ZILLOW INC
Form S-1/A
July 06, 2011
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As filed with the Securities and Exchange Commission on July 6, 2011

Registration No. 333-173570

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ZILLOW, INC.

(Exact name of registrant as specified in its charter)

Washington	7389	20-2000033
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

999 Third Avenue, Suite 4600

Seattle, Washington 98104

(206) 470-7000

www.zillow.com

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Spencer M. Rascoff

Chief Executive Officer

Zillow, Inc.

999 Third Avenue, Suite 4600

Seattle, Washington 98104

(206) 470-7000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Estimated Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class A Common Stock, $0.0001 par value per share	3,981,300	$14.00	$55,738,200	$6,472

(1) Includes shares that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.
(3) The registrant previously paid $6,009 of this registration fee in connection with the original filing of this Registration Statement on April 18, 2011.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED JULY 6, 2011

PRELIMINARY PROSPECTUS

3,462,000 Shares

Zillow, Inc.

Class A Common Stock

$ per share

This is the initial public offering of our Class A common stock. We are selling 3,462,000 shares of our Class A common stock. We currently expect the initial public offering price to be between $12.00 and $14.00 per share. Concurrent with the closing of this offering, existing investors, including funds affiliated with Technology Crossover Ventures, have agreed to purchase from us in a private placement the number of shares of Class A common stock with an aggregate purchase price of approximately $5.5 million, at a price per share equal to the initial public offering price.

Since Zillow s inception, we have had authorized Class A common stock, which has one vote per share, and authorized Class B common stock, which has ten votes per share. All shares of Class B common stock are held by our founders, Richard Barton and Lloyd Frink. Following this offering and the concurrent private placement, Mr. Barton will have voting control over approximately 0.2% of our Class A common stock and 55.3% of our Class B common stock, representing 46.7% of the voting power of our outstanding capital stock, and Mr. Frink will have voting control over approximately 44.7% of our Class B common stock, representing 37.8% of the voting power of our outstanding capital stock.

We have granted the underwriters an option to purchase up to 519,300 additional shares of Class A common stock to cover over-allotments.

We have applied to list our Class A common stock on The Nasdaq Global Market under the symbol Z.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds to Zillow, Inc. (before expenses)	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2011 through the book-entry facilities of The Depository Trust Company.

Citi

Allen & Company LLC **Pacific Crest Securities** **ThinkEquity LLC** **First Washington Corp.**

, 2011.

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

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SUMMARY

The following summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. In this prospectus, unless the context requires otherwise, references to Zillow, our company, we, us and our refer to Zillow, Inc. In addition, in this prospectus, we use the term unique user. We count a unique user the first time a computer or mobile device with a unique IP address accesses our website or one of our mobile applications during a calendar month. If an individual accesses our website or mobile applications using different IP addresses within a given month, the first access by each such IP address is counted as a separate unique user.

ZILLOW, INC.

Mission

Our mission is to build the most trusted and vibrant home-related marketplace

to empower consumers with information and tools to make intelligent decisions about homes.

Our Company

Zillow is the leading real estate information marketplace. We provide vital information about homes, real estate listings and mortgages through our website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. We are transforming the way people make home-related decisions. Zillow provides consumers and real estate professionals an edge in real estate .

We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. Our living database of more than 100 million U.S. homes including homes for sale, homes for rent and homes not currently on the market attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 28 million homes and added more than 60 million home photos, creating exclusive home profiles available nowhere else. These profiles include rich, detailed information about homes, such as property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it, both through our website and through our industry-leading mobile applications that allow consumers to access our information when they are curbside, viewing homes.

Using complex, proprietary automated valuation models, we provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes. Our products and services present residential real estate data in novel ways that have revolutionized the way consumers search for, find and understand home-related information and make real estate decisions.

Consumers increasingly are turning to the Internet and mobile devices for real estate information. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%. We operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry. During May 2011, Zillow was used on a mobile device more than 8.8 million times, with more than 1.7 million homes viewed on mobile devices each day.

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Real estate and mortgage professionals are a critical part of the home-related marketplace. We enable consumers to connect with real estate and mortgage professionals best suited to meet their needs.

Our real estate marketplace benefits from network effects. As more consumers come to our website to use our products and services, more real estate and mortgage professionals contribute content to distinguish themselves, thereby making our marketplace more useful and attracting additional consumers.

We generate revenues from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. During the three months ended March 31, 2011, we generated revenue of $11.3 million, as compared to $5.3 million in the three months ended March 31, 2010, an increase of 111%. For the years ended December 31, 2008, 2009 and 2010, we generated revenues of $10.6 million, $17.5 million and $30.5 million, representing year-over-year growth of 49%, 65% and 74%, respectively.

Our Opportunity

Homes are the center of peoples lives, the focus of some of their most important decisions and often their most valuable assets. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement. Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide home-related services. We believe the following activities represent large market opportunities for Zillow:

Purchase and Sale. Sales of existing and new homes in the United States in 2010 had an aggregate transaction value of approximately $1.2 trillion, according to data published in April 2011 by the U.S. Census Bureau and the National Association of REALTORS®, or NAR. Residential real estate brokerage commissions and fees totaled approximately $60 billion in 2010, as derived by Zillow using data released in 2011 by the U.S. Census Bureau, NAR and REAL Trends. There are more than 1.8 million licensed real estate agents in the United States, according to data published in April 2011 by the Association of Real Estate License Law Officials. In an effort to acquire new client relationships and sell homes, real estate agents and brokers spent an estimated $6.2 billion on residential advertising in 2010, according to a 2011 report published by Borrell Associates.

Rental. The overall size of the U.S. rental market, including rent, utilities and insurance, exceeded $300 billion in 2009, according to data published by the U.S. Census Bureau in March 2011 and our own estimates.

Home Financing. In 2009 in the United States, 4.6 million purchase loans were originated, representing more than $852 billion in borrowings, and 8.1 million refinancing and home equity loans were originated, representing more than $1.7 trillion in borrowings, according to data available from the Federal Financial Institutions Examination Council. These loans generated approximately $26 billion in fees for mortgage lenders and brokers, according to data available from the Federal Financial Institutions Examination Council, data released in December 2010 by the Mortgage Bankers Association and our own analysis. There were approximately 266,000 mortgage lenders and brokers in the United States in 2009, according to data available from the Bureau of Labor Statistics.

Home Maintenance and Improvement. Approximately $463 billion was spent on home improvement and repair by U.S. consumers in 2010, according to an April 2011 report from the Harvard Joint Center for Housing Studies. Additionally, more than 650,000 businesses in 2007 earned the majority of their revenue by providing remodeling services, according to a January 2011 report from the Harvard Joint Center for Housing Studies.

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Industry Challenges

Highly Fragmented, Local and Complex Market The market for residential real estate transactions and home-related services is highly fragmented, local and complex. Each home has unique characteristics, including location, value, size, style, age and condition. Each consumer approaches home-related transactions with a personal set of objectives, priorities and values. Real estate agents generally operate in local markets as independent contractors with different experience and skills. These conditions create challenges for consumers and real estate and mortgage professionals alike.

Absence of Consumer Orientation Historically, consumers had minimal access to comprehensive and objective residential real estate data, even though many home-related decisions are extraordinarily information-intensive. While real estate and mortgage professionals had some data, consumers did not have free, independent and easy access to it. Even when accessible, the data was difficult to interpret and analyze.

Increasing Role of the Internet and Mobile Technologies Consumers increasingly are turning to the Internet and mobile devices for real estate information. With the widespread adoption of mobile and location-based technologies, consumers expect home-related information to be available on their mobile devices where, when and how they want it.

The Zillow Edge

We are transforming the way consumers make home-related decisions and connect with real estate and mortgage professionals. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible, and to providing transparency for all market participants. Our living database of homes, our Zestimates and our Rent Zestimates form the foundation of our products and services.

Living Database of Homes Our dynamic and comprehensive living database includes detailed information on more than 100 million U.S. homes, or most U.S. homes, and includes homes for sale, for rent and recently sold, as well as properties not currently on the market. This database is central to the value we provide to consumers and real estate and mortgage professionals. It contains extensive information that users can search, through an easy-to-use interface, to identify, analyze and compare homes. It includes information such as property facts, listing information and purchase and sale data. We apply extensive computer analytics to the data and transform it into information that is accessible, understandable and useful. We refer to the database as living because the information is continuously updated by the combination of our proprietary algorithms, synthesis of third-party data from hundreds of sources, and through improvements by us and, importantly, by our community of users.

Zestimates and Rent Zestimates We have developed industry-leading automated home valuation models that use advanced statistical methods and complex, proprietary algorithms. We use these models to provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes.

Competitive Advantages

We believe we have the following competitive advantages:

Inimitable Database. Our living database of homes is the result of years of substantial investment, sophisticated economic and statistical analysis, complex data aggregation and millions of user contributions.

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Independent Market Position and Consumer Focus. Zillow has been built independently of any real estate industry group. We believe our independence enables us to create compelling products and services with broad consumer appeal.

Powerful Brand and Scale. We have established a powerful brand identity and built a large user community in a short time. More than two-thirds of our traffic is direct, with demonstrated consumer intent to visit the Zillow brand. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%, which we achieved with virtually no advertising expense to date.

Consumer-Oriented Mortgage Marketplace. Unlike other sources of mortgage rate quotes, in Zillow Mortgage Marketplace consumers can anonymously submit loan requests, receive an unlimited number of personalized mortgage quotes and then choose to contact these lenders on their own terms. In the first five months of 2011, consumers submitted more than 1.7 million mortgage loan requests in Zillow Mortgage Marketplace.

Personalized Experience. We present consumers and real estate and mortgage professionals with many opportunities to personalize their Zillow experience, leading to more informed home shopping and financing decisions.

Mobile Leadership. We operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry that enable people to access and analyze information about homes curbside where, when and how they want it.

Proven Management Team. We believe the extensive experience and depth of our management team are distinct competitive advantages in the complex and evolving industry in which we compete.

Growth Strategies

Our growth strategies are:

Focus on Consumers. Maintain our unwavering focus on consumers and leverage our industry independence to enhance existing products and services and develop new offerings with broad consumer appeal.

Enhance Our Living Database. Enhance the information in our database of homes, and use it as the foundation for new analyses, insights and tools to inform consumers throughout the home ownership lifecycle.

Deepen and Strengthen Our Marketplace. Deepen and strengthen our marketplace by creating new opportunities for high-quality consumer-initiated connections with real estate and mortgage professionals when consumers want their services.

Efficiently Increase Brand Awareness. Expand public relations, social media and other marketing programs to efficiently increase our brand awareness.

Leverage Our Sales Force. Leverage our sales force s expertise and productivity with new advertising offerings.

Expand Our Mobile Leadership. Innovate and expand our offerings for mobile devices, launching more applications and extending our brand and products across additional mobile platforms.

Pursue Strategic Opportunities. Pursue strategic opportunities, including commercial relationships and acquisitions, to strengthen our market position, enhance our capabilities and accelerate our growth.

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Key Growth Drivers

Unique Users

Measuring unique users is important to us because our marketplace revenues depend in part on our ability to enable our users to connect with real estate and mortgage professionals and our display revenues depend in part on the number of impressions delivered. Furthermore, our community of users improves the quality of our living database with their contributions. We count a unique user the first time a computer or mobile device with a unique IP address accesses our website or one of our mobile applications during a calendar month. If an individual accesses our website or mobile applications using different IP addresses within a given month, the first access by each such IP address is counted as a separate unique user. We measure unique users with Omniture analytical tools.

	Average Monthly Unique Users for the Three Months Ended March 31,		
	2010	2011	2010 to 2011 % Change
	(in thousands)		
Unique Users	9,301	17,306	86%

	Average Monthly Unique Users for the Three Months Ended December 31,				
	2008	2009	2010	2008 to 2009 % Change	2009 to 2010 % Change
	(in thousands)				
Unique Users	5,518	7,611	12,666	38%	66%

Premier Agent Subscribers

The number of Premier Agent subscribers is an important driver of revenue growth because each subscriber pays us a monthly fee to participate in the Premier Agent program. We define a Premier Agent subscriber as an agent with a paid subscription at the end of a period.

	At March 31,		
	2010	2011	2010 to 2011 % Change
Premier Agent Subscribers	3,438	10,710	212%

	At December 31,				
	2008	2009	2010	2008 to 2009 % Change	2009 to 2010 % Change
Premier Agent Subscribers	26	2,764	8,102	*	193%

* Not meaningful because the Premier Agent program was launched in October 2008.

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Risks

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled Risk Factors, and include but are not limited to the following:

- We have incurred significant operating losses in the past and we may not be able to generate sufficient revenue to be profitable over the long term.
- If real estate and mortgage professionals or other advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our business would be harmed.
- If we do not innovate and provide products and services that are attractive to our users and to our advertisers, our business could be harmed.
- We may be unable to increase awareness of the Zillow brand cost-effectively, which could harm our business.
- We are dependent on the real estate industry, and changes to that industry, or declines in the real estate market or increases in mortgage interest rates, could reduce the demand for our products and services.

Corporate Information

Zillow, Inc. was incorporated in Washington in December 2004. Our principal executive offices are located at 999 Third Avenue, Suite 4600, Seattle, Washington 98104, and our telephone number is (206) 470-7000. Our website address is *www.zillow.com*. In addition, we maintain a Facebook page at *www.facebook.com/zillow* and a twitter feed at *www.twitter.com/zillow*. Information contained on, or that can be accessed through, our website, Facebook page or twitter feed does not constitute part of this prospectus and inclusions of our website address, Facebook page address and twitter feed address in this prospectus are inactive textual references only.

Zillow, Zillow.com, Zestimate, Make Me Move, and the Zillow logo are registered trademarks of Zillow in the United States and in some other countries. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

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The Offering

Class A common stock offered in this offering	3,462,000 shares (or 3,981,300 shares if the underwriters exercise their over-allotment option in full)
Class A common stock offered by us in the concurrent private placement	Concurrent with the closing of this offering, funds affiliated with Technology Crossover Ventures, and PAR Investment Partners, L.P., will purchase from us in a private placement the number of shares of our Class A common stock with an aggregate purchase price equal to approximately $5.0 million and $0.5 million, respectively, at a price per share equal to the initial public offering price. Based on an assumed initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, this would be 423,076 shares. The sale of these shares to funds affiliated with Technology Crossover Ventures and to PAR Investment Partners, L.P. will not be registered in this offering. We refer to the private placement of these shares of Class A common stock as the concurrent private placement.
Class A common stock to be outstanding after this offering and the concurrent private placement	17,529,826 shares (or 18,049,126 shares if the underwriters exercise their over-allotment option in full)
Class B common stock to be outstanding after this offering and the concurrent private placement	9,528,313 shares
Total Class A common stock and Class B common stock to be outstanding after this offering and the concurrent private placement	27,058,139 shares (or 27,577,439 shares if the underwriters exercise their over-allotment option in full)
Voting rights	Since Zillow s inception, we have had authorized Class A common stock, which has one vote per share, and authorized Class B common stock, which has ten votes per share. All shares of Class B common stock are held by our founders, Richard Barton and Lloyd Frink. Following this offering and the concurrent private placement, Mr. Barton will have voting control over approximately 0.2% of our Class A common stock and 55.3% of our Class B common stock, representing 46.7% of the voting power of our outstanding capital stock, and Mr. Frink will have voting control over approximately 44.7% of our Class B common stock, representing 37.8% of the voting power of our outstanding capital stock.

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Use of proceeds	We plan to use the net proceeds from this offering and the proceeds of the concurrent private placement for general corporate purposes, including working capital. We also may use a portion of these proceeds to acquire or make investments in complementary businesses, products or technologies. See Use of Proceeds.
Directed share program	The underwriters have reserved for sale, at the initial public offering price, up to 173,100 shares of the Class A common stock being offered to persons who are directors, officers or employees, or who are otherwise associated with us. See Underwriting.
Nasdaq symbol	Z

The number of shares outstanding after this offering and the concurrent private placement is based on 17,529,826 shares of Class A common stock outstanding and 9,528,313 shares of Class B common stock outstanding as of March 31, 2011 and, unless otherwise indicated, excludes:

- 1,300,000 shares of our Class A common stock reserved for future issuance under our 2011 Incentive Plan, which will become effective in connection with this offering, as more fully described in Executive Compensation Employee Benefit Plans ;
- 5,477,032 shares of our Class A common stock issuable upon the exercise of options, outstanding as of March 31, 2011, to purchase shares of our Class A common stock at a weighted average exercise price of $4.27 per share; and
- 186,631 shares of our Class A common stock issuable upon the exercise of outstanding options granted after March 31, 2011, to purchase shares of our Class A common stock at an exercise price of $6.33 per share.

Except as otherwise indicated, all information in this prospectus assumes and reflects:

- the reclassification of our common stock into our Class A common stock;
- that our amended and restated articles of incorporation, which we will file in connection with the completion of this offering, and amended and restated bylaws, which we will adopt in connection with the completion of this offering, are in effect;
- the automatic conversion of all outstanding shares of our convertible preferred stock into 9,276,190 shares of our Class A common stock to be effected upon the effectiveness of the registration statement of which this prospectus is a part;
- the automatic conversion of all outstanding shares of our Class C common stock into 2,305,980 shares of our Class A common stock to be effected upon the effectiveness of the registration statement of which this prospectus is a part;
- a 3.38-to-1 reverse stock split of our Class A common stock, Class B common stock and Class C common stock that was effected on June 17, 2011; and
- no exercise by the underwriters of their option to purchase an additional 519,300 shares of our Class A common stock to cover over-allotments, if any.

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Summary Financial and Other Data

The following tables present summary historical financial data for our business. You should read the financial data set forth below in conjunction with the information under Selected Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related data included elsewhere in this prospectus. We have derived the following statements of operations data for the years ended December 31, 2008, 2009 and 2010 and the balance sheet data as of December 31, 2010 from our audited financial statements included elsewhere in this prospectus. We have derived the following unaudited statements of operations data for the three months ended March 31, 2010 and 2011 and the unaudited balance sheet data as of March 31, 2011 from our unaudited financial statements that are included elsewhere in this prospectus. Our historical results are not necessarily indicative of our results to be expected in any future period. Pro forma net loss per share attributable to common shareholders has been calculated assuming the automatic conversion of all outstanding shares of our convertible preferred stock into 9,276,190 shares of our Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into 2,305,980 shares of our Class A common stock, both to be effected upon the effectiveness of the registration of which this prospectus is a part.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 10,593	$ 17,491	$ 30,467	$ 5,331	$ 11,260
Costs and expenses:					
Cost of revenues (exclusive of amortization)(1)(2)	4,198	4,042	4,973	1,162	1,817
Sales and marketing(1)	7,481	9,654	14,996	3,117	5,484
Technology and development(1)	15,048	11,260	10,651	2,534	2,996
General and administrative(1)	5,770	5,501	6,684	1,341	1,828
Total costs and expenses	32,497	30,457	37,304	8,154	12,125
Loss from operations	(21,904)	(12,966)	(6,837)	(2,823)	(865)
Other income	687	111	63	17	39
Net loss	$ (21,217)	$ (12,855)	$ (6,774)	$ (2,806)	$ (826)
Net loss per share attributable to common shareholders basic and diluted	$ (1.68)	$ (1.02)	$ (0.53)	$ (0.22)	$ (0.06)
Weighted-average shares outstanding attributable to common shareholders basic and diluted	12,593	12,613	12,770	12,640	13,347
Pro forma net loss per share attributable to common shareholders basic and diluted (unaudited)			$ (0.31)		$ (0.04)
Weighted-average shares outstanding used in calculating pro forma net loss per share attributable to common shareholders basic and diluted (unaudited)			22,046		22,623
Other Financial Data:					
Adjusted EBITDA (unaudited)(3)	$ (12,236)	$ (4,908)	$ 140	$ (1,183)	$ 1,051

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	

	(in thousands)				
(1) Includes share-based compensation as follows:					
Cost of revenues	$ 157	$ 183	$ 210	$ 54	$ 41
Sales and marketing	408	408	445	104	107
Technology and development	412	394	389	95	86
General and administrative	544	666	671	159	156
Total	$ 1,521	$ 1,651	$ 1,715	$ 412	$ 390
(2) Amortization of website development costs and intangible assets included in technology and development is as follows	$ 5,465	$ 4,797	$ 4,184	$ 970	$ 1,223

(3) See Adjusted EBITDA below for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

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The following table sets forth our balance sheet data as of March 31, 2011:

- on an actual basis;

- on a pro forma basis, giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into 9,276,190 shares of our Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into 2,305,980 shares of our Class A common stock, both to be effected upon the effectiveness of the registration statement of which this prospectus is a part; and

- on a pro forma, as adjusted basis, to give effect to the issuance and sale by us of 3,885,076 shares of our Class A common stock in this offering and the concurrent private placement, and our receipt of the net proceeds from the sale of such shares at an assumed initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated expenses payable in connection with this offering.

The information below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

	At March 31, 2011		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(in thousands, unaudited)		
Balance Sheet Data:			
Cash and cash equivalents and short-term investments	$ 15,554	$ 15,554	$ 59,659
Property and equipment, net	4,994	4,994	4,994
Working capital	10,332	10,332	54,437
Total assets	28,625	28,625	72,730
Convertible preferred stock	4		
Common stock	1	2	3
Total shareholders equity	18,680	18,680	62,785

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) the amount of cash and cash equivalents and short-term investments, working capital, total assets and total shareholders equity by approximately $3.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable in connection with this offering. Similarly, each increase (decrease) of 100,000 shares in the number of shares of Class A common stock offered by us would increase (decrease) the amount of cash and cash equivalents and short-term investments, working capital, total assets and total shareholders equity by approximately $1.2 million, assuming that the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable in connection with this offering.

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

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We have included Adjusted EBITDA in this prospectus because it is a key metric used by our management and board of directors to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to net loss for each of the periods presented.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
		(in thousands)			
Reconciliation of Adjusted EBITDA to Net Loss:					
Net loss	$ (21,217)	$ (12,855)	$ (6,774)	$ (2,806)	$ (826)
Income tax expense (benefit)					
Other income	(687)	(111)	(63)	(17)	(39)
Depreciation and amortization expense	8,147	6,407	5,262	1,228	1,526
Share-based compensation expense	1,521	1,651	1,715	412	390
Adjusted EBITDA (unaudited)	$ (12,236)	$ (4,908)	$ 140	$ (1,183)	$ 1,051

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RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our Class A common stock. Any of these risks could harm our business, results of operations, and financial condition and our prospects. In addition, the trading price of our Class A common stock could decline and you may lose some or all of your investment. See Special Note Regarding Forward-Looking Statements.

Risks Related to Our Business

We have incurred significant operating losses in the past and we may not be able to generate sufficient revenue to be profitable over the long term.

Since our inception in December 2004, we have incurred significant net operating losses and, as of March 31, 2011, we had an accumulated deficit of $79.5 million. Although we have experienced significant revenue growth, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. At the same time, we also expect our costs to increase in future periods as we continue to expend substantial financial resources to develop and expand our business, including on:

- product development;
- sales and marketing;
- our technology infrastructure;
- strategic opportunities, including commercial relationships and acquisitions; and
- general administration, including legal and accounting expenses related to being a public company.

These investments may not result in increased revenue or growth in our business. If we fail to continue to grow our revenue and overall business and to manage our expenses, we may continue to incur significant losses in the future and not be able to achieve or maintain profitability.

If real estate and mortgage professionals or other advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our business would be harmed.

Our current financial model depends on advertising revenues generated almost entirely through sales to real estate agents and brokerages, mortgage lenders and advertisers in categories relevant to real estate. Our ability to attract and retain advertisers, and ultimately to generate advertising revenue, depends on a number of factors, including:

- increasing the number of consumers of our products and services;
- competing effectively for advertising dollars with other online media companies;
- continuing to develop our advertising products and services;
- keeping pace with changes in technology and with our competitors; and
- offering an attractive return on investment to our advertisers for their advertising spending with us.

While real estate agents participating in our subscription-based Premier Agent program generally commit to contract terms of six or 12 months, we do not have long-term contracts with most of our other advertisers. Those advertisers could choose to modify or discontinue their relationships with us with little or no advance notice. In addition, as existing subscriptions for our Premier Agent program expire, we may not be successful in renewing these subscriptions, securing new subscriptions or increasing the amount of revenue we earn for a given subscription over time. We may not succeed in capturing a greater share of our advertisers spending if we are unable to convince advertisers of the effectiveness or superiority of our products as compared to alternatives, including traditional offline advertising media such as television and newspapers. If current advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our advertising revenues and business, results of operations and financial condition would be harmed. In addition, if we do not realize the benefits we expect from our relationship with Yahoo! Real Estate and other strategic relationships we may enter into, including for example, the generation of additional advertising revenue opportunities, our business could be harmed.

If we do not innovate and provide products and services that are attractive to our users and to our advertisers, our business could be harmed.

Our success depends on our continued innovation to provide products and services that make our website and mobile applications useful for consumers and real estate and mortgage professionals and attractive to our advertisers. As a result, we must continually invest significant resources in research and development in order to improve the attractiveness and comprehensiveness of our products and services and effectively incorporate new Internet and mobile technologies into them. If we are unable to provide products and services that users, including real estate professionals, want to use, then users may become dissatisfied and use competitors websites and mobile applications. If we are unable to continue offering innovative products and services, we may be unable to attract additional users and advertisers or retain our current users and advertisers, which could harm our business, results of operations and financial condition.

We may be unable to increase awareness of the Zillow brand cost-effectively, which could harm our business.

We rely heavily on the Zillow brand, which we believe is a key asset of our company. Awareness and perceived quality and differentiation of the Zillow brand are important aspects of our efforts to attract and expand the number of consumers who use our website and mobile applications. Should the competition for awareness and brand preference increase among online real estate information providers, we may not be able to successfully maintain or enhance the strength of our brand. If in the future we choose to engage in a paid advertising campaign to further promote the Zillow brand, such efforts may not be successful. If we are unable to maintain or enhance user and advertiser awareness of our brand cost-effectively, our business, results of operations and financial condition could be harmed.

We are dependent on the real estate industry, and changes to that industry, or declines in the real estate market or increases in mortgage interest rates, could reduce the demand for our products and services.

Our financial prospects are significantly dependent on real estate shoppers using our services. Real estate shopping patterns depend on the overall health of the real estate market, which has been in decline since 2007. Changes to the regulation of the real estate industry, including mortgage lending, may negatively impact the prevalence of home ownership. Changes to the real estate industry, declines in the real estate market or increases in mortgage interest rates could reduce demand for our services. Real estate markets also may be negatively impacted by a significant natural disaster, such as earthquake, fire, flood or other disruption.

We may be unable to maintain or establish relationships with real estate brokerages, real estate listing aggregators, multiple listing services, apartment management companies, home builders and other third-party listing providers, which could limit the information we are able to provide to our users.

Our ability to attract users to our website and mobile applications depends to some degree on providing a robust number of for sale and rental listings. To provide these listings, we maintain relationships with real estate brokerages, real estate listing aggregators, multiple listing services, apartment management companies, home builders, other third-party listing providers, and homeowners and their real estate agents to include listing data in our services. Many of our agreements with real estate listing providers are short-term agreements that may be terminated with limited notice. The loss of some of our existing relationships with listing providers, whether due to termination of agreements or otherwise, or an inability to continue to add new listing providers, may cause our listing data to omit information important to users of our products and services. This could reduce user confidence in the sale and rental data we provide and make us less popular with consumers, which could harm our business, results of operations and financial condition.

We may be unable to maintain or establish relationships with data providers, which could limit the information we are able to provide to our users and impair our ability to attract or retain users.

We obtain real estate data, such as sale transactions, property descriptions, tax-assessed value and property taxes paid, under licenses from third-party data providers. We use this data to enable the development, maintenance and improvement of our information services, including Zestimates and Rent Zestimates and our living database of homes. We have invested significant time and resources to develop proprietary algorithms, valuation models, software and practices to use and improve upon this specific data. We may be unable to renew our licenses with these data providers, or we may be able to do so only on terms that are less favorable to us, which could harm our ability to continue to develop, maintain and improve these information services and could harm our business, results of operations and financial condition.

We may in the future be subject to disputes regarding the accuracy of our Zestimates and Rent Zestimates.

We provide our users with Zestimate and Rent Zestimate home and rental valuations. A Zestimate is our estimated current market value of a home based on proprietary automated valuation models that apply advanced algorithms to analyze our data; it is not an appraisal. A Rent Zestimate is our estimated current monthly rental price of a home, using similar automated valuation models that we have designed to address the unique attributes of rental homes. Revisions to our automated valuation models, or the algorithms that underlie them, may cause certain Zestimates or Rent Zestimates to vary from our expectations for those Zestimates or Rent Zestimates. In addition, from time to time, users disagree with our Zestimates and Rent Zestimates. Any such variation in Zestimates or Rent Zestimates or disagreements could result in distraction from our business or potentially harm our reputation and could result in legal disputes.

We face competition to attract consumers to our website and mobile applications, which could impair our ability to continue to grow the number of users who use our website and mobile applications, which would harm our business, results of operations and financial condition.

Our success depends on our ability to continue to attract additional consumers to our website and mobile applications. Our existing and potential competitors include companies that operate, or could develop, national and local real estate and mortgage websites. These companies could devote greater technical and other resources than we have available, have a more accelerated time frame for deployment and leverage their existing user bases and proprietary technologies to provide products and services that consumers might view as superior to our offerings. Any of our future or existing competitors may introduce different solutions that attract consumers or provide solutions similar to our own but with better branding or marketing resources. If we are unable to continue to grow the number of consumers who use our website and mobile applications, our business, results of operations and financial condition would be harmed.

We may be unable to compete successfully against our existing or future competitors in attracting advertisers, which could harm our business, results of operations and financial condition.

We compete to attract advertisers with media sites, including websites dedicated to providing real estate and mortgage information and services to real estate professionals and consumers, and major Internet portals, general search engines and social media sites, as well as other online companies. We also compete for a share of advertisers overall marketing budgets with traditional media such as television, magazines, newspapers and home/apartment guide publications, particularly with respect to advertising dollars spent at the local level by real estate professionals to advertise their qualifications and listings. Large companies with significant brand recognition have large numbers of direct sales personnel and substantial proprietary advertising inventory and web traffic, which may provide a competitive advantage. To compete successfully for advertisers against future and existing competitors, we must continue to invest resources in developing our advertising platform and proving the effectiveness and relevance of our advertising products and services. Pressure from competitors seeking to acquire a greater share of our advertisers overall marketing budget could adversely affect our pricing and margins, lower our revenue, and increase our research and development and marketing expenses. If we are unable to compete successfully against our existing or future competitors, our business, financial condition or results of operations would be harmed.

Our dedication to making decisions based primarily on the best interests of consumers may cause us to forgo short-term gains.

Our guiding principle is to build our business by making decisions based primarily upon the best interests of consumers, which we believe has been essential to our success in increasing our user growth rate and engagement and has served the long-term interests of our company and our shareholders. In the past, we have forgone, and we will in the future forgo, certain expansion or short-term revenue opportunities that we do not believe are in the best interests of consumers, even if such decisions negatively impact our results of operations in the short term. In addition, our philosophy of putting consumers first may negatively impact our relationships with our existing or prospective advertisers. This could result in a loss of advertisers which could harm our revenue and results of operations. For example, we believe that some real estate agents have chosen not to purchase our Premier Agent subscriptions because we display a Zestimate on their for sale listings. However, we believe it is valuable to consumers to have access to a valuation starting point on all homes and so we display a Zestimate on every home in our database for which we have sufficient data to produce the Zestimate. Similarly, we gather and make available to our consumers reviews on real estate and mortgage professionals, even if those reviews are unfavorable. Although real estate and mortgage professionals who receive unfavorable reviews may be less likely to purchase our advertising products and services, we continue to post favorable and unfavorable reviews because we believe the reviews are useful to consumers in finding the right professional. Our principle of making decisions based primarily upon the best interests of consumers may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business and results of operations could be harmed.

If we fail to manage our growth effectively, our brand, results of operations and business could be harmed.

We have experienced rapid growth in our headcount and operations, which places substantial demand on management and our operational infrastructure. Most of our employees have been with us for fewer than two years. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the beneficial aspects of our company culture. In particular, we intend to pursue strategic opportunities and make substantial investments in our technology and development and sales and marketing organizations. If we do not manage the growth of our business and operations effectively, the quality of our services and efficiency of our operations could suffer, which could harm our brand, results of operations and overall business.

If use of the Internet and mobile technology, particularly with respect to online real estate products and services, does not continue to increase as rapidly as we anticipate, our business could be harmed.

Our future success is substantially dependent on the continued use of the Internet and mobile technology as effective media of business and communication by our consumers. Internet and mobile technology use may not continue to develop at historical rates, and consumers may not continue to use the Internet or mobile technology as media for information exchange. Further, these media may not be accepted as viable long-term outlets for information for a number of reasons, including actual or perceived lack of security of information and possible disruptions of service or connectivity. If consumers begin to access real estate information through other media and we fail to innovate, our business may be negatively impacted.

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We rely on the performance of highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our management and our highly skilled team of employees, including our software engineers, statisticians, marketing professionals and advertising sales staff. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The loss of any of our senior management or key employees could materially adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. We do not maintain any key person life insurance policies. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be harmed.

Any significant disruption in service on our website or in our network could damage our reputation and result in a loss of users of our products and services and of advertisers, which could harm our business, results of operations and financial condition.

Our brand, reputation and ability to attract users and advertisers depend on the reliable performance of our network infrastructure and content delivery processes. We have experienced minor interruptions in these systems in the past, including server failures that temporarily slowed the performance of our website and mobile applications, and we may experience interruptions in the future. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our products and services on our website and mobile applications and prevent or inhibit the ability of users to access our services. Problems with the reliability or security of our systems could harm our reputation, result in a loss of users of our products and services and of advertisers and result in additional costs, any of which could harm our business, results of operations and financial condition.

Substantially all of the communications, network and computer hardware used to operate our website are located at facilities in the area. We do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur.

A failure of our systems at one site could result in reduced functionality for our users, and a total failure of our systems could cause our website or mobile applications to be inaccessible. Problems faced by our third-party web hosting providers with the telecommunications network providers with which they contract or with the systems by which they allocate capacity among their customers, including us, could adversely affect the experience of our users. Our third-party web hosting providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy reorganization, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing needs for capacity, this could harm our business.

We do not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business that may result from interruptions in our service as a result of system failures. Any errors, defects, disruptions or other performance problems with our services could harm our reputation and harm our business, results of operations and financial condition.

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We may make acquisitions and investments, which could result in operating difficulties, dilution and other harmful consequences.

We expect to evaluate a wide array of potential strategic opportunities. For example, in March 2011, we acquired the operating assets of a real estate agent and rental property manager marketing service. Any transactions that we enter into could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. The areas where we face risks include:

- diversion of management time and focus from operating our business to acquisition integration challenges;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of product, engineering and sales and marketing functions;
- retention of employees from the acquired company;
- liability for activities of the acquired company before the acquisition;
- litigation or other claims arising in connection with the acquired company; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business, results of operations and financial condition.

We are subject to a variety of federal and state laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of federal and state laws that are continuously evolving and developing, including laws regarding the real estate and mortgage industries, Internet-based businesses and businesses that rely on advertising. These laws can be costly to comply with, can require significant management time and effort, and can subject us to claims or other remedies. These laws may conflict with each other and if we comply with the laws of one jurisdiction, we may find that we are violating laws of another jurisdiction. Additionally, our ability to provide a specific target audience to advertisers is a significant competitive advantage. Any legislation reducing this ability would have a negative impact on our business and results of operations.

If we are unable to comply with these laws or regulations, if we become liable under these laws or regulations or if unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies are implemented, we could be directly harmed and forced to implement new measures to reduce our exposure to this liability and it could cause the development of product or service offerings in affected markets to become impractical. This may require us to expend substantial resources or to discontinue certain products or services, limit our ability to expand our product and services offerings or expand into new markets or otherwise harm our business, results of operations and financial condition. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business and results of operations.

We assist with the processing of customer credit card transactions which results in us receiving personally identifiable information. This information is increasingly subject to legislation and regulation in the United States. This legislation and regulation is generally intended to protect the privacy and security of personal information, including credit card information, that is collected, processed and transmitted. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information.

We may be unable to continue to use the domain names that we use in our business, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We have registered domain names for our website that we use in our business, such as Zillow.com. If we lose the ability to use a domain name, we may incur significant expenses to market our products and services under a new domain name, which could harm our business. In addition, our competitors could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names and determining the rights of others may require litigation, which could result in substantial costs and diversion of management s attention.

We may be unable to adequately protect our intellectual property, which could harm the value of our brand and our business.

We regard our intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and contracts to protect our proprietary rights. If we are not successful in protecting our intellectual property, the value of our brand and our business, results of operations and financial condition could be harmed.

While we believe that our issued patents and pending patent applications help to protect our business, there can be no assurance that our operations do not, or will not, infringe valid, enforceable patents of third parties or that competitors will not devise new methods of competing with us that are not covered by our patents or patent applications. There also can be no assurance that our patent applications will be approved, that any patents issued will adequately protect our intellectual property, that such patents will not be challenged by third parties or found to be invalid or unenforceable or that our patents will be effective in preventing third parties from utilizing a copycat business model to offer the same products or services. Moreover, we rely on intellectual property and technology developed or licensed by third parties, and we may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all.

Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our products and services may be provided. The laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States and, therefore, in certain jurisdictions, we may be unable to protect intellectual property and our proprietary technology adequately against unauthorized third-party copying or use, which could harm our competitive position. We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that might diminish the value of our proprietary rights or harm our reputation, even if we have agreements prohibiting such activity. To the extent third parties are obligated to indemnify us for breaches of our intellectual property rights, these third parties may be unable to meet these obligations. Any of these events could harm our business, results of operations or financial condition.

Intellectual property disputes are costly to defend and could harm our business, results of operations, financial condition and reputation.

From time to time, we face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties. We are currently subject to patent infringement claims. These claims allege, among other things, that aspects of our technology infringe upon the plaintiffs patents. If we are not successful in defending ourselves against these claims, we may be required to pay damages and may be subject to

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injunctions, each of which could harm our business, results of operations, financial condition and reputation. We may be subject to future claims or allegations relating to our intellectual property rights. As we grow our business and expand our operations we expect that we will continue to be subject to intellectual property claims and allegations. Patent and other intellectual property disputes or litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain products, services or features, purchase licenses which may be expensive to procure or modify our products or services. In addition, patent or other intellectual property disputes or litigation may result in significant settlement costs. Any of these events could harm our business, results of operations, financial condition and reputation.

In addition, we use open source software in our services and will continue to use open source software in the future. From time to time, we may be subject to claims brought against companies that incorporate open source software into their products or services, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to changing our products or services, any of which would have a negative effect on our business and results of operations.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could harm our business, results of operations, financial condition and reputation.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

In order to protect our technologies and processes, we rely in part on confidentiality agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. To the extent that our employees, contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. The loss of trade secret protection could make it easier for third parties to compete with our products by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations, reputation and competitive position.

We may be unable to halt the operations of websites that aggregate or misappropriate our data.

From time to time, third parties have misappropriated our data through website scraping, robots or other means and aggregated this data on their websites with data from other companies. In addition, copycat websites have misappropriated data on our network and attempted to imitate our brand or the functionality of our website. When we have become aware of such websites, we have employed technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may not be adequate to protect us against the impact of the operation of such websites. Regardless of whether we can successfully enforce our rights against the operators of these websites, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

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If our security measures are compromised, consumers may curtail use of our products and services and advertisers may reduce their advertising on our website.

Our products and services involve the storage and transmission of users information, some of which may be private, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability and litigation. For example, a hacker could steal a user s profile password and manipulate information about that user s home or post to a forum while posing as that user. Like all websites, our website is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personal or other confidential information. If we experience compromises to our security that result in website performance or availability problems, the complete shutdown of our website, or mobile applications, or the loss or unauthorized disclosure of confidential information, our users and advertisers may lose trust and confidence in us, and users may decrease the use of our website or stop using our website in its entirety, and advertisers may decrease or stop advertising on our website. Further, outside parties may attempt to fraudulently induce employees, users or advertisers to disclose sensitive information in order to gain access to our information or our users or advertisers information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new users and increase engagement by existing users, cause existing users to curtail or stop use of our products or services or close their accounts, cause existing advertisers to cancel their contracts, or subject us to third-party lawsuits, regulatory fines or other action or liability, thereby harming our business, results of operations and financial condition.

We are subject to a number of risks related to credit card and debit card payments we accept.

We accept payments through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge or suffer an increase in our operating expenses, either of which could harm our business, financial condition and results of operations.

We depend on processing vendors to complete credit and debit card transactions. If we or our processing vendors fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors. Any failure to comply fully also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, card holders and transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

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If we are unable to maintain our chargeback rate or refund rates at acceptable levels, our processing vendors may increase our transaction fees or terminate their relationships with us. Any increases in our credit and debit card fees could harm our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We have pledged substantially all of our assets to secure indebtedness.

In March 2011, we entered into an agreement with a financial institution to establish a $4.0 million line of credit to be used for general business purposes. Indebtedness we incur under this agreement is secured by substantially all our assets other than our intellectual property. If we default on our obligations under this agreement, the financial institution may foreclose on our assets, which would materially and adversely impact our business. On March 22, 2011, we executed a standby letter of credit of $1.5 million in connection with the lease of our new Seattle offices and reserved this amount against the line of credit, which subsequently reduced the available line to $2.5 million. As of March 31, 2011, there were no other amounts outstanding under the line of credit.

We expect our results of operations to fluctuate on a quarterly and annual basis.

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside our control. The other risk factors discussed in this Risk Factors section may contribute to the variability of our quarterly and annual results. In addition, our results may fluctuate as a result of fluctuations in the quantity of, and the price at which we are able to sell, our remnant advertising and the size and seasonal variability of our advertisers marketing budgets. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied upon as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

Risks Related to Ownership of Our Class A Common Stock and this Offering

Our securities have no prior market and an active trading market may not develop, which may cause our Class A common stock to trade at a discount from the initial public offering price.

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price for our Class A common stock will be determined through negotiations between us and the representatives of the underwriters and may not be indicative of the market price of our Class A common stock after this offering. If you purchase shares of our Class A common stock, you may not be able to resell those shares at or above the initial public offering price. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market, or how liquid that market might become. An active public market for our Class A common stock may not develop or be sustained after this offering. If an active public market does not develop or is not sustained, it may cause our Class A common stock to trade at a price lower than the initial public offering price and it may be difficult for you to sell your shares of Class A common stock at a price that is attractive to you.

The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with our founders, and limits your ability to influence corporate matters.

Since Zillow s inception, our capital structure has had authorized Class B common stock and authorized Class A common stock. Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock we are offering in this offering and the concurrent private placement, has one vote per share. All shares of Class B common stock have been and are held by our founders, Richard Barton and Lloyd Frink.

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Mr. Barton will have voting control over approximately 19.6%, and Mr. Frink will have voting control over approximately 15.7%, of the aggregate number of shares of our outstanding Class A common stock and Class B common stock following this offering and the concurrent private placement. Mr. Barton s holdings and Mr. Frink s holdings will represent approximately 46.7% and 37.8%, respectively, of the voting power of our outstanding capital stock following this offering and the concurrent private placement. Therefore, for the foreseeable future, Mr. Barton and Mr. Frink will have significant control over our management and affairs and will be able to control all matters requiring shareholder approval, including the election or removal (with or without cause) of directors and approval of any significant corporate transaction, such as a merger or other sale of us or our assets. This concentrated control could delay, defer or prevent a change of control, merger, consolidation, takeover or other business combination involving us that you, as a shareholder, may otherwise support. This concentrated control could also discourage a potential investor from acquiring our Class A common stock due to the limited voting power of such stock relative to the Class B common stock and might harm the market price of our Class A common stock.

Our stock price may be volatile, and you may be unable to sell your shares at or above the offering price.

The initial public offering price for the shares of our Class A common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. The market price of our Class A common stock could be subject to wide fluctuations in response to many of the risk factors discussed in this prospectus, and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and results of operations;
- changes in projected operational and financial results;
- addition or loss of significant customers;
- actual or anticipated changes in our growth rate relative to that of our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- announcements of technological innovations or new offerings by us or our competitors;
- additions or departures of key personnel;
- changes in laws or regulations applicable to our services;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- issuance of new or updated research or reports by securities analysts;

- sales of our Class A common stock by us or our shareholders;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- the expiration or waiver of contractual lock-up provisions; and
- general economic and market conditions.

Furthermore, the stock markets in recent years have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of the equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our Class A common stock. If the market price of our Class A common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the

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future. Securities litigation against us could result in substantial costs and divert management s attention from other business concerns, which could harm our business, results of operations or financial condition.

Future sales of our Class A common stock in the public market could cause our stock price to decline.

Sales of a substantial number of shares of our Class A common stock in the public market after this offering, or the perception that such sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Upon completion of this offering and the concurrent private placement, based on our shares outstanding as of March 31, 2011, and after giving effect to the conversion of all outstanding shares of our convertible preferred stock and Class C common stock into shares of Class A common stock, we will have 17,529,826 shares of Class A common stock outstanding and 9,528,313 shares of Class B common stock outstanding, assuming no exercise of the underwriters over-allotment option to purchase additional shares and no exercise of outstanding options.

Of the outstanding shares, all of the shares of Class A common stock sold in this offering will be freely tradable, except that (1) any shares held or acquired by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, will be subject to the volume limitations and certain other restrictions of Rule 144 and (2) any shares purchased through the directed share program will be subject to a 180-day lock-up. The shares to be sold in the concurrent private placement are subject to the holding period requirements of Rule 144 and are, therefore, subject to a minimum six-month holding requirement before such shares can be sold in a non-registered transaction. The remaining 13,644,750 shares of Class A common stock outstanding after this offering and the concurrent private placement (based on our shares outstanding as of March 31, 2011) and the 423,076 shares sold in the concurrent private placement will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 180 days after the date of this prospectus, subject to certain extensions and subject to certain earlier releases if certain conditions are met. For further information, see Shares Eligible for Future Sale. In addition, Citi may, in its sole discretion, release all or some portion of the shares subject to lock-up agreements prior to expiration of the lock-up period. After this offering and the concurrent private placement, the holders of 10,623,399 shares of Class A common stock and 9,528,313 shares of Class B common stock, or 74.5% of our total outstanding Class A common stock (calculated on an as-if-converted basis), based on shares outstanding as of March 31, 2011, will be entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors rights agreement. If the holders of our Class A common stock and Class B common stock entitled to registration rights elect to exercise such rights and sell a large number of shares, they could adversely affect the market price of our Class A common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. We intend to file a registration statement on Form S-8 under the Securities Act to register approximately 6.9 million shares of our Class A common stock for issuance under our Amended and Restated 2005 Equity Incentive Plan and 2011 Incentive Plan. Once we register these shares, they can be freely sold in the public market when the options underlying the shares are exercised and the shares of Class A common stock are issued, subject to the lock-up period and other restrictions provided under the terms of the applicable plan, option agreements or lock-up agreements entered into with the option holders.

Because the initial public offering price of our Class A common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding Class A and Class B common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price per share will be substantially higher than the pro forma net tangible book value per share of our Class A and Class B common stock immediately following this offering and the concurrent private placement based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our Class A common stock in this offering at an assumed initial public offering price of $13.00 per share, which is the midpoint of the price range listed on the cover page of this prospectus, you will experience immediate dilution of $10.78 per share, the difference between the price per share you pay for our Class A common stock and our pro forma net tangible book value per share as of March 31, 2011, after giving

effect to the issuance of 3,885,076 shares of our Class A common stock in this offering and the concurrent private placement. Furthermore, investors purchasing shares of our Class A common stock in this offering will only own approximately 12.8% of our outstanding shares of Class A and Class B common stock (and have 3.1% of the combined voting power of the outstanding shares of our Class A and Class B common stock), after the offering even though their aggregate investment will represent 32.3% of the total consideration received by us in connection with all initial sales of 27,058,139 shares of our capital stock outstanding as of March 31, 2011, after giving effect to the issuance of shares of our Class A common stock in this offering and the concurrent private placement. To the extent outstanding options to purchase our Class A common stock are exercised, investors purchasing our Class A common stock in this offering will experience further dilution.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about our company. We do not currently have and may never obtain research coverage by securities and industry analysts. If few or no securities or industry analysts cover our company, the market price of our Class A common stock could be negatively impacted. If securities or industry analysts cover us and if one or more of such analysts downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of the analysts covering us fail to publish reports on us regularly, demand for our Class A common stock could decline, which could cause our stock price and trading volume to decline.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business.

Following the completion of this offering, we will be required to comply with various regulatory and reporting requirements, including those required by the Securities and Exchange Commission, or the SEC. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us and could harm our business, results of operations and financial condition.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These requirements could strain our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Exchange Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we will need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join us and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management s attention from other business concerns and could make it difficult to manage our business, which could harm our business, results of operations, financial condition and cash flows. In addition, if we find any material weakness in our internal control, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the market price of our Class A common stock to decline.

Anti-takeover provisions in our charter documents and under Washington law could make an acquisition of us more difficult, limit attempts by shareholders to replace or remove our management and affect the market price of our Class A common stock.

Provisions in our articles of incorporation and bylaws, as amended and restated in connection with this offering, may have the effect of delaying or preventing a change of control or changes in our management. Our

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amended and restated articles of incorporation or amended and restated bylaws will include provisions, some of which will become effective only after the date, which we refer to as the threshold date, on which the Class B common stock controlled by our founders represents less than 7% of the aggregate number of shares of the outstanding Class A common stock and Class B common stock, that:

set forth the dual class structure of our common stock, which concentrates voting control of matters submitted to a vote of our shareholders with the holders of our Class B common stock, which is held by our founders;

authorize our board of directors to issue, without further action by our shareholders, up to 30,000,000 shares of undesignated preferred stock, subject, prior to the threshold date, to the approval rights of our holders of Class B common stock as described in Description of Capital Stock Preferred Stock ;

establish that our board of directors will be divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;

prohibit cumulative voting in the election of directors;

provide that, after the threshold date, our directors may be removed only for cause;

provide that, after the threshold date, vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office or by the sole remaining director;

provide that only our board of directors may change the size of our board of directors;

specify that special meetings of our shareholders can be called only by the chair of our board of directors, our board of directors, our chief executive officer, our president or, prior to the threshold date, holders of at least 25% of the combined voting power of our outstanding Class A common stock and Class B common stock;

establish an advance notice procedure for shareholder proposals to be brought before a meeting of shareholders, including proposed nominations of persons for election to our board of directors;

require the approval of our board of directors or the holders of two-thirds of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single group, to amend or repeal our bylaws; and

require the approval of two-thirds of the outstanding voting power of our Class A common stock and Class B common stock, voting together as a single group, to amend certain provisions of our articles of incorporation.

Prior to the threshold date, our directors can be removed with or without cause by holders of our Class A common stock and Class B common stock, voting together as a single group, and vacancies on the board of directors may be filled by such shareholders, voting together as a single group. Given the dual class structure of our common stock, our founders, Richard Barton and Lloyd Frink, who hold our Class B common stock, will have the ability for the foreseeable future to control these shareholder actions. See the risk factor above titled The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with our founders and limits your ability to influence corporate matters and the discussion in this prospectus under Description of Capital Stock.

The provisions described above, after the threshold date, may frustrate or prevent any attempts by our shareholders to replace or remove our current management by making it more difficult for shareholders to replace members of our board of directors, which is responsible for appointing our management. In addition, because we are incorporated in the State of Washington, we are governed by the provisions of Chapter 23B.19 of the Washington Business Corporation Act, which prohibits certain business combinations between us and certain significant shareholders unless specified conditions are met. These provisions may also have the effect of delaying or preventing a change of control of our company, even if this change of control would benefit our shareholders. See Description of Capital Stock.

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Our management will have broad discretion over the use of the net proceeds we receive in this offering and the proceeds we receive in the concurrent private placement, and might not apply the proceeds in ways that increase the value of your investment.

Our management will have considerable discretion in applying the net proceeds we receive in this offering and the proceeds we receive in the concurrent private placement. We currently intend to use these proceeds primarily for general corporate purposes, including working capital, sales and marketing activities, general and administrative matters and capital expenditures. If appropriate opportunities arise, we may use a portion of these proceeds to acquire or invest in technologies, solutions or businesses that complement our business. We have not allocated these proceeds for any specific purposes. Until these proceeds are used, we plan to invest them, and these investments may not yield a favorable rate of return. If we do not invest or apply these proceeds in ways that enhance shareholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements based on our management s beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as believe, may, will, estimate, continue, anticipate, intend, could, would, p expect or the negative or plural of these words or similar expressions. These forward-looking statements may include, but are not limited to, statements concerning the following:

- our future financial performance, including our revenue, cost of revenue, operating expenses and ability to achieve and maintain profitability;
- our ability to attract and retain consumers of our products and services;
- our ability to attract and retain advertisers;
- our ability to innovate and keep pace with changes in technology;
- the success of our marketing efforts;
- our ability to maintain, protect and enhance our brand and intellectual property;
- the effects of increased competition in our market;
- our ability to effectively manage our growth and successfully enter new markets;
- the viability of Internet and mobile media and the market for Internet and mobile advertising;
- our ability to successfully manage any future acquisitions of business, solutions or technology; and
- the attraction and retention of qualified employees and key personnel.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

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MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our products and services. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe the data from third-party sources are reliable, we have not independently verified this information. While we believe the market-position, market-opportunity and market-size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Class A common stock in this offering and the proceeds from the concurrent private placement will be approximately $44.1 million, assuming an initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated expenses payable in connection with this offering. A $1.00 increase (decrease) in the assumed initial public offering price would increase (decrease) the net proceeds from this offering by $3.2 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated expenses payable in connection with this offering.

The principal purposes of this offering and the concurrent private placement are to increase our financial flexibility, increase our visibility in the marketplace and, with respect to this offering, create a public market for our Class A common stock. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for these proceeds or the amounts that we plan to use for any particular purpose. Accordingly, our management team will have broad discretion in using these proceeds. However, we currently expect to use these proceeds primarily for general corporate purposes, which may include working capital, sales and marketing activities, general and administrative matters and capital expenditures. We may also use a portion of these proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business, although we have no present commitments or agreements to enter into any acquisitions or investments. Pending the use of these proceeds, we intend to invest the proceeds in short-term, investment-grade, interest-bearing investments.

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DIVIDEND POLICY

We have never declared or paid a cash dividend on our capital stock and we intend to retain all available funds and any future earnings to fund the development and growth of our business. We therefore do not anticipate paying any cash dividends on our Class A common stock or Class B common stock in the foreseeable future. Any future determinations to pay dividends on our Class A common stock or Class B common stock would depend on our results of operations, our financial condition and liquidity requirements, restrictions that may be imposed by applicable law or our contracts, and any other factors that our board of directors may consider relevant. Pursuant to the current terms of our loan and security agreement with a financial institution, we cannot pay dividends unless specified financial covenants are satisfied.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and short-term investments and capitalization as of March 31, 2011:

- on an actual basis;
- on a pro forma basis to give effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 9,276,190 shares of our Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into an aggregate of 2,305,980 shares of our Class A common stock, both to be effected upon the effectiveness of the registration statement of which this prospectus is a part; and
- on a pro forma, as adjusted basis to give effect to the issuance and sale by us of 3,885,076 shares of our Class A common stock in this offering and the concurrent private placement, and our receipt of the net proceeds from the sale of such shares at an assumed initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated expenses payable in connection with this offering.

The information below is illustrative only. Our capitalization following this offering and the concurrent private placement will depend on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with the sections entitled Selected Financial and Other Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2011		
	Actual	Pro Forma	Pro Forma, as Adjusted
	(in thousands, except share and par value data, unaudited)		
Cash and cash equivalents and short-term investments	$ 15,554	$ 15,554	$ 59,659
Shareholders equity:			
Convertible preferred stock, $0.0001 par value: 70,000,000 shares authorized, 31,353,797 shares issued and outstanding, actual (unaudited); no shares authorized issued or outstanding, pro forma and pro forma, as adjusted (unaudited)	4		
Preferred Stock, $0.0001 par value: no shares authorized, issued and outstanding, actual (unaudited); 30,000,000 shares authorized, no shares issued or outstanding, pro forma and pro forma, as adjusted (unaudited)			
Class A common stock, $0.0001 par value: 200,000,000 shares authorized, 2,062,580 shares issued and outstanding, actual (unaudited); 600,000,000 shares authorized, 13,644,750 shares issued and outstanding, pro forma (unaudited); 600,000,000 shares authorized, 17,529,826 shares issued and outstanding, pro forma, as adjusted (unaudited)		1	2
Class B common stock, $0.0001 par value: 35,000,000 shares authorized, 9,528,313 shares issued and outstanding, actual (unaudited); 15,000,000 shares authorized, 9,528,313 shares issued and outstanding, pro forma and pro forma, as adjusted (unaudited)	1	1	1
Class C common stock, $0.0001 par value: 50,000,000 shares authorized, 2,305,980 shares issued and outstanding, actual (unaudited); no shares authorized, no shares issued or outstanding, pro forma and pro forma, as adjusted (unaudited)			

Additional paid-in capital	98,210	98,210	142,317
Accumulated deficit	(79,535)	(79,535)	(79,535)
Total shareholders equity	18,680	18,680	62,785
Total capitalization	$ 34,234	$ 34,234	$ 122,444

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A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) the amount of cash and cash equivalents and short-term investments, additional paid in capital and total shareholders equity and total capitalization by approximately $3.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable in connection with this offering. Similarly, each increase (decrease) of 100,000 shares in the number of shares of our Class A common stock offered by us would increase (decrease) the amount of cash and cash equivalents and short-term investments, additional paid-in capital, total shareholders equity and total capitalization by approximately $1.2 million, assuming that the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated expenses payable in connection with this offering.

The number of shares in the table above excludes:

1,300,000 shares of our Class A common stock reserved for future issuance under our 2011 Incentive Plan, which will become effective in connection with this offering, as more fully described in Executive Compensation Employee Benefit Plans ;

5,477,032 shares of our Class A common stock issuable upon the exercise of options outstanding as of March 31, 2011, to purchase shares of our Class A common stock at a weighted average exercise price of $4.27 per share; and

186,631 shares of our Class A common stock issuable upon the exercise of outstanding options granted after March 31, 2011, to purchase shares of our Class A common stock at an exercise price of $6.33 per share.

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DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our Class A common stock and the net tangible book value per share of our common stock after this offering and the concurrent private placement.

Our pro forma net tangible book value as of March 31, 2011, was $16.0 million or $0.69 per share of Class A common stock and Class B common stock. Pro forma net tangible book value per share represents the amount of total tangible assets (total assets less intangible assets, including goodwill) less total liabilities, divided by the number of shares of Class A common stock and Class B common stock outstanding as of March 31, 2011, after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 9,276,190 shares of our Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into an aggregate of 2,305,980 shares of our Class A common stock, both to be effected upon the effectiveness of the registration statement of which this prospectus is a part.

After giving effect to the issuance and sale by us of 3,885,076 shares of our Class A common stock in this offering and the concurrent private placement at the assumed initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and our estimated offering expenses payable in connection with this offering, our pro forma, as adjusted, net tangible book value immediately after this offering and the concurrent private placement would have been $60.1 million, or $2.22 per share. This amount represents an immediate increase in net tangible book value of $1.53 per share to our existing shareholders and an immediate dilution of $10.78 per share to our new investors and concurrent private placement investors purchasing shares of Class A common stock.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price		$ 13.00
Pro forma net tangible book value per share as of March 31, 2011	$ 0.69	
Increase per share attributable to new investors and concurrent private placement investors	1.53	
Pro forma, as adjusted, net tangible book value per share immediately after this offering and the concurrent private placement		2.22
Dilution in pro forma net tangible book value per share to new investors and concurrent private placement investors		$ 10.78

A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) our pro forma, as adjusted, net tangible book value as of March 31, 2011 by approximately $3.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated expenses payable in connection with this offering. A $1.00 increase (decrease) in the assumed initial public offering price per share would increase (decrease) the pro forma, as adjusted, net tangible book value per share immediately after this offering and the concurrent private placement and increase (decrease) the dilution in pro forma net tangible book value per share to new investors and concurrent private placement investors by $0.12 and $0.88, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable in connection with this offering. As such, changes in the resulting pro forma, as adjusted, net tangible book value per share after this offering and the concurrent private placement and dilution in, pro forma, as adjusted, net tangible book value per share to new investors and the concurrent private placement investors are not directly proportional to changes in the assumed offering price per share.

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The following table sets forth as of March 31, 2011, on a pro forma, as adjusted, basis as described above, the differences between the number of Class A common stock purchased from us, the total consideration paid to us and the average price per share that existing shareholders (including Class B common shareholders) new investors and the concurrent private placement investors paid. The table gives effect to the automatic conversion of all outstanding shares of our convertible preferred stock into shares of Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into shares of our Class A common stock. The calculation below is based on an assumed initial public offering price of $13.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, and before deducting any underwriting discounts and commissions and estimated offering expenses payable in connection with this offering:

	Total Shares		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders	23,173,063	85.6%	$ 88,715,000	63.7%	$ 3.83
New investors	3,462,000	12.8%	45,006,000	32.3%	13.00
Concurrent private placement investors	423,076	1.6%	5,500,000	4.0%	13.00
Total	27,058,139	100%	$ 139,221,000	100%	5.15

A $1.00 increase (decrease) in the assumed initial public offering price of $13.00 per share would increase (decrease) total consideration paid by new investors purchasing shares in this offering and total consideration paid by all shareholders by $3.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remain the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable in connection with this offering.

If the underwriters exercise their over-allotment option in full, the number of shares of Class A common stock held by the new investors purchasing shares in this offering will be increased to 3,981,300, or approximately 14.4% of the total number of shares of our Class A common stock and Class B common stock outstanding after this offering, and our existing shareholders and concurrent private placement investors will own 23,596,139 of Class A common stock and Class B common stock, or approximately 85.6% of the total number of shares of our Class A common stock and Class B common stock outstanding after this offering.

The tables and calculations above exclude:

- 1,300,000 shares of our Class A common stock reserved for future issuance under our 2011 Incentive Plan, which will be effective in connection with this offering, as more fully described in Executive Compensation Employee Benefit Plans ;
- 5,477,032 shares of our Class A common stock issuable upon the exercise of options outstanding as of March 31, 2011, to purchase shares of our Class A common stock at a weighted average exercise price of $4.27 per share; and
- 186,631 shares of our Class A common stock issuable upon the exercise of outstanding options granted after March 31, 2011, to purchase shares of our Class A common stock at an exercise price of $6.33 per share.

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SELECTED FINANCIAL AND OTHER DATA

You should read the financial data set forth below in conjunction with the information under Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus. Our historical results are not necessarily indicative of our results to be expected in any future period. We have derived the following statements of operations data for the years ended December 31, 2008, 2009 and 2010 and balance sheet data as of December 31, 2009 and 2010 from our audited financial statements included elsewhere in this prospectus. We have derived the following unaudited statements of operations data for the three months ended March 31, 2010 and 2011 and the unaudited balance sheet data as of March 31, 2011 from our unaudited financial statements that are included elsewhere in this prospectus. We have derived the following statements of operations data for the years ended December 31, 2006 and 2007 and balance sheet data as of December 31, 2006, 2007 and 2008 from our audited financial statements not included in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
						(unaudited)	
	(in thousands, except per share data)						
Statement of Operations Data:							
Revenues	$ 4,289	$ 7,106	$ 10,593	$ 17,491	$ 30,467	$ 5,331	$ 11,260
Costs and expenses:							
Cost of revenues (exclusive of amorization)(1)(2)	1,621	3,710	4,198	4,042	4,973	1,162	1,817
Sales and marketing(1)	4,676	6,118	7,481	9,654	14,996	3,117	5,484
Technology and development(1)	6,794	12,885	15,048	11,260	10,651	2,534	2,996
General and administrative(1)	5,148	6,179	5,770	5,501	6,684	1,341	1,828
Total costs and expenses	18,239	28,892	32,497	30,457	37,304	8,154	12,125
Loss from operations	(13,950)	(21,786)	(21,904)	(12,966)	(6,837)	(2,823)	(865)
Other income	1,361	1,496	687	111	63	17	39
Net loss	$ (12,589)	$ (20,290)	$ (21,217)	$ (12,855)	$ (6,774)	$ (2,806)	$ (826)
Net loss per share attributable to common shareholders basic and diluted	$ (1.01)	$ (1.62)	$ (1.68)	$ (1.02)	$ (0.53)	$ (0.22)	$ (0.06)
Weighted-average shares outstanding basic and diluted	12,489	12,553	12,593	12,613	12,770	12,640	13,347
Pro forma net loss per share attributable to common shareholders basic and diluted (unaudited)(3)					$ (0.31)		$ (0.04)
Weighted-average shares outstanding used in calculating pro forma net loss per share attributable to common shareholders basic and diluted (unaudited)(3)					22,046		22,623
Other Financial Data:							
Adjusted EBITDA (unaudited)(4)	$ (10,373)	$ (13,766)	$ (12,236)	$ (4,908)	$ 140	$ (1,183)	$ 1,051

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
						(unaudited)	

	(in thousands)						
(1) Includes share-based compensation as follows:							
Cost of revenues	$ 56	$ 154	$ 157	$ 183	$ 210	$ 54	$ 41
Sales and marketing	143	247	408	408	445	104	107
Technology and development	190	306	412	394	389	95	86
General and administrative	136	473	544	666	671	159	156
Total	$ 525	$ 1,180	$ 1,521	$ 1,651	$ 1,715	$ 412	$ 390
(2) Amortization of website development costs and intangible assets included in technology and development is as follows	$ 1,703	$ 4,354	$ 5,465	$ 4,797	$ 4,184	$ 970	$ 1,223

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(3) Pro forma net loss per share attributable to common shareholders has been calculated assuming the automatic conversion of all outstanding shares of our convertible preferred stock into 9,276,190 shares of our Class A common stock and the automatic conversion of all outstanding shares of our Class C common stock into 2,305,980 shares of our Class A common stock, both to be effected upon the effectiveness of the registration of which this prospectus is a part.

(4) See Adjusted EBITDA below for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

	At December 31,					At March 31,
	2006	2007	2008	2009	2010	2011
						(unaudited)
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents and short-term investments	$ 30,734	$ 41,728	$ 24,270	$ 16,091	$ 13,777	$ 15,554
Property and equipment, net	9,236	9,253	6,249	4,409	4,929	4,994
Working capital	30,155	41,451	25,428	16,432	11,941	10,332
Total assets	42,905	54,406	34,482	24,608	24,013	28,625
Convertible preferred stock	3	4	4	4	4	4
Total shareholders equity	39,777	51,044	31,840	21,126	17,448	18,680

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this prospectus because it is a key metric used by our management and board of directors to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; and

- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

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The following table presents a reconciliation of Adjusted EBITDA to net loss for each of the periods presented.

	Year Ended December 31,					Three Months Ended March 31,	
	2006	2007	2008	2009	2010	2010	2011
						(unaudited)	
			(in thousands)				
Reconciliation of Adjusted EBITDA to Net Loss:							
Net loss	$ (12,589)	$ (20,290)	$ (21,217)	$ (12,855)	$ (6,774)	$ (2,806)	$ (826)
Income tax expense (benefit)							
Other income	(1,361)	(1,496)	(687)	(111)	(63)	(17)	(39)
Depreciation and amortization expense	3,052	6,840	8,147	6,407	5,262	1,228	1,526
Share-based compensation expense	525	1,180	1,521	1,651	1,715	412	390
Adjusted EBITDA (unaudited)	$ (10,373)	$ (13,766)	$ (12,236)	$ (4,908)	$ 140	$ (1,183)	$ 1,051

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and related notes to financial statements included elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors.

Overview

We are the leading real estate information marketplace. We provide vital information about homes, real estate listings and mortgages through our website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. We are transforming the way consumers make home-related decisions.

Our living database of more than 100 million U.S. homes homes for sale, homes for rent and homes not currently on the market attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 28 million homes and added more than 60 million home photos, creating exclusive home profiles available nowhere else. These profiles include rich detailed information about homes, including property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it, both through our website and through our industry-leading mobile applications that enable consumers to access our information when they are curbside, viewing homes. Using industry-leading automated valuation models, we provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes. Our products and services present residential real estate data in novel ways that have revolutionized the way consumers search for, find and understand home-related information and make real estate decisions.

We were incorporated in December 2004 and have continually introduced innovative products, achieving key product development and business milestones that have driven our revenue and traffic growth.

On February 8, 2006, we launched the initial version of our website, Zillow.com, providing Zestimates on approximately 40 million U.S. homes. Two days later, we attracted our one millionth visitor.

In November 2007, we announced our listings feed program, allowing real estate brokerages to directly feed their listings to our website. By June 2008, we were displaying 2.3 million for sale listings and have since grown our listings to provide extensive nationwide sale and rental listing information.

In April 2008, we launched Zillow Mortgage Marketplace. By February 2009, mortgage lenders had provided over one million marketplace loan quotes. We began to charge mortgage lenders for participation in Zillow Mortgage Marketplace in January 2010.

In October 2008, we launched our Premier Agent program. By the end of March 2011, we had more than 10,000 paying Premier Agent subscribers.

In April 2009, we released our first mobile application. We now operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry.

In December 2009, we began displaying rental listings and enhanced this experience with the introduction of Rent Zestimates in March 2011.

In December 2010, we began collecting and displaying consumer-generated real estate agent ratings and reviews. By June 9, 2011, consumers had submitted more than 50,000 agent reviews published by Zillow.

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In February 2011, we launched a strategic relationship with Yahoo! Real Estate through which we provide real estate listings to Yahoo! Real Estate and have exclusive rights to sell real estate agent advertising and certain graphical advertisements for display throughout the Yahoo! Real Estate site.

We generate revenues from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenues include marketplace revenues, consisting of subscriptions sold to real estate agents and advertising sold on a cost per click, or CPC, basis to mortgage lenders, and display revenues consisting of advertising placements sold primarily on a cost per thousand impressions, or CPM, basis.

We have experienced significant revenue growth over the past three years. In 2008, 2009 and 2010 we focused on growing our marketplace revenues, which accounted for the majority of our revenue growth over that period. This growth in marketplace revenues helped us achieve an overall 70% compound annual growth rate from 2008 to 2010. The increase in marketplace revenues resulted from growth in our Premier Agent program and the commencement of charging mortgage lenders for participation in Zillow Mortgage Marketplace. Our Premier Agent program established a significant source of more predictable subscription-based revenue that complements our display revenues, and created a diversified revenue mix.

In 2008, 2009 and 2010, we generated revenues of $10.6 million, $17.5 million and $30.5 million, respectively, representing growth of 49%, 65% and 74%, respectively. We believe achieving these levels of revenue growth were primarily the result of significant growth in the following areas:

traffic to our website and mobile applications indicated by the average number of monthly unique users for the three months ended December 31, 2008, 2009 and 2010, of 5.5 million, 7.6 million and 12.7 million, respectively, representing year-over-year growth of 48%, 38% and 66%, respectively;

marketplace revenues due to the launch of our Premier Agent program in 2008 and the commencement of charging mortgage lenders for participation in Zillow Mortgage Marketplace in January 2010; and

display revenues resulting from our traffic growth and the improved productivity of our sales force.

During the three months ended March 31, 2011, we generated revenue of $11.3 million, as compared to $5.3 million in the three months ended March 31, 2010, an increase of 111%. We believe this increase is primarily the result of an increase in our Premier Agent Subscribers from 3,438 at March 31, 2010 to 10,710 at March 31, 2011, as well as a significant growth in traffic to our website and mobile applications. There were approximately 17.3 million average monthly unique users for the three months ended March 31, 2011 compared to 9.3 million average monthly unique users for the three months ended March 31, 2010, representing year-over-year growth of 86%.

During the three months ended March 31, 2011, we began to recognize revenues related to our strategic relationship with Yahoo! Real Estate. Under this strategic relationship, we provide real estate listings to Yahoo! Real Estate and have exclusive rights to sell real estate agent advertising and certain graphical advertising for display on the Yahoo! Real Estate site. We anticipate this partnership will have a positive impact on our future results of operations, primarily due to an increase in marketplace revenues as we expect the partnership will continue to drive greater demand for our Premier Agent product.

Key Growth Drivers

To analyze our business performance, determine financial forecasts and help develop long-term strategic plans, we frequently review the following key growth drivers:

Unique Users

Measuring unique users is important to us because our marketplace revenues depend in part on our ability to enable our users to connect with real estate and mortgage professionals, and our display revenues depend in part

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on the number of impressions delivered. Furthermore, our community of users improves the quality of our living database of homes with their contributions. We count a unique user the first time a computer or mobile device with a unique IP address accesses our website or one of our mobile applications during a calendar month. If an individual accesses our website or mobile applications using different IP addresses within a given month, the first access by each such IP address is counted as a separate unique user. We measure unique users with Omniture analytical tools.

	Average Monthly Unique Users for the Three Months Ended March 31,		2010 to 2011
	2010	2011	% Change
	(in thousands)		
Unique Users	9,301	17,306	86%

	Average Monthly Unique Users for the Three Months Ended December 31,			2008 to 2009	2009 to 2010
	2008	2009	2010	% Change	% Change
	(in thousands)				
Unique Users	5,518	7,611	12,666	38%	66%

Premier Agent Subscribers

The number of Premier Agent subscribers is an important driver of revenue growth because each subscribing agent pays us a monthly fee to participate in the program. We define a Premier Agent subscriber as an agent with a paid subscription at the end of a period.

	At March 31,		2010 to 2011
	2010	2011	% Change
Premier Agent Subscribers	3,438	10,710	212%

	At December 31,			2008 to 2009	2009 to 2010
	2008	2009	2010	% Change	% Change
Premier Agent Subscribers	26	2,764	8,102	*	193%

* Not a meaningful measurement because the Premier Agent program was launched in October 2008.

Basis of Presentation

Revenues

We generate revenues from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenues include marketplace revenues and display revenues.

Marketplace Revenues. Marketplace revenues consist of subscriptions sold to real estate agents under our Premier Agent program and CPC advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders.

Our Premier Agent program allows local real estate agents to establish a persistent online and mobile presence on Zillow in the zip codes they serve. We present contact information for each Premier Agent alongside home profiles and home listings within the agent s zip code, assisting consumers in evaluating and selecting the real estate agent best suited for them. Pricing for our Premier Agent subscriptions varies by zip code. Subscription advertising revenues are recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts range from six to 12 months. Growth in our subscription advertising product is based on our ability to continue to attract agent subscribers and drive consumer traffic to those agents on our website and through our mobile applications.

In Zillow Mortgage Marketplace, participating qualified mortgage lenders make a prepayment to gain access to consumers interested in connecting with mortgage professionals. Consumers who request rates for mortgage loans in Zillow Mortgage Marketplace are presented with personalized lender quotes from participating lenders. We only charge mortgage lenders a fee when users click on their links for more information regarding a mortgage loan quote. Mortgage lenders who exhaust their initial prepayment can then prepay additional funds to continue to participate in the marketplace.

Display Revenues. Display revenues primarily consist of graphical web and mobile advertising sold on a CPM basis to advertisers primarily in the real estate industry, including real estate brokerages, home builders, mortgage lenders and home services providers. Our advertising customers also include telecommunications, automotive, insurance and consumer products companies. We recognize these revenues as impressions are delivered to users interacting with our website or mobile applications. Growth in display revenues depends on continuing growth in traffic to our website and mobile applications and migration of advertising spend online from traditional broadcast and print media.

Cost and Expenses

Cost of Revenues. Our cost of revenues consists of expenses related to operating our website and mobile applications, including associated headcount expenses, such as salaries and benefits and share-based compensation and bonuses. Cost of revenues also includes credit card fees, ad serving costs paid to third parties, revenue-sharing costs related to our commercial business relationships and facilities costs allocated on a headcount basis.

Sales and Marketing. Sales and marketing expenses consist of headcount expenses, including salaries, commissions, benefits, share-based compensation expense and bonuses for sales, sales support, customer support, marketing and public relations employees. Sales and marketing expenses also include other sales expenses related to promotional and marketing activities and facilities costs allocated on a headcount basis.

Technology and Development. Technology and development expenses consist of headcount expenses, including salaries and benefits, share-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development and testing of our website. Technology and development expenses also include equipment and maintenance costs and facilities costs allocated on a headcount basis. Technology and development expenses also include amortization costs related to capitalized website and development activities and amortization of certain intangibles and other data agreement costs related to the purchase of data used to populate our website.

General and Administrative. General and administrative expenses consist of headcount expenses, including salaries, benefits, share-based compensation expense and bonuses for executive, finance, accounting, legal, human resources, recruiting and administrative support. General and administrative expenses also include legal, accounting and other third-party professional service fees, bad debt and facilities costs allocated on a headcount basis.

Other Income

Other income consists of interest income earned on our cash and cash equivalents and short-term investments.

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Income Taxes

We are subject to U.S. federal income taxes. As of December 31, 2010 and March 31, 2011, we did not have taxable income and, therefore, no tax liability or expense has been recorded in the financial statements. We have provided a full valuation allowance against our net deferred tax assets as of December 31, 2009 and 2010 and March 31, 2011, because there is significant uncertainty around our ability to realize the deferred tax assets in the future.

We adopted the provisions related to the accounting for uncertainty in income taxes as of January 1, 2007, which provide a financial statement recognition and measurement threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

Results of Operations

The following tables present our results of operations for the periods indicated and as a percentage of total revenue.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 10,593	$ 17,491	$ 30,467	$ 5,331	$ 11,260
Costs and expenses:					
Cost of revenues (exclusive of amortization)(1)(2)	4,198	4,042	4,973	1,162	1,817
Sales and marketing(1)	7,481	9,654	14,996	3,117	5,484
Technology and development(1)	15,048	11,260	10,651	2,534	2,996
General and administrative(1)	5,770	5,501	6,684	1,341	1,828
Total costs and expenses	32,497	30,457	37,304	8,154	12,125
Loss from operations	(21,904)	(12,966)	(6,837)	(2,823)	(865)
Other income	687	111	63	17	39
Net loss	$ (21,217)	$ (12,855)	$ (6,774)	$ (2,806)	$ (826)
Net loss per share attributable to common shareholders basic and diluted	$ (1.68)	$ (1.02)	$ (0.53)	$ (0.22)	$ (0.06)
Weighted-average shares outstanding basic and diluted	12,593	12,613	12,770	12,640	13,347

	Year Ended December 31,	Three Months Ended March 31,

	2008	2009	2010	2010	2011
				(unaudited)	
			(in thousands)		
(1) Includes share-based compensation as follows:					
Cost of revenues	$ 157	$ 183	$ 210	$ 54	$ 41
Sales and marketing	408	408	445	104	107
Technology and development	412	394	389	95	86
General and administrative	544	666	671	159	156
Total	$ 1,521	$ 1,651	$ 1,715	$ 412	$ 390
(2) Amortization of website development costs and intangible assets included in technology and development is as follows	$ 5,465	$ 4,797	$ 4,184	$ 970	$ 1,223

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	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
Percentage of Revenues:					
Revenues	100%	100%	100%	100%	100%
Costs and expenses:					
Cost of revenues	40	23	16	22	16
Sales and marketing	71	55	49	58	49
Technology and development	142	64	35	48	27
General and administrative	54	31	22	25	16
Total costs and expenses	307	174	122	153	108
Loss from operations	(207)	(74)	(22)	(53)	(8)
Other income	6	1	0	0	0
Net loss	(200%)	(73%)	(22%)	(53%)	(7%)

Three Months Ended March 31, 2010 and 2011

Revenues

	Three Months Ended March 31,		2010 to 2011
	2010	2011	% Change
	(in thousands)		
Revenues:			
Marketplace revenues	$ 1,854	$ 6,881	271%
Display revenues	3,477	4,379	26%
Total	$ 5,331	$ 11,260	111%

	Three Months Ended March 31,	
	2010	2011
Percentage of Revenues:		
Marketplace revenues	35%	61%
Display revenues	65%	39%

Total	100%	100%

Overall revenues increased by $5.9 million, or 111%, for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. Marketplace revenues increased by 271% and display revenues increased by 26%.

Marketplace revenues grew to $6.9 million for the three months ended March 31, 2011, from $1.8 million for the three months ended March 31, 2010. Marketplace revenues represented 61% of total revenues for the three months ended March 31, 2011 compared to 35% of total revenues for the three months ended March 31, 2010. The increase in marketplace revenues was primarily attributable to growth in the number of subscribers in our Premier Agent program from 3,438 as of March 31, 2010 to 10,710 as of March 31, 2011, representing growth of 212%. In addition, we began to recognize revenues during the three months ended March 31, 2011 related to our strategic relationship with Yahoo! Real Estate, which contributed to the increase in Premier Agent subscribers and positively impacted our marketplace revenues for this period.

Display revenues increased from $3.5 million for the three months ended March 31, 2010 to $4.4 million for the three months ended March 31, 2011, primarily as a result of an increase in our unique users, which grew from

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9.3 million average monthly unique users for the three months ended March 31, 2010 to 17.3 million average monthly unique users for the three months ended March 31, 2011, representing quarter-over-quarter growth of 86%. The growth in unique users increased the number of graphical display impressions available for sale and advertiser demand for graphical display inventory.

Cost of Revenues

	Three Months Ended March 31,		
	2010	2011	2010 to 2011 % Change
	(in thousands)		
Cost of revenues	$ 1,162	$ 1,817	56%

Cost of revenues increased by $0.7 million, or 56%, for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The increase in cost of revenues is attributable to revenue sharing costs related to the strategic partnership with Yahoo! Inc. that launched in February 2011 as well as increases in credit card fees and other costs related to revenue growth.

Sales and marketing

	Three Months Ended March 31,		
	2010	2011	2010 to 2011 % Change
	(in thousands)		
Sales and marketing	$ 3,117	$ 5,484	76%

Sales and marketing expenses increased by $2.4 million, or 76%, for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The increase is primarily related to growth in headcount related costs of $1.8 million, primarily for our sales team to promote our Premier Agent program and increases in advertising, tradeshows, conferences and related travel expenses of $0.5 million.

Technology and Development

	Three Months Ended March 31,		
	2010	2011	2010 to 2011 % Change

	(in thousands)		
Technology and development	$ 2,534	$ 2,996	18%

Technology and development expenses, which include research and development costs, increased by $0.5 million, or 18%, for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. Approximately $0.3 million of the increase is the result of additional amortization of capitalized website development costs and intangible assets. The remaining increase is primarily the result of growth in headcount-related costs of $0.1 million and a net increase in various other expenses of $0.1 million. Amortization expense included for capitalized website development costs was $0.8 million and $1.0 million for the three months ended March 31, 2010 and 2011, respectively. Amortization expense included for purchased data content intangible assets was $0.2 million and $0.3 million for the three months ended March 31, 2010 and 2011, respectively. Other data agreement expense was $0.2 million and $0.2 million for the three months ended March 31, 2010 and 2011, respectively.

General and Administrative

	Three Months Ended March 31,		
	2010	**2011**	**2010 to 2011 % Change**
	(in thousands)		
General and administrative	$ 1,341	$ 1,828	36%

General and administrative expenses increased by $0.5 million, or 36%, for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The fluctuation was driven by an increase

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of $0.4 million in professional services fees, an increase of $0.3 million in headcount-related costs driven by growth in headcount and a $0.4 million increase in various other miscellaneous expenses. The increases were partially offset by a $0.6 million decrease in local, business and occupational and gross receipts taxes, the majority of which was the result of a $0.3 million tax credit we received relating to a refund of certain state and local taxes from 2006 to 2009.

Our current headquarters in Seattle, Washington is under an operating lease expiring in February 2013, and we have entered into an operating lease for our new headquarters in Seattle, Washington, under which we will be obligated to make lease payments beginning in December 2012 and expiring in November 2022. We currently expect to vacate our current office space during the second half of 2011, and we are in the process of evaluating sublease opportunities. At the time we vacate our current office space, we may be required to record a liability for costs that will continue to be incurred under the contract for the remaining term, which could have a material impact on our results of operations.

Years Ended December 31, 2008, 2009 and 2010

Revenues

	Year Ended December 31,			2008 to 2009 %	2009 to 2010 %
	2008	2009	2010	Change	Change
		(in thousands)			
Marketplace revenues	$ 130	$ 3,912	$ 13,228	*	238%
Display revenues	10,463	13,579	17,239	30%	27%
Total	$ 10,593	$ 17,491	$ 30,467	65%	74%

* Not a meaningful measurement because the Premier Agent program was launched in October 2008.

	Year Ended December 31,		
	2008	2009	2010
Percentage of Revenues:			
Marketplace revenues	1%	22%	43%
Display revenues	99%	78%	57%
Total	100%	100%	100%

2009 Compared to 2010. Overall revenues grew by $13.0 million, or 74%, in 2010 compared to 2009. Marketplace revenues grew by 238% and display revenues grew by 27%.

Marketplace revenues grew from $3.9 million in 2009 to $13.2 million, and represented 43% of total revenues in 2010 compared to 22% of total revenues in 2009. This increase in marketplace revenues was primarily attributable to growth in the number of subscribers in our Premier Agent program from 2,764 as of December 31, 2009 to 8,102 as of December 31, 2010, an increase of 193%. We believe this increase in subscribers in our Premier Agent program was driven by our continued focus on developing our marketplace program and the sales team supporting it, and the overall growth in the number of unique users of our website and mobile applications. Marketplace revenues also increased because we began to charge mortgage lenders for participation in Zillow Mortgage Marketplace in January 2010.

Display revenues increased from $13.6 million in 2009 to $17.2 million in 2010 and represented 57% of total revenues in 2010 compared to 78% of total revenues in 2009. We believe this growth was primarily the result of the increase in our unique users which increased from 7.6 million average monthly unique users for the three months ended December 31, 2009 to 12.7 million average monthly unique users for the three months ended

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December 31, 2010, an increase of 66%. The growth in unique users increased the number of graphical display impressions available for sale and advertiser demand for graphical display inventory.

2008 Compared to 2009. Overall revenues increased by $6.9 million, or 65%, in 2009 compared to 2008. Marketplace revenues grew to $3.9 million and display revenues grew by 30% in 2009 compared to 2008.

Marketplace revenues grew from $0.1 million in 2008 to $3.9 million, and represented 22% of total revenues in 2009 compared to 1% of total revenues in 2008. The increase in marketplace revenues was due to the full-year impact of selling our Premier Agent program in 2009, as we commenced selling this product in October 2008.

Display revenues grew from $10.5 million in 2008 to $13.6 million, and represented 78% of total revenues in 2009 compared to 99% of total revenues in 2008. The increase in display revenues was primarily the result of the increase in our unique users, which increased from 5.5 million average monthly unique users for the three months ended December 31, 2008 to 7.6 million average monthly unique users for the three months ended December 31, 2009, an increase of 38%, as well as the increased productivity of our field sales team.

Cost of Revenues

	Year Ended December 31,			2008 to 2009 % Change	2009 to 2010 % Change
	2008	2009	2010		
	(in thousands)				
Cost of revenues	$ 4,198	$ 4,042	$ 4,973	(4%)	23%

2009 Compared to 2010. Cost of revenues increased by $0.9 million, or 23%, in 2010 compared to 2009. The increase was the result of $0.5 million greater ad serving, credit card fees and other costs and an increase of $0.3 million in headcount expenses for employees supporting the operation of our website. We expect that our cost of revenues will increase in future years as we continue to incur more expenses that are associated with growth in revenues.

2008 Compared to 2009. Cost of revenues decreased by $0.2 million, or 4%, in 2009 compared to 2008. The decrease was driven by a decline in headcount expenses of $0.4 million resulting from a headcount reduction in the fourth quarter of 2008, offset by an increase of $0.2 million in ad serving and credit card fees related to revenue growth.

Sales and Marketing

	Year Ended December 31,	2008 to 2009 % Change	2009 to 2010 % Change

	2008	2009	2010		
		(in thousands)			
Sales and marketing	$ 7,481	$ 9,654	$ 14,996	29%	55%

2009 Compared to 2010. Sales and marketing expenses increased by $5.3 million, or 55%, in 2010 compared to 2009. The increase is related to growth in headcount expenses and related commissions of $5.1 million, primarily for our sales team to promote sales of our Premier Agent program, and tradeshows, conferences and related travel expenses. We expect our sales and marketing expenses will increase in future years as we continue to invest more resources in growing our sales team and potentially invest in advertising. Although these expenses may increase as a percentage of revenues in the near term, we expect these expenses will decrease as a percentage of revenues in the long term.

2008 Compared to 2009. Sales and marketing expenses increased by $2.2 million, or 29%, in 2009 from 2008. The increase was primarily related to growth in headcount expenses and related commissions of $3.2 million, primarily offset by a reduction in marketing and related consulting expenses of $0.9 million. The increase in headcount expenses was primarily attributable to the impact of hiring a local sales team to sell and

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promote our Premier Agent program. The offsetting decreases in marketing and related consulting expenses were primarily attributable to spending reductions implemented in the fourth quarter of 2008.

Technology and Development

	Year Ended December 31,			2008 to 2009 % Change	2009 to 2010 % Change
	2008	2009	2010		
		(in thousands)			
Technology and development	$ 15,048	$ 11,260	$ 10,651	(25%)	(5%)

2009 Compared to 2010. Technology and development expenses, which include research and development costs, decreased by $0.6 million, or 5%, in 2010 compared to 2009. The decrease was the result of a reduction of $1.2 million in depreciation and amortization expense as historical purchases of computer equipment reached the end of their depreciable lives and significant components of capitalized website development costs being fully amortized, offset by a $0.6 million increase in headcount expenses and consulting expenses. Amortization expense included for capitalized website development costs was $4.2 million and $3.6 million for the year ended December 31, 2009 and 2010, respectively. Amortization expense included for purchased data content intangible assets was $0.6 million and $0.6 million for the years ended December 31, 2009 and 2010, respectively. Other data agreement expense was $0.7 million and $0.7 million for the years ended December 31, 2009 and 2010, respectively. While we expect our technology and development expenses to increase over time as we continue to build new website and mobile functionality, we expect these expenses will decrease as a percentage of revenue.

2008 Compared to 2009. Technology and development expenses, which include research and development costs, decreased by $3.8 million, or 25%, in 2009 compared to 2008. Approximately $1.7 million of the decrease was related to a reduction in depreciation and amortization expense due to historical purchases of computer equipment reaching the end of their depreciable lives and significant components of capitalized website development costs becoming fully amortized. In addition, $1.3 million of the decrease was related to the full year impact of our headcount reduction in the fourth quarter of 2008. Various reductions in other spending categories, totaling $0.8 million, such as software expenses, repairs and maintenance expenses and consulting service expenses also contributed to the overall decrease from the prior year in technology and development expenses. Amortization expense included for capitalized website development costs was $4.7 million for the year ended December 31, 2008. Amortization expense included for purchased data content intangible assets was $0.8 million for the year ended December 31, 2008. Other data agreement expense was $0.7 million for the year ended December 31, 2008.

General and Administrative

	Year Ended December 31,			2008 to 2009 % Change	2009 to 2010 % Change
	2008	2009	2010		
		(in thousands)			
General and administrative	$ 5,770	$ 5,501	$ 6,684	(5%)	22%

2009 Compared to 2010. General and administrative expenses increased by approximately $1.2 million, or 22%, in 2010 compared to 2009. The increase was primarily driven by an increase in headcount expenses of approximately $1.0 million. Legal expenses also increased by

$0.4 million in 2010 compared to 2009 due to an increase in litigation activity relating to lawsuits filed against us in 2010. We expect general and administrative expenses to increase in the near term as we invest in headcount expenses and expenses associated with being a public company, but remain flat or decline as a percentage of revenues over the long term.

2008 Compared to 2009. General and administrative expenses decreased by approximately $0.3 million, or 5%, in 2009 compared to 2008. The decrease was largely a result of the headcount reduction in the fourth quarter of 2008 and to other initiatives we implemented at that time to reduce spending. Headcount expenses decreased by approximately $0.2 million, consulting expenses decreased by $0.2 million and legal expenses

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decreased by $0.2 million in 2009 compared to 2008. These decreases were partially offset by increases of $0.3 million in other expenses.

Other Income

	Year Ended December 31,			2008 to 2009 % Change	2009 to 2010 % Change
	2008	2009	2010		
	(in thousands)				
Other income	$ 687	$ 111	$ 63	(84%)	(43%)

2009 Compared to 2010. Other income decreased by 43% in 2010 compared to 2009, largely as a result of lower cash and cash equivalents and short-term investment balances and lower yields on those assets. We expect other income to increase in the near term because our cash and cash equivalents and short-term investments are expected to increase as a result of the net proceeds from this offering and the proceeds of the concurrent private placement.

2008 Compared to 2009. Other income decreased by approximately $0.6 million, or 84%, in 2009 compared to 2008, largely as a result of lower cash and cash equivalents and short-term investment balances and lower yields on those assets.

Quarterly Results of Operations

The following table sets forth our unaudited quarterly statements of operations data for each of the nine quarters presented below. In the opinion of management, the data has been prepared on the same basis as the audited financial statements included in this prospectus, and reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. The results of historical periods are not necessarily indicative of the results of operations of any future period. You should read this data together with our financial statements and the related notes included elsewhere in this prospectus.

	Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(in thousands, except per share data, unaudited)								
Statement of Operations Data:									
Revenues	$ 2,742	$ 4,504	$ 5,541	$ 4,704	$ 5,331	$ 7,334	$ 8,229	$ 9,573	$ 11,260
Costs and expenses:									
Cost of revenues (exclusive of amortization)(1)(2)	920	1,038	1,049	1,035	1,162	1,222	1,263	1,326	1,817
Sales and marketing(1)	1,909	2,380	2,679	2,686	3,117	3,748	4,060	4,071	5,484
Technology and development(1)	3,077	2,774	2,837	2,572	2,534	2,878	2,528	2,711	2,996
General and administrative(1)	1,301	1,419	1,416	1,365	1,341	1,483	1,902	1,958	1,828

Total costs and expenses	7,207	7,611	7,981	7,658	8,154	9,331	9,753	10,066	12,125
Loss from operations	(4,465)	(3,107)	(2,440)	(2,954)	(2,823)	(1,997)	(1,524)	(493)	(865)
Other income	36	38	15	22	17	25	14	7	39
Net loss	$ (4,429)	$ (3,069)	$ (2,425)	$ (2,932)	$ (2,806)	$ (1,972)	$ (1,510)	$ (486)	$ (826)
Net loss per share attributable to common shareholders basic and diluted	$ (0.35)	$ (0.24)	$ (0.19)	$ (0.23)	$ (0.22)	$ (0.16)	$ (0.12)	$ (0.04)	$ (0.06)
Weighted average shares outstanding basic and diluted	12,607	12,608	12,611	12,626	12,640	12,660	12,803	12,972	13,347
Other Financial Data:									
Adjusted EBITDA(3)	$ (2,153)	$ (989)	$ (489)	$ (1,277)	$ (1,183)	$ (202)	$ 246	$ 1,279	$ 1,051

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	Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(in thousands, unaudited)								
(1) Includes share-based compensation as follows:									
Cost of revenue	$ 46	$ 46	$ 47	$ 44	$ 54	$ 53	$ 61	$ 42	$ 41
Sales and marketing	98	109	102	99	104	111	117	113	107
Technology and development	107	102	105	80	95	106	102	86	86
General and administrative	166	170	169	161	159	159	188	165	156
Total	$ 417	$ 427	$ 423	$ 384	$ 412	$ 429	$ 468	$ 406	$ 390
(2) Amortization of website development costs and intangible assets included in technology and development is as follows	$ 1,407	$ 1,258	$ 1,160	$ 972	$ 970	$ 1,107	$ 1,030	$ 1,076	$ 1,223

(3) See Adjusted EBITDA below for more information and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles, or GAAP.

The following tables present our revenues by type and as a percentage of total revenues for the periods presented:

	Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(in thousands, unaudited)								
Revenues:									
Marketplace revenues	$ 455	$ 865	$ 1,168	$ 1,424	$ 1,854	$ 2,632	$ 3,628	$ 5,114	$ 6,881
Display revenues	2,287	3,639	4,373	3,280	3,477	4,702	4,601	4,459	4,379
Total	$ 2,742	$ 4,504	$ 5,541	$ 4,704	$ 5,331	$ 7,334	$ 8,229	$ 9,573	$ 11,260

	Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
Percentage of Revenues:									
Marketplace revenues	17%	19%	21%	30%	35%	36%	44%	53%	61%
Display revenues	83	81	79	70	65	64	56	47	39%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenues increased sequentially in all quarters presented with the exception of the fourth quarter of 2009 as display revenues were negatively impacted in that quarter by a decrease in monthly unique users for the quarter. The strong increase in consumer adoption of our website and mobile applications in 2010 was reflected in the significant growth in unique users over the year, which contributed to substantial increases in marketplace revenues. As a result, we experienced less seasonality in revenues, with no decrease in the fourth quarter of 2010, as we grew our marketplace products and services. We have experienced seasonality in our display revenues generally as a result of fluctuations of traffic to our website and mobile devices. However, in the fourth quarter of 2009 and the first quarter of 2010 we experienced sequential declines in display revenues largely due to price decreases associated with changes relating to our display remnant program.

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Adjusted EBITDA

The following table sets forth a reconciliation of Adjusted EBITDA to net loss for each of the nine quarters presented below. Please refer to Adjusted EBITDA in the section entitled Selected Financial and Other Data for more information.

	Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(in thousands, unaudited)								
Reconciliation of Adjusted EBITDA to Net Loss:									
Net loss	$ (4,429)	$ (3,069)	$ (2,425)	$ (2,932)	$ (2,806)	$ (1,972)	$ (1,510)	$ (486)	$ (826)
Income tax expense (benefit)									
Other income	(36)	(38)	(15)	(22)	(17)	(25)	(14)	(7)	(39)
Depreciation and amortization expense	1,895	1,691	1,528	1,293	1,228	1,366	1,302	1,366	1,526
Share-based compensation expense	417	427	423	384	412	429	468	406	390
Adjusted EBITDA	$ (2,153)	$ (989)	$ (489)	$ (1,277)	$ (1,183)	$ (202)	$ 246	$ 1,279	$ 1,051

Key Growth Drivers

The following tables set forth our key growth drivers for each of the nine quarters in the period ended March 31, 2011.

	Average for the Three Months Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(in thousands)								
Unique Users	8,084	8,615	8,485	7,611	9,301	10,751	12,061	12,666	17,306

	Period Ended								
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
Premier Agent Subscribers	285	1,111	2,106	2,764	3,438	4,777	6,448	8,102	10,710

Liquidity and Capital Resources

We have funded our operations since inception primarily from the issuance of common and preferred stock, and in 2010 and for the three months ended March 31, 2011 from cash generated from operations. Through 2007, we raised approximately $81.0 million through various offerings of our convertible preferred stock and approximately $5.9 million from the sale of our common stock.

As of December 31, 2010 and as of March 31, 2011, we had cash and cash equivalents and short-term investments of $13.8 million and $15.6 million, respectively. Cash and cash equivalents balances consist of operating cash on deposit with our financial institutions and money market funds. Short-term investments as of December 31, 2010 and as of March 31, 2011 consisted of U.S. Treasury securities. Amounts on deposit with third-party financial institutions exceed the applicable Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation insurance limits, as applicable. We believe that cash from operations and cash and short-term investment balances will be sufficient to meet our ongoing operating activities, working capital, capital expenditures and other capital requirements for at least the next 12 months.

During March 2011, we entered into a loan and security agreement with a financial institution to establish a line of credit of $4.0 million, secured by substantially all our assets other than our intellectual property, to be

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used for general business purposes. The line of credit contains financial and non-financial covenants. As of March 31, 2011, we were in compliance with all covenants. The line of credit is available through March 2013. During March 2011, we executed a standby letter of credit of $1.5 million in connection with the lease of our new Seattle offices and reserved this amount against the line of credit, which reduces the available line to $2.5 million. As of March 31, 2011, there were no other amounts outstanding under the line of credit.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	
		(in thousands)			
Cash Flow Data:					
Cash flows provided by (used in) operating activities	$ (13,010)	$ (4,217)	$ 2,258	$ (842)	$ 3,484
Cash flows provided by (used in) investing activities	(5,779)	(14,494)	4,631	696	(5,364)
Cash flows provided by (used in) financing activities	112	100	950	5	657

Cash Flows Provided By (Used In) Operating Activities

For the three months ended March 31, 2011, net cash provided by operating activities was $3.5 million. This was driven by a net loss of $0.8 million, adjusted by depreciation and amortization expense and share-based compensation expense of $1.5 million and $0.4 million, respectively. Changes in operating assets and liabilities increased cash provided by operating activities by $2.4 million.

In 2010, net cash provided by operating activities was $2.3 million. This was driven primarily by an increase in the deferred revenue balance of $2.5 million.

In 2009, net cash used in operating activities was $4.2 million. This was driven by a net loss of $12.9 million, adjusted by depreciation and amortization expense and share-based compensation expense of $6.4 million and $1.7 million, respectively. Changes in operating assets and liabilities reduced cash used in operating activities by $0.8 million.

In 2008, net cash used in operating activities was $13.0 million. This was driven by a net loss of $21.2 million, adjusted for depreciation and amortization expense and share-based compensation expense of $8.1 million and $1.5 million, respectively. Changes in operating assets and liabilities reduced cash used in operating activities by $1.5 million, primarily impacted by a decrease in the accounts receivable balance by $1.1 million.

Cash Flows Provided By (Used In) Investing Activities

Our primary investing activities include the purchase and maturity of short-term investments and the purchase of property and equipment and intangible assets.

For the three months ended March 31, 2011, we used $5.4 million of net cash in investing activities. This was the result of $3.0 million of net purchases of short-term investments, $1.4 million for the purchase of property and equipment and intangible assets and $1.0 million paid in connection with our March 2011 acquisition of the operating assets of a real estate agent and rental property manager marketing service company.

For the year ended December 31, 2010, net cash provided by investing activities was $4.6 million. This was the result of $10.2 million of net proceeds from short-term investments partially offset by $5.5 million for the purchase of property and equipment and intangible assets.

For the year ended December 31, 2009, we used $14.5 million of net cash in investing activities. This was the result of $10.4 million of net purchases of short-term investments and $4.1 million for the purchase of property and equipment and intangible assets.

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For the year ended December 31, 2008, we used $5.8 million of net cash in investing activities. This was the result of $4.8 million for the purchase of property and equipment and intangible assets and $1.0 million of net purchases of short-term investments.

Cash Flows Provided By (Used In) Financing Activities

Our financing activities have primarily resulted from the exercise of employee non-qualified stock options. The proceeds from the issuance of Class A common stock from the exercise of stock options for the years ended December 31, 2008, 2009 and 2010 was $0.1 million, $0.1 million and $1.0 million, respectively and $0.7 million for the three months ended March 31, 2011.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2009 or 2010 or as of March 31, 2011.

Contractual Obligations

We have various operating leases for office space and equipment. Our current headquarters in Seattle, Washington is under an operating lease expiring in February 2013 and we have entered into an operating lease for our new headquarters in Seattle, Washington under which we will be obligated to make payments beginning in December 2012 and expiring in November 2022. We also have purchase obligations for content related to our website. We do not have any debt or capital lease obligations. The following table provides a summary of our operating lease obligations and purchase obligations as of March 31, 2011 (unaudited):

	Payment Due By Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Operating lease obligations	$ 22,912	$ 1,607	$ 3,919	$ 3,617	$ 13,769
Purchase obligations	3,592	1,395	1,157	1,040	
Total	$ 26,504	$ 3,002	$ 5,076	$ 4,657	$ 13,769

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, the allowance for doubtful accounts, website and software development costs, recoverability of intangible assets with definite lives and other long-lived assets and share-based compensation have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 2 of the accompanying notes to our financial statements.

Revenue Recognition

Our revenue is primarily derived from advertising services. In general, we recognize revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured. We consider a signed agreement, a binding insertion order or other similar documentation reflecting the terms and conditions under which products will be provided to be persuasive evidence of an arrangement. Collectability is assessed based on a number of factors, including payment history and the creditworthiness of a customer. If it is determined that collection is not reasonably assured, revenue is not recognized until collection becomes reasonably assured, which is generally upon receipt of cash.

Our marketplace revenues consist of subscriptions sold to real estate agents under our Premier Agent program, and CPC advertising related to our Zillow Mortgage Marketplace sold to mortgage lenders. Subscription advertising revenues are recognized on a straight-line basis during the contractual period over which the advertising is delivered. Typical terms of our Premier Agent subscription contracts range from six to 12 months. For Zillow Mortgage Marketplace, we recognize revenue when a user clicks on a mortgage advertisement or on a link to obtain additional information about a mortgage loan quote.

Display revenues primarily consist of graphical advertising sold on a CPM basis to advertisers. We recognize these revenues as impressions are delivered to users interacting with our website or mobile applications.

Allowance for Doubtful Accounts

We review accounts receivable on a regular basis and estimate an amount of losses for uncollectible accounts based on our historical collections experience, age of the receivable, knowledge of the customer and the condition of the general economy and industry as a whole.

Website and Software Development Costs

The costs incurred in the preliminary stages of website and software development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental and deemed by management to be significant, are capitalized in property and equipment and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the website (or software) that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful lives.

Capitalized development activities placed in service are amortized over the expected useful lives of those releases, currently estimated at one year. Estimated useful lives of website and software development activities are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality.

Recoverability of Intangible Assets with Definite Lives and Other Long-Lived Assets

We evaluate intangible assets and other long-lived assets for impairment whenever events or circumstances indicate they may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset group to future undiscounted net cash flows expected to be generated. We group assets for purposes of such review at the lowest level for which identifiable cash flows of the asset group are largely independent of the cash flows of the other groups of assets and liabilities. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group.

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Share-Based Compensation

We measure compensation expense for all share-based awards at fair value on the date of grant and recognize compensation expense over the service period for awards expected to vest. We use the Black-Scholes-Merton option-pricing model to determine the fair-value for awards and recognize compensation expense on a straight-line basis over the awards vesting periods. Management has determined the Black-Scholes-Merton fair value of our stock option awards and related share-based compensation expense with the assistance of third-party valuations. Determining the fair value of share-based awards at the grant date requires judgment. The determination of the grant date fair value of options using an option-pricing model is affected by our estimated Class A common stock fair value as well as assumptions regarding a number of other complex and subjective variables. If any of the assumptions used in the Black-Scholes-Merton model changes significantly, share-based compensation for future awards may differ materially compared with the awards granted previously. In valuing our options, we make assumptions about risk-free interest rates, dividend yields, volatility, and weighted-average expected lives, including estimated forfeiture rates, of the options.

Risk-free rate. Risk-free interest rates are derived from U.S. Treasury securities as of the option grant date.

Expected dividend yields. Expected dividend yields are based on our historical dividend payments, which have been zero to date.

Volatility. Absent a public market for our shares, we have historically estimated volatility of our share price based on the published historical volatilities of industry peers in the online publishing market (primarily the financial and real estate services industries) representing the verticals in which we operate.

Expected term. We estimate the weighted-average expected life of the options as the average of the vesting option schedule and the term of the award, since, due to the limited period of time share-based awards have been exercisable, we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The term of the award is estimated using the simplified method as the awards granted are plain vanilla share options.

Forfeiture rate. Forfeiture rates are estimated using historical actual forfeiture trends as well as our judgment of future forfeitures. These rates are evaluated at least annually and any change in compensation expense is recognized in the period of the change. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from management s current estimates.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the periods presented:

	Year Ended December 31,			Three Months Ended March 31,
	2008	**2009**	**2010**	**2011**

				(unaudited)
Expected volatility	57%	55%	50%	52%
Expected dividend yields				
Average risk-free interest rate	1.91 3.14%	1.70 2.19%	1.23 2.16%	1.87%
Weighted-average expected life	4.58 years	4.58 years	4.58 years	4.58 years

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Valuation of Class A Common Stock. The following table summarizes by grant date the number of shares of our Class A common stock subject to stock options granted since January 1, 2010, the associated per share exercise price, the fair value per share at the date of grant and the intrinsic value per share at the date of grant.

Grant Date	Number of Shares Subject to Options Granted	Exercise Price Per Share	Fair Value Per Share at Grant Date	Intrinsic Value Per Share at Grant Date
2010				
March 12	869,094	$ 3.59	$ 3.59	$
March 17	2,958	3.59	3.59	
April 15	6,796	3.59	3.59	
May 20	64,781	3.59	3.59	
July 20	172,361	3.25	3.25	
August 17	54,727	3.25	3.25	
September 15	225,735	3.25	3.25	
October 21	7,244	3.25	3.25	
November 15	29,585	3.25	3.25	
December 15	6,946	3.25	3.25	
2011				
March 1	1,093,272	3.89	4.40	0.51
May 23	186,631	6.33	6.97	0.64

Since July 2006, we have obtained valuation analyses prepared by a third-party valuation firm to assist us in determining the fair value of our Class A common stock. The valuations used methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, or the AICPA Practice Guide. In obtaining third-party valuations of our Class A common stock, our management provided the third-party valuation firm with projections for revenue and expenses on a cash basis, and information about our prospects, our performance and economic and financial market conditions, which the valuation firm used, along with other information, to perform its valuation analysis. These valuations were reviewed by management and either the board of directors or the compensation committee of our board of directors in conjunction with share-based compensation grants. In determining the fair value of our Class A common stock, the board of directors and the compensation committee of our board of directors considered these valuation reports, and other qualitative and quantitative factors that they considered relevant, including:

- key employee hirings and terminations;
- the seasonality of our business;
- general market conditions in the technology, media and real estate markets;
- our operating performance and competitive position within the online real estate space;
- revenue and income projections;

- our cash burn rate;
- the market value of stock of our peer companies;
- present value of possible future cash flows; and
- the likelihood of various liquidity scenarios.

The third-party valuation firm performed a top-down valuation by applying the Income Approach (as discussed below) to calculate a business enterprise value from which the estimated fair value of our Class A common stock was derived. We prepared financial forecasts for revenue and expenses on a cash basis for five

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calendar years, which the third-party valuation firm used in its discounted cash flow, or DCF, methodology to estimate our enterprise value using the Income Approach. The financial forecasts were based on a number of assumptions, including assumptions regarding revenue growth rates and expenses, that took into account our past experience and future expectations. The valuation reports were based upon information contemporaneous with the as of date of the valuations, and did not give effect to facts or events occurring between that date and the date the reports were issued.

Under the Income Approach using the DCF methodology, estimated future free cash flow returns are discounted to present value at an appropriate rate of return for the investment, where the discount reflects the degree of risk associated with the future returns and returns available from alternative investments. Higher risk leads to a higher discount rate, which produces a lower value for the investment. Under the Income Approach, discrete period cash flows were determined over several years, and estimated in a residual period. The analysis was based on a number of assumptions, including:

- our expected sales growth, cost of revenues, operating expenses, depreciation expense, income taxes and capital expenditures for the current and future years, which assumptions were based on management s estimates as of the effective date of the valuation; and

- a discount rate, which was applied to the forecasted discrete period cash flows and the residual cash flows projected beyond the discrete period.

The valuation looked at publicly held companies whose stocks are actively traded (the comparable public company methodology) to derive appropriate ratios and multiples for determining the free cash flows and residual value used in the DCF methodology. To develop an appropriate discount rate to apply to our cash flows, the valuation looked at required venture capital rates for investments in companies at various stages of the business cycle.

After using the DCF methodology to arrive at a business enterprise value, the valuation looked at similar companies involved in merger or acquisition transactions and used the comparable public company methodology to benchmark our enterprise value as a multiple of projected revenues and EBITDA. The valuation then added our cash balance to the enterprise value to arrive at the fair value of invested capital, or the value available to all investors of a company, including equity capital (common and preferred), before consideration of any non-operating assets or liabilities. After arriving at the fair value for our total invested capital, the total value of equity is allocated over several series of convertible preferred stock, several classes of common stock and stock options to purchase Class A common stock. Consistent with the AICPA Practice Guide, the value of each share of convertible preferred stock and each share of common stock can be inferred by analyzing various option-pricing methodologies.

The option method models the fair value of the various securities comprising a company s capital structure as a series of call options on the proceeds expected from the sale of the company or the liquidation of its assets at some future date. The model estimates the fair value of each class of securities as a function of the current estimated fair value of the company and assumptions based on the rights and preferences of the respective class. Under the option-pricing methodology used by the third-party valuation firm, the enterprise value was allocated to the convertible preferred stock, several classes of common stock and stock options to purchase Class A common stock using a version of the Black-Scholes-Merton option valuation methodology. To determine the Black-Scholes-Merton assumptions, the time to a liquidity event is estimated, the risk-free rate is determined (typically based on the rate available on a government security whose term matches the assumed time to liquidity) and the volatility assumption is determined. For a private company, volatility is based on the historical stock performance for comparable public companies and consideration of the relative lifecycle stage of the company.

March 12, March 17, April 15 and May 20, 2010

The stock options granted on these dates have an exercise price of $3.59 per share. Our board of directors (with respect to the March 17 grants) and the compensation committee of our board of directors (with respect to

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the March 12 grants) determined this price taking into account the third-party valuation of our Class A common stock performed as of March 1, 2010, which estimated that the fair value of our Class A common stock at that time was $3.59 per share. In the March 2010 valuation, under the Income Approach, a discount rate of 25% was applied. After arriving at a business enterprise value, our cash balance was added to arrive at the fair value of total invested capital. A portion of the fair value for our total invested capital was then allocated to our Class A common stock under the option-valuation methodology, assuming the following inputs: risk free rate of approximately 0.8%; volatility of approximately 65%; and time to expiration of approximately two years. Finally, the valuation applied a marketability discount of 30% to account for the lack of liquidity relative to a public market.

For purposes of the April 15 and May 20 stock option grants, the compensation committee determined that there had been no significant change in our business or industry that would warrant a different valuation than the fair value of our Class A common stock determined in March 2010, and continued to grant stock options with an exercise price equal to the fair value as reflected in the March 1, 2010 valuation.

July 20, August 17, September 15, October 21, November 15 and December 15, 2010

The stock options granted on these dates have an exercise price of $3.25 per share. The compensation committee of our board of directors determined this price taking into account the third-party valuation of our Class A common stock performed as of June 30, 2010, which estimated that the fair value of our Class A common stock at that time was $3.25 per share. The decrease in the fair value of our Class A common stock from March 1, 2010, was primarily due to the fact that, in 2010, despite growth in revenues, for the period April 1, 2010 through June 30, 2010, the Dow Jones Industrial Average declined 11% and significant macroeconomic pressures on the financial sector and housing markets, including the European debt crisis, continued to put at risk the predictability of future cash flows of the business. As a result, the business enterprise value of our company at June 30, 2010 was determined to be lower than the enterprise value of Zillow at March 1, 2010. In the June 2010 valuation, under the Income Approach, a discount rate of 25% was applied. After arriving at a business enterprise value, our cash balance was added to arrive at the fair value of total invested capital. A portion of the fair value for our total invested capital was then allocated to our Class A common stock under the option-valuation methodology, assuming the following inputs: risk free rate of approximately 0.54%; volatility of approximately 65%; and time to expiration of approximately 1.75 years. Finally, the valuation applied a marketability discount of 25%, to account for the lack of liquidity relative to a public market.

For purposes of the stock option grants in August through December 2010, the compensation committee of our board of directors determined that there had been no significant change in our business or prospects that would warrant a different valuation than the fair value of our Class A common stock determined in June 2010, and continued to grant stock options with an exercise price equal to the fair value as reflected in the June 30, 2010 valuation. While our revenues increased over that period, we continued to operate at a net loss, as we faced a challenging housing market and a slowly recovering economy.

March 1, 2011

The stock options granted on this date have an exercise price of $3.89 per share. The compensation committee of our board of directors determined this price taking into account the third-party valuation of our Class A common stock performed as of December 31, 2010, which estimated that the fair value of our Class A common stock at that time was $3.89 per share. The increase over the June 2010 valuation was in part due to the positive impact on our projections of various initiatives that we had undertaken in 2010 to drive more traffic to our site and enhance our sales and marketing capabilities, offset in part by continued distress in the housing market, constrained mortgage lending markets and historically high rates of foreclosures. In the third-party valuation firm s December 31, 2010 valuation, two alternative scenarios were considered: (a) our continued operation as a private company with a potential merger or acquisition of Zillow during the 2.5 years following the valuation date (the delayed event scenario); and (b) a potential initial public offering, or IPO, during 2011

(the IPO scenario). In the December 2010 valuation, under the Income Approach, a discount rate of 25% was applied. After arriving at a business enterprise value, our cash balance was added to arrive at the fair value of invested capital. The fair value of invested capital was then allocated to our common stock under each liquidation scenario. Under the IPO scenario, the fair value per share of Class A common stock was estimated by dividing the total equity value by the number of common equivalent shares outstanding. Under the delayed event scenario, the fair value per share of Class A common stock was determined using the version of the Black-Scholes-Merton option-valuation methodology used in previous valuations, and the following inputs were assumed: risk free rate of approximately 0.82%; volatility of approximately 55%; and time to expiration of approximately 2.5 years. The valuation applied a marketability discount of 15% to the fair value determined under the IPO scenario and a marketability discount of 30% to the fair value determined under the delayed event scenario, to account for the lack of liquidity relative to a public market. The weighting of the common equity value per share assumed a delayed event at 75% and the common equity value per share based on an IPO at 25%, in reaching the fair value of $3.89 per share.

Due to the proximity of the stock option grants on March 1, 2011 to the anticipated date of consummation of our initial public offering, we reassessed the Class A common stock fair value as of March 1, 2011, resulting in a fair value per share of $4.40. The reassessed fair value was determined using the same valuation methodology used in the recent third-party valuations, including the valuation as of December 31, 2010. However, we revised the weighting of the IPO scenario to 50% and reduced the weighting of the delayed event scenario to 50%. This revision added $0.51 to the per share fair value of our Class A common stock as originally determined on March 1, 2011.

May 23, 2011

The stock options granted on this date have an exercise price of $6.33 per share. The compensation committee of our board of directors determined this price taking into account the third-party valuation of our Class A common stock performed as of May 20, 2011, which estimated that the fair value of our Class A common stock at that time was $6.33 per share. The increase over the December 31, 2010 valuation was primarily due to the positive impact on the May 20, 2011 valuation of a revised five-year forecast we prepared in May that included increases in our projected revenues and EBITDA, and an increase in the weighting of the common equity value per share based on an initial public offering, or IPO. In the third-party valuation firm s May 20, 2011 valuation, two alternative scenarios were considered: (a) our continued operation as a private company with a potential merger or acquisition of Zillow during the two years following the valuation date (the delayed event scenario); and (b) a potential IPO during 2011 (the IPO scenario). In the May 2011 valuation, under the Income Approach, a discount rate of 25% was applied. After arriving at a business enterprise value, our cash balance was added to arrive at the fair value of invested capital. The fair value of invested capital was then allocated to our common stock under each liquidation scenario. Under the IPO scenario, the fair value per share of Class A common stock was estimated by dividing the total equity value by the number of common equivalent shares outstanding. Under the delayed event scenario, the fair value per share of Class A common stock was determined using the version of the Black-Scholes-Merton option-valuation methodology used in previous valuations, and the following inputs were assumed: risk free rate of approximately 0.58%; volatility of approximately 55%; and time to expiration of approximately two years. The valuation applied a marketability discount of 10% to the fair value determined under the IPO scenario and a marketability discount of 30% to the fair value determined under the delayed event scenario, to account for the lack of liquidity relative to a public market. The weighting of the common equity value per share assumed a delayed event at 50% and the common equity value per share based on an IPO at 50%, in reaching the fair value of $6.33 per share.

Due to the proximity of the stock option grants on May 23, 2011 to the anticipated date of consummation of our initial public offering, we reassessed the Class A common stock fair value as of May 23, 2011, resulting in a fair value per share of $6.97. The reassessed fair value was determined using the same valuation methodology used in recent third-party valuations, including the valuation as of May 20, 2011. However, we revised the weighting of the IPO scenario to 75% and reduced the weighting of the delayed event scenario to 25%. This revision added $0.64 to the per share fair value of our Class A common stock as originally determined on May 23, 2011.

The reassessed fair value of our Class A common stock as of May 23, 2011 is lower than the midpoint of the range of the expected initial public offering price shown on the cover of this prospectus, largely because the private company valuation used for purposes of pricing stock options is based on different factors than those typically used to determine an estimated offering price range in an initial public offering. The determination of fair value as of May 23, 2011 for stock option pricing purposes took into account a third-party valuation that used a DCF methodology, which includes a terminal value based on our estimated EBTIDA performance after a five-year discrete projection period. In making this calculation, a set of actively traded public companies was used to derive an appropriate multiple to apply to our projected EBITDA. The terminal value is intended to approximate the value of our company at the end of the five-year period. Therefore, our third-party valuation firm determined that it was appropriate to use more mature public companies as comparables because they generally have more stabilized EBITDA growth rates than earlier stage public companies and as a result have multiples that more accurately reflect expected performance over the long term. Accordingly, over the last five years, we have used a largely consistent set of more mature comparable publicly held companies in our valuations.

The DCF methodology also took into account the absence of a liquid trading market for our Class A common stock and the uncertainty of our ability to access the public markets through an IPO. These factors also contribute to the difference between the May 23, 2011 valuation and the midpoint of the range of the expected initial public offering price shown on the cover of this prospectus. Specifically, the valuation applied a marketability discount of 10% to the fair value determination under the IPO scenario and a marketability discount of 30% to the fair value determination under the delayed event scenario. In addition, because the successful conclusion of an IPO was uncertain as of May 23, 2011, the higher value IPO scenario was weighted at a 75% probability.

In contrast, the range of the expected initial public offering price shown on the cover of this prospectus does not factor in any discounts for illiquidity and assumes the successful completion of our IPO. The expected initial public offering price range is based in part upon multiples of projected revenues and EBITDA derived from stock prices for public companies that may have higher growth rates than the companies used to establish terminal value under the DCF methodology. The companies that were considered during discussions regarding the establishment of the expected initial public offering price range include companies that recently completed initial public offerings, including two companies that had not completed their initial public offerings at the time of our May 23, 2011 valuation. These earlier stage public companies, which generally have higher EBITDA growth rates and therefore higher multiples than more mature public companies, are not appropriate for our valuations for the purposes of establishing the fair value of our Class A common stock for stock options based on the DCF methodology that relies on a calculation of terminal value after a five-year period based on expected performance over that period.

The difference between our May 23, 2011 valuation and the midpoint of the range of the expected initial public offering price shown on the cover of this prospectus is also the result of the increased likelihood of consummating our IPO since May 23, 2011 as a result of our progress with respect to the offering, including the filing of amendments to our registration statement, the successful completion of initial public offerings of other companies and the aftermarket performance of these companies since May 23, 2011.

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2009-13 regarding ASC Subtopic 605-25, *Revenue Recognition Multiple-element Arrangements*. This ASU addresses criteria for separating the consideration in multiple-element arrangements. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price, or BESP, of individual deliverables in the arrangement in the absence of vendor-specific objective evidence, or VSOE, or other third-party evidence, or TPE, of the selling price. The changes

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under ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified subsequent to adoption. We adopted the changes under ASU 2009-13 effective January 1, 2011. Management does not believe that the adoption of this guidance will have any impact on our financial position, results of operations, cash flows or disclosures based on the types of revenue arrangements we have historically entered into and currently have in place.

Effective October 31, 2009, we adopted the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This standard establishes only two levels of GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification, or the Codification, became the source of authoritative, non-governmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on our financial statements.

Effective January 1, 2010, we adopted new authoritative guidance on fair value measurements and disclosures. The new guidance requires additional disclosures regarding fair value measurements, amends disclosures about postretirement benefit plan assets, and provides clarification regarding the level of disaggregation of fair value disclosures by investment class. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010. Accordingly, we adopted this new guidance beginning January 1, 2010, except for the additional Level 3 requirements, which we adopted effective January 1, 2011. Level 3 assets and liabilities are those whose fair value inputs are unobservable and reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The adoption of this guidance did not have a material impact on our financial statements.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

We do not have any long-term borrowings as of December 31, 2010 or as of March 31, 2011.

Under our current investment policy, we invest our excess cash in money market funds, FDIC-insured certificates of deposits and U.S. Treasury securities. Our current investment policy seeks first to preserve principal, second to provide liquidity for our operating and capital needs and third to maximize yield without putting our principal at risk.

Our investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on our investments or their fair value. As our investment portfolio is short-term in nature, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio, and therefore we do not expect our results of operations or cash flows to be materially affected to any degree by a sudden change in market interest rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

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BUSINESS

Mission

Our mission is to build the most trusted and vibrant home-related marketplace

to empower consumers with information and tools to make intelligent decisions about homes.

Overview

Zillow is the leading real estate information marketplace. We provide vital information about homes, real estate listings and mortgages through our website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. We are transforming the way people make home-related decisions. Zillow provides consumers and real estate professionals an edge in real estate .

We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. Our living database of more than 100 million U.S. homes including homes for sale, homes for rent and homes not currently on the market attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 28 million homes and added more than 60 million home photos, creating exclusive home profiles available nowhere else. These profiles include rich, detailed information about homes such as property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it, both through our website and through our industry-leading mobile applications that allow consumers to access our information when they are curbside, viewing homes.

Homes are the center of peoples lives, the focus of some of their most important decisions and often their most valuable assets. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement. Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide home-related services.

Using complex, proprietary automated valuation models, we provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes. We present residential real estate data in novel ways that have revolutionized the way consumers search for, find and understand home-related information and make real estate decisions. Consumers increasingly are turning to the Internet and mobile devices for real estate information. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%.

Real estate and mortgage professionals are a critical part of the home-related marketplace. We enable consumers to connect with real estate and mortgage professionals best suited to meet their needs. We have created a trusted and transparent marketplace where consumers can search and read reviews on local real estate and mortgage professionals and contact those professionals on their own terms. Consumers initiate contact through our marketplace when they are ready to speak with real estate and mortgage professionals providing those professionals with access to highly qualified clients and providing consumers with control over their decision-making process.

We generate revenues from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. Our revenues have grown significantly since our launch in 2006. For the three months ended March 31, 2010 and 2011, we generated revenues of $5.3 million and $11.3 million, respectively, an increase of 111%. For the year ended December 31, 2010, we generated revenues of $30.5 million, as compared to $17.5 million in the year ended December 31, 2009, representing an increase of 74%.

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Industry Dynamics

The Importance of Homes

Homes are the center of peoples lives, the focus of some of their most important decisions and often their most valuable assets. Deciding where to live, which home to choose and whether and when to rent or buy are among the most important decisions a person must make. Historically, objective information and advice about the value of homes has been hard to find and keep current, even though a home s changing value can profoundly influence many financial and personal decisions. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement.

Large Market Opportunities

Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide the following home-related services:

Purchase and Sale. Sales of existing and new homes in the United States in 2010 had an aggregate transaction value of approximately $1.2 trillion, according to data published in April 2011 by the U.S. Census Bureau and NAR. Residential real estate brokerage commissions and fees were approximately $60 billion in 2010, as derived by Zillow using data released in 2011 by the U.S. Census Bureau, NAR and REAL Trends. There are more than 1.8 million licensed real estate agents in the United States, according to data published in April 2011 by the Association of Real Estate License Law Officials. In an effort to acquire new client relationships and sell homes, real estate agents and brokers spent an estimated $6.2 billion on residential advertising in 2010, according to a 2011 report published by Borrell Associates.

Rental. The overall size of the U.S. rental housing market, including rent, utilities and insurance, exceeded $300 billion in 2009, according to data published by the U.S. Census Bureau in March 2011 and our own estimates.

Home Financing. In 2009 in the United States, 4.6 million purchase loans were originated, representing more than $852 billion in borrowings, and 8.1 million refinancing and home equity loans were originated, representing more than $1.7 trillion in borrowings, according to data available from the Federal Financial Institutions Examination Council. These loans generated approximately $26 billion in fees for mortgage lenders and brokers, according to data available from the Federal Financial Institutions Examination Council, data released in December 2010 by the Mortgage Bankers Association and our own analysis. There were approximately 266,000 mortgage lenders and brokers in the U.S. in 2009, according to data available from the U.S. Bureau of Labor Statistics.

Home Maintenance and Improvement. Approximately $463 billion was spent on home improvement and repair by U.S. consumers in 2010, according to an April 2011 report from the Harvard Joint Center for Housing Studies. Additionally, more than 650,000 businesses in 2007 earned the majority of their revenue by providing remodeling services, according to a January 2011 report from the Harvard Joint Center for Housing Studies.

Highly Fragmented, Local and Complex Market

The market for residential real estate transactions and home-related services is highly fragmented, local and complex. Each home has unique characteristics, including location, value, size, style, age and condition. Each consumer approaches home-related transactions with a personal set of objectives, priorities and values. Real estate agents generally operate in local markets as independent contractors with different experience and skills. These conditions create challenges for consumers and real estate and mortgage professionals alike. Consumers are challenged to find information about homes, and to find real estate and mortgage professionals who fit their individual needs. Real estate and mortgage professionals are challenged to efficiently advertise their services and identify new clients, and to measure the effectiveness of their marketing efforts.

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Absence of Consumer Orientation

Historically, consumers had minimal access to comprehensive and objective residential real estate data, even though many home-related decisions are extraordinarily information-intensive. While real estate and mortgage professionals had some data, consumers did not have free, independent and easy access to it. Even when accessible, the data was difficult to interpret and analyze.

Increasing Role of the Internet and Mobile Technologies

Consumers are increasingly turning to the Internet and mobile devices for real estate information. In 2010, 89% of buyers used the Internet to search for homes and 38% of buyers found through the Internet the actual home they purchased, according to the 2010 National Association of REALTORS® Profile of Home Buyers and Sellers. With the widespread adoption of mobile and location-based technologies, consumers increasingly expect home-related information to be available on their mobile devices where, when and how they want it.

Challenges for the Consumer

Consumers thinking about homes face many important questions:

- What is the value of my home or a home I am interested in?
- How does the value of one home compare to the value of other homes?
- How do I shop for and find the right home for my family?
- How can I get meaningful information about homes for sale when I am on location in a neighborhood?
- Who are the best local real estate professionals to help me?
- Should I buy, sell, refinance or remodel?
- How do I find the best mortgage loan for me?
- What is a fair rental price for this home?
- Which neighborhood is right for my family?

Historically, finding answers to these and other important questions was challenging for many reasons:

Lack of a consumer-oriented experience. Consumers had difficulty getting and analyzing critical home-related data, such as the current values of homes in a neighborhood, transaction prices for nearby homes, price reductions on homes for sale, appropriate rental rates and other housing information. The information that was available was designed for use in connection with a purchase or sale transaction, but was not useful for consumers other home-related decisions and did not address many questions important to those decisions.

Information asymmetry. The majority of industry information sources were available to real estate and mortgage professionals, not consumers.

Fragmented data. Consumers who wished to research neighborhoods, homes, real estate agents and mortgages needed a wide variety of information from disparate sources. As a result, the information was not easily comparable, and was difficult to use for making intelligent home-related decisions.

Difficulty finding and evaluating local real estate and mortgage professionals. Consumers faced difficulties connecting with highly rated real estate and mortgage professionals who were knowledgeable about the local market, well-respected and responsive, because there was no transparent source of information about local real estate and mortgage professionals.

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Mortgage loan complexity. Getting multiple, personalized mortgage loan quotes was time-consuming, complex and required consumers to disclose sensitive personal information. Mortgage loan terms and hidden costs were difficult for consumers to understand and compare.

Limited information curbside. Information about nearby listings, neighborhoods and comparable home values is generally most useful to the consumer on location and historically had been hard to obtain when curbside, viewing homes.

Challenges for Real Estate and Mortgage Professionals

The fragmented nature of the residential real estate market has made it difficult for real estate and mortgage professionals, including real estate brokers and agents and mortgage lenders, to market their services effectively. Real estate and mortgage professionals operating in this environment are challenged to build their reputations in crowded local markets, reach potential clients at the right time, distinguish themselves from other real estate and mortgage professionals and cost-effectively promote their qualifications, real estate listings or mortgage loan rates.

The Zillow Edge

We are transforming the way consumers make home-related decisions and connect with real estate and mortgage professionals. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible and to providing transparency for all market participants. Our living database of homes, Zestimates and Rent Zestimates form the foundation of our products and services.

Living Database of Homes

Our dynamic and comprehensive living database includes detailed information on more than 100 million U.S. homes, or most U.S. homes, and includes homes for sale, for rent and recently sold, as well as properties not currently on the market. This database is central to the value we provide to consumers and real estate and mortgage professionals. It contains extensive information that users can search, through an easy-to-use interface, to identify, analyze and compare homes. Our database is relevant to a broad range of users, including buyers, sellers, renters, homeowners, real estate agents and other real estate professionals. It includes information such as:

Property facts: Zestimate and its corresponding value range, number of bedrooms, number of bathrooms, square footage, lot size, assessed tax value and property type such as single-family, condominium, apartment, multifamily, manufactured home or land.

Listing information: price, price history and reductions, dollars per square foot, days on the market, listing type (such as for sale by agent, for sale by owner, foreclosures, new construction, rentals and Make Me Move homes) open houses, property photos and estimated monthly payment.

Purchase and sale data: prior sales information and recent sales nearby.

We synthesize data from hundreds of automated feeds, representing information from tens of thousands of public and private sources. Applying extensive computer analytics to the data, we transform it into information that is accessible, understandable and useful.

We refer to the database as living because the information is continually updated by the combination of our proprietary algorithms, synthesis of third-party data from hundreds of sources, and through improvements by us and, importantly, by our community of users. User-generated content from owners, agents and others enriches our database with photos and additional property information. For example, individuals and businesses that use Zillow have updated information on more than 28 million homes in our database and added more than 60 million home photos, creating exclusive home profiles available nowhere else.

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Zestimates and Rent Zestimates

We have developed industry-leading automated home valuation models that use advanced statistical methods and complex, proprietary algorithms. We use these models to provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes. In addition, based on our Zestimates, we produce Zillow Home Value Indexes at the neighborhood, zip code, city, metropolitan statistical area, county and national levels. Our Zillow Home Value Indexes have been cited by government entities such as the Federal Reserve Bank and the Congressional Oversight Panel, university studies and respected national publications. For historical comparisons, we provide up to 15 years of Zestimate history on each home and valuable information about property and real estate market trends. Our Zestimates, Rent Zestimates and Zillow Home Value Indexes allow consumers to evaluate homes and neighborhoods, and to easily evaluate historical trends, as they contemplate critical home-related decisions.

Our living database, Zestimates and Rent Zestimates have enabled us to create innovative products and services that empower consumers, including:

Transformative Presentations and Tools. Our products and services present residential real estate data in novel ways that have revolutionized the way consumers search for, find and understand home-related information, and make real estate decisions. Our map-based user interface allows users to search, navigate and zoom to areas of interest and find and compare information quickly and efficiently from a variety of different perspectives across homes, neighborhoods, cities, counties and other geographical regions. Graphical presentations of historical trends complement the map display, enabling consumers to gain valuable insights.

Community-Generated Content. Our large and engaged user community, both consumer and professional, contributes relevant, unique content every day, complementing our living database with reviews of real estate and mortgage professionals and contributions to our real estate advice forums. As of June 9, 2011, we had published more than 50,000 reviews of local real estate agents and more than 7,600 reviews of mortgage professionals submitted by our users, and our users had submitted more than 420,000 questions and answers in our discussion forum, Zillow Advice. Zillow Advice allows consumers to ask questions of real estate and mortgage professionals and other consumers and quickly learn more about homes and real estate topics of interest. In particular, many of our dedicated active contributors devote substantial time sharing their expertise about Zillow and the real estate market on Zillow Advice. Real estate and mortgage professionals who participate in Zillow Advice play a key role in helping to educate consumers, and benefit from exposure to consumers and resulting referrals.

Trusted, Transparent Marketplace. We have created a trusted and transparent marketplace where consumers can identify and connect with real estate and mortgage professionals that are best suited to meet their needs. Consumers initiate contact in our marketplace when they are ready to speak with real estate and mortgage professionals providing those professionals with access to highly qualified clients and providing consumers with control over their decision-making process. As more consumers visit Zillow, more real estate and mortgage professionals are attracted, resulting in more successful matches between real estate and mortgage professionals and consumers, which in turn attracts even more professionals and consumers to Zillow.

Real Estate Agents. We present consumers with ratings and contact information for the listing agent and local buyers agents alongside home profiles and listings to assist consumers in evaluating and selecting the real estate agent best suited for them. Our directory of local professional real estate agents augments this offering by providing detailed information about real estate professionals, including more detailed ratings and reviews.

Mortgage Lenders. In Zillow Mortgage Marketplace, consumers can request free, personalized quotes based on their submission of anonymous data, such as specific loan amount, zip code, purchase price or estimated home value, and credit score. User-generated ratings and reviews of lenders are provided as a powerful tool to help consumers shop for a lender. Consumers then decide if and when to contact mortgage professionals.

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Curbside Access. Shopping for a home is a far more meaningful consumer experience when it occurs curbside untethered and on location. Through our mobile applications and mobile Web site, a consumer standing curbside at a home for sale can learn about the home s price, Zestimate, Rent Zestimate, number of bedrooms, square footage and past sales, and also learn similar information about surrounding homes in the neighborhood. Within our mobile applications and while still curbside, the home shopper can find and click to call a local real estate agent to get more information on a home or schedule a showing. With this scenario in mind, we have developed and operate the most popular platform of mobile real estate applications across iPhone, iPad, Android and BlackBerry.

Competitive Advantages

We believe we have the following competitive advantages:

Inimitable Database. Our living database of homes is the result of years of substantial investment, sophisticated economic and statistical analysis, complex data aggregation and millions of user contributions. This unparalleled resource enables us to create content, products and services not available elsewhere, and attracts an active, vibrant community of users. We benefit from network effects. As more consumers come to our website to use our products and services, more real estate and mortgage professionals contribute content to distinguish themselves, thereby making our marketplace more useful and attracting additional consumers.

Independent Market Position and Consumer Focus. Zillow has been built independently of any real estate industry group. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. We provide unbiased information, products and services, empowering consumers to make informed decisions about homes and the residential real estate market. We believe our independence enables us to create compelling products and services with broad consumer appeal.

Powerful Brand and Scale. We have established a powerful brand identity and built a large user community in a short time. More than two-thirds of our traffic is direct, with demonstrated consumer intent to visit the Zillow brand. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%, which we achieved with virtually no advertising expense to date.

Consumer-Oriented Mortgage Marketplace. Unlike other sources of mortgage rate quotes, in Zillow Mortgage Marketplace consumers can anonymously submit mortgage loan requests and receive an unlimited number of personalized mortgage quotes directly from hundreds of consumer-rated lenders. Consumers can then choose to contact those lenders at their discretion. Because we operate this marketplace as part of our real estate home shopping experience, we can efficiently attract motivated users to the marketplace and prioritize the consumer s experience. In 2011, consumers submitted more than 1.7 million mortgage loan requests in Zillow Mortgage Marketplace through May 31, 2011.

Personalized Experience. We present consumers and real estate and mortgage professionals with many opportunities to personalize their Zillow experience, leading to more informed home shopping and financing decisions. Users can save favorite homes on Zillow and receive monthly email updates on changes in those homes values, listing status, price changes and other data. Users also can customize saved searches for any neighborhood or zip code and receive daily email updates on new homes listed for sale, for rent, or price changes for existing listed homes. Once a favorite home or search parameters are saved on Zillow, a consumer or professional may access these personalized options every time they visit Zillow on our website or through a mobile device, personalizing a Zillow experience unique to them.

Mobile Leadership. Shopping for a home is a far more meaningful consumer experience when it occurs curbside untethered and on location, so we have developed and operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry that enable people to access and analyze information where, when and how they want it. During May 2011, Zillow was used on a mobile device more than 8.8 million times, with more than 1.7 million homes viewed on mobile devices each day.

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Proven Management Team. We believe the extensive experience and depth of our management team are distinct competitive advantages in the complex and evolving industry in which we compete. The Zillow management team has deep experience building successful consumer Internet companies. In particular, we believe that the shared experience of 11 of our executives, who held similar positions together at Expedia Inc., provides our management team with unique cohesion and insight.

Growth Strategies

Our growth strategies are:

Focus on Consumers. Maintain our unwavering focus on consumers and leverage our industry independence to enhance existing products and services and develop new offerings with broad consumer appeal.

Enhance Our Living Database. Enhance the information in our database of homes, and use it as the foundation for new analyses, insights and tools to inform consumers throughout the home ownership lifecycle.

Deepen and Strengthen Our Marketplace. Deepen and strengthen our marketplace by creating new opportunities for high-quality consumer-initiated connections with real estate and mortgage professionals when consumers want their services.

Efficiently Increase Brand Awareness. Expand public relations, social media and other marketing programs to efficiently increase brand awareness.

Leverage Our Sales Force. Leverage our sales force s expertise and productivity with new advertising offerings.

Expand Our Mobile Leadership. Innovate and expand our offerings for mobile devices, launching more applications and extending our brand and products across additional mobile platforms.

Pursue Strategic Opportunities. Pursue strategic opportunities, including commercial relationships and acquisitions, to strengthen our market position, enhance our capabilities and accelerate our growth.

Advertising Products and Services

We provide advertising products and services for real estate and mortgage professionals that provide useful content for consumers.

Marketplace Advertising

Premier Agent Program

Real estate agents in the Premier Agent program can purchase targeted advertising on Zillow by zip code, at prices that vary based on a number of factors. As part of the Premier Agent subscription, the agent s ratings, photo and contact information are featured alongside home profiles and listings in the relevant zip code, giving the agent exposure to qualified home shoppers interested in homes in their subscribed zip code. Premier Agents also receive other benefits, including featured listings, showcase advertisements and designation as a Premier Agent in Zillow s directory. Premier Agent subscribers have access to a portal on our website where we provide individualized program analytics, including detailed information on each contact and on clicks and impressions with respect to featured listings and showcase advertisements.

Zillow Mortgage Marketplace

In Zillow Mortgage Marketplace, consumers request free, personalized quotes in response to their submission of limited anonymous data, such as specific loan amount, zip code, purchase price or estimated home

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value, and credit score. In the first five months of 2011, consumers submitted more than 1.7 million mortgage loan requests in Zillow Mortgage Marketplace. Consumers decide if and when to contact the mortgage professionals who provide quotes. User-generated ratings and reviews of mortgage professionals are provided as a powerful tool to help consumers shop for their loans.

Display Advertising

Our display advertising primarily consists of graphical web and mobile advertising sold on a CPM basis. We offer these businesses display advertising opportunities on our home page, on individual web pages through graphical displays and text links, and on our mobile applications through display ads that are optimized for the mobile experience.

Information Products and Services

We provide consumers with information products and services to enable them to make intelligent decisions about homes.

Zestimates and Rent Zestimates

Our Zestimate and Rent Zestimate valuations are computed using complex, proprietary algorithms we have developed and refined through years of statistical analysis and technological development.

A Zestimate is our estimated current market value of a home. We generate Zestimates using proprietary information, including:

- *Physical attributes:* location, lot size, square footage, number of bedrooms and bathrooms and many other details.
- *Tax assessments:* property tax information, actual property taxes paid, exceptions to tax assessments and other information provided in the tax assessors records.
- *Prior and current transactions:* actual sale prices over time of the home itself and comparable recent sales of nearby homes.

We use proprietary automated valuation models that apply advanced algorithms to analyze our data to identify relationships, within a specific geographic area, between this home-related data and actual sales prices. Home characteristics, such as square footage, location or the number of bathrooms, are given different weights according to their influence on home sale prices in each specific geography over a specific period of time, resulting in a set of valuation rules, or models, that are applied to generate each home s Zestimate.

To improve the accuracy of our Zestimates, our algorithms automatically remove or reconcile data that would otherwise inappropriately skew the valuation rules. In addition, our algorithms will automatically generate a new set of valuation rules based on the constantly changing universe of data included in our database. This allows us to provide timely home value information on a massive scale. Three times a week, we create more than 1.2 million unique valuation models, built atop 3.2 terabytes of data, to generate current Zestimates on nearly 100 million U.S. homes.

We publicly disclose the accuracy of our Zestimates to further empower consumers in assessing a home s value. The accuracy may be impacted by a variety of factors, including the amount of data about homes we have for a particular geographic area.

A Rent Zestimate is our estimated current monthly rental price of a home, computed using similar automated valuation models we have designed to address the unique attributes of a rental home. We estimate rental prices on nearly 100 million homes, including apartments, single-family homes, condominiums and townhomes.

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Rich, Searchable Home-Related Data and Analysis

We provide consumers and real estate professionals with a rich set of home-related information. Through our website or mobile applications, users can access detailed information about homes, including:

Value Information	Zestimate Rent Zestimate For sale price Estimated mortgage payment Rental price Make Me Move price	Prior sale prices Historical Zestimate values Historical Rent Zestimate values Zillow Home Value Index Tax-assessed value Property taxes paid
Home Details	Bedrooms Bathrooms Square footage Lot size Year built Property type County Parcel number Legal description	Number of stories Number of units in building Finished basement Cooling system Heating system Heat source Fireplace Exterior material Parking type
Neighborhood Information	School district Elementary school Middle school	High school Walkability Transit access
Listing Details		