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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICHAEL BLAKE RANDOLPH Derivatively
on Behalf of ZILLOW GROUP, INC.,

Plaintiff,

v.

RICHARD N. BARTON, ERICK
BLACHFORD, AMY BOHUTINKSY,
CLAIRE CORMIER THIELKE, LLOYD
FRINK, JAY HOAG, GREGORY MAFFEI,
GORDON STEPHENSON, APRIL
UNDERWOOD, ALLEN W. PARKER,
JEREMY WACKSMAN, AND DAN
SPAULDING, ARIK PRAWER, AIMEE
JOHNSON, SUSAN DAIMLER, AND
DAVID BEITEL,

Individual Defendants,

-and-

ZILLOW GROUP, INC., a Washington
Corporation,

Nominal Defendant.

NO.

VERIFIED STOCKHOLDER
DERIVATIVE COMPLAINT

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2 Plaintiff Michael Blake Randolph (“Plaintiff”), by his attorneys, submits this Verified
3 Stockholder Derivative Complaint for violations of securities laws, breach of fiduciary duty,
4 waste of corporate assets, unjust enrichment, and insider trading. Plaintiff alleges the following
5 upon information and belief, except as to the allegations specifically pertaining to Plaintiff,
6 which are based on personal knowledge. This complaint is also based on the investigation of
7 Plaintiff’s counsel, which included, among other things, a review of public filings with the U.S.
8 Securities and Exchange Commission (“SEC”) and a review of news reports, press releases,
9 and other publicly available sources.
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11 **I. NATURE AND SUMMARY OF THE ACTION**

12 1. This is a stockholder derivative action brought by Plaintiff on behalf of Nominal
13 Defendant Zillow Group, Inc. (“Zillow” or the “Company”) against members of its board of
14 directors (the “Board”) and members of upper management. The wrongdoing alleged herein
15 has caused substantial damage to Zillow’s reputation, goodwill, and standing in the business
16 community and has exposed Zillow to substantial potential liability for violations of federal
17 securities laws and the costs associated with defending itself. The violations of the law outlined
18 herein have damaged Zillow in the form of, among other things, millions of dollars in losses to
19 the Company’s market capitalization.
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21 2. Zillow is a real-estate marketplace company that was founded in 2006.

22 3. This action seeks to remedy wrongdoing committed by Zillow’s directors and
23 officers from February 10, 2021 through the present (the “Relevant Period”).
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25 4. From February 10, 2021 through November 2, 2021, the Individual Defendants
26 caused the Company to issue materially false and misleading statements regarding Zillow
27 Offers.

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2 5. The Defendants created a false and misleading impression that the growth of and
3 demand for Zillow Offers was organic and based upon Zillow’s frequently-discussed and
4 highlighted algorithm and pricing models and that Zillow Offers’ favorable margins were the
5 result of durable and sustainable operational and cost improvements. Specifically, the
6 statements made were further materially false and misleading because: (i) Zillow management
7 overrode the offer prices generated by Zillow’s algorithms and pricing analysts, and
8 significantly increased the prices Zillow Offers would pay for homes in order to entice more
9 home sellers to accept offers to meet Zillow’s volume goals. In the April to May 2021 time
10 frame, Individual Defendants initiated or knew of Project Ketchup to quickly ramp up the
11 purchases of homes; (ii) Individual Defendants claimed operational, unit economic, or
12 renovation “improvements” were the result of non-durable and unsustainable slashing of
13 renovation scopes and the amounts Zillow would pay contractors; (iii) in April or May 2021,
14 Individual Defendants began decreasing the scope of its renovations and the prices it would pay
15 contractors for those renovations; (iv) renovation cost-cutting and the squeeze on contractors
16 came at a time when Zillow was relying on those contractors to quickly renovate a significantly
17 higher volume of houses acquired by overpaying for homes using price overlays and, as a
18 result, Zillow’s contractors began deprioritizing Zillow renovations or declining jobs altogether
19 due to Zillow’s actions; (vi) the Individual Defendants hid from the stockholders the increased
20 risk it took on by deliberately over-paying for homes well beyond the prices set by its
21 algorithms and analyst pricing; and (vii) the Individual Defendants failed to maintain an
22 adequate system of internal controls. As a result of the foregoing, Zillow’s inventory kept
23 growing and contractors did not complete projects on time or agreed to less projects and this
24 caused houses to sit in inventory longer. When houses sit in Zillow’s inventory longer, the cost
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2 to Zillow rises.

3 6. Zillow's new iBuying business, which it called Zillow Offers, provided the
4 Company with a brand-new revenue source to revive its decelerating revenue streams. Zillow
5 initially launched Zillow Offers in two test markets, but by the end of 2018, Zillow had
6 expanded its iBuying operations to five metropolitan areas.

7 7. In early 2020, after the COVID-19 pandemic began, the Company paused its
8 Zillow Offers home purchases, which slowed its growth trajectory for 2020. But by the second
9 quarter of 2021, Zillow Offers was expanding again, so much so that Zillow Offers made up
10 roughly 60% of Zillow's total revenues.

11 8. The Company saw many issues regarding Zillow Offers, including missing
12 annual targets. Yet the Defendants claimed all was well. In order to keep the façade going, the
13 Defendants chose to double down and purchase even more homes at prices above what its
14 algorithm and analysts considered market value. It worked, by the third quarter of 2021, Zillow
15 had again more than doubled its home purchases.

16 9. Unbeknownst to the public, the Company was sacrificing money it had available
17 for renovations in order to buy up more inventory which caused down the line issues with
18 contractors. As a result, Zillow's contractors could no longer be profitable given the narrowed
19 scopes and lowered pricing, they began declining jobs and refusing to work for the Company.
20 Without enough contractors to complete renovations, Zillow's increasing volume of homes
21 were idle and by July the Company had built up a substantial backlog of homes that needed to
22 be renovated. This renovation inventory backlog impacted Zillow's ability to quickly sell its
23 homes, thereby drastically increasing its costs.

24 10. Nevertheless, the Defendants touted how successful Zillow Offers was during
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2 the Relevant Period while failing to disclose that the Company’s operations artificially altered
3 results in order to buoy the stock. The Defendants knew the Company was failing to adequately
4 asses date in order manage inventory properly.

5 11. The truth began to emerge in October 2021 when Zillow announced a
6 moratorium on new contracts in the Zillow Offers division for the remainder of the year.

7
8 12. The full truth was revealed when in November 2021, Zillow reported that Zillow
9 Offers lost close to \$400 million and that the Company was winding down the segment over the
10 next several quarters. The Company admitted that its home valuation process was inadequate
11 and that, as a result, Zillow would be forced to unload thousands of properties at drastically
12 reduced prices.

13 13. In February 2022, the Company reported additional losses amounting to more
14 than \$880 million in the Zillow Offers division.

15 14. The Individual Defendants breached their fiduciary duties by failing to correct
16 and/or causing the Company to fail to correct these false and misleading statements and
17 omissions of material fact. The Individual Defendants also willfully or recklessly caused the
18 Company to fail to maintain an adequate system of oversight, disclosure controls and
19 procedures, and internal controls over financial reporting.

20 15. As detailed herein, and as alleged in the ongoing federal securities class action
21 in the Western District of Washington styled *Barua et al. v. Zillow Group et al.*, Case No. 2:21-
22 cv-1551, (the “Federal Securities Class Action”), Zillow’s officers and directors substantially
23 damaged the Company by filing materially false and misleading statements.
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26 **II. JURISDICTION AND VENUE**

27 16. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because

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2 Plaintiff's claims raise a federal question under Section 14(a) of the Exchange Act, 15 U.S.C.
3 §78n(a)(1), Rule 14a-9 of the Exchange Act, 17 C.F.R. § 240.14a-9, and Section 20(a) of the
4 Exchange Act (15 U.S.C. §§ 78j(b), 78t(a) and 78t-1) and raise a federal question pertaining to
5 the claims made in the Federal Securities Class Action based on violations of the Exchange
6 Act. This Court has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28
7 U.S.C. § 1367(a).

8
9 17. This derivative action is not a collusive action to confer jurisdiction on a court of
10 the United States that would not otherwise have such jurisdiction.

11 18. Venue is proper in this District because the Company is incorporated in this
12 District and the Individual Defendants have been involved in business in this District. Further,
13 Defendants' actions have had an effect in this District.

14
15 **III. THE PARTIES**

16 **A. Plaintiff**

17 19. Plaintiff is and has continuously been a stockholder of Zillow during the
18 wrongdoing complained of herein.

19
20 **B. Nominal Defendant**

21 20. Defendant Zillow is a Washington corporation with its principal executive
22 offices at 1301 Second Avenue, Floor 31, Seattle, Washington 98101. Zillow's Class A
23 common stock trade on the Nasdaq under the ticker symbol "ZG." Zillow's Class C capital
24 stock trades on the Nasdaq under the ticker symbol "Z."

25
26 **C. Individual Defendants**

27 21. Defendant Richard N. Barton ("Barton") has served as the Company's CEO

1 since 2014 and as a director since 2004. He previously served as CEO from 2004 until 2010
 2 and Executive Chairman from 2010 until 2019. During the Relevant Period, Barton made the
 3 following sales of stock:
 4

Date	Class	Shares	Price (Average)	Proceeds
3/1/2021	A	43,750	\$175.61	\$7,669,929.04
3/1/2021	C	87,500	\$167.38	\$14,624,790.28
3/8/2021	C	94,046	\$130.78	\$12,036,849.91
3/16/2021	C	343,940	\$149.69	\$51,218,779.33
Total Proceeds:				\$85,550,348.56

10 22. Defendant Erick Blachford (“Blachford”) has served as a Company director
 11 since May 2005. During the Relevant Period, Blachford made the following sales of stock:

Date	Class	Shares	Price	Proceeds
2/24/2021	A	4,602	\$174.87	\$804,766.01
2/24/2021	C	9,204	\$167.25	\$1,539,402.13
Total Proceeds:				\$2,344,168.14

15 23. Defendant Amy Bohutinsky (“Bohutinsky”) has served as a Company director
 16 since October 2018.

17 24. Defendant Claire Cormier Thielke (“Thielke”) has served as a Company director
 18 since October 2020. Thielke serves as a member of the Audit Committee.

19 25. Defendant Lloyd Frink (“Frink”) has served as a Company director since
 20 December 2004, as President since February 2005, and as Executive Chairman since February
 21 2019.

23 26. Defendant Jay Hoag (“Hoag”) has served as a Company director since October
 24 2005.

25 27. Defendant Gregory Maffei (“Maffei”) has served as a Company director since
 26 May 2005. Maffei serves as Chair of the Audit Committee. On March 2, 2021, Maffei sold
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2 2,296 shares of Class C capital stock for total proceeds of \$380,864.

3 28. Defendant Gordon Stephenson (“Stephenson”) has served as a director since
4 May 2005. Stephenson serves as a member of the Audit Committee. On February 18, 2021,
5 Stephenson sold 11,004 shares of Class C capital stock for total proceeds of \$1.989 million.

6 29. Defendant April Underwood (“Underwood”) has served as a director since
7 February 2017.

8 30. Defendant Allen W. Parker (“Parker”) has served as the Company’s CFO since
9 November 2018. On May 25, 2021, Parker sold 15,000 shares of Class C capital stock for total
10 proceeds of \$1.725 million.

11 31. Defendant Jeremy Wacksman (“Wacksman”) has served as the Company’s
12 Chief Operating Officer since February 2021. Prior to that, he served as President of Zillow
13 from December 2019 to February 2021. During the Relevant Period, Wacksman made the
14 following sales of stock:
15

Date	Class	Shares	Price	Proceeds
3/1/2021	A	252	\$175	\$44,100.00
3/1/2021	C	504	\$165.27	\$83,296.08
8/27/2021	A	500	\$99.35	\$49,675.00
8/27/2021	C	1,000	\$99.68	\$99,680.00
Total Proceeds:				\$276,751.08

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21 32. Defendant Dan Spaulding (“Spaulding”) has served as Chief People Officer
22 since April 2016. During the Relevant Period, Spaulding made the following sales of stock:

Date	Class	Shares	Price	Proceeds
8/31/2021	C	26,640	\$96.62	\$2,573,983.44
9/1/2021	C	58,848	\$96.62	\$5,685,623.06
Total Proceeds:				\$8,259,606.50

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26 33. Defendant Arik Praver (“Praver”) has served as President of Zillow’s Homes
27 Division since December 2019. Praver previously served as President, Homes Division and

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2 Co-Head of Zillow Offers from June 2018 to December 2019, and Chief Business
3 Development Officer from February 2018 to June 2018. Although Prawer's LinkedIn profile
4 lists that he still works as Zillow's President, Homes Division, he is no longer listed on the
5 Company's leadership team page on its website and was not mentioned in the proxy statement
6 filed April 28, 2022, the proxy statement did state that the wind down of Zillow Offers is
7 expected to continue into the second half of 2022. During the Relevant Period, Prawer made
8 the following sales of stock:
9

Date	Class	Shares	Price	Proceeds
2/26/2021	C	800	\$159.46	\$127,566.00
2/26/2021	C	1,555	\$157.81	\$245,393.77
2/26/2021	C	4,930	\$158.82	\$782,959.43
8/23/2021	C	7,416	\$96.43	\$715,124.88
4/5/2021	C	6,601	\$135.66	\$895,491.66
4/6/2021	C	3,606	\$140.55	\$506,823.30
5/24/2021	C	1,817	\$113.03	\$205,384.41
5/24/2021	C	2,200	\$111.25	\$244,742.08
5/24/2021	C	3,056	\$112.23	\$342,970.91
6/24/2021	C	6,600	\$121.08	\$799,128.00
Total Proceeds:				\$4,865,584.44

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18 34. Defendant Aimee Johnson ("Johnson") has served as the Company's Chief
19 Marketing Officer since 2018, according to the proxy statement filed April 21, 2021 and her
20 LinkedIn profile. During the Relevant Period, Johnson made the following sales of stock:

Date	Class	Shares	Price	Proceeds
2/18/2021	C	12,375	\$183.47	\$2,270,392.99
8/24/2021	C	3,060	\$97.48	\$298,301.65
5/24/2021	C	12,036	\$113.89	\$1,370,758.38
Total Proceeds:				\$3,939,453.01

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25 35. Defendant Susan Daimler ("Daimler") has served as President of Zillow since
26 February 2021. On September 8, 2021, Daimler's spouse sold 23,309 shares of Class C capital
27 stock for total proceeds of \$2.219 million.

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2 36. Defendant David Beitel (“Beitel”) has served as Chief Technology Officer since
3 February 2005. During the Relevant Period, he made the following sales of stock:

Date	Class	Shares	Price	Proceeds
3/2/2021	C	214	\$168.85	\$36,134.50
3/2/2021	C	1,155	\$168.02	\$194,060.79
3/2/2021	C	3,206	\$166.79	\$534,739.32
3/2/2021	C	4,775	\$165.97	\$792,513.91
4/1/2021	C	156	\$136.64	\$21,315.06
4/1/2021	C	520	\$134.38	\$69,878.69
4/1/2021	C	792	\$135.65	\$107,436.78
4/1/2021	C	1,542	\$132.64	\$204,531.81
4/1/2021	C	1,990	\$133.57	\$265,794.55
5/3/2021	C	250	\$127.33	\$31,833.00
5/3/2021	C	300	\$130.69	\$39,207.63
5/3/2021	C	300	\$129.69	\$38,908.02
5/3/2021	C	650	\$128.80	\$83,719.74
5/3/2021	C	950	\$126.29	\$119,978.35
5/3/2021	C	1,150	\$124.35	\$143,002.50
5/3/2021	C	1,400	\$125.17	\$175,244.16
6/1/2021	C	3,149	\$113.77	\$358,257.95
6/1/2021	C	1,000	\$114.44	\$114,439.30
6/1/2021	C	400	\$115.76	\$46,304.00
6/1/2021	C	200	\$117.01	\$23,402.50
6/1/2021	C	200	\$118.05	\$23,609.50
6/1/2021	C	51	\$118.74	\$6,055.89
7/1/2021	C	3,668	\$120.98	\$443,746.57
7/1/2021	C	388	\$122.35	\$47,471.30
7/1/2021	C	843	\$123.42	\$104,044.66
7/1/2021	C	101	\$124.10	\$12,533.60
8/5/2021	C	3,670	\$110.35	\$404,992.21
8/5/2021	C	1,330	\$111.13	\$147,805.29
Total Proceeds:				\$4,590,961.57

22
23 37. Collectively, Individual Defendants Thielke, Maffei, and Stephenson, are
24 referred to herein as the “Audit Committee Defendants.”

25 38. Collectively, Individual Defendants Barton, Blachford, Bohutinsky, Thielke,
26 Frink, Hoag, Maffei, Stephenson, Underwood, Parker, Wacksman, Spaulding, Praver, Johnson,
27 Daimler, and Beitel, are referred to herein as the “Individual Defendants.”

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2 39. The Individual Defendants, because of their positions with Zillow, possessed the
3 power and authority to control the contents of Zillow’s reports to the SEC, press releases, and
4 presentations to securities analysts, money and portfolio managers, and institutional investors.
5 Each of the Individual Defendants was provided with copies of the Company’s reports and
6 press releases alleged herein to be misleading prior to or shortly after their issuance, and each
7 had the ability and opportunity to prevent their issuance or cause them to be corrected. Because
8 of their positions and access to material non-public information, each of the Individual
9 Defendants knew that the adverse facts specified herein had not been disclosed to and were
10 being concealed from the public and that the positive representations being made were then
11 materially false and/or misleading.
12

13 IV. SUBSTANTIVE ALLEGATIONS

14 A. The Individual Defendants’ False and Misleading Statements

15 *February 10, 2021 Earnings Call*

16
17 40. On February 10, 2021, Barton and Parker, among others participated in an
18 earnings call to discuss the Company’s full year and fourth quarter 2020 financial results.
19 During the call, Barton called Zillow Offers a “burgeoning sell side business” in part because
20 of how “durable” it is. Barton further stated, in relevant part, that:

21 Our financing arm, Zillow Home Loans, nearly tripled its originations revenue
22 in 2020 compared to 2019. We expanded Zillow Closing Services to 25 markets
23 in less than 12 months, and a vast majority of our customers are now choosing to
24 close with us when purchasing a home from Zillow Offers. This execution
25 resulted in total revenue growth of 22%, which when combined with a
26 disciplined approach to managing costs, resulted in more than \$300 million in
27 incremental EBITDA profit generation across the company as compared to
2019.

41. On February 25, 2021, Zillow began using the Zestimate, Zillow’s estimate of a

1
2 property's market value.

3 ***February 12, 2021 – 2020 10-K***

4 42. On February 12, 2021, Zillow filed Form 10-K for the period ended December
5 31, 2021 (the "2020 10-K"). The 2020 10-K was signed by Defendants Barton, Parker, Frink,
6 Bohutinsky, Blachford, Hoag, Maffei, Stephenson, Thielke, and Underwood. Appended to the
7 2020 10-K as an exhibit was a signed certification pursuant to the Sarbanes-Oxley Act of 2002
8 ("SOX") by Defendants Barton and Parker, attesting that "the information contained in the
9 [2020 10-K] fairly presents, in all material respects, the financial condition and results of
10 operations of the Company."
11

12 43. The 2020 10-K touted Zillow Offers' financial results:

13 ***For Sellers*** – We launched Zillow Offers in April 2018 to provide homeowners
14 with the ability to receive cash offers to purchase their home, giving sellers
15 peace of mind, control and convenience in one of the most stressful transactions
16 of their lives. We have the potential to connect sellers who do not qualify for or
17 accept an offer from Zillow with a trusted local Premier Agent partner. When
18 we buy a home from a seller, our title and escrow business, Zillow Closing
19 Services, performs their due diligence for a clean title and a seamless close of
20 the home transaction. Then, our renovation teams perform light, make-ready
21 repairs to swiftly list the home. As of December 31, 2020, Zillow Offers was
22 available in 25 markets and accounted for \$1.7 billion of our revenue for the
23 year, up from \$1.4 billion in revenue for the year ended December 31, 2019.
24 This reflects less than 0.1% of the estimated annual U.S. real estate transaction
25 value. For the year ended December 31, 2020, we purchased 4,162 homes from
26 sellers.

27 ***For Buyers*** – When a buyer is ready to meet with a local real estate professional
after searching for a home on our mobile applications and websites, we typically
connect them with a Premier Agent partner. For customers who are focused on
buying new construction homes, we connect them with our home builder
partners. Home buyers are also able to purchase homes that are listed for resale
through Zillow Offers. For the year ended December 31, 2020, home buyers
purchased 5,337 homes through Zillow Offers. Beginning in 2019, home buyers
have been able to facilitate a seamless transaction with the adjacent title and
escrow services through Zillow Closing Services.

1
2 44. The 2020 10-K also touted Zillow Offers' competitive advantage: "*Inimitable*
3 *living database of homes and superior data science and technology advantages...* These data
4 and models also provide the foundation for our pricing algorithms for Zillow Offers, although
5 substantially more home-specific information is incorporated to further refine the valuation for
6 this application." Regarding the Zestimate's competitive advantages, the 2020 10-K stated that:

7
8 Our living database of more than 135 million U.S. homes is the result of more
9 than 15 years of substantial investment, sophisticated economic and statistical
10 analysis and complex data aggregation of multiple sources of property,
11 transaction and listing data, including user updates to more than 34 million
12 property records. This data is the foundation of our proprietary Zestimate, Rent
13 Zestimate, Zestimate Forecast and Zillow Home Value Index. In 2019, we
14 released a new, more accurate Zestimate, incorporating key learnings from the
15 two-year, global Zillow Prize competition. The improved Zestimate currently
16 has a median absolute percent error of 1.8% for homes listed for sale and 7.4%
17 for off-market homes.

18 ***May 4, 2021 10-Q for Q1 2021 Results***

19 45. On May 4, 2021, the Company filed Form 10-Q for the period ended March 31,
20 2021. Appended to the May 4, 2021 10-Q as an exhibit was a signed certification pursuant to
21 SOX by Defendants Barton and Parker, attesting that "the information contained in the [10-Q]
22 fairly presents, in all material respects, the financial condition and results of operations of the
23 Company."

24 46. The May 4, 2021 10-Q assuaged the public's concerns about Zillow Offers by
25 attributing any slowing of growth in Zillow Offers to low inventory buildup due to the
26 pandemic. Then, the May 4, 2021 10-Q represented that the division would have an increase in
27 revenue in future periods:

Homes segment revenue decreased 9% to \$704.2 million, primarily due to a
decrease of \$68.1 million, or 9%, in Zillow Offers revenue. Zillow Offers
revenue declined to \$701.0 million due to the sale of 1,965 homes at an average
selling price of \$356.7 thousand per home, as compared to the sale of 2,394
homes at an average selling price of \$321.3 thousand per home in the

1
2 comparable prior year period. While we have resumed home buying in all
3 Zillow Offers markets following our temporary pause in the first half of 2020,
4 we are continuing to rebuild our inventory available for resale. We expect
5 Zillow Offers revenue to increase in future periods as we expect to continue to
6 increase our home buying and home selling activities across all markets.

7
8 47. The May 4, 2021 10-Q also assured the stockholders that the Company's
9 internal controls regarding disclosures were effective:

10
11 ***Evaluation of Disclosure Controls and Procedures***

12 The Company maintains disclosure controls and procedures (as defined under
13 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as
14 amended). Management, under the supervision and with the participation of our
15 Chief Executive Officer and our Chief Financial Officer, evaluated the
16 effectiveness of the Company's disclosure controls and procedures pursuant to
17 Exchange Act Rule 13a-15(b) as of March 31, 2021. Based on that evaluation,
18 the Chief Executive Officer and the Chief Financial Officer concluded that these
19 disclosure controls and procedures were effective as of March 31, 2021.

20
21 ***May 4, 2021 Q1 2021 Earnings Call***

22
23 48. On May 4, 2021, Defendants Parker and Barton, among others, attended an
24 earnings call to discuss the Company's first quarter 2021 results. During the call, Barton
25 continued to state that slowing growth in Zillow Offers was from the pandemic:

26
27 Our top-of-funnel engagement with our customers translated into excellent
28 results across Zillow suite of products and services. Our flagship buy side
29 business, Zillow Premier Agent, once again generated the strongest results we've
30 ever seen, reporting 38% revenue growth year-over-year in Q1. Our nascent
31 sell-side business, Zillow Offers, continued to accelerate out of the pause we
32 instituted in the pandemic, generating over \$700 million in revenue and
33 surpassing our internal expectations on revenue, EBITDA and unit level
34 economics...

35
36 49. Barton then claimed that "Zillow 2.0" was well received by customers:

37 Pursuit of these growth opportunities deserves continued appropriate
38 reinvestment of profits. As part of that journey, we recently launched a new
39 advertising campaign with the tagline To Move is to Grow. We think it
40 wonderfully captures the essence of why moving is both exciting and daunting,
41 and how we at Zillow are increasingly able to help our customers navigate this
42 crossing. The campaign supports the expedition we are on as a company as well.
43 Just as we've been reorienting our employees and mission around transactions,
44 we have the exciting task of reeducating our customers on who the new Zillow
45 is and what we can do for them. Every signal we see based on data and customer

1 feedback is that customers expect and demand a more seamless experience. This
2 is Zillow 2.0.

3 A great example of our customers' enthusiasm for ease is the reaction to our
4 recent announcement that many homeowners in Zillow Offers markets now can
5 see that their Zestimate is a live initial offer from Zillow. The announcement
6 press alone drove record-breaking interest in the service with requests coming in
7 at levels we've never seen before.

8 ***August 5, 2021 Q2 2021 Earnings Results and Outlook***

9 50. On August 5, 2021, the Company issued a press release that reported its Q2
10 2021 financial results which included Zillow Offers' revenue of \$772 million, accounting for
11 nearly 60% of total Company revenue. The press release quoted Barton, "Of particular note,
12 our iBuying business, Zillow Offers, continues to accelerate as we offer more customers a fast,
13 fair, flexible and convenient way to move. Zillow Offers is proving attractive to sellers even in
14 this sizzling-hot seller's market." The Company's August 5, 2021 shareholder letter gave an
15 outlook of total revenue of \$1,927 million to \$2,047 million and Homes segment revenue of
16 \$1,400 million to \$1,500 million for the three months ended September 30, 2021.

17 51. The Company also issued a shareholder on the same day, which included a
18 segment regarding Homes Segment:

19 As we previously discussed, the strong customer demand for Zillow Offers at
20 the start of the quarter continued to accelerate in Q2, resulting in the purchase of
21 3,805 homes and sale of 2,086 homes. The record number of homes purchased
22 was more than double that of Q1 2021 and is a direct reflection of the customer
23 value proposition, the progress we have made in strengthening our pricing
24 models and automation when providing offers to customers. These drivers
25 resulted in rapid gains in our customer conversion rate from requested offers to
26 signed agreements, which drove inventory to more than double from the end of
27 Q1, with 3,142 homes in inventory at the end of Q2.

We expect homes that we purchase to have tighter pricing assumptions closer to
our self-imposed guardrails of +/1 200 basis points before interest expense over
the course of the second half of the year.

1
2 ***August 5, 2021 Q2 2021 Earnings Call***

3
4 52. On August 5, 2021, Parker and Barton, among others, participated in an earnings
5 call to discuss the Company's Q2 2021 financial results. During the call, Barton stated, in
6 relevant part:

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

11 As we discussed on our last call, we entered Q2 with strong customer interest in
12 ZO, which accelerated throughout the quarter and into Q3. Allen will get into
13 more details. But as we said on our Q1 call, we saw significant customer
14 demand at the beginning of Q2 that we expected would drive revenue growth on
15 a lagged basis in Q3, which is now leading to our strong Q3 outlook. And we
16 continued to see strong growth in customer demand as we entered Q3 that we
expect will favorably impact revenue in future quarters. With that in mind, we
are focused on making progress automating key workflows in support of
building a large-scale operation.

17 53. Barton then touted the strong Zillow Offers' pricing models:

18 As I said above, we are now back on track with our original objective to
19 purchase 5,000 homes per month and to generate annualized revenue of \$20
20 billion within the original 3- to 5-year time line. For Zillow Home loans, we are
21 also on course to achieve our stated goal of 3,000 mortgages originated per
22 month within the original time frame we set. Today, we are seeing more and
more signals from our customers that validate our integration thesis and growth
strategy.

23 54. Barton proclaimed his excitement for Zillow Offers, "I confess to being quite
24 excited by how well Zillow Offers is doing in such a hot sellers' market..."

25 55. During the same call, Parker stated that "Growth in Zillow Offers continued to
26 accelerate in Q2 and exceeded our expectations, with 2,086 homes sold, driving \$777 million in
27 Home segment revenue." Parker also attributed Zillow Offers' performance to improvements in

1
2 the segments' renovation costs, among other things, "[w]e also note that the 353 basis point
3 improvement from a year ago in renovation, holding and selling costs, were largely durable
4 operational improvements." Regarding third quarter Homes segment revenue, Parker stated, in
5 relevant part:

6 In Q3, we expect our Homes segment revenue to increase sequentially from Q2
7 to \$1.45 billion at the midpoint of our outlook range. This step-up in pace
8 demonstrates our confidence in our ability to scale, resulting from the progress
9 we have made in strengthening our pricing models and automating the top of the
funnel.

10 ***August 5, 2021 10-Q for Q2 2021***

11 56. On August 5, 2021, the Company filed Form 10-Q for the period ended June 30,
12 2021. Appended to the August 5, 2021 10-Q as an exhibit was a signed certification pursuant to
13 SOX by Defendants Barton and Parker, attesting that "the information contained in the [10-Q]
14 fairly presents, in all material respects, the financial condition and results of operations of the
15 Company."

16 57. The August 5, 2021 10-Q assured the public that the Company's internal
17 controls regarding disclosures were effective:
18

19 ***Evaluation of Disclosure Controls and Procedures***

20 The Company maintains disclosure controls and procedures (as defined under
21 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as
22 amended). Management, under the supervision and with the participation of our
23 Chief Executive Officer and our Chief Financial Officer, evaluated the
effectiveness of the Company's disclosure controls and procedures pursuant to
Exchange Act Rule 13a-15(b) as of June 30, 2021. Based on that evaluation, the
Chief Executive Officer and the Chief Financial Officer concluded that these
disclosure controls and procedures were effective as of June 30, 2021.

24 ***September 13, 2021 Piper Sandler 2021 Virtual Global Technology Conference***

25 58. On September 13, 2021, Wacksman participated on Zillow's behalf in the Piper
26 Sandler 2021 Virtual Global Technology Conference. Wacksman had the following exchange
27

1
2 with a Piper Sandler analyst regarding Zillow Offers' positive impact on the Company:

3 Analyst: Super. Okay. Let's switch gears and talk a little bit about the Zoffers
4 business. And I think the company was able to really effectively rebuild
5 inventory in the second quarter. And this was more of a challenge in 1Q. Maybe
6 you could talk a little bit about what changed in the interim and how the
7 company is getting better able to react to the current pricing environment with
8 sharply rising prices.

9 Wacksman: Yes. I mean you hit on it. Some of the inventory growth timing was
10 just based on the fastest home price appreciation we -- any of us had ever seen
11 before and much stronger than both our internal and other third-party forecast
12 we're seeing at the beginning of the year. So keeping up with rising home price
13 appreciation, both on our acquisition side and then finding that price in the
14 markets we're in, that continue to be a new and unique challenge coming out of
15 pandemic.

16 But I will say what we've learned is that this business, Zillow Offers, is a
17 business that exists across all housing market cycles, right? And that's been a
18 question that we've touched on over the past few years. Is Zillow Offers more
19 interesting in a hot or a cold or a medium market? Zillow Offers is a really
20 interesting opportunity for our customers in all markets.

21 Now what customers may value continues to shift, right? In a super hot market,
22 it's not as hard to sell your house, yet we're still seeing record demand for Zillow
23 Offers and services like us. And why is that? It's because customers -- those
24 same customers are struggling to buy. And they need to fix and get the certainty
25 of selling so they can both go -- go be a competitive buyer in a hot market,
26 right?

27 Now in a cooling market, maybe that's not as much their focus, but the certainty
is. And then underlying all that is the convenience factor of you have to live in
this asset while you try and sell it and move. So we were really encouraged to
see while we saw these incredibly hot markets, the strength and the appeal for
Zillow Offers just continues to grow, and we're even more confident now that
this is going to be a service really in all weather markets.

59. The analyst then focused on the economics of Zillow Offers:

Analyst: Absolutely. So getting the economics right at the unit level is really
paramount for this business to be successful and to hit the kind of the long-term
margin targets that you've laid out. Kind of -- can you talk about that? How are
you feeling about the ability to profitably run the business, especially on some of
those line items below gross profit at the unit level?

Wacksman: Yes. It's a good question. And we talk about wanting to run the
business at a plus or minus 200 basis point guardrail on the unit level. And in
Q2, we saw unit economics of nearly 600 basis points, I think 576 basis points.
And so yes, a good chunk of that is home price appreciation, right, in the
market. And you saw that in HPA itself, but also in kind of holding costs
correlated with the velocity of sale.

1
2 But some of those unit economic improvements are durable, right? The work
3 we're doing on more dynamic renovations, the work we're doing on selling costs
4 as our homes brokerage improvements roll out more gradually, you're going to
5 see us book those improvements as unit economic savings to the unit and be able
6 to pass those back on to the customer and eventually to the bottom line.

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60. The Individual Defendants failed to disclose material problems with Zillow
Offers.

61. The Individual Defendants failed to disclose that the Company created a false
and misleading impression that the growth of and demand for Zillow Offers was organic and
based upon Zillow's frequently discussed and highlighted algorithm and pricing models and
that Zillow Offers' favorable margins were the result of durable and sustainable operational and
cost improvements.

62. The statements made were further materially false and misleading because: (i)
Zillow management overrode the offer prices generated by Zillow's algorithms and pricing
analysts, and significantly increased the prices Zillow Offers would pay for homes in order to
entice more home sellers to accept offers to meet Zillow's volume goals. In the April to May
2021 time frame, Individual Defendants initiated or knew of Project Ketchup to quickly ramp
up the purchases of homes; (ii) Individual Defendants claimed operational, unit economic, or
renovation "improvements" were the result of non-durable and unsustainable slashing of
renovation scopes and the amounts Zillow would pay contractors; (iii) in April or May 2021,
Individual Defendants began decreasing the scope of its renovations and the prices it would pay
contractors for those renovations; (iv) renovation cost-cutting and the squeeze on contractors
came at a time when Zillow was relying on those contractors to quickly renovate a significantly
higher volume of houses acquired by overpaying for homes using price overlays and, as a
result, Zillow's contractors began deprioritizing Zillow renovations or declining jobs altogether

1
2 due to Zillow's actions; (vi) the Individual Defendants hid from the stockholders the increased
3 risk it took on by deliberately over-paying for homes well beyond the prices set by its
4 algorithms and analyst pricing; and (vii) the Individual Defendants failed to maintain an
5 adequate system of internal controls. As a result of the foregoing, Zillow's inventory kept
6 growing and contractors did not complete projects on time or agreed to less projects and this
7 caused houses to sit in inventory longer. When houses sit in Zillow's inventory longer, the cost
8 to Zillow rises.

9
10 **The Truth Begins to Emerge**

11 ***October 4, 2021 RBC Capital Markets Lowers Its Price Target for Zillow***

12 63. On October 4, 2021, RBC Capital Markets issued an equity research analysis of
13 Zillow. The analysis warned that Zillow would "likely miss[] iBuying expectations in the
14 quarter." Specifically, RBC Capital Markets analyzed Zillow's inventory: "the company likely
15 still has meaningful inventory to work through into Q4 that was bought at too high a price and
16 thus we would expect Q3 results and Q4 guidance to reflect this, as contemplated in our
17 lowered/below-Street Q3 and Q4 estimates. We lower '22E as well on views of stable pricing
18 at the new lower levels." The price target was lowered to \$145 from \$155.

19
20 64. On October 4, 2021, Zillow's Class A common stock (ZG) price fell to \$85.68
21 per share, a 6.2 % decrease from the previous trading day's closing price. That same day,
22 Zillow's Class C capital stock (Z) price fell to \$85.38, a 5.5% decrease from the previous
23 trading day's closing price.

24
25 ***October 18, 2021 Zillow Pauses Buying of Homes through Zillow Offers***

26 65. On October 18, 2021, Zillow issued a press release titled "At Operational
27 Capacity, 'Zillow Offers' to Focus on Signed Customer Contracts and Current Inventory;

1
2 Suspends Signing of New Contracts Through 2021.” The press release stated “Zillow Offers
3 business will not sign any new, additional contracts to buy homes through the end of the year.
4 Pausing on new contracts will enable Zillow Offers to focus operations on purchasing homes
5 with already-signed contracts, but have yet to close, and reducing the renovation pipeline.
6 Zillow will continue to market and sell homes through Zillow Offers during this period.”

7
8 66. On October 18, 2021, Zillow’s Class A common stock (ZG) price fell to \$85.46
9 per share, a 9.3% decrease from the previous trading day’s closing price. That same day,
10 Zillow’s Class C capital stock (Z) price fell to \$86 per share, a 9.4% decrease from the previous
11 trading day’s closing price.

12 **The Truth Fully Emerges**

13 ***November 1, 2021 Bloomberg Discussing Zillow’s Major Problems***

14 67. On November 1, 2021, Bloomberg, among other media companies, published an
15 article titled “Zillow Seeks to Sell 7,000 Homes for \$2.8 Billion After Flipping Halt.” The
16 article reviewed KeyBanc Capital Markets’ analysis of Zillow’s inventory: “[a]n analysis of
17 650 homes owned by Zillow showed that two-thirds were priced for less than the company
18 bought them for, according to an Oct. 31 note from KeyBanc Capital Markets.” The article
19 further stated that “The decision [to pause buying] came after the company tweaked the
20 algorithms that power the business to make higher offers, leaving it with a bevy of winning
21 bids just as home-price appreciation cooled off a bit.” Bloomberg opined on Zillow’s issues
22 regarding not having enough contractors to complete renovations, “the [C]ompany bought more
23 than 3,800 houses in the second quarter, making progress toward its stated goal of acquiring
24 5,000 homes a month by 2024. The increase in purchases left the company struggling to find
25 workers to renovate the properties.” The longer the Company holds onto a house, the more it
26 costs Zillow.
27

1
2 **November 2, 2021 Press Release**

3 68. On November 2, 2021, the Company issued a press release titled “Zillow Group
4 Reports Third-Quarter 2021 Financial Results & Shares Plan to Wind Down Zillow Offers
5 Operations.” The Company significantly missed the August 5, 2021 shareholder letter’s
6 outlook of total revenue of \$1,927 million to \$2,047 million and Homes segment revenue of
7 \$1,400 million to \$1,500 million for the three months ended September 30, 2021. The
8 Company disclosed on November 2, 2021 that the consolidated revenue for the third quarter
9 was \$1.7 billion, and Homes segment revenue for the third quarter was \$1.2 billion.

10 69. Zillow revealed that it would need to recognize an inventory write-down of \$304
11 million in the third quarter, with an expected additional write-down in the fourth quarter of
12 approximately \$240 to \$265 million (totaling as high as \$560 million). The press release stated
13 that the Company would reduce its workforce by 25% as a result of winding down Zillow
14 Offers.
15

16 **November 2, 2021 Q3 2021 Earnings Call**

17 70. Barton blamed the Company’s algorithms and pricing models, stating that
18 “fundamentally, we have been unable to predict future pricing of homes to a level of accuracy
19 that makes this a safe business to be in.” Barton also blamed labor issues and renovations
20 backlogs that were concealed during the Relevant Period on Zillow Offers wind down:

21 We have also experienced significant capacity and demand planning challenges,
22 exacerbated by an admittedly difficult labor and supply chain environment. The
23 combination of these factors has caused a meaningful backup in our processing
24 of homes in the Zillow pipeline, which we announced 2 weeks ago. We judged
25 future significant volume volatility to be a tough impediment to ramp a scaled
26 operation, and any interruptions in the supply chain like we recently experienced
27 will result in increased holding times, further increasing our exposure to
volatility and lowering our return on equity.

71. The Company also pinned some of the blame for the Zillow Offers shutdown on

1 the labor issues and resulting renovations backlog that it had concealed during the Class Period,
2
3 noting that it had “experienced significant capacity and demand planning challenges,” which
4 had “caused a meaningful backup in our processing of homes in [the] Zillow pipeline.”

5 72. On this news, the Company’s stock prices plummeted. On November 3, 2021,
6 Zillow’s Class A common stock (ZG) price fell to \$65.86, a 22.9% decrease from the previous
7 trading day’s closing price. On November 3, 2021, Zillow’s Class C capital stock (Z) fell to
8 \$65.47, a 24.9% decrease from the previous trading day’s closing price.
9

10 ***Project Ketchup***

11 73. On November 17, 2021, *The Wall Street Journal* published an article titled
12 “What Went Wrong With Zillow? A Real-Estate Algorithm Derailed Its Big Bet.”¹ The article
13 stated that the Company acknowledged it “was paying too much money for homes, and buying
14 too many of them, just when price increases were starting to slow.” The article revealed that
15 Zillow’s market capitalization which had “closed at a peak of \$48.35 billion in February, is
16 now around \$16 billion.” Regarding outlook for revenue, *The Wall Street Journal* reported that:

17 In the spring, around the time that Zillow started worrying about the accuracy of
18 its algorithm, company executives and managers came together for a tense
19 meeting, according to a person who attended.

20 As first-quarter numbers trickled in, it became clear that even though it was
21 making more money than anticipated, **the company was on track to
22 significantly miss its annual target for the number of homes it wanted to
23 buy.** Worse, it was falling behind its top competitor, Opendoor.

24 “This is code red,” Joshua Swift, senior vice president of Zillow Offers, said
25 during the virtual meeting, according to the person who attended. Mr. Swift
26 declined to comment through the company.
27

¹ Will Parker, *The Wall Street Journal*, What Went Wrong With Zillow? A Real-Estate Algorithm Derailed Its Big Bet, (Nov. 17, 2021) <https://www.wsj.com/articles/zillow-offers-real-estate-algorithm-homes-ibuyer-11637159261> (last visited July 12, 2022).

1
2 (Emphasis added).

3 74. Project Ketchup was born, “a plan to speed up the pace and volume of home
4 purchases, dubbing it Project Ketchup—which employees took as a play on the team’s mission
5 to catch up to Opendoor. Zillow planned to buy more homes by spending more money, offering
6 prices well above what its algorithm and analysts picked as market value, people familiar with
7 the matter said.” Regarding Zillow’s major problems with inventory and renovations, the article
8 stated that:

9 In the second quarter, Zillow Offers bought more than 3,800 homes—more than
10 double the previous quarter. In the third quarter, it bought 9,680 homes. The
11 company was buying so many homes that its overstretched staff started running
12 behind on closings and renovations, people familiar with the matter said.

13 **It struggled to find contractors and renovation materials amid a broader**
14 **labor and supply shortage. That meant Zillow was in danger of sitting on**
15 **homes for longer, adding to insurance and debt bills.** It also meant many
16 homes bought during the summer would likely have to be sold in the winter,
17 when the housing market is usually weaker.

18 Staffers grew concerned Zillow was paying too much, people familiar with the
19 matter said. **Analysts whose job it was to confirm the prices of homes found**
20 **that they were routinely overruled, those people said, because the company**
21 **had retooled the system to raise the analysts’ suggested prices. Automatic**
22 **price add-ons coded into the company system, including one called the**
23 **“gross pricing overlay” that could add as much as 7%, would boost offering**
24 **prices to get more home sellers to say yes.**

25 (Emphasis added).

26 75. The Individual Defendants created a false and misleading impression that the
27 growth of and demand for Zillow Offers was organic and based upon Zillow’s frequently-
discussed and highlighted algorithm and pricing models and that Zillow Offers’ favorable
margins were the result of durable and sustainable operational and cost improvements.
Specifically, the statements made were further materially false and misleading because: (i)
Zillow management overrode the offer prices generated by Zillow’s algorithms and pricing

1
2 analysts, and significantly increased the prices Zillow Offers would pay for homes in order to
3 entice more home sellers to accept offers to meet Zillow’s volume goals. In the April to May
4 2021 time frame, Individual Defendants initiated or knew of Project Ketchup to quickly ramp
5 up the purchases of homes; (ii) Individual Defendants claimed operational, unit economic, or
6 renovation “improvements” were the result of non-durable and unsustainable slashing of
7 renovation scopes and the amounts Zillow would pay contractors; (iii) in April or May 2021,
8 Individual Defendants began decreasing the scope of its renovations and the prices it would pay
9 contractors for those renovations; (iv) renovation cost-cutting and the squeeze on contractors
10 came at a time when Zillow was relying on those contractors to quickly renovate a significantly
11 higher volume of houses acquired by overpaying for homes using price overlays and, as a
12 result, Zillow’s contractors began deprioritizing Zillow renovations or declining jobs altogether
13 due to Zillow’s actions; (vi) the Individual Defendants hid from the stockholders the increased
14 risk it took on by deliberately over-paying for homes well beyond the prices set by its
15 algorithms and analyst pricing; and (vii) the Individual Defendants failed to maintain an
16 adequate system of internal controls. As a result of the foregoing, Zillow’s inventory kept
17 growing and contractors did not complete projects on time or agreed to less projects and this
18 caused houses to sit in inventory longer. When houses sit in Zillow’s inventory longer, the cost
19 to Zillow rises.
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23 **B. The False and Misleading Proxy Statement**

24 76. In addition to the above false and misleading statements issued and/or caused to
25 be issued by the Individual Defendants, the Individual Defendants caused the Company to issue
26 a false and misleading proxy statement during the Relevant Period. The Company filed Form
27

1
2 DEF 14A filed with the SEC during the Relevant Period before the truth fully emerged on April
3 21, 2021 (the “2021 Proxy”).²

4 77. The 2021 Proxy recommended shareholders vote to elect Blachford,
5 Stephenson, and Thielke. The 2021 Proxy also recommended to approve, on an advisory basis,
6 the compensation of named executive officers and the frequency of future advisory votes on the
7 compensation of named executive officers. Regarding the risks of Zillow Offers, the 2021
8 Proxy states, in relevant part:
9

10 The audit committee provides oversight concerning our major financial risks and
11 the steps management has taken to monitor and control such exposure, including
12 with respect to the capital, regulatory, and other requirements of our Zillow
13 Offers, Zillow Home Loans, and Zillow Closing Services businesses, and data
14 privacy, cybersecurity, and other topics related to our information technology
infrastructure. Each committee generally reports on its deliberations to the full
Board during the committee reports portion of the next Board meeting. This
enables the Board and its committees to coordinate their risk oversight roles.

15 78. If the Audit Committee Defendants were overseeing Zillow Offers’ operations,
16 the Company’s inventory would not have become so high that buying had to be paused.
17 Alternatively, the Audit Committee Defendants did know of the ongoing problems with Zillow
18 Offers and chose not to disclose it to stockholders.

19 79. The 2021 Proxy emphasized the success of Zillow Offers:
20

21 [I]n September 2020, we announced that beginning in January 2021, customers
22 in certain markets who sell homes through Zillow Offers will work directly with
23 trusted, licensed employees of Zillow Homes, a licensed brokerage entity.
24 Zillow-owned homes in these markets are listed for sale by licensed Zillow
Homes employees. We expect to expand these services to additional Zillow
Offers markets later in 2021...in 2020, Homes segment revenue grew to

25 ² These proxy allegations are based solely on negligence, they are not based on any allegations of recklessness or
26 knowing conduct by or on behalf of the Individual Defendants, and they did not allege fraud. Plaintiff specifically
27 disclaims any allegations of, reliance upon any allegation of, or reference to any allegation of fraud, scienter, or
recklessness with regard to the proxy allegations and related claims.

1
2 \$1,715.4 million for the year ended December 31, 2020, due to the sale of 5,337
3 homes through our Zillow Offers business, which began selling homes in July of
4 2018. As of December 31, 2020, Zillow Offers and Zillow Closing Services
5 were operating in 25 metropolitan areas...

6 80. The 2021 Proxy did not disclose, however, the major inventory problem in
7 Zillow Offers and how that affected the Company's operations.

8 81. Additionally, the 2021 Proxy contained an Audit Committee Report which
9 stated the following, in relevant part:

10 (i) The audit committee has reviewed and discussed the audited financial
11 statements for fiscal year 2020 with Zillow Group's management.

12 (ii) The audit committee has discussed with Deloitte, the Company's
13 independent registered public accounting firm, the matters required to be
14 discussed by the statement on Auditing Standard No. 1301, and Rule 2-07 of
15 Regulation S-X, Communications with Audit Committees.

16 (iii) The audit committee has received the written disclosures and the letter
17 from Deloitte, the Company's independent registered public accounting firm,
18 required by applicable requirements of the Public Company Accounting
19 Oversight Board regarding the independent registered public accounting firm's
20 communications with the audit committee concerning independence, and has
21 discussed with the independent registered public accounting firm the
22 independent registered public accounting firm's independence.

23 (iv) Based on the review and discussion referred to in paragraphs (i) through
24 (iii) above, the audit committee recommended to Zillow Group's Board of
25 Directors that the audited financial statements be included in Zillow Group's
26 Annual Report on Form 10-K for the year ended December 31, 2020, for filing
27 with the SEC.

82. The 2021 Proxy was false and misleading because, while it assured investors
that it would keep stockholders informed and that its Audit Committee reviewed filings,
including the 2020 10-K, that was not the case as revealed by Zillow's October 18, 2021 press
release. The October 18, 2021 press release revealed the major operational issues with
inventory from Zillow Offers and that the Individual Defendants allowed each other and the
Company to issue false and materially misleading statements during the Relevant Period. The

1
2 Individual Defendants also recommended shareholders elect directors during the Blachford,
3 Stephenson, and Thielke.

4
5 **V. FIDUCIARY DUTIES**

6 83. By reason of their positions as officers and directors of the Company, each of
7 the Individual Defendants owed and continues to owe Zillow and its stockholders fiduciary
8 obligations of trust, loyalty, good faith, and due care and was/is required to use his/her utmost
9 ability to control and manage Zillow in a fair, just, honest, and equitable manner. The
10 Individual Defendants were/are required to act in furtherance of the best interests of Zillow and
11 its stockholders to benefit all stockholders equally and not in furtherance of their personal
12 interest or benefit.

13 84. Each Individual Defendant owes and continues to owe Zillow, and its
14 stockholders, the fiduciary duty to exercise good faith and diligence in the administration of the
15 affairs of the Company and in the use and preservation of its property and assets.

16 85. The Individual Defendants, because of their positions of control and authority as
17 directors and/or officers of Zillow, were able to, and did, directly and/or indirectly, exercise
18 control over the wrongful acts complained of herein. Because of their executive and/or
19 directorial positions with Zillow, each of the Individual Defendants had knowledge of material,
20 nonpublic information regarding the Company. In addition, as officers and/or directors of a
21 publicly held company, the Individual Defendants had a duty to promptly disseminate accurate
22 and truthful information regarding the Company's business practices, operations, financials,
23 financial prospects, compliance policies, and internal controls so that the market price of the
24 Company's stock would be based on truthful and accurate information.

25 86. To discharge their duties, the Individual Defendants were/are required to
26
27

1
2 exercise reasonable and prudent supervision over the management, policies, practices, and
3 controls of the financial affairs of the Company. The Individual Defendants were required to,
4 among other things:

5 (a) ensure that the Company complied with its legal obligations and
6 requirements—including requirements involving the filing of accurate
7 financial and operational information with the SEC—and refrain from
engaging in insider trading and other deceptive conduct;

8 (b) conduct the affairs of the Company in compliance with all
9 applicable laws, rules, and regulations to make it possible to provide the
10 highest quality performance of its business, avoid wasting the Company's
assets, and maximize the value of the Company's stock;

11 (c) remain informed as to how Zillow conducted its operations, and,
12 upon receipt of notice or information of imprudent or unsound conditions or
13 practices, make a reasonable inquiry in connection therewith, and take steps to
correct such conditions or practices and make such disclosures as necessary to
comply with applicable laws; and

14 (d) truthfully and accurately guide investors and analysts as to the
15 business operations of the Company at any given time.

16 **C. Duties Pursuant to the Company's Corporate Governance**

17 **Guidelines, Code of Conduct, and Code of Ethics**

18 87. The Individual Defendants, as officers and/or directors of Zillow, were bound by
19 the Company's Corporate Governance Guidelines³ which required directors to "abide by the
20 relevant provisions of the Company's Code of Conduct and Code of Ethics." Regarding
21 reporting of violations and keeping accurate books and records, the Company's Code of
22

23
24
25
26 ³ See Zillow's Corporate Governance Guidelines:
27 https://s24.q4cdn.com/723050407/files/doc_downloads/governance/Zillow-Corporate-Governance-Guidelines-March-2022.pdf.

1
2 Conduct⁴ states:

3 Every person subject to this Code should endeavor to deal honestly, ethically
4 and fairly with the Company's consumers, customers, suppliers, competitors and
5 employees. Statements regarding the Company's products and services must not
6 be false, misleading, deceptive or fraudulent. No person subject to this Code
7 may take unfair advantage of anyone through manipulation, concealment, abuse
8 of privileged information, misrepresentation of material facts or any other
9 unfair-dealing practice.

10 ***

11 If any person subject to this Code becomes aware of the violation of any law,
12 rule or regulation by the Company, whether by its officers, employees, directors,
13 or any third party doing business on behalf of the Company, it is such person's
14 responsibility to follow the guidelines described in the Reporting and
15 Compliance Procedures section below to promptly report the matter to such
16 person's supervisor or the General Counsel or, if you are an executive officer or
17 director, to the Chair of the Nominating and Governance Committee of the
18 Board of Directors of Zillow Group, Inc.

19 ***

20 All Company books, records and accounts shall be maintained in accordance
21 with all applicable regulations and binding standards and accurately reflect the
22 true nature of the transactions they record. Each person subject to this Code
23 must follow any formal document retention policy of the Company with respect
24 to Company records within such person's control. The financial statements of
25 Zillow Group, Inc. shall conform to generally accepted accounting principles
26 and the Company's accounting policies. All cash, bank accounts, investments
27 and other assets always must be recorded in the official books of the Company.
No undisclosed or unrecorded account or fund shall be established for any
purpose. No false or misleading entries shall be made in the Company's books or
records for any reason, and no disbursement of corporate funds or other
corporate property shall be made without adequate supporting documentation.

The Company files reports and other documents with regulatory authorities,
which may include the United States Securities and Exchange Commission and
NASDAQ. The Company may make other public communications, such as

⁴ See Zillow's Code of Conduct:

https://s24.q4cdn.com/723050407/files/doc_downloads/governance/Policy_Code_of_Conduct.pdf.

1
2 issuing press releases. All information provided in the Company's public reports
3 and communications must be complete, fair, accurate, timely and
4 understandable, and must also comply with applicable laws, rules and
5 regulations. Employees, officers and directors who are asked to provide
6 information for the Company's public disclosures must use all reasonable efforts
7 to provide complete, fair, accurate, timely and understandable information.

8
9
10
11 88. Regarding compliance procedures, the Code of Conduct required the following:

12 Every person subject to this Code has the responsibility to ask questions, seek
13 guidance, report suspected violations and express concerns regarding
14 compliance with this Code. Any person subject to this Code who knows or
15 believes that any other employee or representative of the Company has engaged
16 or is engaging in Company-related conduct that violates applicable law or this
17 Code should report such violation to at least one of the following contacts:

- 18 • Human Resources
- 19 • General Counsel
- 20 • Chief Executive Officer
- 21 • Chief Financial Officer
- 22 • Nominating and Governance Committee Chairman
- 23 • Audit Committee Chairman

24
25 89. Regarding insider trading, the Code of Conduct stated the following:

26 **Employees, officers and directors who are in possession of material non-**
27 **public information about the Company or other companies, including the**
Company's suppliers and customers, as a result of their relationship with
the Company are prohibited by law and Company policy from trading in
securities of the Company or such other companies, as well as from
communicating such information to others who might trade on the basis of that
information. To assist with compliance with laws against insider trading, the
Company has adopted a detailed Insider Trading Policy.

(Emphasis added).

90. The Individual Defendants failed to adhere to the Code of Conduct when they
failed to promptly disclose the major problems with Zillow Offers and traded stock based on
material adverse non-public information.

91. The Company's Insider Trading Policy is not available on the Company's
website with the other corporate governance documents. The 2021 Proxy states that the

1
2 Company has established an insider trading compliance policy that applies to directors,
3 executives, and employees.

4 92. The Company's Code of Ethics⁵ requires that Zillow's CEO, CFO, principal
5 accounting officer, and controller promote:

- 6
- 7 • Honest and ethical conduct, including the ethical handling of actual or
8 apparent conflicts of interest between personal and professional
9 relationships;
 - 10 • Full, fair, accurate, timely and understandable disclosure in reports and
11 documents that the Company files with, or submits to, the Securities and
12 Exchange Commission (the "SEC") and other public communications made
13 by the Company; and
 - 14 • Compliance with governmental laws, rules and regulations applicable to the
15 Company.

16 93. The Code of Ethics further states that "[p]ersons who become aware of
17 suspected violations of this Code should report such suspected violations promptly to the Chair
18 of the Audit Committee of the Zillow Group, Inc. Board of Directors (the 'Audit Committee'
19 and the 'Board of Directors', respectively), who will forward such report to the Audit
20 Committee."

21 94. In addition to these duties, the Audit Committee Defendants, who served on the
22 Audit Committee during the Relevant Period, owed specific duties to Zillow under the Audit
23 Committee Charter (the "Audit Charter").⁶ Specifically, the Audit Charter provided for the
24 following responsibilities of the Audit Committee Defendants:

25 ⁵ See Zillow's Code of Ethics:
26 https://s24.q4cdn.com/723050407/files/doc_downloads/governance/Z_COE.pdf.

27 ⁶ See Zillow's Audit Charter at:
https://s24.q4cdn.com/723050407/files/doc_downloads/committee_charters/2022/Zillow-Audit-Committee-Charter-March-2022.pdf.

1
2 Prior to filing any periodic report with the SEC, meet with management and the
3 independent auditor to review and discuss the annual audited financial
4 statements (including the report of the independent auditor thereon) and
quarterly unaudited financial statements, including in each case the Company's
disclosures under "Management's Discussion and Analysis of Financial
Condition and Results of Operations."

5 Regularly review with the independent auditor any audit problems or difficulties
6 and management's response, including any restriction on the scope of activities,
7 access to required information, the adequacy of internal controls, adjustments
8 noted or proposed by the independent auditor but not taken (as immaterial or
otherwise) by management, communications between the audit team and the
national office concerning auditing or accounting issues, and any management
or internal control letters issued or proposed to be issued by the auditor.

9 95. Regarding accounting practices and policies and risk and risk management, the
10 Code of Ethics states, in relevant part:

11 Review at least annually (a) major issues regarding accounting principles and
12 financial statement presentations, including any significant changes in the
13 Company's selection or application of accounting principles, and major issues as
14 to the adequacy of the Company's internal controls and any special audit steps
15 adopted in light of material control deficiencies, (b) analyses prepared by
16 management and/or the independent auditor setting forth significant financial
reporting issues and judgments made in connection with the preparation of the
financial statements, and (c) the effect of regulatory and accounting initiatives
on the financial statements of the Company.

17 Review and discuss with management from time to time the effectiveness of, or
18 any deficiencies in, the design or operation of disclosure controls and procedures
19 or internal controls and any fraud, whether or not material, that involves
management or other employees who have a significant role in the Company's
internal controls. Review any report issued by the Company's independent
auditor regarding management's assessment of the Company's internal controls.

20 Discuss policies with respect to risk assessment and risk management, including
21 the Company's major financial risk exposures, including capital, regulatory and
22 other requirements, and data privacy, cybersecurity and other topics related to
information technology infrastructure, and the steps management has taken to
monitor and control such exposures.

23 96. Regarding the Audit Committee Report in the Company's proxy statements,
24 persons who are bound by the Code of Ethics must "[a]pprove the Audit Committee Report
25 required by the rules of the SEC to be included in the Company's annual proxy statement."

26 97. The Individual Defendants failed to adhere to the Code of Conduct and Code of
27

1
2 Ethics by issuing false and materially misleading public statements and filings with the SEC
3 related to Zillow Offers. Furthermore, the Audit Committee Defendants failed to uphold their
4 duties required by the Audit Charter by allowing the Company to issue materially false and
5 misleading statements regarding the accuracy of the Company's disclosures regarding Zillow
6 Offers.

7
8 **VI. BREACHES OF DUTIES**

9 98. The conduct of the Individual Defendants complained of herein involves a
10 knowing and culpable violation of their obligations as officers and/or directors of Zillow, the
11 absence of good faith on their part, and a reckless disregard for their duties to the Company.

12 99. The Individual Defendants breached their duty of loyalty and good faith by
13 utterly failing to implement a reasonable, relevant, meaningful, and well-constituted system of
14 internal controls, especially with respect to disclosure of material information regarding Zillow
15 Offers as described herein. The Individual Defendants also breached their duty of loyalty and
16 good faith by allowing the Company to cause, or by themselves causing, the Company to make
17 improper statements to the public and the Company's stockholders. These unlawful practices
18 wasted the Company's assets and caused Zillow substantial damage.

19 100. The Audit Committee Defendants had a duty to review the Company's earnings
20 press releases and regulatory filings. The Audit Committee Defendants breached their duty of
21 loyalty and good faith by approving the omission of material information, making the improper
22 statements detailed herein, and failing to properly oversee Zillow's public statements and
23 internal control function.

24 101. The Individual Defendants, because of their positions of control and authority as
25 officers and/or directors of Zillow, were able to and did, directly or indirectly, exercise control
26
27

1
2 over the wrongful acts complained of herein. The Individual Defendants also failed to prevent
3 the other Individual Defendants from taking such illegal actions. In addition, because of
4 Individual Defendants' improper course of conduct, the Company is now the subject of the
5 Federal Securities Class Action, which alleges violations of federal securities laws. As a result,
6 Zillow has expended, and will continue to expend, significant sums of money.
7

8 **VII. DAMAGES TO ZILLOW**

9 102. The materially false and misleading statements has exposed the Company to
10 myriad reputational and financial damages, including but not limited to:

- 11 (a) Possible restatements and goodwill impairments;
- 12 (b) Hundreds of millions in inventory write-downs;
- 13 (c) The destruction of Zillow Offers;
- 14 (d) The loss of 25% of Zillow's workforce;
- 15 (e) Liability arising from the Federal Securities Class Action;
- 16 (f) The loss of credibility with customers and suppliers; and
- 17 (g) Legal costs associated with litigation, investigations, and restatements.

18 **VIII. DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

19 103. Plaintiff brings this action derivatively and for the benefit of Zillow to redress
20 injuries suffered, and to be suffered, because of the Individual Defendants' breaches of their
21 fiduciary duties as directors and/or officers of Zillow, waste of corporate assets, unjust
22 enrichment, and violations of Sections 14(a) and 20(a) of the Exchange Act.
23

24 104. Zillow is named solely as a nominal party in this action. This is not a collusive
25 action to confer jurisdiction on this Court that it would not otherwise have.

26 105. Plaintiff is, and has been continuously at all relevant times, a stockholder of
27 Zillow. Plaintiff will adequately and fairly represent the interests of Zillow in enforcing and
VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT - 35 (NO.)

1
2 prosecuting its rights, and, to that end, has retained competent counsel, experienced in
3 derivative litigation, to enforce and prosecute this action.

4 106. Plaintiff incorporates by reference and re-alleges each allegation stated above as
5 if fully set forth herein.

6 107. A pre-suit demand on the Board of Zillow is futile and, therefore, excused. At
7 the time of filing this action, the Board consists of Individual Defendants Barton, Blachford,
8 Bohutinsky, Thielke, Frink, Hoag, Maffei, Stephenson, and Underwood (the “Director
9 Defendants”). Plaintiff needs only to allege demand futility as to a majority (five) of the
10 Directors who are on the Board at the time this action is commenced.
11

12 108. Demand is excused as to all of the Director Defendants because each one of
13 them faces, individually and collectively, a substantial likelihood of liability as a result of the
14 scheme in which they engaged, knowingly or recklessly, to make and/or cause the Company to
15 make false and misleading statements and omissions of material facts, which renders them
16 unable to impartially investigate the charges and decide whether to pursue action against
17 themselves and the other perpetrators of the scheme.
18

19 109. In complete abdication of their fiduciary duties, the Director Defendants either
20 knowingly or recklessly participated in making and/or causing the Company to make the
21 materially false and misleading statements alleged herein. The fraudulent scheme was intended
22 to make the Company appear more profitable and attractive to investors. As a result of the
23 foregoing, the Director Defendants breached their fiduciary duties, face a substantial likelihood
24 of liability, are not disinterested, and demand upon them is futile, and thus excused.
25

26 ***Barton***

27 110. Demand on Barton is futile because Barton has served as a Company director

1
2 since 2004. Barton currently serves as CEO and is a co-founder of Zillow. Barton received a
3 material personal benefit in the form of insider trading that would be the subject of a litigation
4 demand. Barton's sales during the Relevant Period totaled over \$85 million.

5 111. The Company admits in the latest proxy statement filed April 28, 2022 (the
6 "2022 Proxy") that Barton is not an independent director. According to the 2022 Proxy, Barton
7 received \$20.9 million in compensation for the fiscal year ended December 31, 2021. Barton
8 signed the 2021 Proxy, the 2020 10-K, and SOX certifications for the May 4, 2021 10-Q and
9 August 5, 2021 10-Q which contained materially false and misleading statements and therefore
10 faces a substantial likelihood of liability.
11

12 112. Additionally, Barton will not bring a suit against the Individual Defendants
13 because it would harm his investment in the Company. As of April 5, 2021, Barton owned 4.1
14 million shares of Class A common stock, 3.7 million shares of Class B common stock, and 7.4
15 million shares of Class C Capital stock. Barton is also a named defendant in the Federal
16 Securities Class Action.
17

18 113. Barton also lacks independence from Frink because of transactional and
19 personal ties. Barton and Frink are co-founders of Zillow. Stanford Magazine published an
20 article in 2015 that stated "Barton and Frink are close friends outside the office. Their families
21 enjoy activities together, and Barton and Frink have attended the Burning Man arts and music
22 festival for the past several years. They ski together, and Frink is working on luring Barton onto
23 the golf links for a good walk spoiled. They share tickets to the Seattle Seahawks and Seattle
24 Sounders games."⁷ According to the article, Barton and Frink became friends while at Expedia.
25

26
27 ⁷ Greg Scheiderer, Ammo For The House Hunt, Stanford Magazine, July/August 2015,
<https://stanfordmag.org/contents/ammo-for-the-house-hunt> (last visited July 11, 2022).

1
2 They also worked together at Microsoft and even shared an office. The 2022 Proxy stated that
3 Barton served as a venture partner at Benchmark, a venture capital firm, from February 2005
4 through September 2018. Frink has served as a director on Grubhub Inc. since 2013. On
5 November 15, 2010, Grubhub Inc. issued a press release title “GrubHub Secures \$11 million in
6 Investment Led by Benchmark Capital.”

7
8 114. Barton lacks independence from Maffei because the two serve as directors on
9 Qurate Retail, Inc. (“Qurate”). Maffei is Qurate’s Chairman and has served as a director since
10 2005. Barton has served as a director of Qurate since 2016. In addition to being Qurate’s
11 Chairman, Maffei also owns 19.8% of Qurate’s voting power. Barton received \$244,786 in
12 2021 for his role as a director of Qurate.

13
14 115. Barton lacks independence from Hoag because the two serve as directors of
15 Netflix, Inc. (“Netflix”). Barton has served as a director of Netflix since 2002 and Hoag has
16 served as a director of Netflix since 1999. As Chair of Netflix’s Nominating and Governance
17 Committee, Hoag holds significant influence over Barton’s status as a director of Netflix.
18 Barton received \$350,675 in compensation during 2021 for his role as a director of Netflix.

19
20 116. Barton lacks independence from Blachford because of transactional ties.
21 According to the 2022 Proxy, Barton and Blachford “are 50% co-owners of a condominium.”
22 The 2022 Proxy also states that Barton and Blachford “have an arrangement pursuant to which
23 Mr. Barton is expected to purchase up to all of Mr. Blachford’s limited partnership interest in
24 one or more TCV investment funds.”

25
26 117. Barton shares transactional ties with Hoag, Wacksman, Maffei, Blachford, and
27 Bohutinsky in TCV, a private equity and venture capital firm. According to the 2022 Proxy,
Hoag is the general partner of TCV and is a “direct or indirect director, limited partner, or

1 member of the general partners of various private equity and venture capital funds of TCV”
2 that were invested in by Barton, Wacksman, Maffei, Blachford, and Bohutinsky. Further,
3 Blachford “has and may continue to consult as an executive advisor and venture partner of
4 TCV until such time as his limited partnership interest in one or more TCV investment funds is
5 transferred to Mr. Barton, which is expected to occur in 2022 through one or more
6 transactions[.]” Bohutinsky, as a venture partner of TCV, “may also provide certain consulting
7 or other services to TCV from time to time, for which she may receive indirect economic
8 interests or value in certain investments by TCV's affiliated investment funds.”
9
10

11 118. Barton knew or should have known that Zillow Offers was creating significant
12 losses for the Company. He either did investigate and knew or failed to investigate the damages
13 Zillow Offers caused the Company.

14 119. For these reasons, Barton breached his fiduciary duties, faces a substantial
15 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
16 and, therefore, excused.
17

18 ***Blachford***

19 120. Demand on Blachford is futile because Blachford has served as a Company
20 director since 2005. Blachford received a material personal benefit in the form of insider
21 trading that would be the subject of a litigation demand. The Form 4 did not indicate
22 Blachford’s sales were made pursuant to a 10b5-1 trading plan. Blachford reaped over \$2.3
23 million in sales proceeds.

24 121. Blachford is incentivized to not bring suit for the misconduct alleged herein
25 because it would significantly impact his investment in the Company. According to the 2022
26 Proxy, he owns 49 thousand shares of Class A common stock and 113 thousand shares of Class
27

1
2 C capital stock. He has received and continues to receive compensation for his role as a director
3 as described herein. Blachford signed and thus personally made the false and misleading
4 statements in the 2020 10-K. Blachford further benefited from the false and misleading 2021
5 Proxy because he was re-elected as a result.

6 122. Blachford shares transactional ties with Hoag, Wacksman, Maffei, Barton, and
7 Bohutinsky in TCV, as stated above. Blachford further lacks independence from Hoag because
8 they both served together as directors of Peloton Interactive, Inc. (“Peloton”). Blachford served
9 as a director of Peloton from 2015 until February 5, 2022. Hoag has served as a director of
10 Peloton since 2018. According to Peloton’s proxy statement filed October 25, 2021, entities
11 affiliated with TCV hold 37.5% of Peloton’s total voting power.

12
13 123. As stated previously, Blachford further lacks independence from Barton because
14 of their longstanding friendship and co-ownership in a condominium.

15 124. Blachford knew or should have known that Zillow Offers was creating
16 significant losses for the Company. He either did investigate and knew or failed to investigate
17 the damages Zillow Offers caused the Company.

18
19 125. For these reasons, Blachford breached his fiduciary duties, faces a substantial
20 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
21 and, therefore, excused.

22 ***Bohutinsky***

23 126. Demand on Bohutinsky is futile because Bohutinsky has served as a Company
24 director since 2018. She previously served as the Company’s Chief Operating Officer from
25 August 2015 until January 2019; Chief Marketing Officer from March 2011 until August 2015;
26 Vice President of Marketing and Communications from September 2010 until March 2011;
27

1
2 Vice President of Communications from August 2008 until September 2010; and Director of
3 Communications from August 2005 until August 2008. The Company's 2021 Proxy stated that
4 Bohutinsky is not an independent director. Bohutinsky signed and thus personally made the
5 false and misleading statements in the 2020 10-K. Bohutinsky also faces a substantial
6 likelihood of liability for authorizing the 2021 Proxy.

7
8 127. According to the 2022 Proxy, she owns 31 thousand shares of Class A common
9 stock and 215 thousand shares of Class C capital stock. Therefore, Bohutinsky will not bring a
10 suit against the Individual Defendants because it would harm her investment in the Company.
11 She has received and continues to receive compensation for her role as a director as described
12 herein.

13 128. Bohutinsky shares transactional ties with Hoag, Wacksman, Maffei, Barton, and
14 Blachford in TCV, as stated above.

15 129. Bohutinsky knew or should have known that Zillow Offers was creating
16 significant losses for the Company. She either did investigate and knew or failed to investigate
17 the damages Zillow Offers caused the Company.

18 130. For these reasons, Bohutinsky breached her fiduciary duties, faces a substantial
19 likelihood of liability, is not independent or disinterested, and thus demand upon her is futile
20 and, therefore, excused.

21
22 ***Thielke***

23 131. Demand on Thielke is futile because Thielke has served as a Company director
24 since 2020. She has received and continues to receive compensation for her role as a director
25 and is a member of the Audit Committee. Thielke signed and thus personally made the false
26 and misleading statements in the 2020 10-K. She also faces a substantial likelihood of liability
27

1
2 for authorizing the 2021 Proxy.

3 132. According to the 2022 Proxy, she owns 7.9 thousand shares of Class C capital
4 stock. Therefore, Thielke will not bring a suit against the Individual Defendants because it
5 would harm her investment in the Company.

6 133. She has received and continues to receive compensation for her role as a director
7 as described herein. Thielke also benefited from the false and misleading 2021 Proxy because
8 she was re-elected through it.
9

10 134. Thielke knew or should have known that Zillow Offers was creating significant
11 losses for the Company. She either did investigate and knew or failed to investigate the
12 damages Zillow Offers caused the Company. As a member of the Audit Committee, Thielke
13 failed to uphold her additional duties to ensure a system of internal controls was maintained.

14 135. For these reasons, Thielke breached her fiduciary duties, faces a substantial
15 likelihood of liability, is not independent or disinterested, and thus demand upon her is futile
16 and, therefore, excused.
17

18 ***Frink***

19 136. Demand on Frink is futile because Frink has served as a director of the
20 Company since 2004. He has served as Executive Chairman since 2019, co-founded the
21 Company with Barton, and is President of the Company. Frink signed and thus personally made
22 the materially false and misleading statements in the 2020 10-K. He also faces a substantial
23 likelihood of liability for authorizing the 2021 Proxy.

24 137. According to the 2022 Proxy, Frink owns 3.2 million shares of Class A common
25 stock, 2.4 million shares of Class B common stock, and 4.4 million shares of Class C capital
26 stock. Therefore, Frink will not bring a suit against the Individual Defendants because it would
27

1
2 harm his investment in the Company. Frink controls 20.1% of the Company's voting power.

3 138. The 2022 Proxy states that Frink is not an independent director and that he
4 received \$16.9 million in compensation from the Company during 2021.

5 139. Frink knew or should have known that Zillow Offers was creating significant
6 losses for the Company. He either did investigate and knew or failed to investigate the damages
7 Zillow Offers caused the Company.

8 140. As stated above as to why demand is futile to Barton, Frink and Barton share
9 long-standing personal and business relationships, including Benchmark Capital Investments'
10 investment in Grubhub Inc. Thus, Frink lacks independence from Barton.

11 141. For these reasons, Frink breached his fiduciary duties, faces a substantial
12 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
13 and, therefore, excused.
14

15 ***Hoag***

16 142. Demand on Hoag is futile because Hoag has served as a Company director since
17 2005. He has received and continues to receive compensation for his role as a director. Hoag
18 signed and thus personally made the false and misleading statements in the 2020 10-K. He also
19 faces a substantial likelihood of liability for authorizing the 2021 Proxy.
20

21 143. According to the 2022 Proxy, Hoag owns 516 thousand shares of Class A
22 common stock and 5.9 million shares of Class C capital stock. Therefore, Hoag will not bring a
23 suit against the Individual Defendants because it would harm his investment in the Company.

24 144. Hoag knew or should have known that Zillow Offers was creating significant
25 losses for the Company. He either did investigate and knew or failed to investigate the damages
26 Zillow Offers caused the Company.
27

1
2 145. As stated above, Hoag is disinterested from Barton because they both serve on
3 Netflix's board of directors. Hoag shares transactional ties with Bohutinsky, Wacksman,
4 Maffei, Barton, and Blachford in TCV. As stated previously, Hoag serves on Peloton's board of
5 directors which entities affiliated with TCV hold 37.5% of the total voting power.

6 146. Hoag further lacks independence from Maffei because they serve together on
7 Tripadvisor, Inc.'s ("Tripadvisor") board of directors. According to the 2022 Proxy, "Maffei is
8 also the Chief Executive Officer and Chairman of the Board of Liberty TripAdvisor Holdings,
9 which currently holds approximately a 21.4% equity interest and 57.3% voting interest in
10 TripAdvisor, Inc." Maffei also serves on Tripadvisor's compensation committee. According to
11 Tripadvisor's proxy statement filed April 29, 2022, Hoag received \$314,983 in compensation
12 from Tripadvisor for his role as a director. Thus, Hoag lacks independence from Bohutinsky,
13 Wacksman, Maffei, Barton, and Blachford.
14

15 147. For these reasons, Hoag breached his fiduciary duties, faces a substantial
16 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
17 and, therefore, excused.
18

19 ***Maffei***

20 148. Demand on Maffei is futile because Maffei has served as a Company director
21 since 2005. Maffei received a material personal benefit in the form of insider trading that would
22 be the subject of a litigation demand. The Form 4 did not indicate Maffei's sale was made
23 pursuant to a 10b5-1 trading plan. Maffei reaped over \$380 thousand in sales proceeds.

24 149. Maffei has received and continues to receive compensation for his role as a
25 director as described herein and is the Chairman of the Audit Committee. Maffei signed and
26 thus personally made the false and misleading statements in the 2020 10-K. He also faces a
27

1
2 substantial likelihood of liability for authorizing the 2021 Proxy.

3 150. According to the 2022 Proxy, he owned 316 thousand shares of Class A
4 common stock and 705 thousand shares of Class C capital stock. Therefore, Maffei will not
5 bring a suit against the Individual Defendants because it would harm his investment in the
6 Company.

7 151. Maffei knew or should have known that Zillow Offers was creating significant
8 losses for the Company. He either did investigate and knew or failed to investigate the damages
9 Zillow Offers caused the Company. As Chairman of the Audit Committee, Maffei failed to
10 uphold his additional duties to ensure a system of internal controls was maintained.

11 152. As stated above, Maffei lacks independence from Barton because they serve
12 together on Qurate's board of directors; Maffei lacks independence from Hoag because they
13 serve together on Tripadvisor's board of directors. Hoag serves on Tripadvisor's compensation
14 committee. During 2021, Maffei received \$314,983 in compensation for his role as a director of
15 Tripadvisor. Maffei shares transactional ties with Bohutinsky, Wacksman, Hoag, Barton, and
16 Blachford in TCV.

17 153. For these reasons, Maffei breached her fiduciary duties, faces a substantial
18 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
19 and, therefore, excused.

20
21
22 ***Stephenson***

23 154. Demand on Stephenson is futile because Stephenson has served as a Company
24 director since 2005. Stephenson received a material personal benefit in the form of insider
25 trading that would be the subject of a litigation demand. The Form 4 did not indicate
26 Stephenson's sale was made pursuant to a 10b5-1 trading plan. Stephenson reaped over \$1.9
27

1 million in sales proceeds.

2
3 155. Stephenson has received and continues to receive compensation for his role as a
4 director as described herein and serves as a member of the Audit Committee. Stephenson
5 signed and thus personally made false and misleading statements in the 2020 10-K. He also
6 faces a substantial likelihood of liability for authorizing the 2021 Proxy and benefited from re-
7 election through the 2021 Proxy.

8
9 156. According to the 2022 Proxy, Stephenson owns 41 thousand shares of Class A
10 common stock and 144 thousand shares of Class C capital stock. Therefore, Stephenson will
11 not bring a suit against the Individual Defendants because it would harm his investment in the
12 Company.

13 157. Stephenson knew or should have known that Zillow Offers was creating
14 significant losses for the Company. He either did investigate and knew or failed to investigate
15 the damages Zillow Offers caused the Company. As a member of the Audit Committee,
16 Stephenson failed to uphold his additional duties to ensure a system of internal controls was
17 maintained.

18
19 158. According to the 2022 Proxy, “Stephenson participates in Zillow Group’s
20 Premier Agent program, a business relationship that has been an ordinary course dealing.”
21 According to an article published by *Inman*, Stephenson accumulated \$10 million in wealth
22 from March 2014 through March 2015 through being a Zillow Premier Agent.⁸ According to
23 the article, Stephenson “met Rich Barton through a Stanford classmate, Christian Acker, who
24 was Barton’s first hire at Zillow.” According to Stephenson’s profile on Zillow’s website, he
25

26 ⁸ Brad Inman, How this Zillow Premier Agent made \$10 million, *Inman*, March 5, 2015,
27 <https://www.inman.com/2015/03/05/how-this-zillow-premier-agent-made-10-million/> (last
visited July 11, 2022).

1
2 currently has eighteen listings ranging from \$475,000 to \$2,900,000.⁹ His profile also lists that
3 he sold 171 homes in 2022 alone. The homes sold in 2022 so far had an aggregate closing price
4 of approximately \$143 million. Therefore, Stephenson derives a substantial source of his
5 income from his status as a Zillow Group Premier Agent. Barton as and Frink as the
6 Company's upper management can influence whether Stephenson retains his status as a Zillow
7 Group Premier Agent. Therefore, Stephenson lacks independence from Barton and Frink.

8
9 159. For these reasons, Stephenson breached his fiduciary duties, faces a substantial
10 likelihood of liability, is not independent or disinterested, and thus demand upon him is futile
11 and, therefore, excused.

12 ***Underwood***

13 160. Demand on Underwood is futile because Underwood has served as a Company
14 director since 2017. She has received and continues to receive compensation for her role as a
15 director as described herein. Underwood signed and thus personally made the false and
16 misleading statements in the 2020 10-K. She also faces a substantial likelihood of liability for
17 authorizing the 2021 Proxy.

18 161. According to the 2022 Proxy, Underwood owns 48 thousand shares of Class C
19 capital stock. Therefore, Underwood will not bring a suit against the Individual Defendants
20 because it would harm his investment in the Company.

21
22 162. Underwood knew or should have known that Zillow Offers was creating
23 significant losses for the Company. She either did investigate and knew or failed to investigate
24 the damages Zillow Offers caused the Company.

25 163. For these reasons, Underwood breached her fiduciary duties, faces a substantial
26

27 ⁹ See <https://www.zillow.com/profile/Gordon> (last visited July 11, 2022).

1
2 likelihood of liability, is not independent or disinterested, and thus demand upon her is futile
3 and, therefore, excused.

4 164. As trusted Company directors, the above directors conducted little, if any,
5 oversight of the scheme to cause the Company to make false and misleading statements,
6 consciously disregarded their duties to monitor such controls over reporting and engagement in
7 the scheme, and consciously disregarded their duties to protect corporate assets. For the above
8 reasons, these Director Defendants breached their fiduciary duties, face a substantial likelihood
9 of liability, are not independent or disinterested, and thus demand upon them is futile and,
10 therefore, excused.
11

12 165. Pursuant to the Company's Audit Charter, the Audit Committee Defendants are
13 responsible for overseeing, among other things, the integrity of the Company's financial
14 statements, the Company's compliance with laws and regulations, and the Company's
15 accounting and financial reporting practices and system of internal controls. The Audit
16 Committee Defendants failed to ensure the integrity of the Company's financial statements and
17 internal controls, as they are charged to do under the Audit Charter, and allowed the Company
18 to issue false and misleading financial statements with the SEC. Thus, the Audit Committee
19 Defendants breached their fiduciary duties, are not disinterested, and demand is excused as to
20 them.
21

22 166. In violation of the Code of Conduct and Code of Ethics, the Director Defendants
23 conducted little, if any, oversight of the Company's engagement in the Individual Defendants'
24 scheme to issue materially false and misleading statements to the public and to facilitate and
25 disguise the Individual Defendants' violations of law, including breaches of fiduciary duty,
26 waste of corporate assets, unjust enrichment, and violations of Sections 14(a) and 20(a) of the
27

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2 Exchange Act. In further violation of the Code of Conduct and Code of Ethics, the Director
3 Defendants failed to comply with laws and regulations, maintain the accuracy of Company
4 records and reports, avoid conflicts of interest, conduct business in an honest and ethical
5 manner, protect and properly use corporate assets, and properly report violations of the Code of
6 Conduct and Code of Ethics. Thus, the Director Defendants face a substantial likelihood of
7 liability and demand is futile as to them.

8
9 167. Zillow has been and will continue to be exposed to significant losses due to the
10 wrongdoing complained of herein, yet the Director Defendants have not filed any lawsuits
11 against themselves or others who were responsible for that wrongful conduct to attempt to
12 recover for Zillow any part of the damages Zillow suffered and will continue to suffer thereby.
13 Thus, any demand upon the Director Defendants would be futile.

14
15 168. The Individual Defendants' conduct described herein and summarized above
16 could not have been the product of legitimate business judgment as it was based on bad faith
17 and intentional, reckless, or disloyal misconduct. Thus, none of the Director Defendants can
18 claim exculpation from their violations of duty pursuant to the Company's charter (to the extent
19 such a provision exists). As a majority of the Director Defendants face a substantial likelihood
20 of liability, they are self-interested in the transactions challenged herein and cannot be
21 presumed to be capable of exercising independent and disinterested judgment about whether to
22 pursue this action on behalf of the shareholders of the Company. Accordingly, demand is
23 excused as being futile.

24
25 169. The acts complained of herein constitute violations of fiduciary duties owed by
26 Zillow's officers and directors, and these acts are incapable of ratification.

27 170. Thus, for all the reasons set forth above, all the Director Defendants, and, if not

1
2 all of them, at least a majority of them, cannot consider a demand with disinterestedness and
3 independence. Consequently, a demand upon the Board is excused as futile.

4
5 **IX. FIRST CLAIM**
6 **Against the Individual Defendants**
7 *for Violations of Section 14(a) of the Exchange Act*

8 171. Plaintiff incorporates by reference and re-alleges each and every allegation set
9 forth above, as though fully set forth herein.

10 172. The Section 14(a) Exchange Act claims alleged herein are based solely on
11 negligence. They are not based on any allegation of reckless or knowing conduct by or on
12 behalf of the Individual Defendants. The Section 14(a) claims alleged herein do not allege and
13 do not sound in fraud. Plaintiff specifically disclaims any allegations of, reliance upon any
14 allegation of, or reference to any allegation of fraud, scienter, or recklessness with regard to
15 these non-fraud claims.

16 173. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a)(1), provides that “[i]t
17 shall be unlawful for any person, by use of the mails or by any means or instrumentality of
18 interstate commerce or of any facility of a national securities exchange or otherwise, in
19 contravention of such rules and regulations as the [SEC] may prescribe as necessary or
20 appropriate in the public interest or for the protection of investors, to solicit or to permit the use
21 of his name to solicit any proxy or consent or authorization in respect of any security (other
22 than an exempted security) registered pursuant to section 12 of this title [15 U.S.C. § 78l].”

23 174. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that
24 no proxy statement shall contain “any statement which, at the time and in the light of the
25 circumstances under which it is made, is false or misleading with respect to any material fact,
26

27 or which omits to state any material fact necessary in order to make the statements therein not
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COMPLAINT - 50
(NO.)

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2 false or misleading.” 17 C.F.R. § 240.14a-9.

3 175. The 2021 Proxy also stated that the Company’s directors and employees are
4 subject to the Company’s Code of Conduct and Code of Ethics. The 2021 Proxy was also false
5 and misleading because, despite assertions to the contrary, Zillow’s compliance with its
6 respective codes of conduct were not followed, as the Individual Defendants made and/or
7 caused the Company to make the false and misleading statements discussed herein.
8

9 176. In the exercise of reasonable care, the Individual Defendants should have known
10 that by misrepresenting or failing to disclose the foregoing material facts, the statements
11 contained in the 2021 Proxy were materially false and misleading. The misrepresentations and
12 omissions were material to Plaintiff in voting on the matters set forth for stockholder
13 determination in the 2021 Proxy, including, but not limited to, election of directors, ratification
14 of an independent auditor, and the approval of executive compensation.
15

16 177. The false and misleading elements of the 2021 Proxy led to the re-elections of
17 Blachford, Stephenson, and Thielke, allowing them to continue breaching their fiduciary duties
18 to Zillow.

19 178. The Company was damaged as a result of the Individual Defendants’ material
20 misrepresentations and omissions in the 2021 Proxy.

21 179. Plaintiff, on behalf of Zillow, has no adequate remedy at law.
22

23 **X. SECOND CLAIM**
24 **Against the Individual Defendants**
for Violations of Section 20(a) of the Exchange Act

25 180. Plaintiff incorporates by reference and re-alleges each and every allegation set
26 forth above, as though fully set forth herein.

27 181. The Individual Defendants, by virtue of their positions with Zillow and their
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2 specific acts, were, at the time of the wrongs alleged herein, controlling persons of Zillow and
3 officers and directors who made the false and misleading statements alleged herein within the
4 meaning of § 20(a) of the Exchange Act. The Individual Defendants had the power and
5 influence, and exercised same, to cause Zillow to engage in the misconduct and practices
6 complained of herein.

7
8 182. Plaintiff, on behalf of Zillow, has no adequate remedy at law.

9
10 **XI. THIRD CLAIM**
Against Individual Defendants
for Breach of Fiduciary Duties

11 183. Plaintiff incorporates by reference and re-alleges each and every allegation set
12 forth above, as though fully set forth herein.

13 184. Each Individual Defendant owed to the Company the duty to exercise candor,
14 good faith, and loyalty in the management and administration of Zillow's business and affairs.

15 185. Each of the Individual Defendants violated and breached their fiduciary duties
16 of candor, good faith, loyalty, reasonable inquiry, oversight, and supervision.

17 186. The Individual Defendants' conduct set forth herein was due to their intentional
18 or reckless breach of the fiduciary duties they owed to the Company, as alleged herein. The
19 Individual Defendants intentionally or recklessly breached or disregarded their fiduciary duties
20 to protect the rights and interests of Zillow.
21

22 187. In breach of their fiduciary duties, the Individual Defendants caused the
23 Company to engage in the misconduct described herein.
24

25 188. In further breach of their fiduciary duties, the Individual Defendants failed to
26 maintain an adequate system of oversight, disclosure, controls, and procedures.

27 189. Also, in breach of their fiduciary duties, the Individual Defendants willfully or

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2 recklessly made and/or caused the Company to make false and misleading statements during
3 the Relevant Period, that assured investors that Zillow was on track to continue to receive
4 revenue from Zillow Offers. The Company's August 5, 2021 shareholder letter gave an outlook
5 of total revenue of \$1,927 million to \$2,047 million and Homes segment revenue of \$1,400
6 million to \$1,500 million for the three months ended September 30, 2021. Yet the Company
7 disclosed on November 2, 2021 that the Company was winding down Zillow Offers,
8 consolidated revenue for the third quarter was \$1.7 billion, and Homes segment revenue for the
9 third quarter was \$1.2 billion.
10

11 190. The Individual Defendants created a false and misleading impression that the
12 growth of and demand for Zillow Offers was organic and based upon Zillow's frequently-
13 discussed and highlighted algorithm and pricing models and that Zillow Offers' favorable
14 margins were the result of durable and sustainable operational and cost improvements.
15 Specifically, the statements made were further materially false and misleading because: (i)
16 Zillow management overrode the offer prices generated by Zillow's algorithms and pricing
17 analysts, and significantly increased the prices Zillow Offers would pay for homes in order to
18 entice more home sellers to accept offers to meet Zillow's volume goals. In the April to May
19 2021 time frame, Individual Defendants initiated or knew of Project Ketchup to quickly ramp
20 up the purchases of homes; (ii) Individual Defendants claimed operational, unit economic, or
21 renovation "improvements" were the result of non-durable and unsustainable slashing of
22 renovation scopes and the amounts Zillow would pay contractors; (iii) in April or May 2021,
23 Individual Defendants began decreasing the scope of its renovations and the prices it would pay
24 contractors for those renovations; (iv) renovation cost-cutting and the squeeze on contractors
25 came at a time when Zillow was relying on those contractors to quickly renovate a significantly
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2 higher volume of houses acquired by overpaying for homes using price overlays and, as a
3 result, Zillow's contractors began deprioritizing Zillow renovations or declining jobs altogether
4 due to Zillow's actions; (vi) the Individual Defendants hid from the stockholders the increased
5 risk it took on by deliberately over-paying for homes well beyond the prices set by its
6 algorithms and analyst pricing; and (vii) the Individual Defendants failed to maintain an
7 adequate system of internal controls. As a result of the foregoing, Zillow's inventory kept
8 growing and contractors did not complete projects on time or agreed to less projects and this
9 caused houses to sit in inventory longer. When houses sit in Zillow's inventory longer, the cost
10 to Zillow rises.
11

12 191. The Individual Defendants failed to correct and/or caused the Company to fail to
13 rectify any of the wrongs described herein or correct the false and/or misleading statements and
14 omissions of material fact referenced herein, rendering them personally liable to the Company
15 for breaching their fiduciary duties.
16

17 192. The Individual Defendants had actual or constructive knowledge that the
18 Company issued materially false and misleading statements, and they failed to correct the
19 Company's public statements. The Individual Defendants either had actual knowledge of the
20 misrepresentations and omissions of material facts set forth herein or acted with reckless
21 disregard for the truth in that they failed to ascertain and disclose such facts, even though such
22 facts were available to them. Such material misrepresentations and omissions were committed
23 knowingly or recklessly and for the purpose and effect of artificially inflating the price of the
24 Company's securities.
25

26 193. The Individual Defendants had actual or constructive knowledge that they had
27 caused the Company to improperly engage in the fraudulent schemes set forth herein, and that

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2 internal controls were not adequately maintained, or acted with reckless disregard for the truth,
3 in that they caused the Company to improperly engage in the fraudulent schemes and fail to
4 maintain adequate internal controls, even though such facts were available to them. Such
5 improper conduct was committed knowingly or recklessly and for the purpose and effect of
6 artificially inflating the price of the Company's securities. The Individual Defendants, in good
7 faith, should have taken appropriate action to correct the schemes alleged herein and to prevent
8 them from continuing to occur.
9

10 194. These actions were not a good-faith exercise of prudent business judgment to
11 protect and promote the Company's corporate interests.

12 195. As a direct and proximate result of the Individual Defendants' breaches of their
13 fiduciary obligations, Zillow has sustained and continues to sustain significant damages. As a
14 result of the misconduct alleged herein, the Individual Defendants are liable to the Company.
15

16 196. Plaintiff, on behalf of Zillow, has no adequate remedy at law.

17 **XII. FOURTH CLAIM**
18 **Against Individual Defendants**
19 *for Unjust Enrichment*

20 197. Plaintiff incorporates by reference and re-alleges each and every allegation set
21 forth above, as though fully set forth herein.

22 198. By their wrongful acts, violations of law, false and misleading statements, and
23 omissions of material fact that they made and/or caused to be made, the Individual Defendants
24 were unjustly enriched at the expense and to the detriment of Zillow.

25 199. The Individual Defendants either benefitted financially from the improper
26 conduct, received unjust compensation tied to the false and misleading statements, received

27 bonuses, stock options, or similar compensation from Zillow tied to the performance or
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2 artificially inflated valuation of Zillow, or received compensation that was unjust in light of the
3 Individual Defendants' bad faith conduct, or sold stock at artificially inflated prices during the
4 Relevant Period.

5 200. Plaintiff, as a stockholder and a representative of Zillow, seeks restitution from
6 the Individual Defendants and seeks an order from this Court disgorging all profits— including
7 benefits, performance-based, valuation-based, and other compensation—obtained by the
8 Individual Defendants due to their wrongful conduct and breach of their fiduciary duties.
9

10 201. Plaintiff, on behalf of Zillow, has no adequate remedy at law.

11 **XIII. FIFTH CLAIM**
12 **Against Individual Defendants**
13 *for Waste of Corporate Assets*

14 202. Plaintiff incorporates by reference and re-alleges each and every allegation set
15 forth above, as though fully set forth herein.

16 203. As a further result of the foregoing, the Company will incur many millions of
17 dollars of legal liability and/or costs to defend unlawful actions and engage in internal
18 investigations, and Zillow will lose financing from investors and business from future
19 customers who no longer trust the Company and its services.

20 204. Because of the waste of corporate assets, the Individual Defendants are each
21 liable to the Company.

22 205. Plaintiff, on behalf of Zillow, has no adequate remedy at law.
23

24 **XIV. SIXTH CLAIM**
25 **Against Defendants Barton, Blachford, Maffei, Stephenson, Parker, Wacksman,**
26 **Spaulding, Praver, Johnson, Daimler, and Beitel**
for Insider Trading

27 206. Plaintiff incorporates by reference and re-alleges each and every allegation set

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2 forth above, as though fully set forth herein.

3 207. When Defendants Barton, Blachford, Maffei, Stephenson, Parker, Wacksman,
4 Spaulding, Praver, Johnson, Daimler, and Beitel sold over \$116 million worth of stock, they
5 were in possession of material non-public information regarding the Company's true organic
6 growth from Zillow Offers and Project Ketchup's artificial effects on the Company's financial
7 results, both of which would have an adverse effect on the stock price. The revelation of this
8 adverse information and the full truth concerning Zillow Offers' growth would destroy billions
9 in market capitalization and cause the Company to write down losses of more than half a billion
10 dollars when revealed to the market.

11
12 208. The foregoing information was proprietary, material, adverse, and non-public
13 information regarding the Company's operations known only by Zillow insiders. The
14 information which formed the basis of the sales of stock made by Defendants Barton,
15 Blachford, Maffei, Stephenson, Parker, Wacksman, Spaulding, Praver, Johnson, Daimler, and
16 Beitel was the type of information upon which they were specifically barred from trading. This
17 information was a proprietary asset belonging to Zillow, which was usurped for the benefit of
18 Defendants Barton, Blachford, Maffei, Stephenson, Parker, Wacksman, Spaulding, Praver,
19 Johnson, Daimler, and Beitel and to the detriment of the Company.

20
21 209. The use of this information by Defendants Barton, Blachford, Maffei,
22 Stephenson, Parker, Wacksman, Spaulding, Praver, Johnson, Daimler, and Beitel was a breach
23 of their fiduciary duty of loyalty. Their insider sales of stock were predicated upon their
24 possession of material, adverse, non-public information to which they had access as Zillow
25 insiders.

26
27 210. Plaintiff, on behalf of Zillow, has no adequate remedy at law.

XV. PRAYER FOR RELIEF

211. **FOR THESE REASONS**, Plaintiff demands judgment in the Company's favor against all Individual Defendants as follows:

A. Declaring that Plaintiff may maintain this action on behalf of Zillow, and that Plaintiff is an adequate representative of the Company;

B. Declaring that the Individual Defendants have breached their fiduciary duties to Zillow;

C. Determining and awarding to Zillow the damages sustained by it because of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre- and post-judgment interest thereon;

D. Directing Zillow and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and protect Zillow and its stockholders from a repeat of the damaging events described herein;

E. Awarding Zillow restitution from Individual Defendants;

F. Awarding Plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees, costs, and expenses; and

G. Granting such other and further relief as the Court may deem just and proper.

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DATED July 20, 2022.

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