the SEC as a matter of good housekeeping, and to  
26 provide ourselves with flexibility in our capital structure in order to  
remain prepared for future considerations of both our operational  
needs and potential strategic opportunities in the marketplace.

30. Additionally on the August 7, 2012 earnings conference call, defendant Rascoff  
also addressed a Registration Statement shelf offering, stating in part:

I can take the shelf offering. So basically, the – our perspective is  
that after a year after being public, as a matter of good  
housekeeping we filed the shelf, which is pretty customary for  
companies at this stage. We haven't made any decisions about a  
follow-on at this time. So just to be clear, for those on the call,  
who maybe don't know there has been a shelf and follow-on, what  
we filed today is not a follow-on offering. It's a shelf statement  
with the SEC, which says – it basically registers shares. So if we  
decide to do a follow-on later, then the shares can be sold more  
rapidly. Basically, we can complete a follow-on more  
expeditiously.

1 We are always thinking about the optimal capital structure for the  
2 Company, and the shelf gives us more flexibility. The size of the  
3 shelf, we registered 150 million shares, and the way shelf offerings  
4 work is they expire after three years, and you're supposed to  
5 register kind of what you think is reasonable to sell over a two-year  
6 period potentially. And so, that explains why we chose 150  
7 million. Again, it's a pretty customary thing for a Company on the  
8 one-year anniversary post-IPO to do this, just so you can do a  
9 follow-on if you choose, more expeditiously. We have not decided  
10 whether, or not to do a follow-on.

11 31. On or about September 6, 2012, Zillow conducted a public offering on behalf of  
12 Zillow and certain principal and selling stockholders, selling 4.0 million shares of Zillow  
13 common stock to the public at \$43 per share, raising \$156 million in proceeds for the Company.  
14 The selling shareholders, consisting mainly of officers or directors of the Company or entities  
15 related to the officers and directors, sold 575,000 shares in the public offering.

16 32. The Prospectus issued as part of the public offering, which was finalized on  
17 September 6, 2012, formed part of the Form S-3 Registration Statement. The Prospectus  
18 described Zillow's business as follows:

19 Real estate, rental and mortgage professionals are a critical part of  
20 the home-related marketplaces. We enable consumers to find and  
21 connect with local professionals best suited to meet their needs.

22 Our real estate marketplaces benefit from network effects. As  
23 more consumers access our mobile applications and websites,  
24 more real estate, rental and mortgage professionals contribute  
25 content to distinguish themselves, thereby making our  
26 marketplaces more useful and attracting additional consumers.

33. In fact, the real estate professionals that Zillow actually connected to Website  
visitors were not so much those "best suited to meet their needs," but rather were those who had  
paid for placement on Zillow's Website.

34. The Prospectus also represented what the Company claimed were its  
"Competitive Advantages:"

- *Mobile Leadership and Monetization.* Shopping for a home is a far more meaningful consumer experience when it occurs curbside, untethered and on location, so we have developed and operate the most popular suite of mobile real

1 estate applications across all major mobile platforms. In  
2 July 2012, 168 million homes, or 63 homes per second,  
3 were viewed on Zillow on a mobile device, representing  
4 over 50% of our home views. Our suite of mobile  
5 applications includes 13 distinct real estate, rental and  
6 mortgage applications that enable people to access and  
7 analyze information where, when and how they want it.  
8 We monetize our marketplace businesses on our mobile  
9 platform in the same way we do on our web platform.

- 10 • *Multiple Robust Home-Related Marketplaces.* We have  
11 created trusted and transparent marketplaces in real estate,  
12 rentals and mortgages where consumers can identify and  
13 connect with local professionals that are best suited to meet  
14 their needs. Our living database of homes provides a  
15 foundation on which we can build new consumer and  
16 professional marketplaces in other home-related categories.
- 17 • *Technology Solutions for Professionals.* We offer a suite of  
18 marketing and technology solutions to help real estate,  
19 rental and mortgage professionals grow their businesses  
20 and personal brands.
- 21 • *Consumer-Oriented Mortgage Marketplace.* Unlike other  
22 sources of mortgage rate quotes, in Zillow Mortgage  
23 Marketplace consumers can anonymously submit mortgage  
24 loan requests and receive an unlimited number of  
25 personalized mortgage quotes directly from hundreds of  
26 consumer-rated lenders. Consumers can then choose to  
contact those lenders at their discretion. In the first seven  
months of 2012, consumers submitted 6.6 million mortgage  
loan requests in Zillow Mortgage Marketplace.

35. On September 20, 2012, Zillow's stock reached its Class Period high, closing at \$46.17 per share.

36. Then, on November 5, 2012, after the market closed, Zillow issued a press release announcing its third quarter 2012 financial results. Additionally, Zillow provided an update to its fourth quarter and full year 2012 revenue guidance, revealing revenue expectations in the range of \$30.0 to \$31.0 million for the fourth quarter of 2012 and revenue guidance for the full year 2012 of \$113.0 million. This guidance fell below analysts' estimates. Furthermore, Zillow announced that its estimates of home valuation, referred to as "Zestimates," had lost a large

1 display advertiser, Foreclosure.com, and therefore defendants expected weakness in the  
2 Company's display advertising business. The release stated in part:

3 "Zillow had another great quarter with record usage across mobile  
4 and Web. In fact, we reached a major milestone recently, topping  
5 1 billion home views on Zillow Mobile through the first three  
6 quarters of 2012," said Spencer Rascoff, chief executive officer of  
7 Zillow. "During the quarter we also expanded our suite of  
8 technology tools and services for professionals. Last week we  
9 announced the acquisition of Buyfolio, a collaborative shopping  
10 tool that can increase the conversion rates for agents, and further  
11 add value to our successful Premier Agent program. We've made  
12 another important leap today with the announcement of our  
13 planned acquisition of Mortech, which will further extend the  
14 services we provide to the mortgage industry."

15 37. After releasing its third quarter 2012 financial results on November 5, 2012,  
16 Zillow hosted a conference call with analysts, investors and media representatives, during which  
17 defendants finally discussed churn and real estate cancellations, while continuing to conceal  
18 subscriber metrics:

19 [COHEN:] Another metric we are often asked about is churn.  
20 Over time, our churn has been stable and predictable, as well as  
21 healthy and appropriate in relation to our operating history. The  
22 layers of variables which comprise the metric have many useful  
23 permutations, such as by customer segment, contract size, or  
24 cohort. ***We have chosen not to disclose our churn, due to its  
25 complex nature and for competitive reasons, but let me give you  
26 insight into this metric.*** Agents who cancel their subscription  
were receiving, on average, about 15 leads per month, at an  
approximate \$17 cost per lead. This is similar to the number of  
leads and the cost per lead of agents who don't churn.

The number one reason agents say for cancelling is that they had  
low ROI on the program. In other words, they didn't convert  
enough of their annualized 180 leads per year into transactions.

\* \* \*

So this will, at the end of the day, create a far more compelling  
consumer experience than that of our partner, and longer term we  
will have a really nice financial benefit for launching this. But in  
the short term, you will see a stepdown in revenue as it relates to  
terminating this relationship. I would say the second point is that  
every year, and you saw this in 2009, 2010, and 2011, every year  
we see a sequential seasonal stepdown in display advertisement in  
the fourth quarter, and that's not unique to this year.

1           38.     These disclosures caused Zillow’s stock to collapse \$6.22 per share to close at  
2 \$28.15 per share on November 6, 2012, a one-day decline of nearly 18% on volume of 7.4  
3 million shares.

4           39.     In fact, Zillow’s subscribers were not as satisfied with the services as suggested  
5 by defendants’ statements about growth. Because Zillow concealed subscriber churn and  
6 cancellation metrics, investors were forced to rely on defendants’ representations.

7           40.     As a result of defendants’ false statements, Zillow’s stock traded at inflated levels  
8 during the Class Period. However, after the above revelations seeped into the market, the  
9 Company’s shares were hammered by massive sales, sending them down 39% from their Class  
10 Period high.

#### 11   **VIII. LOSS CAUSATION**

12           41.     During the Class Period, as detailed herein, the defendants made false and  
13 misleading statements and engaged in a scheme to deceive the market and a course of conduct  
14 that artificially inflated the price of Zillow common stock and operated as a fraud or deceit on  
15 Class Period purchasers of Zillow common stock by misrepresenting the Company’s business  
16 and prospects. Later, when the defendants’ prior misrepresentations and fraudulent conduct  
17 became apparent to the market, the price of Zillow common stock fell precipitously, as the prior  
18 artificial inflation came out of the price over time. As a result of their purchases of Zillow  
19 common stock during the Class Period, plaintiff and other members of the Class suffered  
20 economic loss, *i.e.*, damages, under the federal securities laws.

#### 21   **IX. NO SAFE HARBOR**

22           42.     Zillow’s verbal “Safe Harbor” warnings accompanying its oral forward-looking  
23 statements (“FLS”) issued during the Class Period were ineffective to shield those statements  
24 from liability.

25           43.     The defendants are also liable for any false or misleading FLS pleaded because, at  
26 the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS

1 was authorized and/or approved by an executive officer of Zillow who knew that the FLS was  
2 false. None of the historic or present tense statements made by defendants were assumptions  
3 underlying or relating to any plan, projection or statement of future economic performance, as  
4 they were not stated to be such assumptions underlying or relating to any projection or statement  
5 of future economic performance when made, nor were any of the projections or forecasts made  
6 by defendants expressly related to or stated to be dependent on those historic or present tense  
7 statements when made.

## 8 X. CLASS ACTION ALLEGATIONS

9 44. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal  
10 Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Zillow  
11 common stock during the Class Period (the “Class”). Excluded from the Class are defendants  
12 and their families, the officers and directors of the Company, at all relevant times, members of  
13 their immediate families and their legal representatives, heirs, successors or assigns and any  
14 entity in which defendants have or had a controlling interest.

15 45. The members of the Class are so numerous that joinder of all members is  
16 impracticable. The disposition of their claims in a class action will provide substantial benefits  
17 to the parties and the Court. Zillow has nearly 26 million shares of Class A common stock and  
18 7.5 million shares of Class B of stock outstanding, owned by hundreds if not thousands of  
19 persons.

20 46. There is a well-defined community of interest in the questions of law and fact  
21 involved in this case. Questions of law and fact common to the members of the Class which  
22 predominate over questions which may affect individual Class members include:

- 23 a. whether the 1934 Act was violated by defendants;
- 24 b. whether defendants omitted and/or misrepresented material facts;
- 25 c. whether defendants’ statements omitted material facts necessary to make  
26 the statements made, in light of the circumstances under which they were made, not misleading;

1 d. whether defendants knew or deliberately disregarded that their statements  
2 were false and misleading;

3 e. whether the price of Zillow common stock was artificially inflated; and

4 f. the extent of damage sustained by Class members and the appropriate  
5 measure of damages.

6 47. Plaintiff's claims are typical of those of the Class because plaintiff and the Class  
7 sustained damages from defendants' wrongful conduct.

8 48. Plaintiff will adequately protect the interests of the Class and has retained counsel  
9 who are experienced in class action securities litigation. Plaintiff has no interests which conflict  
10 with those of the Class.

11 49. A class action is superior to other available methods for the fair and efficient  
12 adjudication of this controversy.

13 **COUNT I**  
14 **For Violation of §10(B) of the 1934 Act and Rule 10b-5**  
15 **Against All Defendants**

16 50. Plaintiff incorporates ¶¶1-49 by reference.

17 51. During the Class Period, defendants disseminated or approved the false  
18 statements specified above, which they knew or deliberately disregarded were misleading in that  
19 they contained misrepresentations and failed to disclose material facts necessary in order to make  
20 the statements made, in light of the circumstances under which they were made, not misleading.

21 52. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

22 a. employed devices, schemes and artifices to defraud;

23 b. made untrue statements of material facts or omitted to state material facts  
24 necessary in order to make the statements made, in light of the circumstances under which they  
25 were made, not misleading; or  
26

1 c. engaged in acts, practices and a course of business that operated as a fraud  
2 or deceit upon plaintiff and others similarly situated in connection with their purchases of Zillow  
3 common stock during the Class Period.

4 53. Plaintiff and the Class have suffered damages in that, in reliance on the integrity  
5 of the market, they paid artificially inflated prices for Zillow common stock. Plaintiff and the  
6 Class would not have purchased Zillow common stock at the prices they paid, or at all, if they  
7 had been aware that the market price had been artificially and falsely inflated by defendants'  
8 misleading statements.

9 **COUNT I**  
10 **For Violation of §20(A) of the 1934 Act**  
11 **Against All Defendants**

12 54. Plaintiff incorporates ¶¶1-53 by reference.

13 55. The Individual Defendants acted as controlling persons of Zillow within the  
14 meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and  
15 ownership of Zillow stock, the Individual Defendants had the power and authority to cause  
16 Zillow to engage in the wrongful conduct complained of herein. Zillow controlled the Individual  
17 Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant  
18 to §20(a) of the 1934 Act.

19 **XI. PRAYER FOR RELIEF**

20 WHEREFORE, plaintiff prays for judgment as follows:

- 21 A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- 22 B. Awarding plaintiff and the members of the Class damages, including interest;
- 23 C. Awarding plaintiff reasonable costs and attorneys' fees; and
- 24 D. Awarding such equitable/injunctive or other relief as the Court may deem just and  
25 proper.

26 **XII. JURY DEMAND**

Plaintiff demands a trial by jury.



