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12 UNITED STATES DISTRICT COURT
13
14 NORTHERN DISTRICT OF CALIFORNIA

15 CHARLES REIDINGER, Individually and on)
Behalf of All Others Similarly Situated,)
16 Plaintiff,)

17 vs.)

18 ZENDESK, INC., MIKKEL SVANE, ELENA)
GOMEZ, ADRIAN McDERMOTT, JOHN)
19 GESCHKE, JEFFREY TITTERTON and)
NORMAN GENNARO,)
20 Defendants.)

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

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1 **INTRODUCTION**

2 Plaintiff Charles Reidinger (“plaintiff”), individually and on behalf of all others similarly
3 situated, by plaintiff’s undersigned counsel, alleges the following based upon personal knowledge as
4 to plaintiff and plaintiff’s own acts, and upon information and belief as to all other matters based on
5 the investigation conducted by and through plaintiff’s counsel, which included, among other things,
6 a review of Securities and Exchange Commission (“SEC”) filings by Zendesk, Inc. (“Zendesk” or
7 the “Company”), as well as media and analyst reports about the Company. Plaintiff believes that
8 substantial additional evidentiary support will exist for the allegations set forth herein after a
9 reasonable opportunity for discovery.

10 **BACKGROUND AND SUMMARY OF THE ACTION**

11 1. This is a securities fraud class action on behalf of all purchasers of Zendesk common
12 stock between February 6, 2019 and October 1, 2019, inclusive (the “Class Period”), seeking to
13 pursue remedies under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange
14 Act”) and SEC Rule 10b-5 promulgated thereunder.

15 2. Zendesk is a Software as a Service (“SaaS”) provider that purports to help clients
16 better communicate with their customers through online customer chats and data analysis. The
17 Company provides single customer service interface to organizations to manage all their one-on-one
18 customer interactions, track and predict common questions, and provide a seamless path to answers.
19 The employees of Zendesk’s clients are called “agents” of Zendesk, and their customers are
20 Zendesk’s “end users.”

21 3. Throughout the Class Period, defendants disseminated materially false and
22 misleading statements to the investing public and failed to disclose adverse facts pertaining to the
23 Company’s business, operations, and financial results. Specifically, the Company concealed
24 material information and/or failed to disclose that:

- 25 (a) Zendesk’s clients had been subject to data breaches dating back to 2016;
- 26 (b) Zendesk was experiencing slowing demand for its SaaS offerings, particularly
27 in Germany, the United Kingdom (“U.K.”) and Australia, due in large part to political uncertainty
28 and China trade issues there; and

1 (c) as a result of the foregoing, Zendesk's business metrics and financial
2 prospects were not as strong as defendants had led the market to believe during the Class Period.

3 4. On July 30, 2019, Zendesk issued a press release and conducted a conference call to
4 announce its second quarter 2019 ("2Q19") financial results for the period ended June 30, 2019.
5 Zendesk reported net losses that had grown to \$54.5 million, or \$0.50 per share, which was
6 significantly larger than the \$34.4 million, or \$0.33 per share, reported in 2Q18, despite the fact that
7 2Q19 revenues had increased from \$141.9 million in 2Q18 to \$194.6 million in 2Q19. The
8 Company also reported revenue growth of 37%, which was below the 38%-41% range the Company
9 had reported over the prior eight quarters.

10 5. In addition to the disappointing financial results, Zendesk disclosed that its sales
11 growth in the Europe, Middle East, and Africa ("EMEA") and Asia-Pacific ("APAC") regions
12 "didn't quite live up to [defendants'] own expectations, and lagg[ed] other regions." For example,
13 growth in the EMEA region fell to 33% year over year, down significantly from the 38% growth
14 reported in 1Q18, 42% during fiscal year 2018 ("FY18"), and 41% during FY17. Growth in the
15 APAC region fell to 31% in 2Q19, down considerably from the 39% growth reported in 1Q19.
16 Zendesk blamed a mix of macro and operational issues that had been driving the weakness. With
17 respect to FY19 guidance, the Company cautioned that it was "maintaining a prudent view on the
18 year as [defendants] gain[ed] a better understanding of the dynamics, internal and external, in EMEA
19 and APAC," and thus expected ongoing revenue growth of just 30%. Zendesk lowered its FY19
20 outlook for free cash flow from a range of \$55-\$65 million to a range of just \$35-\$45 million, citing
21 increased vendor prepayments, capital expenditures and acquisition costs.

22 6. Following these disclosures, the price of Zendesk common stock declined
23 precipitously, falling nearly \$10 per share from its close of \$93.12 per share on July 30, 2019 to
24 close at \$83.56 per share on July 31, 2019, on unusually high volume of more than 8.6 million shares
25 traded, or more than twice the average daily volume over the preceding 10 trading days.

26 7. Prior to September 24, 2019, a third party alerted Zendesk to the fact that the
27 personally identifiable data ("PID") of its chat and support accounts had been breached. By
28 September 24, 2019, Zendesk had internally confirmed the size and scope of the breach. The

1 Company's internal investigation revealed that some 10,000 accounts opened before November 2016
2 had been breached, including agent names and contact information, along with user names and
3 hashed and salted agent and end user passwords. Adversely impacted PID also included Transport
4 Layer Security encryption keys that customers gave to Zendesk and the configuration settings of
5 apps installed from the Zendesk app market or private apps.

6 8. On October 2, 2019, Zendesk for the first time publicly disclosed the data breach,
7 stating then that the data breach only affected customers who had signed up prior to November 1,
8 2016.

9 9. On news of the data breach, the price of Zendesk common stock fell another \$2.90
10 per share to close at \$69.81 per share on October 2, 2019, again on unusually high volume of more
11 than 3.3 million shares traded.

12 10. Meanwhile, with Zendesk common stock trading at fraud-inflated prices throughout
13 the Class Period, the Company's senior executive officers named herein as defendants cashed in,
14 collectively selling approximately 409,000 of their personally held Zendesk shares, reaping more
15 than \$32.7 million in proceeds.

16 **JURISDICTION AND VENUE**

17 11. Jurisdiction is conferred by §27 of the Exchange Act. The claims asserted herein
18 arise under §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. This
19 Court has jurisdiction over the subject matter of this action under 28 U.S.C. §1331 and §27 of the
20 Exchange Act.

21 12. Venue is proper in this District pursuant to §27 of the Exchange Act, as Zendesk is
22 headquartered in this District and many of the false and misleading statements alleged herein were
23 disseminated from this District.

24 13. In connection with the acts alleged in this complaint, defendants, directly or
25 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
26 the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

1
2 14. Plaintiff Charles Reidinger purchased Zendesk common stock during the Class
3 Period, as set forth in the accompanying certification incorporated by reference herein, and has been
4 damaged thereby.

5 15. Defendant Zendesk is a San Francisco, California-based software development
6 company that provides SaaS products for organizations. Zendesk common stock is listed and trades
7 on the New York Stock Exchange (“NYSE”), an efficient market, under the ticker symbol “ZEN.”
8 As of July 31, 2019, the Company had approximately 110 million shares issued and outstanding.

9 16. Defendant Mikkel Svane (“Svane”) is, and was at all relevant times, a co-founder and
10 Chief Executive Officer (“CEO”) of Zendesk and the Chairman of its Board of Directors. During
11 the Class Period, defendant Svane sold 250,000 shares of his personally held Zendesk common
12 stock, reaping \$19,670,255 in proceeds.

13 17. Defendant Elena Gomez (“Gomez”) is, and was at all relevant times, Chief Financial
14 Officer (“CFO”) of Zendesk. During the Class Period, defendant Gomez sold 42,455 shares of her
15 personally held Zendesk common stock, reaping \$3,526,791 in proceeds.

16 18. Defendant Adrian McDermott (“McDermott”) is, and was at all relevant times,
17 President of Products of Zendesk. During the Class Period, defendant McDermott sold 31,697 shares
18 of his personally held Zendesk common stock, reaping \$2,645,174 in proceeds.

19 19. Defendant John Geschke (“Geschke”) is, and was at all relevant times, Chief Legal
20 Officer & SVP, Administration of Zendesk. During the Class Period, defendant Geschke sold
21 48,656 shares of his personally held Zendesk common stock, reaping \$3,931,532 in proceeds.

22 20. Defendant Jeffrey Titterton (“Titterton”) is, and was at all relevant times, Chief
23 Marketing Officer of Zendesk. During the Class Period, defendant Titterton sold 23,306 shares of
24 his personally held Zendesk common stock, reaping \$1,908,697 in proceeds.

25 21. Defendant Norman Gennaro (“Gennaro”) is, and was at all relevant times, Senior
26 Vice President, Worldwide Sales of Zendesk. During the Class Period, defendant Gennaro sold
27 12,842 shares of his personally held Zendesk common stock, reaping \$1,026,645 in proceeds.

1 22. Defendants Svane, Gomez, McDermott, Geschke, Titterton and Gennaro are
2 sometimes referred to collectively herein as the “Individual Defendants.” Zendesk and the
3 Individual Defendants are referred to herein, collectively, as “defendants.”

4 **DEFENDANTS’ SCIENTER**

5 23. During the Class Period, defendants had the motive and opportunity to commit the
6 alleged fraud. Defendants also had actual knowledge of the misleading statements they made and/or
7 acted in reckless disregard of the truth at the time. In doing so, defendants participated in a scheme
8 to defraud and committed acts and practices and participated in a course of business that operated as
9 a fraud or deceit on purchasers of Zendesk common stock during the Class Period.

10 24. Moreover, with the price of Zendesk common stock artificially inflated, the
11 Individual Defendants cashed in, collectively selling approximately 409,000 of their personally held
12 Zendesk shares for *more than \$32.7 million* in proceeds.

13 **SUBSTANTIVE ALLEGATIONS¹**

14 25. Defendant Zendesk is a customer service software company founded in Copenhagen,
15 Denmark in 2007 and now headquartered in San Francisco, California. The Company has been
16 reporting to the SEC and listed on the NYSE since conducting its initial public stock offering 2014.

17 26. According to the Company, the Zendesk product family and platform is purpose-built
18 to help companies deliver the best customer experiences and adapt to changing customer
19 expectations. Zendesk products unify customer communication and customer data across disparate
20 channels and departments and simplify the process of providing great omnichannel customer service
21 and engagement across self-service, phone calls, live chat, messaging, and email.

22 27. Zendesk’s “open” and “flexible” customer relationship management (“CRM”)
23 platform, Zendesk Sunshine, is built on the public cloud and open standards, which it claims
24 “enabl[es] rapid innovation for [its] customers and enhanc[es] [its] product family.” According to
25 Zendesk, the Company has “evolved from [its] origins in customer service to increasingly help even
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27 _____
28 ¹ All emphasis in bold and italics is added, unless otherwise noted.

1 the largest organizations understand their customers, and to introduce products and a CRM platform
2 that impact customer experiences and engagement broadly within organizations.”

3 28. The Class Period starts on February 6, 2019. On February 5, 2019, after the close of
4 trading, Zendesk announced its 4Q18 and FY18 financial results for the period ended December 31,
5 2018. In addition to announcing 4Q18 “revenue [that had] increased 41% year over year to \$172.2
6 million,” a 4Q18 “GAAP operating loss of \$36.5 million,” that its FY18 “revenue [had] increased
7 39% year over year to \$598.7 million,” and an FY18 “GAAP operating loss of \$137.9 million,” the
8 press release issued that day provided 1Q18 and FY19 financial guidance, stating in pertinent part as
9 follows:

10 Outlook

11 As of February 5, 2019, Zendesk provided guidance for the quarter ending
12 March 31, 2019 and for the year ending December 31, 2019.

13 For the quarter ending March 31, 2019, Zendesk expects to report:

- 14 • Revenue in the range of \$178.0-180.0 million
- 15 • GAAP operating income (loss) in the range of \$(44.0)-(42.0) million,
16 which includes share-based compensation and related expenses of
17 approximately \$38.2 million, amortization of purchased intangibles
of approximately \$2.2 million, and acquisition-related expenses of
approximately \$1.6 million

18 * * *

19 For the full year ending December 31, 2019, Zendesk expects to report:

- 20 • Revenue in the range of \$795.0 - 805.0 million
- 21 • GAAP operating income (loss) in the range of \$(154.0)-(149.0)
22 million, which includes share-based compensation and related
23 expenses of approximately \$154.2 million, amortization of purchased
intangibles of approximately \$8.8 million, and acquisition-related
expenses of approximately \$4.0 million

24 29. On the same day, the Company published a Shareholder Letter, under the names of
25 defendants Svane and Gomez, and conducted a conference call with investors and stock analysts
26 during which they provided additional positive commentary about the Company’s then-present
27 business metrics and financial prospects. For example, the Introduction of the Shareholder Letter
28 emphasized that, “[f]or the full-year 2018, [Zendesk] delivered 39% revenue growth – an

1 acceleration compared to 38% growth for full-year 2017 – and increased [its] operating cash flow
2 margin by approximately three percentage points and free cash flow margin by approximately two
3 percentage points compared to full-year 2017,” intimating that the Company was continuing on that
4 trajectory. The Shareholder Letter also emphasized that, “[a]round the world, companies large and
5 small are seeking to transform their businesses through customer experience, *and that trend is*
6 *driving strong demand for our products*,” adding that, “[i]n 2019, *we will continue to capitalize on*
7 *this trend*.” Reviewing the Company’s FY18 performance, the Shareholder Letter noted that,
8 “[w]ith customers in more than 160 countries and territories and approximately half of our revenue
9 outside of the U.S., *we are seeing strong global demand and revenue growth in every region*,”
10 noting that for FY18 “revenue [had] increased . . . 43% in EMEA [and] 47% in APAC.”

11 30. On February 14, 2019, Zendesk filed its FY18 annual report on Form 10-K with the
12 SEC, which was executed and attested to pursuant to the Sarbanes Oxley Act of 2002 by defendants
13 Svane and Gomez (the “FY18 10-K”). Detailing what “[t]he architecture and deployment of
14 [Zendesk’s] software [was] described and guided by,” the FY18 10-K emphasized security as one of
15 the “key characteristics” of Zendesk’s “Technology,” stating in pertinent part as follows:

- 16 • **Security.** Each of our products are [sic] designed to host a large quantity of
17 customer data. *We maintain a comprehensive security program designed to*
18 *help safeguard the security and integrity of our customers’ data. We*
19 *regularly review our security program. In addition, we regularly obtain*
20 *third-party security audits and examinations of our technical operations*
21 *and practices covering data security.*

22 31. Though the FY18 10-K purported to warn that “breaches of data security . . . *could*
23 have an adverse effect on [Zendesk’s] future operating results,” and *could* cause it to “lose existing
24 customers or fail to attract new customers” or to “incur significant liabilities” *if* its data systems were
25 breached, the purported warnings were themselves materially false and misleading on their face
26 because the Company had *already experienced* a data breach dating back to accounts opened before
27 November 2016 that had not yet been disclosed or remedied. Likewise, the FY18 10-K’s statement
28 that, “[b]ecause [its] products can be used to collect and store personal information,” “data security
concerns *could* result in additional costs and liabilities to [it] or inhibit sales of [its] products,” and
that “the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies

1 that are applicable to the businesses of [its] customers may limit the use and adoption of, and reduce
2 the overall demand for, [its] products,” tacitly and misleadingly stated that the Company’s data was
3 then being maintained in a secure state, when it was not.

4 32. On April 30, 2019, Zendesk announced its 1Q19 financial results. In addition to
5 announcing 1Q19 “revenue [that had] increased 40% year over year to \$181.5 million” and a 1Q19
6 “GAAP operating loss of \$43.9 million,” the press release issued that day provided 2Q19 and
7 updated FY19 financial guidance, stating in pertinent part as follows:

8 **Outlook**

9 As of April 30, 2019, Zendesk provided guidance for the quarter ending June
10 30, 2019 and updated its guidance for the year ending December 31, 2019.

11 For the quarter ending June 30, 2019, Zendesk expects to report:

- 12 • Revenue in the range of \$191-193 million
- 13 • GAAP operating income (loss) in the range of \$(44)-(42) million,
14 which includes share-based compensation and related expenses of
15 approximately \$41 million, amortization of purchased intangibles of
16 approximately \$2 million, and acquisition-related expenses of
17 approximately \$1 million

18 * * *

19 For the full year ending December 31, 2019, Zendesk expects to report:

- 20 • Revenue in the range of \$802-810 million
- 21 • GAAP operating income (loss) in the range of \$(164.0)-(160) million,
22 which includes share-based compensation and related expenses of
23 approximately \$165 million, amortization of purchased intangibles of
24 approximately \$9 million, and acquisition-related expenses of
25 approximately \$4 million

26 33. Defendants also published a Shareholder Letter that day, under the names of
27 defendants Svane and Gomez, and conducted a conference call with investors and stock analysts
28 during which they provided additional positive commentary about the Company’s then-present
business metrics and financial prospects. For instance, the first sentence of the Introduction to the
Shareholder Letter emphasized that Zendesk had begun “2019 by delivering 40% revenue growth in
the quarter (year over year), up nearly two percentage points compared to the year-over-year growth
achieved for the first quarter of 2018.” The second paragraph of the Introduction again emphasized

1 that “[d]emand for [Zendesk’s] products remains strong as companies around the world, large and
2 small, seek to transform their businesses by adopting modern software architectures and
3 applications,” adding that Zendesk’s “growth is driven by favorable global market trends.” The
4 Shareholder Letter also emphasized that Zendesk “had *solid revenue growth in every region* in the
5 first quarter of 2019, with revenue up . . . 38% in EMEA [and] 39% in APAC . . . compared to a year
6 ago.”

7 34. On May 2, 2019, Zendesk filed its 1Q19 quarterly report on Form 10-Q with the SEC,
8 which was executed and attested to pursuant to the Sarbanes Oxley Act of 2002 by defendants Svane
9 and Gomez (the “1Q19 10-Q”). The 1Q19 10-Q adopted the false and misleading statements in the
10 FY18 10-K as detailed above at ¶¶30-31.

11 35. The statements referenced above in ¶¶28-34 were materially false and misleading
12 when made because they failed to disclose the following adverse facts, which were known to
13 defendants or recklessly disregarded by them:

14 (a) that Zendesk’s clients had been subject to data breaches dating back to 2016;

15 (b) that Zendesk was experiencing slowing demand for its SaaS offerings,
16 particularly in Germany, the U.K. and Australia, due in large part to political uncertainty and China
17 trade issues there; and

18 (c) that for the forgoing reasons, Zendesk’s business metrics and financial
19 prospects were not as strong as represented during the Class Period.

20 36. On July 30, 2019, after the close of trading, Zendesk issued a press release and
21 conducted a conference call to announce its 2Q19 financial results. Zendesk’s net losses had grown
22 to \$54.5 million, or \$0.50 per share, significantly larger than the \$34.4 million, or \$0.33 per share,
23 reported in 2Q18, despite the fact that 2Q19 revenues had increased from \$141.9 million in 2Q18 to
24 \$194.6 million in 2Q19. The revenue growth rate of 37% was well below the 38%-41% range the
25 Company had been reporting over the prior eight quarters. Zendesk disclosed that its sales growth in
26 the EMEA and APAC regions “didn’t quite live up to [defendants’] own expectations, and lagg[ed]
27 other regions.” Growth in the EMEA region fell to 33% year over year, down significantly from the
28 38% growth reported in 1Q19, 42% during FY18, and 41% during FY17. Growth in the APAC

1 region fell to 31% in 2Q19, down considerably from the 39% growth reported in 1Q19. Zendesk
2 blamed a mix of macro and operational issues that had been driving the weakness. With respect to
3 its FY19 financial guidance, Zendesk emphasized caution, stating that it was “maintaining a prudent
4 view on the year as [defendants] gain[ed] a better understanding of the dynamics, internal and
5 external, in EMEA and APAC,” and thus it expected ongoing revenue growth of just 30%. Zendesk
6 also lowered its FY19 outlook for free cash flow from the prior guidance range of \$55-\$65 million to
7 a range of just \$35-\$45 million, citing increased vendor prepayments, capital expenditures, and
8 acquisition costs.

9 37. On this news, the price of Zendesk common stock declined precipitously, falling
10 nearly \$10 per share, from its close of \$93.12 per share on July 30, 2019 to close at \$83.56 per share
11 on July 31, 2019, on unusually high volume of more than 8.6 million shares traded, or more than
12 twice the average daily volume over the preceding 10 trading days.

13 38. Then on October 2, 2019, Zendesk disclosed in a blog post that it had experienced a
14 data breach in 2016 involving 10,000 Support and Chat accounts that were activated prior to
15 November 1, 2016. The Company’s blog post stated that email addresses and phone numbers of
16 Zendesk agents were accessed along with passwords. Zendesk stated that it had been alerted to the
17 breach by a third party on September 24, 2019 and was using an outside team of forensic experts to
18 validate claims of the third party and to determine exactly what data was accessed. Data exposed
19 reportedly included: names, email addresses, and phone numbers of certain Zendesk end users.
20 Hashed passwords were also exposed. Zendesk stated it was continuing to investigate the matter and
21 that it was also doing a forced reset of passwords for those users that were activated prior to
22 November 1, 2016 and who had not updated their passwords since that time.

23 39. On this news, the price of Zendesk common stock fell another \$2.90 per share to
24 close at \$69.81 per share on October 2, 2019, again on unusually high volume of more than 3.3
25 million shares traded.

26 40. On October 2, 2019, a blogger at *Cyberscoop.com* posted, in pertinent part, as
27 follows:

28

1 It's common for companies to learn from partners or other third parties that
2 they have experienced a data breach. Often, when a company is probing its own
3 defenses, it may come upon data that appears to be from a single source, and may
4 point to a breach at another victim. Zendesk has not provided much detail about this
5 incident, but the announcement follows a notification from the delivery service
6 DoorDash[, which] confirmed a breach affected 4.9 million customers, workers and
7 merchants.

8 41. Notably, Zendesk's August 2, 2016 Shareholder Letter listed DoorDash as a
9 "noteworthy customer[] that [had] recently joined [it] or expanded with [it]," which would make
10 DoorDash a pre-November 2016 customer of Zendesk.

11 **APPLICATION OF PRESUMPTION OF RELIANCE:
12 FRAUD ON THE MARKET**

13 42. Plaintiff and the Class (defined below) are entitled to a presumption of reliance under
14 *Affiliated Ute Citizens v. United States*, 406 U.S. 128 (1972), because the claims asserted herein
15 against defendants are predicated upon omissions of material fact for which there was a duty to
16 disclose.

17 43. Plaintiff and the Class are also entitled to a presumption of reliance pursuant to *Basic*
18 *Inc. v. Levinson*, 485 U.S. 224 (1988), and the fraud-on-the-market doctrine because the market for
19 Zendesk stock was an efficient market at all relevant times by virtue of the following factors, among
20 others:

21 (a) Zendesk stock met the requirements for listing and was listed and actively
22 traded on NYSE, a highly efficient market;

23 (b) Zendesk regularly communicated with public investors via established market
24 communication mechanisms, including the regular dissemination of press releases on national
25 circuits of major newswire services and other wide-ranging public disclosures, such as
26 communications with the financial press and other similar reporting services; and

27 (c) Zendesk was followed by a number of securities analysts employed by major
28 brokerage firms who wrote reports that were distributed to the sales force and certain customers of
their respective brokerage firms. These reports were publicly available and entered the public
marketplace.

1 48. The members of the Class are so numerous that joinder of all members is
2 impracticable. Throughout the Class Period, Zendesk common stock was actively traded on the
3 NYSE. While the exact number of Class members is unknown to plaintiff at this time and can only
4 be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands
5 of members in the proposed Class. Record owners and other members of the Class may be identified
6 from records maintained by Zendesk and/or its transfer agent and may be notified of the pendency of
7 this action by mail, using the form of notice similar to that customarily used in securities class
8 actions.

9 49. Plaintiff's claims are typical of the claims of the members of the Class as all members
10 of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is
11 complained of herein.

12 50. Plaintiff will fairly and adequately protect the interests of the members of the Class
13 and has retained counsel competent and experienced in class and securities litigation.

14 51. Common questions of law and fact exist as to all members of the Class and
15 predominate over any questions solely affecting individual members of the Class. Among the
16 questions of law and fact common to the Class are:

- 17 (a) whether the Exchange Act was violated by defendants as alleged herein;
18 (b) whether statements made by defendants misrepresented material facts about
19 the business, operations, and financial results of Zendesk; and
20 (c) to what extent the members of the Class have sustained damages and the
21 proper measure of damages.

22 52. A class action is superior to all other available methods for the fair and efficient
23 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
24 damages suffered by individual Class members may be relatively small, the expense and burden of
25 individual litigation make it impossible for members of the Class to individually redress the wrongs
26 done to them. There will be no difficulty in the management of this action as a class action.

COUNT I

**For Violation of §10(b) of the Exchange Act and Rule 10b-5
Against All Defendants**

53. Plaintiff incorporates ¶¶1-52 by reference.

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

55. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Zendesk common stock during the Class Period.

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

COUNT II

**For Violation of §20(a) of the Exchange Act
Against All Defendants**

57. Plaintiff incorporates ¶¶1-56 by reference.

58. The Individual Defendants acted as controlling persons of Zendesk within the meaning of §20(a) of the Exchange Act. By reason of their positions with the Company, and their ownership of Zendesk common stock, the Individual Defendants had the power and authority to cause Zendesk to engage in the wrongful conduct complained of herein. Zendesk controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff, and certifying plaintiff as a Class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable/injunctive or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: October 24, 2019

ROBBINS GELLER RUDMAN
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