

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

DIBAKAR BARUA, Individually and on
Behalf of All Others Similarly Situated,

Plaintiff,

v.

ZILLOW GROUP, INC., RICHARD
BARTON, ALLEN PARKER, and JEREMY
WACKSMAN,

Defendants.

Civil Action No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY DEMAND

Plaintiff Dibakar Barua (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by Zillow Group, Inc. (“Zillow” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by Zillow; and (c) review of other publicly available information concerning Zillow.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired Zillow securities between February 10, 2021 and November 2, 2021, inclusive (the “Class

1 Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of
2 1934 (the “Exchange Act”).

3 2. Zillow is a real estate company that purports to offer customers “an on-demand
4 experience for selling, buying, renting or financing with transparency.” The Company’s “Zillow
5 Offers” business “buys and sells homes directly in dozens of markets across the country, allowing
6 sellers control over their timeline.”

7 3. On October 18, 2021, the Company announced that Zillow Offers suspended
8 signing of new contracts through 2021 and would focus on its current inventory, citing “a backlog
9 in renovations and operational capacity restraints.” Zillow claimed that “[p]ausing new contracts
10 will enable us to focus on sellers already under contract with us and our current home inventory.”

11 4. On this news, Zillow’s Class A share price fell \$8.84, or 9.4%, to close at \$85.46
12 per share on October 18, 2021, and Zillow’s Class C share price fell \$8.97, or 9.4%, to close at
13 \$86.00 per share on October 18, 2021, on unusually heavy trading volume.

14 5. Then, on November 2, 2021, after the market closed, Zillow announced that it
15 would wind-down Zillow Offers because “the unpredictability in forecasting home prices far
16 exceeds what we anticipated and continuing to scale Zillow Offers would result in too much
17 earnings and balance-sheet volatility.” As a result, third quarter 2021 financial results included “a
18 write-down of inventory of approximately \$304 million within the Homes segment as a result of
19 purchasing homes in Q3 at higher prices than the [C]ompany’s current estimates of future selling
20 prices.” Moreover, the “[C]ompany further expects an additional \$240 million to \$265 million of
21 losses to be recognized in Q4 primarily on homes it expects to purchase in Q4.” The “wind-down
22 is expected to take several quarters and will include a reduction of Zillow’s workforce by
23 approximately 25%.”

24 6. On this news, Zillow’s Class A share price fell \$19.62, or 23%, to close at \$65.86
25 per share on November 3, 2021, on unusually heavy trading volume. Zillow’s Class C share price
26 fell \$21.73, or 25%, to close at \$65.47 per share on November 3, 2021, on unusually heavy trading
27 volume.

1 7. Throughout the Class Period, Defendants made materially false and/or misleading
2 statements, as well as failed to disclose material adverse facts about the Company's business,
3 operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that, despite
4 operational improvements, the Company experienced significant unpredictability in forecasting
5 home prices for its Zillow Offers business; (2) that such unpredictability, as well as labor and
6 supply shortages, led to a backlog of inventory; (3) that, as a result of the foregoing, the Company
7 was reasonably likely to wind-down its Zillow Offers business, which would have a material
8 adverse impact on its financial results; and (4) that, as a result of the foregoing, Defendants'
9 positive statements about the Company's business, operations, and prospects were materially
10 misleading and/or lacked a reasonable basis.

11 8. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
12 in the market value of the Company's securities, Plaintiff and other Class members have suffered
13 significant losses and damages.

14 **JURISDICTION AND VENUE**

15 9. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange
16 Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17
17 C.F.R. § 240.10b-5).

18 10. This Court has jurisdiction over the subject matter of this action pursuant to 28
19 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

20 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section
21 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud
22 or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein,
23 including the dissemination of materially false and/or misleading information, occurred in
24 substantial part in this Judicial District. In addition, the Company's principal executive offices are
25 in this District.

26 12. In connection with the acts, transactions, and conduct alleged herein, Defendants
27 directly and indirectly used the means and instrumentalities of interstate commerce, including the

1 United States mail, interstate telephone communications, and the facilities of a national securities
2 exchange.

3 **PARTIES**

4 13. Plaintiff Dibakar Barua, as set forth in the accompanying certification, incorporated
5 by reference herein, purchased Zillow securities during the Class Period, and suffered damages as
6 a result of the federal securities law violations and false and/or misleading statements and/or
7 material omissions alleged herein.

8 14. Defendant Zillow is incorporated under the laws of Delaware with its principal
9 executive offices located in Seattle, Washington. Zillow's Class A common stock trades on the
10 NASDAQ Exchange under the symbol "ZG," and its Class C common stock trades on the
11 NASDAQ Exchange under the symbol "Z."

12 15. Defendant Richard Barton ("Barton") was the Company's Chief Executive Officer
13 ("CEO") at all relevant times.

14 16. Defendant Allen Parker ("Parker") was the Company's Chief Financial Officer
15 ("CFO") at all relevant times.

16 17. Defendant Jeremy Wacksman ("Wacksman") was the Company's Chief Operating
17 Officer ("COO") at all relevant times.

18 18. Defendants Barton, Parker, and Wacksman (collectively the "Individual
19 Defendants"), because of their positions with the Company, possessed the power and authority to
20 control the contents of the Company's reports to the SEC, press releases and presentations to
21 securities analysts, money and portfolio managers and institutional investors, i.e., the market. The
22 Individual Defendants were provided with copies of the Company's reports and press releases
23 alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and
24 opportunity to prevent their issuance or cause them to be corrected. Because of their positions and
25 access to material non-public information available to them, the Individual Defendants knew that
26 the adverse facts specified herein had not been disclosed to, and were being concealed from, the
27

1 public, and that the positive representations which were being made were then materially false
2 and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

3 **SUBSTANTIVE ALLEGATIONS**

4 **Background**

5 19. Zillow is a real estate company that purports to offer customers “an on-demand
6 experience for selling, buying, renting or financing with transparency.” The Company’s “Zillow
7 Offers” business “buys and sells homes directly in dozens of markets across the country, allowing
8 sellers control over their timeline.”

9 **Materially False and Misleading**

10 **Statements Issued During the Class Period**

11 20. The Class Period begins on February 10, 2021. On that day, Zillow announced its
12 fourth quarter and full year 2020 financial results. During the related conference call, Defendant
13 Barton stated that the Company’s “burgeoning sell-side business, Zillow Offers, proved durable
14 through some bad weather.” The Company “paused home buying to manage risk during the early
15 days of the pandemic, but exited 2020 with our quarterly acquisitions pace returning to Q4 2019
16 levels.” Defendant Parker stated that “[d]uring Q4, Zillow Offers benefited from operational
17 improvements, stronger than expected home appreciation across the country, a strong customer
18 value proposition and faster sales philosophy.”

19 21. On February 12, 2021, the Company filed its annual report on Form 10-K for the
20 period ended December 31, 2020, affirming the previously reported financial results. It stated, in
21 relevant part:

22 ***Our Zillow Offers Business Depends on Our Ability to Accurately Value Homes***
23 ***and Manage Inventory and a Failure to Do So May Have an Adverse Effect on***
Our Business and Financial Results.

24 The success of Zillow Offers depends in part on our ability to efficiently acquire,
25 renovate and sell properties. We underwrite and price the homes we buy and sell
26 through Zillow Offers using in-person evaluations and data science and proprietary
27 algorithms based on a number of factors, including our knowledge of the real estate
markets in which Zillow Offers operates. These assessments include the estimated
time from purchase to sale, the cost of updating a home, market conditions and
potential resale proceeds, closing costs and holding costs. These assessments may
be inaccurate. Our pricing model may not account for submarket nuances – for

1 example, the location of a home on a hill or in a building – which could have a
2 significant impact on price. If valuations are too low and/or fees are too high,
3 conversion rates and customer satisfaction may be adversely impacted, as our offers
4 may not be competitive. In addition, we may not discover latent home construction
5 defects or environmental hazards or other conditions requiring remediation or
6 impacting the value of the home in a timely manner, or at all, which may require us
7 to write down the inventory value of those homes or prevent us from reselling them
8 for the price we anticipated or at all. We may be unable to acquire or sell inventory
9 at attractive prices, in a timely manner, or at all. We may also be unable to finance
10 and manage inventory effectively. As a result, our revenue, gross profit and results
11 of operations may be affected, which could have an adverse effect on our business,
12 results of operations, and financial condition.

13 22. On May 4, 2021, Zillow announced its first quarter 2021 financial results in a press
14 release that stated, in relevant part:

15 Recent highlights include:

- 16 • Consolidated first-quarter revenue of \$1.2 billion and revenue for each
17 segment exceeded the high end of the company's outlook for the first
18 quarter.
- 19 • Consolidated net income was \$52 million for the first quarter. Segment
20 income (loss) before income taxes was \$144 million, \$(58) million and \$(2)
21 million for the IMT, Homes and Mortgages segments, respectively, for the
22 first quarter.
- 23 • First-quarter Adjusted EBITDA exceeded the high end of the company's
24 outlook for all three segments, resulting in consolidated Adjusted EBITDA
25 of \$181 million.

26 23. On May 4, 2021, Zillow held a conference call in connection with its first quarter
27 2021 financial results. During the call, Defendant Barton stated that “Zillow Offers continued to
accelerate out of the pause we instituted in the pandemic, generating over \$700 million in revenue
and *surpassing our internal expectations on revenue, EBITDA and unit level economics.*”¹
Defendant Parker agreed that “[g]rowth in Zillow Offers continued to reaccelerate in Q1” and
“[r]esale velocity was above our expectations.”

24 24. On August 5, 2021, Zillow announced its second quarter 2021 financial results in a
press release that stated, in relevant part:

25 "Zillow is making rapid and significant progress toward building a seamless,
26 integrated real estate experience for our customers and partners. Our strong second-
quarter results show how well we're executing on the three- to five-year growth

27 ¹ Unless otherwise stated, all emphasis in bold and italics hereinafter is added.

1 objectives we announced in 2019," said Zillow Group co-founder and CEO Rich
2 Barton. ***"Of particular note, our iBuying business, Zillow Offers, continues to
3 accelerate as we offer more customers a fast, fair, flexible and convenient way to
4 move. Zillow Offers is proving attractive to sellers even in this sizzling-hot seller's
5 market.*** Finally, we expect millennial-buyers, low interest rates, and the increasing
6 adoption of location-flexible work policies, to fuel interest in moving for many
7 years to come. And these movers will increasingly demand e-commerce-like
8 solutions where Zillow excels."

9 Recent highlights include:

- 10 • Consolidated second-quarter revenue of \$1.3 billion and revenue for the
11 IMT and Homes segments exceeded the high end of the company's second-
12 quarter outlook.
- 13 • Consolidated second-quarter gross profit was \$538 million, up 92% year
14 over year.
- 15 • Consolidated net income was \$10 million for the second quarter. Segment
16 income (loss) before income taxes was \$134 million, \$(59) million and
17 \$(18) million for the IMT, Homes and Mortgages segments, respectively,
18 for the second quarter.
- 19 • Second-quarter Adjusted EBITDA of \$183 million and Adjusted EBITDA
20 for the IMT and Homes segments exceeded the high end of the company's
21 second-quarter outlook. Adjusted EBITDA by segment was \$218 million,
22 \$(29) million and \$(6) million for the IMT, Homes and Mortgages
23 segments, respectively, for the second quarter.

24 25. Also on August 5, 2021, the Company held a conference call in connection with its
25 second quarter 2021 financial results. During the call, Defendant Barton touted:

26 Zillow Offers continued to accelerate in Q2 with a record 3,805 homes purchased.
27 We sold 2,086 homes generating a record \$777 million in revenue on our Home
segment, surpassing our internal expectations for both revenue and EBITDA.
***Importantly, the Zillow Offers value proposition of a fast, fair, flexible and
convenient close has proved more than durable, even in this sizzling hot sellers
market.***

28 26. During the August 5, 2021 call, Defendant Parker likewise stated that "[g]rowth in
29 Zillow Offers continued to accelerate in Q2 and exceeded our expectations." The Company "made
30 progress this quarter in improving [its] pricing models, including launching the Neural Zestimate,
31 which ***sharpened*** [its] Offers strength."

32 27. On September 13, 2021, Defendant Wacksman represented Zillow at the Piper
33 Sandler 2021 Virtual Global Technology Conference. The presenter noted that "the Company was
34 able to really effectively rebuild inventory in the second quarter and this was more of a challenge
35

1 in 1Q” and asked defendant Wacksman to discuss “what changed in the interim and how the
2 company is getting better able to react to the current pricing environment with sharply rising
3 prices.” Defendant Wacksman replied:

4 Yes, I mean, you hit on it. Some of the inventory growth timing was just based on
5 the fastest home price appreciation we – any of us had ever seen before and ***much***
6 ***stronger than both our internal and other third-party forecast we’re seeing at the***
7 ***beginning of the year.*** So keeping up with rising home price appreciation, both on
8 our acquisition side and then finding that price in the markets we’re in, that continue
9 to be a new and unique challenge coming out of pandemic. But I will say what
10 we’ve learned is that ***this business, Zillow Offers, is a business that exists across***
11 ***all housing market cycles,*** right? And that’s been a question that we’ve touched on
12 over the past few years. Is Zillow Offers more interesting in a hot or a cold or a
13 medium market? Zillow Offers is a really interesting opportunity for our customers
14 in all markets. . . . So, we were really encouraged to see while we saw these
15 incredibly hot markets, ***the strength and the appeal for Zillow Offers just***
16 ***continues to grow and we’re even more confident now that this is going to be a***
17 ***service really in all-weather markets.***

18 28. The above statements identified in ¶¶ 20-27 were materially false and/or
19 misleading, and failed to disclose material adverse facts about the Company’s business, operations,
20 and prospects. Specifically, Defendants failed to disclose to investors: (1) that, despite operational
21 improvements, the Company experienced significant unpredictability in forecasting home prices
22 for its Zillow Offers business; (2) that, as a result, the Company was reasonably likely to wind-
23 down its Zillow Offers business, which would have a material adverse impact on its financial
24 results; and (3) that, as a result of the foregoing, Defendants’ positive statements about the
25 Company’s business, operations, and prospects were materially misleading and/or lacked a
26 reasonable basis.

27 29. The truth began to emerge on October 18, 2021 when the Company announced that
Zillow Offers suspended signing of new contracts through 2021 and would focus on its current
inventory. The Company issued a press release entitled “At Operational Capacity, ‘Zillow Offers’
to Focus on Signed Customer Contracts and Current Inventory; Suspends Signing of New
Contracts Through 2021.” It stated, in relevant part:

Due to a backlog in renovations and operational capacity constraints, Zillow
announced its Zillow Offers business will not sign any new, additional contracts
to buy homes through the end of the year. Pausing on new contracts will enable
Zillow Offers to focus operations on purchasing homes with already-signed

1 contracts, but have yet to close, and reducing the renovation pipeline. Zillow will
2 continue to market and sell homes through Zillow Offers during this period.

3 "We're operating within a labor- and supply-constrained economy inside a
4 competitive real estate market, especially in the construction, renovation and
5 closing spaces," said Jeremy Wacksman, chief operating officer, Zillow. "We have
6 not been exempt from these market and capacity issues and *we now have an
operational backlog for renovations and closings. Pausing new contracts will
enable us to focus on sellers already under contract with us and our current home
inventory.*"

7 30. On this news, Zillow's Class A share price fell \$8.84, or 9.4%, to close at \$85.46
8 per share on October 18, 2021, and Zillow's Class C share price fell \$8.97, or 9.4%, to close at
9 \$86.00 per share on October 18, 2021, on unusually heavy trading volume.

10 31. The above statements identified in ¶ 29 were materially false and/or misleading,
11 and failed to disclose material adverse facts about the Company's business, operations, and
12 prospects. Specifically, Defendants failed to disclose to investors: (1) that, despite operational
13 improvements, the Company experienced significant unpredictability in forecasting home prices
14 for its Zillow Offers business; (2) that such unpredictability, as well as labor and supply shortages,
15 led to a backlog of inventory; (3) that, as a result of the foregoing, the Company was reasonably
16 likely to wind-down its Zillow Offers business, which would have a material adverse impact on
17 its financial results; and (4) that, as a result of the foregoing, Defendants' positive statements about
18 the Company's business, operations, and prospects were materially misleading and/or lacked a
19 reasonable basis.

20 Disclosures at the End of the Class Period

21 32. On November 2, 2021, after the market closed, Zillow announced its third quarter
22 2021 financial results in a press release and "its plan to wind down Zillow Offers." Zillow stated
23 that "[t]he wind-down is expected to take several quarters and will include a reduction of Zillow's
24 workforce by approximately 25%." In the press release, defendant Barton stated that "the
25 unpredictability in forecasting home prices far exceeds what we anticipated and continuing to scale
26 Zillow Offers would result in too much earnings and balance-sheet volatility."

27 33. As a result, third quarter 2021 financial results included "a write-down of inventory
of approximately \$304 million within the Homes segment as a result of purchasing homes in Q3

1 at higher prices than the [C]ompany's current estimates of future selling prices." Moreover, the
2 "[C]ompany further expects an additional \$240 million to \$265 million of losses to be recognized
3 in Q4 primarily on homes it expects to purchase in Q4." During the conference call held in
4 connection with these results, defendant Parker explained that the "estimated losses primarily
5 relate to homes that were under contract to purchase as of the end of Q3 that we expect to acquire
6 during Q4 and that we expect to resell for less than purchased."

7 34. On November 2, 2021, after the market closed, *The Wall Street Journal* published
8 an article entitled "Zillow Quits Home-Flipping Business, Cites Inability to Forecast Prices,"
9 pointing out that Zillow had once touted Zillow Offers as a venture that "could generate \$20 billion
10 a year." Noting that "[u]nusually low mortgage-interest rates and a need for more space to work from
11 home have driven robust home-buying demand in the past year and a half," the article quoted
12 Benjamin Keys, professor of real estate at the Wharton School of the University of Pennsylvania:
13 "It feels like this would be a hard time to lose money buying and selling houses. . . . This is a time
14 frame where prices have gone up in a lot of places, dramatically." The article also cited an analysis
15 of Zillow's national performance by KeyBanc Capital Markets, which "found [the Company] had
16 listed 66% of homes at prices below what it had paid for them, with an average discount of 4.5%."
17 Mike DelPrete, a real estate researcher and scholar-in-residence at University of Colorado,
18 Boulder, stated that "[t]he fact that Zillow can't make it work shouldn't be the final death knell for
19 iBuying. . . . The other companies are making improvements, and Zillow's not. They're still losing
20 lots of money."

21 35. On this news, Zillow's Class A share price fell \$19.62, or 23%, to close at \$65.86
22 per share on November 3, 2021, on unusually heavy trading volume. Zillow's Class C share price
23 fell \$21.73, or 25%, to close at \$65.47 per share on November 3, 2021, on unusually heavy trading
24 volume.

25 CLASS ACTION ALLEGATIONS

26 36. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
27 Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased

1 or otherwise acquired Zillow securities between February 10, 2021 and November 2, 2021,
2 inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants,
3 the officers and directors of the Company, at all relevant times, members of their immediate
4 families and their legal representatives, heirs, successors, or assigns, and any entity in which
5 Defendants have or had a controlling interest.

6 37. The members of the Class are so numerous that joinder of all members is
7 impracticable. Throughout the Class Period, Zillow’s shares actively traded on the NASDAQ.
8 While the exact number of Class members is unknown to Plaintiff at this time and can only be
9 ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or
10 thousands of members in the proposed Class. Millions of Zillow shares were traded publicly
11 during the Class Period on the NASDAQ. Record owners and other members of the Class may be
12 identified from records maintained by Zillow or its transfer agent and may be notified of the
13 pendency of this action by mail, using the form of notice similar to that customarily used in
14 securities class actions.

15 38. Plaintiff’s claims are typical of the claims of the members of the Class as all
16 members of the Class are similarly affected by Defendants’ wrongful conduct in violation of
17 federal law that is complained of herein.

18 39. Plaintiff will fairly and adequately protect the interests of the members of the Class
19 and has retained counsel competent and experienced in class and securities litigation.

20 40. Common questions of law and fact exist as to all members of the Class and
21 predominate over any questions solely affecting individual members of the Class. Among the
22 questions of law and fact common to the Class are:

23 (a) whether the federal securities laws were violated by Defendants’ acts as
24 alleged herein;

25 (b) whether statements made by Defendants to the investing public during the
26 Class Period omitted and/or misrepresented material facts about the business, operations, and
27 prospects of Zillow; and

1 (c) to what extent the members of the Class have sustained damages and the
2 proper measure of damages.

3 41. A class action is superior to all other available methods for the fair and efficient
4 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
5 damages suffered by individual Class members may be relatively small, the expense and burden
6 of individual litigation makes it impossible for members of the Class to individually redress the
7 wrongs done to them. There will be no difficulty in the management of this action as a class action.

8 **UNDISCLOSED ADVERSE FACTS**

9 42. The market for Zillow's securities was open, well-developed and efficient at all
10 relevant times. As a result of these materially false and/or misleading statements, and/or failures
11 to disclose, Zillow's securities traded at artificially inflated prices during the Class Period.
12 Plaintiff and other members of the Class purchased or otherwise acquired Zillow's securities
13 relying upon the integrity of the market price of the Company's securities and market information
14 relating to Zillow, and have been damaged thereby.

15 43. During the Class Period, Defendants materially misled the investing public, thereby
16 inflating the price of Zillow's securities, by publicly issuing false and/or misleading statements
17 and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth
18 herein, not false and/or misleading. The statements and omissions were materially false and/or
19 misleading because they failed to disclose material adverse information and/or misrepresented the
20 truth about Zillow's business, operations, and prospects as alleged herein.

21 44. At all relevant times, the material misrepresentations and omissions particularized
22 in this Complaint directly or proximately caused or were a substantial contributing cause of the
23 damages sustained by Plaintiff and other members of the Class. As described herein, during the
24 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
25 statements about Zillow's financial well-being and prospects. These material misstatements
26 and/or omissions had the cause and effect of creating in the market an unrealistically positive
27 assessment of the Company and its financial well-being and prospects, thus causing the

1 Company's securities to be overvalued and artificially inflated at all relevant times. Defendants'
2 materially false and/or misleading statements during the Class Period resulted in Plaintiff and other
3 members of the Class purchasing the Company's securities at artificially inflated prices, thus
4 causing the damages complained of herein when the truth was revealed.

5 **LOSS CAUSATION**

6 45. Defendants' wrongful conduct, as alleged herein, directly and proximately caused
7 the economic loss suffered by Plaintiff and the Class.

8 46. During the Class Period, Plaintiff and the Class purchased Zillow's securities at
9 artificially inflated prices and were damaged thereby. The price of the Company's securities
10 significantly declined when the misrepresentations made to the market, and/or the information
11 alleged herein to have been concealed from the market, and/or the effects thereof, were revealed,
12 causing investors' losses.

13 **SCIENTER ALLEGATIONS**

14 47. As alleged herein, Defendants acted with scienter since Defendants knew that the
15 public documents and statements issued or disseminated in the name of the Company were
16 materially false and/or misleading; knew that such statements or documents would be issued or
17 disseminated to the investing public; and knowingly and substantially participated or acquiesced
18 in the issuance or dissemination of such statements or documents as primary violations of the
19 federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue
20 of their receipt of information reflecting the true facts regarding Zillow, their control over, and/or
21 receipt and/or modification of Zillow's allegedly materially misleading misstatements and/or their
22 associations with the Company which made them privy to confidential proprietary information
23 concerning Zillow, participated in the fraudulent scheme alleged herein.

24 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

25 **(FRAUD-ON-THE-MARKET DOCTRINE)**

26 48. The market for Zillow's securities was open, well-developed and efficient at all
27 relevant times. As a result of the materially false and/or misleading statements and/or failures to

1 disclose, Zillow's securities traded at artificially inflated prices during the Class Period. On
2 February 16, 2021, the Company's Class A share price closed at a Class Period high of \$203.79
3 and its Class C share price closed at a Class Period high of \$199.90 per share. Plaintiff and other
4 members of the Class purchased or otherwise acquired the Company's securities relying upon the
5 integrity of the market price of Zillow's securities and market information relating to Zillow, and
6 have been damaged thereby.

7 49. During the Class Period, the artificial inflation of Zillow's shares was caused by
8 the material misrepresentations and/or omissions particularized in this Complaint causing the
9 damages sustained by Plaintiff and other members of the Class. As described herein, during the
10 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
11 statements about Zillow's business, prospects, and operations. These material misstatements
12 and/or omissions created an unrealistically positive assessment of Zillow and its business,
13 operations, and prospects, thus causing the price of the Company's securities to be artificially
14 inflated at all relevant times, and when disclosed, negatively affected the value of the Company
15 shares. Defendants' materially false and/or misleading statements during the Class Period resulted
16 in Plaintiff and other members of the Class purchasing the Company's securities at such artificially
17 inflated prices, and each of them has been damaged as a result.

18 50. At all relevant times, the market for Zillow's securities was an efficient market for
19 the following reasons, among others:

20 (a) Zillow shares met the requirements for listing, and was listed and actively
21 traded on the NASDAQ, a highly efficient and automated market;

22 (b) As a regulated issuer, Zillow filed periodic public reports with the SEC
23 and/or the NASDAQ;

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

1 (d) Zillow was followed by securities analysts employed by brokerage firms
2 who wrote reports about the Company, and these reports were distributed to the sales force and
3 certain customers of their respective brokerage firms. Each of these reports was publicly available
4 and entered the public marketplace.

5 51. As a result of the foregoing, the market for Zillow's securities promptly digested
6 current information regarding Zillow from all publicly available sources and reflected such
7 information in Zillow's share price. Under these circumstances, all purchasers of Zillow's
8 securities during the Class Period suffered similar injury through their purchase of Zillow's
9 securities at artificially inflated prices and a presumption of reliance applies.

10 52. A Class-wide presumption of reliance is also appropriate in this action under the
11 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
12 because the Class's claims are, in large part, grounded on Defendants' material misstatements
13 and/or omissions. Because this action involves Defendants' failure to disclose material adverse
14 information regarding the Company's business operations and financial prospects—information
15 that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to
16 recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable
17 investor might have considered them important in making investment decisions. Given the
18 importance of the Class Period material misstatements and omissions set forth above, that
19 requirement is satisfied here.

20 **NO SAFE HARBOR**

21 53. The statutory safe harbor provided for forward-looking statements under certain
22 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.
23 The statements alleged to be false and misleading herein all relate to then-existing facts and
24 conditions. In addition, to the extent certain of the statements alleged to be false may be
25 characterized as forward looking, they were not identified as "forward-looking statements" when
26 made and there were no meaningful cautionary statements identifying important factors that could
27 cause actual results to differ materially from those in the purportedly forward-looking statements.

1 In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-
2 looking statements pleaded herein, Defendants are liable for those false forward-looking
3 statements because at the time each of those forward-looking statements was made, the speaker
4 had actual knowledge that the forward-looking statement was materially false or misleading,
5 and/or the forward-looking statement was authorized or approved by an executive officer of Zillow
6 who knew that the statement was false when made.

7 **FIRST CLAIM**

8 **Violation of Section 10(b) of The Exchange Act and**

9 **Rule 10b-5 Promulgated Thereunder**

10 **Against All Defendants**

11 54. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
12 set forth herein.

13 55. During the Class Period, Defendants carried out a plan, scheme and course of
14 conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing
15 public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and
16 other members of the Class to purchase Zillow's securities at artificially inflated prices. In
17 furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant,
18 took the actions set forth herein.

19 56. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made
20 untrue statements of material fact and/or omitted to state material facts necessary to make the
21 statements not misleading; and (iii) engaged in acts, practices, and a course of business which
22 operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to
23 maintain artificially high market prices for Zillow's securities in violation of Section 10(b) of the
24 Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the
25 wrongful and illegal conduct charged herein or as controlling persons as alleged below.

26 57. Defendants, individually and in concert, directly and indirectly, by the use, means
27 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

1 continuous course of conduct to conceal adverse material information about Zillow's financial
2 well-being and prospects, as specified herein.

3 58. Defendants employed devices, schemes and artifices to defraud, while in
4 possession of material adverse non-public information and engaged in acts, practices, and a course
5 of conduct as alleged herein in an effort to assure investors of Zillow's value and performance and
6 continued substantial growth, which included the making of, or the participation in the making of,
7 untrue statements of material facts and/or omitting to state material facts necessary in order to
8 make the statements made about Zillow and its business operations and future prospects in light
9 of the circumstances under which they were made, not misleading, as set forth more particularly
10 herein, and engaged in transactions, practices and a course of business which operated as a fraud
11 and deceit upon the purchasers of the Company's securities during the Class Period.

12 59. Each of the Individual Defendants' primary liability and controlling person liability
13 arises from the following facts: (i) the Individual Defendants were high-level executives and/or
14 directors at the Company during the Class Period and members of the Company's management
15 team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and
16 activities as a senior officer and/or director of the Company, was privy to and participated in the
17 creation, development and reporting of the Company's internal budgets, plans, projections and/or
18 reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the
19 other defendants and was advised of, and had access to, other members of the Company's
20 management team, internal reports and other data and information about the Company's finances,
21 operations, and sales at all relevant times; and (iv) each of these defendants was aware of the
22 Company's dissemination of information to the investing public which they knew and/or
23 recklessly disregarded was materially false and misleading.

24 60. Defendants had actual knowledge of the misrepresentations and/or omissions of
25 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
26 ascertain and to disclose such facts, even though such facts were available to them. Such
27 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and

1 for the purpose and effect of concealing Zillow's financial well-being and prospects from the
2 investing public and supporting the artificially inflated price of its securities. As demonstrated by
3 Defendants' overstatements and/or misstatements of the Company's business, operations,
4 financial well-being, and prospects throughout the Class Period, Defendants, if they did not have
5 actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to
6 obtain such knowledge by deliberately refraining from taking those steps necessary to discover
7 whether those statements were false or misleading.

8 61. As a result of the dissemination of the materially false and/or misleading
9 information and/or failure to disclose material facts, as set forth above, the market price of Zillow's
10 securities was artificially inflated during the Class Period. In ignorance of the fact that market
11 prices of the Company's securities were artificially inflated, and relying directly or indirectly on
12 the false and misleading statements made by Defendants, or upon the integrity of the market in
13 which the securities trades, and/or in the absence of material adverse information that was known
14 to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants
15 during the Class Period, Plaintiff and the other members of the Class acquired Zillow's securities
16 during the Class Period at artificially high prices and were damaged thereby.

17 62. At the time of said misrepresentations and/or omissions, Plaintiff and other
18 members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff
19 and the other members of the Class and the marketplace known the truth regarding the problems
20 that Zillow was experiencing, which were not disclosed by Defendants, Plaintiff and other
21 members of the Class would not have purchased or otherwise acquired their Zillow securities, or,
22 if they had acquired such securities during the Class Period, they would not have done so at the
23 artificially inflated prices which they paid.

24 63. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act
25 and Rule 10b-5 promulgated thereunder.

1 64. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
2 other members of the Class suffered damages in connection with their respective purchases and
3 sales of the Company's securities during the Class Period.

4 **SECOND CLAIM**

5 **Violation of Section 20(a) of The Exchange Act**

6 **Against the Individual Defendants**

7 65. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
8 set forth herein.

9 66. Individual Defendants acted as controlling persons of Zillow within the meaning of
10 Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and
11 their ownership and contractual rights, participation in, and/or awareness of the Company's
12 operations and intimate knowledge of the false financial statements filed by the Company with the
13 SEC and disseminated to the investing public, Individual Defendants had the power to influence
14 and control and did influence and control, directly or indirectly, the decision-making of the
15 Company, including the content and dissemination of the various statements which Plaintiff
16 contends are false and misleading. Individual Defendants were provided with or had unlimited
17 access to copies of the Company's reports, press releases, public filings, and other statements
18 alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and
19 had the ability to prevent the issuance of the statements or cause the statements to be corrected.

20 67. In particular, Individual Defendants had direct and supervisory involvement in the
21 day-to-day operations of the Company and, therefore, had the power to control or influence the
22 particular transactions giving rise to the securities violations as alleged herein, and exercised the
23 same.

24 68. As set forth above, Zillow and Individual Defendants each violated Section 10(b)
25 and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position
26 as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange
27 Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other

1 members of the Class suffered damages in connection with their purchases of the Company's
2 securities during the Class Period.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

5 (a) Determining that this action is a proper class action under Rule 23 of the Federal
6 Rules of Civil Procedure;

7 (b) Awarding compensatory damages in favor of Plaintiff and the other Class members
8 against all defendants, jointly and severally, for all damages sustained as a result of Defendants'
9 wrongdoing, in an amount to be proven at trial, including interest thereon;

10 (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in
11 this action, including counsel fees and expert fees; and

12 (d) Such other and further relief as the Court may deem just and proper.

13 **JURY TRIAL DEMANDED**

14 Plaintiff hereby demands a trial by jury.

15 DATED this 16th day of November, 2021.