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**UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA**

IN RE OPENDOOR TECHNOLOGIES
INC. SECURITIES LITIGATION

Case No. 2:22-CV-01717-MTL
**CONSOLIDATED AMENDED
COMPLAINT
FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL
CLASS ACTION

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1 Lead Plaintiffs Indiana Public Retirement System, Oakland County Employees'
2 Retirement System, and Oakland County Voluntary Employees' Beneficiary Association
3 ("Lead Plaintiffs") and Additional Plaintiff Stuart Graham Hereford ("Additional Plaintiff"
4 and together with Lead Plaintiffs, "Plaintiffs"), by and through their undersigned counsel,
5 bring this action under Section 10(b) and 20(a) of the Exchange Act of 1934 (the "Exchange
6 Act Claims") and separately under Sections 11 and 15 of the Securities Act of 1933 (the
7 "Securities Act Claims") against Opendoor Technologies Inc. ("Opendoor" or the
8 "Company"), Social Capital Hedosophia Holdings Corp. II ("SCH"), several of the officers
9 and directors of Opendoor and/or SCH, and the underwriters of Opendoor's public offering
10 in December 2020 and secondary public offering in February 2021.

11 As it pertains to the Exchange Act Claims, Plaintiffs bring the Class Action Complaint
12 against Defendants: Opendoor, former Chief Executive Officer ("CEO") Eric Wu ("Wu"),
13 and former Chief Financial Officer ("CFO") and current-CEO Carrie Wheeler ("Wheeler").

14 As it pertains to the Securities Act Claims, Plaintiffs bring this Class Action Complaint
15 against Defendants: Opendoor and SCH (the "Corporate Defendants"), Wu, Wheeler,
16 Chamath Palihapitiya, Steven Trieu, Ian Osborne, David Spillane, Adam Bain, Cipora
17 Herman, Pueo Keffer, Glenn Solomon, Jason Kilar, Jonathan Jaffe (the "Securities Act
18 Individual Defendants"); and Citigroup Global Markets Inc., Goldman Sachs & Co. LLC,
19 Barclays Capital Inc., Deutsche Bank Securities Inc., Oppenheimer & Co. Inc., BTIG, LLC,
20 KeyBanc Capital Markets Inc., Wedbush Securities Inc., TD Securities (USA) LLC, Zelman
21 Partners LLC, Academy Securities, Inc., Loop Capital Markets LLC, Samuel A. Ramirez &
22 Co., LLC, and Siebert Williams Shank & Co., LLC (the "Underwriter Defendants" and
23 together with the Corporate Defendants and Securities Act Individual Defendants, the
24 "Securities Act Defendants"). The Securities Act Claims solely allege strict liability and
25 negligence causes of action, and do not sound in fraud. Accordingly, for the purpose of these
26 Securities Act Claims, Plaintiffs expressly exclude and disclaim any allegation that could be
27 construed as alleging fraud, intentional misconduct, or deliberate reckless misconduct.

1 Plaintiffs allege the following upon personal knowledge as to themselves and their own
2 acts, and upon information and belief as to all other matters. Plaintiffs' information and belief
3 is based upon, among other things, the investigation conducted by and through their attorneys,
4 which included, among other things, interviews with numerous individuals, including former
5 employees of Opendoor, a review of Opendoor's public documents, transcripts of conference
6 calls and presentations concerning Opendoor, Opendoor's filings with the United States
7 Securities and Exchange Commission ("SEC"), wire and press releases published by
8 Opendoor, analyst reports and advisories about the Company, media reports concerning
9 Opendoor, documents received from a Freedom of Information Act request to the Federal
10 Trade Commission, and other publicly available information. Plaintiffs believe that
11 substantial additional evidentiary support will exist for the allegations set forth herein after
12 Plaintiffs have had a reasonable opportunity to conduct discovery.

13 **I. VIOLATIONS OF SECTIONS 10(b) AND 20(a) OF THE EXCHANGE ACT**

14 The Exchange Act Claims set forth below in Counts I and II allege violations of
15 Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934. Plaintiffs bring the
16 Exchange Act Claims individually and on behalf of all persons and entities who or which,
17 during the period from December 21, 2020 through November 3, 2022, inclusive (the "Class
18 Period"), purchased the publicly traded common stock of Opendoor on the NASDAQ or any
19 U.S.-based trading platform during the Class Period and were damaged thereby (the
20 "Exchange Act Class").¹

21 **II. NATURE OF THE EXCHANGE ACT CLAIMS**

22 1. The Exchange Act Claims arise out of the Exchange Act Defendants' fraudulent
23 misrepresentations and material omissions regarding the supposed benefits and competitive

24 ¹ The following are excluded from the Exchange Act Class: (i) Exchange Act Defendants;
25 (ii) Securities Act Defendants; (iii) members of the immediate family of any Defendant who
26 is an individual; (iv) any person who was an officer, director, and/or control person of
27 Opendoor during the Class Period; (v) any firm, trust, corporation, or other entity in which
28 any Defendant (or members of the immediate family of any Defendant) has or had a
controlling interest; (vi) Opendoor's employee retirement and benefit plan(s) and their
participants or beneficiaries, to the extent they made purchases through such plan(s); and (vii)
the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such
excluded person, in their capacity as such.

1 advantages of Opendoor’s purportedly superior, artificial intelligence (“AI”)-driven business
2 model. Specifically, Defendants² knowingly overstated the purported benefits of the
3 Company’s proprietary pricing algorithm—the key differentiator that Defendants claimed set
4 Opendoor apart from its competitors—in order to take Opendoor public via a reverse merger
5 with a special purpose acquisition company (“SPAC”) and, in doing so, enrich Opendoor’s
6 founders, including Defendant Eric Wu, at the expense of the shareholders that relied on
7 Defendants’ material misrepresentations.

8 2. Shortly before the start of the Class Period, Opendoor went public via a reverse
9 merger with a SPAC, Social Capital Hedosophia Holdings Corp. II (the “de-SPAC Merger”).
10 The de-SPAC Merger valued Opendoor at approximately \$4.85 billion. Within the first year
11 and a half, Defendant Wu personally made over \$112 million from selling his Opendoor stock
12 at artificially inflated prices before the fraud he knew about was revealed to the market.
13 Unsurprisingly, now that the fraud has been revealed, the Company’s stock price has
14 plummeted—from a closing price of \$31.25 per share on the first day of the Class Period, to
15 a closing price of \$2.02 per share the day after the fraud was fully revealed, a **94 percent**
16 **decline in value**. As a result, while Defendant Wu made a fortune, shareholders were left to
17 lose billions of dollars in value.

18 **A. Company Background**

19 3. Founded in 2014, Opendoor has touted itself as an AI-driven company that buys
20 and sells residential real estate in the United States through an online process referred to as
21 “iBuying.” iBuying, which is short for instant buying, is a relatively new concept in home
22 buying and selling. Companies that compete in the iBuying market use algorithms and
23 technology to buy and resell homes quickly. These companies use algorithms to make instant
24 cash offers to buy homes, often within 24 hours, based on the values indicated by their pricing
25 algorithms. These companies then sometimes make repairs and quickly relist the homes for
26 sale.

27 _____
28 ² Within Sections I through XVI of this complaint, Plaintiffs refer to the Exchange Act
Defendants as “Defendants.”

1 4. Critical to the success of iBuyers such as Opendoor is their pricing algorithm
2 and its ability to accurately predict house prices—not just today, but in the future. Therefore,
3 investors paid close attention to Opendoor’s pricing algorithm and what advantages, if any, it
4 had over competitors.

5 **B. Defendants Mislead Investors About the Purported Benefits of Opendoor’s**
6 **Pricing Algorithm**

7 5. Throughout the Class Period, Defendants touted the Company’s algorithm and
8 led investors to believe that it was the main driver of the Company’s success. Defendants
9 told investors that Opendoor had built “world-class data . . . to improve and automate pricing
10 decisions” and explained that its AI-powered algorithm was superior because it “use[s]
11 machine learning to drive pricing decisions through demand forecasting, outlier detection,
12 risk pricing, and inventory management.” Defendants further claimed that the algorithm’s
13 offers “do not require any human intervention.”

14 6. These representations were highly material to investors because Opendoor
15 convinced investors that it was the leading disruptor to the residential real estate market
16 because of its purportedly AI-powered pricing algorithm. This, according to Opendoor,
17 created a lower cost platform and eliminated human error in trying to predict home price
18 trends, economic forecasts, and other similar factors—thus purportedly shielding Opendoor,
19 and investors, from the perils of fluctuating housing markets and changing economic
20 conditions.

21 7. Indeed, Defendants consistently told investors that the Company’s algorithm
22 worked in all housing markets because it could predict changing economic conditions and
23 quickly adapt to such changes. For example, the Company’s 2020 Annual Report
24 misleadingly stated that “*our systems can dynamically adjust to leading market indicators*
25 *and react to real-time macro- and micro-economic conditions*” and claimed that Opendoor’s
26 “*pricing algorithms are designed to dynamically adjust to leading indicators and market*
27 *conditions so that the business can react to real-time economic conditions.*”
28

1 8. According to Defendants, this adaptability allowed the Company to remain
2 profitable in any housing market. Specifically, Defendants explained that the Company’s
3 proprietary algorithm allowed Opendoor to consistently deliver positive contribution
4 margins,³ a key profitability metric for the Company. Indeed, Defendants directly told
5 investors that “[t]he **ultimate measure you should hold us accountable for is how we’re**
6 **doing on contribution margin delivery.**” Thus, investors tracked contribution margin
7 closely because it was a key measure of the Company’s success.

8 9. Defendants repeatedly touted the Company’s contribution margin and claimed
9 that its AI-powered pricing algorithm drove its contribution margin success. For example,
10 during the Class Period, Defendant Wheeler attributed Opendoor’s successful contribution
11 margin numbers to the algorithm and its forecasting capabilities, stating: “*forecasting*
12 *accuracy was what allows [Opendoor] to . . . deliver margins within that 4% to 6%*
13 *contribution margin range that we’ve guided to.*” Similarly, Defendant Wheeler assured
14 investors that Opendoor’s “business model is really designed to ensure that we can meet our
15 annual margin target at 4% to 6% contribution margin, *regardless of the home price*
16 *environment we’re operating in, and the way we do that is just how we price our homes.*”

17 10. Based on these representations, the investing public believed that the accuracy
18 of Opendoor’s algorithm drove its success and was a key competitive advantage over other
19 iBuyers like Zillow (the second largest iBuyer in terms of revenue in 2021). For example, on
20 August 2, 2021, InvestorPlace published an article stating that “One of the main reasons for
21 Opendoor’s success is its robust pricing algorithm” and that “[Opendoor’s] competitors —
22 Zillow [] and Offerpad — do not possess such pricing engines.” Similarly, on August 12,

23
24
25 ³ Contribution margin is generally defined as a cost-accounting calculation that measures
26 the profitability of a specific product or the revenue that is left after covering costs for that
27 product. Here, the relevant product is the home that Opendoor buys and sells. Contribution
28 margin shows you the aggregate amount of revenue available after variable costs to cover
fixed expenses and provide profit to the company. Companies look to their contribution
margin to understand how a specific product—here, the home that Opendoor buys and sells—
contributes to the Company’s profit (as opposed to profit margin, which measures the total
amount by which revenue from sales exceeds costs).

1 2021, Wedbush issued an analyst report noting that “Opendoor’s pricing capabilities have
2 been best in class, and we believe its vast data is a significant asset”

3 **C. Opendoor’s Biggest Competitor Fails and Defendants Continue**
4 **Misleading Investors About the Purported Benefits of its Algorithm**

5 11. However, shortly after these analyst reports were published, the entire iBuying
6 business came under scrutiny when, on November 2, 2021, Opendoor’s biggest competitor,
7 Zillow, announced that it was shutting down its iBuying business because Zillow’s algorithm
8 could not accurately forecast home prices. Zillow’s CEO explained that “fundamentally, we
9 have been unable to predict future pricing of homes to a level of accuracy that makes this a
10 safe business to be in.”

11 12. Given this news, the market started to question whether iBuying could work as
12 a business model. Indeed, the price of Opendoor’s stock fell by more than 14.5% on the day
13 of the Zillow announcement, as investors pulled back from iBuying stocks and eagerly
14 awaited Opendoor’s next earnings announcement to assess whether Opendoor was facing
15 similar issues.

16 13. On November 10, 2021, Opendoor announced its third quarter 2021 earnings.
17 During the earnings call on the same day, Defendant Wheeler directly addressed any concerns
18 over the future of Opendoor and the iBuying business model, reassuring investors that—
19 unlike Zillow—Opendoor’s AI-driven algorithm was “highly responsive” to changing
20 economic conditions. Specifically, Defendant Wheeler reassured investors that Opendoor’s
21 business model worked in any housing market, and unequivocally stated: “***Important is that***
22 ***our model really works in upmarkets, it’s going to work in flat markets, it’s going to work***
23 ***in downmarkets.***”

24 14. Based on these representations—which investors did not know were false and
25 misleading at the time—Opendoor’s common stock rebounded, increasing by **more than**
26 **15.5%** the very next day.

27 15. Then, merely three trading days later, on November 16, 2021, Defendant Wu
28 took advantage of the Company’s artificially inflated stock and sold 1,613,498 shares of his

1 Opendoor stock, reaping proceeds of more than **\$35 million on a single transaction**. Over
2 the next two trading days, Defendant Wu continued to unload Opendoor shares and made two
3 additional open market sales: on November 17, 2021, Wu sold an additional 628,348 shares,
4 reaping proceeds of more than \$13 million; and on November 18, 2021, he sold an additional
5 443,182 shares, reaping proceeds of over \$9 million. In total, Defendant Wu sold over 2.6
6 million shares of Opendoor stock just days after Defendant Wheeler’s false statements,
7 **reaping proceeds of over \$57.6 million dollars in a span of three days**.

8 16. Unfortunately for investors, they did not possess the same inside information as
9 Defendant Wu. Although Defendants led investors to believe that the Company’s success
10 was the result of its algorithm and its ability to quickly adapt to changing market conditions,
11 in reality, within the Company the algorithm was known to be largely inaccurate and unable
12 to account for changes in the housing market. Moreover, although Defendants led investors
13 to believe that the Company’s algorithm was fully automated and drove the Company’s
14 pricing decisions, they withheld that the Company’s pricing decisions were in fact being made
15 by humans, and therefore, Opendoor was equally susceptible to the same market fluctuations
16 as every other iBuying and conventional real estate company.

17 17. Indeed, during the course of Lead Counsel’s investigation, multiple former
18 Opendoor employees have confirmed that Opendoor’s algorithm was largely inaccurate and
19 that, as a result, the Company relied heavily on humans to price Opendoor’s offers to buy.
20 For example, according to CW 2, who worked as a Pricing Analyst at Opendoor during the
21 Class Period, she adjusted the prices downward because the system was consistently
22 overpricing the homes. Indeed, CW 2 said that about 90 percent of the final offers she
23 submitted for approximately 4,000 homes she priced were below the number generated by the
24 system. Thus, contrary to Defendants’ repeated representations that Opendoor was unique
25 and different than Zillow because of its proprietary algorithm—which they claimed was
26 “highly responsive” to changing economic conditions—in reality, Opendoor’s business model
27 was human-driven just like any other conventional, non-tech-based real estate company and
28 thus just as susceptible to changing housing markets.

1 **D. Because the Algorithm Did Not Work as Intended, Defendants Employed**
2 **Deceptive Practices to Try to Maximize Contribution Margin**

3 18. Once the algorithm was shown internally to be flawed and unable to produce
4 the promised contribution margin, Defendants deployed additional deceptive consumer
5 practices to maximize contribution margin. At that time, Defendants continued to lead
6 investors to believe that Opendoor's contribution margin success was the result of the
7 Company's AI-powered pricing algorithm, while hiding from investors that Opendoor
8 engaged in deceptive consumer practices—such as charging sellers for repairs that Opendoor
9 never made—that largely contributed to the Company's contribution margin. According to
10 multiple former Opendoor employees, during the Class Period, Opendoor regularly charged
11 sellers for repairs in order to lower the final offer. Then, Opendoor would not perform those
12 repairs and would keep the extra money as additional profit. These former employees'
13 statements are corroborated by the findings of the Federal Trade Commission ("FTC"), who
14 had been investigating Opendoor since 2019 for misleading potential sellers about its iBuying
15 service. According to the FTC complaint, which was made public during the Class Period on
16 August 1, 2022, the FTC found that Opendoor "frequently demanded cosmetic changes such
17 as repainting and replacement of items that could be repaired at far lower cost" and "[i]f the
18 repairs cost less than the amount deducted, Opendoor retains the excess as profit."

19 19. As the housing market changed in 2022, and Opendoor's algorithm was unable
20 to adapt to the new market, Defendants doubled down and expanded their deceptive consumer
21 practices in an attempt to remain profitable. For example, CW 3 explained that when she first
22 started at the Company, in March 2021, an average repair charge for a transaction was about
23 \$5,000, but by the end of her employment, in November 2022, the amount Opendoor was
24 charging sellers had increased dramatically, to "\$15,000, \$25,000, \$30,000, big numbers."
25 By increasing the repair charges to boost profits, Opendoor was able to temporarily conceal
26 from investors the negative impact the declining housing market was having on the Company
27 and make it seem like its pricing algorithm was still driving strong contribution margins.
28

1 20. The FTC complaint also confirmed that humans drove the Company’s pricing
2 decisions. The FTC complaint found that although Opendoor claimed its algorithm generated
3 “market based” offers, “[i]n many instances, Opendoor’s employees have manually adjusted
4 these values before presenting them to consumers as offers.” Indeed, the FTC complaint
5 found—based on documents produced by Opendoor during the FTC’s investigation—that
6 “Opendoor’s internal analyses showed that these manually adjusted offers were several
7 percentage points below Opendoor’s assessment of market value” and explained that
8 “[b]eginning no later than 2019, Opendoor instituted a policy to reduce its manually adjusted
9 offers to [redacted] below what Opendoor assessed as market value.”

10 21. Therefore, Defendants concealed the broader, human-driven process that drove
11 the Company’s pricing decisions, and instead created the misleading impression that
12 Opendoor was advancing its automation efforts for pricing and generating strong contribution
13 numbers because of the algorithm, which Defendants had repeatedly touted as the key to
14 Opendoor’s success. However, investors did not know that humans played a crucial role in
15 the Company’s pricing, or that Opendoor’s success was driven simply by a hot housing market
16 and deceptive consumer practices that boosted the Company’s profitability. As a result,
17 Opendoor misled investors about the fact that Opendoor was just as susceptible to changing
18 housing markets as any other iBuying business or real estate company.

19 **E. The Truth is Gradually Revealed as Defendants Continue Misleading**
20 **Investors**

21 22. These risks started to emerge as the housing market cooled off in 2022, and
22 investors started learning the truth on February 24, 2022, when Opendoor announced that its
23 fourth quarter 2021 contribution margin was just 4%, a steep decline from a 12.6%
24 contribution margin in the fourth quarter of 2020. On this news, the Company’s stock price
25 plummeted, dropping more than 23% the very next day to close at \$8.44 per share on February
26 25, 2022. However, the extent of Opendoor’s inability to generate strong contribution margin
27 in a down housing market based on its algorithm was not revealed until months later.
28

1 23. Over the next several months, Defendants continued misleading investors about
2 the Company’s algorithm and its ability to succeed despite a down housing market.
3 Specifically, starting in early 2022, the housing market had started changing as interest rates
4 increased and home prices started flattening across the country. Given this changing housing
5 market, investors asked Defendants direct questions about whether the Company’s business
6 model would work in a flat or declining housing market. For example, in response to such a
7 question at a conference on March 8, 2022, Defendant Wu assured investors that Opendoor’s
8 business model would work in any market—including the “worst recession in U.S. history”—
9 and falsely claimed that even in the worst recession in history, Opendoor “would still have
10 positive contribution margin,” despite knowing that the Company’s pricing was based on
11 human judgment and fraudulent conduct, not the AI-powered algorithm, and was therefore
12 highly susceptible to a down real estate market.

13 24. In fact, during this time, Defendants knew that the signs of a down housing
14 market had already begun impacting the Company’s business strategy. Specifically,
15 Opendoor was dealing with very high levels of inventory and houses remaining unsold for
16 months due to the Company’s failure to account for the declining housing market. According
17 to former Opendoor employees, Opendoor’s algorithm failed to adapt to this housing market
18 change, leading to excess inventory levels in 2022. By the middle of that year—with the
19 algorithm’s vulnerabilities exposed internally—Opendoor had so much inventory that the
20 Company was forced to give credits and incentives to sellers and pay outside brokers steep
21 commissions to help sell its houses, all of which cut into the Company’s profitability.

22 25. Despite this, Defendants continued misleading investors. For example, on
23 August 4, 2022, Defendant Wheeler reassured investors that the Company’s algorithm would
24 work in the current, extremely volatile housing market, stating that, “*our systems are doing*
25 *exactly what they’re designed to do, which is responding very, very quickly, adjusting prices*
26 *to market . . .*” In reality, Opendoor’s systems were not doing what they were designed to
27 do, as unsold inventory was growing and Opendoor was forced to resort to giving significant
28 concessions and paying outside brokers to sell off the inventory.

1 26. The fact that Opendoor was unable to generate strong contribution margins in a
2 declining real estate market was further revealed on September 19, 2022, when Bloomberg
3 published an article revealing that Opendoor had lost money on 42 percent of its real-estate
4 transactions in August 2022. Bloomberg further reported that Opendoor’s performance was
5 even worse in key markets such as Los Angeles, where the Company lost money on 55% of
6 sales, and Phoenix, where the Company lost money on 76% of sales. On this news,
7 Opendoor’s stock price fell 12.32% over the following two trading sessions.

8 27. Then, although Defendants repeatedly assured investors that the Company’s
9 pricing accuracy allowed it to maintain a 4% to 6% contribution margin, on November 3,
10 2022, Defendants revealed that Opendoor’s contribution margin for the third quarter 2022
11 was *negative 0.7%*—well below the 4% to 6% contribution margin range and well below the
12 Company’s contribution margin of 7.5% from the third quarter of 2021.

13 28. On this news, Opendoor’s stock fell more than 25% over the next two trading
14 days, closing at \$1.74 per share on November 7, 2022.

15 29. This information revealed to investors for the first time that, contrary to
16 Defendants’ repeated representations, Opendoor’s pricing algorithm could not react quickly
17 to changing market conditions and could not deliver 4% to 6% contribution margins in any
18 market. For example, as *Seeking Alpha* wrote in a November 23, 2022 article, “the fact that
19 these macroeconomic changes can wreak such havoc on the profitability of this business
20 model illustrates the inflexibility of these businesses to respond to changing circumstances
21 and reveals concerning underlying problems that perhaps go deeper than interest rates.”

22 **III. JURISDICTION AND VENUE**

23 30. The claims asserted herein arise under Sections 10(b) and 20(a) of the Securities
24 Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a), and the rules
25 and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. § 240.10b-5.

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

28

1 32. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and
2 Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Opendoor’s Principal Executive
3 Offices are located in this Judicial District, Defendants (as defined herein) conduct business
4 in this Judicial District, and a significant portion of Defendants’ (as defined herein) actions
5 took place within this Judicial District.

6 33. In connection with the acts, transactions, and conduct alleged in this Complaint,
7 Defendants (as defined herein), directly or indirectly, used the means and instrumentalities of
8 interstate commerce, including, but not limited to, the mails, interstate telephone
9 communications, and the facilities of the national securities markets.

10 **IV. PARTIES**

11 **A. Plaintiffs**

12 34. Plaintiff, Indiana Public Retirement System (“Indiana”), purchased Opendoor
13 common stock during the Class Period, as set forth in the attached certification, at artificially
14 inflated prices, and suffered damages as a result of the federal securities law violations and
15 false and/or misleading statements and/or material omissions alleged herein. Plaintiff Indiana
16 provides retirement, disability, survivor, and other benefits and is headquartered in the state
17 of Indiana. As of April 15, 2023, Indiana manages approximately \$45 billion in total net
18 assets on behalf of more than 500,000 members and their beneficiaries. By order dated
19 February 1, 2023 (*see* ECF No. 20), this Court appointed Indiana as a Lead Plaintiff in this
20 action.

21 35. Plaintiffs Oakland County Employees’ Retirement System (“Oakland County
22 ERS”) and Oakland County Voluntary Employees’ Beneficiary Association (“Oakland
23 County VEBA”) (together, “Oakland County Funds”), purchased Opendoor common stock
24 during the Class Period, as set forth in the attached certification, at artificially inflated prices,
25 and suffered damages as a result of the federal securities law violations and false and/or
26 misleading statements and/or material omissions alleged herein. Plaintiffs Oakland County
27 Funds provide retirement services and are headquartered in Michigan. The Oakland County
28 Funds managed approximately \$2.4 billion in net assets on behalf of thousands of members

1 and their beneficiaries. By order dated February 1, 2023 (*see* ECF No. 20), this Court
2 appointed Oakland County Funds as Lead Plaintiffs in this action.

3 36. Plaintiffs Indiana, Oakland County ERS, and Oakland County VEBA are
4 referred together as “Lead Plaintiffs.”

5 37. Additional Plaintiff Stuart Graham Hereford purchased Opendoor common
6 stock during the Class Period, as set forth in the attached certification, at artificially inflated
7 prices, and suffered damages as a result of the federal securities law violations and false and/or
8 misleading statements and/or material omissions alleged herein.

9 **B. Defendants**

10 **1. Corporate Defendant**

11 38. Defendant Opendoor Technologies Inc. is a Delaware corporation with its
12 principal executive offices located at 410 N. Scottsdale Road, Suite 1600, Tempe, Arizona
13 85281. Since December 21, 2021, the Company’s common stock and warrants have traded
14 in an efficient market on the NASDAQ under the ticker symbols “OPEN” and “OPENW,”
15 respectively.

16 **2. Individual Defendants**

17 39. Defendant Wu co-founded Opendoor and served as Chairman of Opendoor’s
18 Board of Directors and CEO during the Class Period following the consummation of the
19 Merger. After the Class Period, in December 2022, Defendant Wu resigned as CEO of
20 Opendoor. During the Class Period, in his role as CEO of Opendoor, Wu participated in
21 earnings calls and conferences with securities analysts, during which he made false and
22 misleading statements and omissions of material fact. Defendant Wu also signed Opendoor’s
23 public filings with the SEC, which contained materially false and misleading statements and
24 omissions of material fact throughout the Class Period.

25 40. Defendant Wheeler served as Opendoor’s CFO during the Class Period
26 following the consummation of the Merger. After the Class Period, Opendoor appointed
27 Defendant Wheeler as CEO of Opendoor following Defendant Wu’s resignation, effective as
28 of December 1, 2022. On that day, Defendant Wheeler was also appointed to the Board of

1 Directors of the Company. During the Class Period, in her role as CFO of Opendoor, Wheeler
2 participated in earnings calls and conferences with securities analysts, during which she made
3 false and misleading statements and omissions of material fact. Defendant Wheeler also
4 signed Opendoor's public filings with the SEC which contained materially false and
5 misleading statements and omissions of material fact throughout the Class Period.

6 41. Defendants Wu and Wheeler are sometimes referred to herein collectively as
7 the "Exchange Act Individual Defendants."

8 42. The Exchange Act Individual Defendants possessed the power and authority to
9 control the contents of Opendoor's SEC filings, press releases, and other market
10 communications. The Exchange Act Individual Defendants were provided with copies of
11 Opendoor's SEC filings and press releases alleged herein to be misleading prior to or shortly
12 after their issuance and had the ability and opportunity to prevent their issuance or to cause
13 them to be corrected. Because of their positions with Opendoor, and their access to material
14 information available to them but not to the public, the Exchange Act Individual Defendants
15 knew that the adverse facts specified herein had not been disclosed to and were being
16 concealed from the public, and that the positive representations being made were then
17 materially false and misleading. The Exchange Act Individual Defendants are liable for the
18 false statements and omissions pleaded herein.

19 **C. Relevant Third Parties**

20 43. Confidential Witness ("CW") 1⁴ was employed by Opendoor as Head of
21 Brokerage – Homebase from April 2022 until November 2022. According to CW 1, her
22 responsibilities included brokering Opendoor properties to Real Estate Investment Trust
23 ("REIT") buyers, adding that she was a "Head of Open Exchange," and that she lived and
24 worked for Opendoor in the San Francisco Bay area. In 2022, Opendoor's National Director
25 of Brokerage, Chelsea Goyer, was speaking to CW 1 about inventory that was not selling, and
26 asked CW 1 about the San Francisco Area. At that point CW 1 volunteered to take a look at
27

28 ⁴ All CWs are described using feminine pronouns to protect their identity.

1 the current inventory of Opendoor properties in San Francisco and Southern California to see
2 if she could provide insight into why it was not selling.

3 44. CW 2 was a Pricing Analyst at Opendoor from July 2021 to July 2022. CW 2
4 was based in Phoenix and priced homes in several cities in the Western United States,
5 including Phoenix, Tucson, Prescott, Los Angeles, San Bernadino County, San Diego, San
6 Francisco, Sacramento, Portland, Boise, Albuquerque, Las Vegas, and Reno. CW 2 reported
7 to the Pricing Escalation Manager for the Western United States. As a Pricing Analyst, CW
8 2 played a vital role in setting Opendoor's final offer price for homes.

9 45. CW 3 was a customer experience partner at Opendoor from March 2021 to
10 November 2022. CW 3 initially worked with sellers throughout the nation, but later in her
11 tenure she was regionalized to mostly working with sellers on the east coast. As a customer
12 experience partner, CW 3 worked with customers through the process of obtaining an offer
13 from Opendoor, and if accepted, selling their home to the company. CW 3 explained that she
14 was the first and primary representative of the Company that customers interacted with during
15 the process of selling their home.

16 46. CW 4 was an associate at Opendoor Home Loans during the Class Period.
17 According to CW 4, her responsibilities included working with the finance department. CW
18 4's geographic areas of responsibility included the southeast and parts of the east coast.

19 47. CW 5 was an Acquisition Associate at Opendoor from approximately
20 November 2018 through March 2020. CW 5 described her job duties as pricing offers on
21 properties that came in to Opendoor which could not be "taken on," or priced automatically,
22 by the Company's underwriting and appraisal software or algorithm.

23 48. CW 6 was employed at Opendoor from approximately 2018 through November
24 2022. CW 6's most recent position was a Data Scientist. In that role, CW 6 reported to a
25 Staff Research Scientist at Opendoor, who in turn reported to the Vice President of Investment
26 Operations, Portfolio Management, and Strategy. CW 6 started at Opendoor working in
27 Business Operations. CW 6 then moved into Data Science operations, initially for the
28

1 Consumer team, then ultimately on the Pricing team. CW 6 explained the basic role of the
2 Pricing Team was to analyze how much the company could list for homes to sell.

3 49. CW 7 was employed by Opendoor from November 2021 to September 2022 as
4 a Senior Loan Officer, and she held the same title at RedDoor from April 2021 to November
5 2021, when she then transitioned over to Opendoor when Opendoor acquired RedDoor. CW
6 7's job responsibilities included originating home loans. In her final reporting structure, CW
7 7 reported someone she described as like a Head of Loans Operations, who reported to Head
8 of Finance, who CW 7 believes reported to Defendant Wu.

9 50. CW 8 was employed by Opendoor from mid-2021 through the end of the Class
10 Period as a staff research scientist. CW 8 was three levels removed from CEO Eric Wu. As
11 a staff research scientist, CW 8 worked with Opendoor's algorithm on the sales side, including
12 working closely with the Company's executives and senior level executives on adjusting the
13 various algorithms that made up Opendoor's "valuation model" for pricing the sales of
14 Opendoor properties, based on those executives' decisions and feedback.

15 **V. FACTUAL ALLEGATIONS – EXCHANGE ACT CLAIMS**

16 **A. Background on Opendoor**

17 51. Opendoor operates a digital platform for buying and selling residential real
18 estate in the United States, using a featured technology called iBuying. iBuying, which is
19 short for instant buying, is a fairly new concept in home buying and selling. Companies that
20 compete in the iBuying market use algorithms and technology to buy and resell homes
21 quickly. These companies use algorithms (sometimes referred to as an automated valuation
22 model, or "AVN") to make instant cash offers to buy homes, often within 24 hours, based on
23 the values indicated by their pricing algorithms.

24 52. Since its founding in 2014, Opendoor's self-professed goal has been to
25 "redefine residential real estate." According to Opendoor, the current residential real estate
26 market is mostly offline and can be expensive, time consuming, and stressful for both sellers
27 and buyers. Opendoor aims to disrupt this market by "streamlin[ing] the process of buying
28 and selling a home into a seamless digital experience, eliminating uncertainty for sellers."

1 53. Home sellers can go to Opendoor’s website or mobile app and receive an
2 instant, purportedly “market-based,” cash offer. After the initial offer is made, Opendoor
3 conducts virtual assessment of the house to determine any “necessary” repairs. Opendoor
4 then calculates the costs of the “necessary” repairs and deducts that amount from the final
5 offer. Opendoor’s website described the repair process as designed “to make sure the house
6 is safe and functional” and not designed “to uncover every deficiency in your home to lower
7 the offer.” Opendoor further claimed that sellers may even save money on repairs if they sell
8 to it because “we do our best to pass wholesale savings on to you from our partnerships with
9 local vendors.” In addition to the costs of repairs, Opendoor collects a flat 5% service charge
10 that covers the costs of buying, maintaining, marketing, and selling the home.

11 54. According to Opendoor, selling to it is cheaper and compares favorably to the
12 traditional listing process, which typically includes an average broker fee of 5% to 6%, as
13 well as a number of additional costs—such as staging and home preparation costs, seller
14 concessions, repair costs (determined based on inspection), home ownership and overlap
15 costs, and closing costs—many of which may be unforeseen by the homeowner at the outset.

16 55. Opendoor’s main revenue driver was its iBuying business. According to the
17 Company’s 2021 Annual Report, “[t]he vast majority of our revenue and margins today are
18 generated by acquiring homes directly from individual sellers and reselling those homes to
19 buyers.”

20 **B. Opendoor’s Pricing Algorithm Was Critical to the Company’s Success**

21 56. As an iBuyer, Opendoor’s pricing algorithm was critical to its success. Indeed,
22 since before the start of the Class Period, Defendants repeatedly told investors that
23 Opendoor’s pricing algorithm was core to its business model. As Defendant Wheeler
24 explained during the Class Period, “pricing is absolutely core to what we do. It is something
25 that Opendoor[] has been investing in religiously from day one as a core capability in eight
26 years of investment and that’s not going to abate.”

27 57. Defendants told investors that its AI-powered pricing model—i.e., its
28 algorithm—was among one of the Company’s key competitive advantages. As the 2020

1 Annual Report stated, Opendoor’s “proprietary, machine learning-based pricing models [is]
2 among [one of] our core advantages and differentiators for our business.”

3 58. Similarly, Defendants led investors to believe that their AI-powered algorithm
4 provided many advantages over traditional real estate companies. For example, the 2020
5 Annual Report explained that “[w]hile the real estate industry lends itself to the use of a
6 plethora of publicly sourceable data, much of this data lacks the quality and specificity
7 essential to accurately price homes.” However, unlike traditional real estate companies,
8 Opendoor claimed to “have built world-class data science capabilities and systematized
9 tooling to gather, aggregate and synthesize an expanding catalog of proprietary, hyperlocal
10 data in order to improve and automate pricing decisions.”

11 59. Defendants also told investors that Opendoor’s pricing algorithm was critical to
12 the Company’s profitability—specifically the Company’s contribution margin, which is a key
13 profitability metric for Opendoor. In the Company’s 2020 Annual Report, Opendoor
14 explained that the Company views contribution margin “as an important measure of business
15 performance as it captures the unit level performance isolated to homes sold in a given period
16 and provides comparability across reporting periods. Contribution Profit helps management
17 assess inflows and outflows directly associated with a specific resale cohort.” The 2020
18 Annual Report also explained that the Company’s “long-term financial performance depends,
19 in part, on continuing to expand unit margins through” initiatives such as “[p]ricing engine
20 optimization and enhancements” and “[l]owering platform costs through refinement, greater
21 automation and self-service”

22 60. Defendants claimed that the accuracy of the Company’s pricing algorithm, and
23 its ability to quickly adapt to changing markets, allowed the Company to maintain positive
24 contribution margins between 4% and 6%. For example, during the Class Period, Defendant
25 Wheeler claimed that Opendoor’s “business model is really designed to ensure that we can
26 meet our annual margin target at 4% to 6% contribution margin, *regardless of the home price
27 environment we’re operating in, and the way we do that is just how we price our homes.*”
28 Similarly, Defendant Wheeler claimed that Opendoor’s “*forecasting accuracy was what*

1 *allows us to . . . deliver margins within that 4% to 6% contribution margin range that we’ve*
2 *guided to.”*

3 61. Therefore, investors focused on contribution margin as a measure of the
4 Company’s success and profitability. Indeed, as Defendant Wheeler told investors during an
5 earnings call on February 24, 2022, “[t]he ultimate measure you should hold us accountable
6 for is how we’re doing on contribution margin delivery and how those resale cohorts are
7 showing up on our P&L quarter-to-quarter.”

8 **C. Former Opendoor Employees Reveal that the Algorithm Was Inaccurate**
9 **and Humans, not the Algorithm, Drove Pricing Decisions**

10 62. Although Defendants led investors to believe that Opendoor priced its offers
11 using a fully automated algorithm that used AI to accurately price homes in any market,
12 former employees reveal that humans played a central role in pricing Opendoor’s offers.
13 Indeed, these former employees reveal that Opendoor’s algorithm often generated offers
14 nowhere near a house’s true market value and that the Company’s pricing process relied
15 heavily on humans to more accurately price Opendoor’s offers.

16 63. For example, CW 2, who worked as a Pricing Analyst at Opendoor during the
17 Class Period, said the algorithm often priced homes incorrectly. “The automated system was
18 never accurate,” CW 2 said. “It had a lot of flaws. A lot.”

19 64. Indeed, CW 2 explained that Pricing Analysts and their managers did not trust
20 the pricing algorithm to generate an accurate final offer. CW 2 stated that both her
21 managers—who were the Pricing Escalation Managers for the Western U.S.—continuously
22 told her and other pricing analysts not to depend on the automatically generated number from
23 the algorithm. When CW 2 first started at Opendoor, her manager told the team, “Don’t look
24 at what the system is coming in at.” According to CW 2, the managers thought if analysts
25 looked at the automatically generated number, the analyst’s opinion would be biased about
26 what the actual price should be. CW 2 recalled that her managers instructed her team: “What
27 the automated system gave out, don’t anchor to it because it’s not going to be correct.” CW
28

1 2's manager instructed pricing analysts to use their own best judgment to determine the
2 correct final offer.

3 65. CW 2 explained that when pricing analysts got an automatically generated final
4 offer price from the pricing algorithm, they could adjust it to better reflect what they thought
5 the price should be or in response to guidance from their managers.

6 66. For example, in the spring and early summer of 2022, CW 2 said pricing
7 analysts were instructed to go into the pricing system and adjust the pricings being generated
8 by the algorithm in the Las Vegas market. According to CW 2, the Company's algorithm was
9 dramatically overpricing homes in Las Vegas. CW 2 said "[t]he automated system offers
10 were just insane offers that any seller would say yes, I'll take it right away."

11 67. CW 2 said that most of the final offers CW 2 submitted were lower than the
12 algorithm-generated price. CW 2 said she adjusted the prices downward because the system
13 was consistently overpricing the homes. Indeed, CW 2 said that about 90 percent of the final
14 offers she submitted for approximately 4,000 homes she priced were below the number
15 generated by the system.

16 68. CW 2 also explained that some markets had pricing caps, which meant if the
17 algorithm generated a final offer higher than the cap, the pricing analyst had to adjust the price
18 below the cap.

19 69. CW 2 said that Opendoor did not typically use its fully automated pricing
20 algorithm to generate final offer prices for homes. Mostly, the Company used pricing analysts
21 to participate in the process and inject subjective, human judgment into determining the final
22 offer price. CW 2 said the only time the Company "turned on" the algorithm and let it
23 generate final offers without any human input was when the queue of homes needing a final
24 offer was overloaded. For example, if the queue was backed up with more than 1,000 homes,
25 the Company would turn on the system and let the algorithm run independently and generate
26 final offers for homes until the queue cleared out, CW 2 said. CW 2 said the fully automated
27 system was only turned on three to four times a month and was on "just to help us clear out"
28 the queue. According to CW 2, "The vast majority (of final offers) were human-made offers."

1 70. Ultimately, according to CW 2, what she and other pricing analysts were doing
2 to price homes was no different than what any real estate agent would do to price a home for
3 the market.

4 71. Other CWs confirm that Opendoor had a human-driven process for pricing
5 homes accurately, including for initial offers. For example, CW 5 was brought in to price the
6 initial offers sent to customers. CW 5 described her job duties as pricing any property that
7 could not be priced automatically by the Company's underwriting and appraisal software or
8 algorithm. CW 5 stated that management flagged certain properties that could not be
9 processed through the algorithm to generate an offer. According to CW 5, approximately
10 50% of the properties had to be sent to human beings for review.

11 72. According to CW 6, a Data Scientist for the Pricing team at Opendoor, the
12 algorithm's initial offer price was reviewed by the human pricing analysts and portfolio
13 managers. CW 6 added that the analysts and portfolio managers could use certain data to
14 adjust the initial offer price based on specific details of the home in question and other market
15 variables.

16 73. Moreover, other former employees reveal that the algorithm could not
17 accurately price homes for resale, specifically in new markets like San Francisco. For
18 example, according to CW 1, Opendoor "did not know" the San Francisco market and was
19 overpricing its homes there, which caused Opendoor to hold onto those properties longer than
20 they should have otherwise been. According to CW 1, the reason the houses were being
21 priced too high was due to Opendoor's algorithm, which was not accounting for changes in
22 the real estate market that were happening at that time in 2022. Opendoor also did not do any
23 research on any market they went into, so also did not know that in San Francisco they needed
24 to have all disclosures linked into the MLS in order for offers to be made. After CW 1 let
25 them know this they started that process.

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1 **D. Former Opendoor Employees Reveal Opendoor Drove Contribution**
2 **Margin Through Deceptive Consumer Practices**

3 74. In addition to hiding Opendoor’s human-driven process for pricing homes,
4 Defendants also hid from investors deceptive consumer practices that also largely contributed
5 to the Company’s success. For example, Opendoor regularly charged sellers for repairs in
6 order to lower the final offer and then failed to perform those repairs—keeping the extra
7 money as additional profit.

8 75. CW 4 recalled that in 2019, it was Opendoor’s policy or practice to get the
9 property repairs done as soon as possible either before or right after the Company took
10 possession of the property, and before it was put up for sale. However, according to CW 4,
11 at some point in 2020, the Company changed the policy or practice of doing the repairs
12 upfront, or just doing minimal repairs, and then waiting until the house was put up for sale
13 and for a list of repairs by the outside appraiser or buyer to be provided. CW 4 recalled that
14 this change was made because homes were typically on the market for 30 – 90 days, and that
15 the decision was made to hold onto the funds for as long as possible.

16 76. Similarly, CW 3—who worked directly with customers after an offer was made,
17 including discussing the repairs that Opendoor assessed were needed—stated, “We didn’t do
18 every single repair we accounted for.” CW 3 learned from the home team, the team that
19 assessed repairs and subsequently managed the repair work, that it was common for Opendoor
20 not to do all of the repairs.

21 77. CW 3 explained that after a potential seller requested an offer from the company
22 via its online platform, CW 3 would reach out to set up a Zoom interview with the seller at
23 their home. During the Zoom interview, CW 3 asked questions about “their situation,” such
24 as why they were selling, their financial needs, and what they expected to get out of the house.
25 CW 3 then had the owners give her a video tour through the entire house, which was recorded
26 and sent on to another department, the home team, that assessed the home’s condition prior
27 to Opendoor making a final purchase price offer to the sellers. According to CW 3, the home
28 team also conducted an in-person visit to assess the exterior of the house and the

1 neighborhood, and Opendoor's pricing team also got involved during this time period as well.
2 CW 3 did not know how the pricing team made their decisions, but she understood they more
3 closely looked at the home's attributes and problems, such as being located next to a school
4 or large power transformers. CW 3 explained that Opendoor then made a final offer from
5 which the repair costs were subtracted. After a final offer was made, CW 3 discussed it with
6 the customer, including the list of repairs that Opendoor assessed were needed.

7 78. CW 3 stated that the Company instructed her and people in her position not to
8 send sellers the itemized repair list that also included itemized costs. Instead of sending the
9 actual itemized list, which showed the amount the seller was charged for each repair, the
10 Company told customer experience partners (like CW 3) to summarize the repairs verbally
11 for the seller and not to itemize any costs for repair. So, instead of telling the seller they were
12 being charged \$200 for paint, \$5,000 for new floors, \$100 for new bath fixtures, CW 3 talked
13 the seller through the full list of repairs needed, then at the end she told them how much
14 Opendoor would take off the purchase price to cover the costs of all the repairs. CW 3 said
15 she was instructed by her manager not to send the list, but CW 3 is confident the instruction
16 came from her manager's supervisors.

17 79. CW 3 received a call from a seller who was upset by what she had learned from
18 a friend who had toured the seller's former home once it was placed back on the market.
19 During the tour, the friend saw that the repairs Opendoor charged the seller for had not been
20 done, CW 3 recalled. CW 3 then went to the manager of the "home team," which was the
21 group that assessed the property via the Zoom video recording and created the list of repairs
22 needed for which the seller would be charged. CW 3 was told that Opendoor assesses repairs
23 based on what they expect buyers will ask for, but if the sellers don't ask for and/or the
24 company doesn't do the repairs, Opendoor "pockets the money" the seller was charged for
25 those repairs.

26 80. CW 3 explained that if the home's AC unit is approaching the end of its
27 expected lifespan, Opendoor would tell the owner the home needs a new AC unit, for which
28 the seller would be charged \$7,000. (An amount subtracted from the purchase price.) But if

1 the next buyer does not request a new AC unit before purchasing the home, Opendoor would
2 not replace the unit, CW 3 said. “They would pocket that \$7,000 if the buyer didn’t ask for
3 it,” CW 3 said, noting, “That’s definitely another source of income” for Opendoor. From
4 what CW 3 learned from the home team that assessed repairs and subsequently managed the
5 repair work, it was common for Opendoor not to do all of the repairs.

6 81. As the housing market turned in 2022, Opendoor started charging more for
7 repairs, presumably to try to make up for the fact that its algorithm had failed to adapt to
8 changing market conditions.

9 82. For example, CW 3 explained that when she first started at the Company, in
10 March 2021, an average repair charge for a transaction was about \$5,000, but by the end of
11 her employment, in November 2022, the amount Opendoor was charging sellers had increased
12 dramatically, to “\$15,000, \$25,000, \$30,000, big numbers.”

13 83. CW 3 recalled the co-workers shared their shock and exclaimed something
14 along the lines of: “Oh my gosh! These repair charges! There had not been a single one under
15 20 grand! What is going on?” CW 3 recalled that toward the end of her tenure the home team
16 seemed to be determining that almost every home needed painting, even homes that CW 3
17 knew did not need it. According to CW 3, “I think there was logic behind it. (Paint) is
18 something that is going to be on any home—let’s just pump it up a threshold, and it still rings
19 true.” So, for instance, according to CW 3, \$25 paint charges would get bumped up to a \$100.

20 84. CW 3 recalled a specific example of a seller who had freshly painted their home
21 in anticipation of selling it, but when the final offer came back, Opendoor said the house
22 needed to be painted. CW 3 knew that repair was not needed, so she went to the home team
23 and challenged them. CW 3 said that she would regularly feel the need to go back to the home
24 team to challenge repair charges she did not agree with. CW 3 explained that she went back
25 to the home team “probably once or twice a day.”

26 **E. Opendoor Goes Public Through a Reverse Merger with a SPAC**

27 85. Social Capital Hedosophia Holdings Corp. II (SCH), a Special Purpose
28 Acquisition Company (“SPAC”), was incorporated on October 18, 2019. SPACs, also known

1 as “blank check” companies, are publicly traded shells created for the purpose of merging
2 with privately held businesses. Once a SPAC identifies a target and agrees to terms, the
3 parties effect a business combination through a reverse merger (also referred to as a de-SPAC
4 merger). This transaction structure allows the target, a privately held company, to become
5 publicly traded by merging with the SPAC (or a subsidiary of the SPAC). This allows the
6 target to bypass the traditional IPO process while allowing their equity to become publicly
7 traded in an expedited manner without the traditional regulatory scrutiny. For these reasons,
8 SPACs are now a major route to taking companies public.

9 86. Pursuant to the de-SPAC Merger, on December 21, 2020, the Company’s
10 common stock and warrants began trading on NASDAQ under the new ticker symbol
11 “OPEN” for the common stock and “OPENW” for the warrants.⁵ Prior to the Domestication⁶
12 and transfer to the NASDAQ, SCH’s Class A ordinary shares and warrants to purchase Class
13 A ordinary shares traded under ticker symbols “IPOB” and “IPOB.WS,” respectively, on the
14 New York Stock Exchange.

15 **F. Defendants Issue Several False and Misleading Statements on the First Day**
16 **Opendoor’s Shares Trade Publicly**

17 87. Before the market opened on December 21, 2021, the first day Opendoor shares
18 traded publicly on the NASDAQ, the Company filed a registration statement on Form S-1
19 with the SEC (the “December 21, 2020 Registration Statement”). The December 21, 2020
20 Registration Statement contained several false and misleading statements about the
21 Company’s business and the purported benefits of Opendoor’s AI-powered algorithm. For
22 example, the December 21, 2020 Registration Statement claimed that Opendoor’s
23 *“algorithms use machine learning to drive pricing decisions through demand forecasting,*
24 *outlier detection, risk pricing, and inventory management.”* The December 21, 2021

25 _____
26 ⁵ OPENW were a separate set of securities that were issued in connection with the de-
27 SPAC Merger. Pursuant to the de-SPAC Merger, all the issued and outstanding redeemable
28 warrant of SCH converted automatically into a redeemable warrant to acquire one share of
Opendoor Technologies common stock.

⁶ Pursuant to the de-SPAC Merger, among other things, SCH deregistered as a Cayman
Islands corporation and domesticated as a Delaware corporation (the “Domestication”).

1 Registration Statement also misled investors by claiming that the Company’s “*pricing*
2 *algorithms are designed to dynamically adjust to leading indicators and market conditions*
3 *so that the business can react to real-time economic conditions.*”

4 88. However, Defendants’ statements about the algorithm and the Company’s
5 pricing decisions were false and misleading because Opendoor was not, in fact, basing its
6 pricing decisions on the algorithm. As explained above, Opendoor’s process for pricing
7 homes relied heavily on human intervention. As detailed by multiple former employees,
8 Opendoor’s process for pricing homes relied heavily on human judgment and deceptive,
9 fraudulent conduct, *see* Section V(C)-(D), *infra*, which meant that—like other real estate
10 companies that relied on human judgment to price homes—Opendoor was just as susceptible
11 to the risk of changing market conditions as traditional home flippers and other iBuying
12 companies.

13 89. Simply put, the December 2020 Offering Documents concealed the broader,
14 more complicated human-driven process that drove the Company’s pricing decisions, and
15 instead created the misleading impression that Opendoor was still primarily relying on its
16 automation efforts for pricing, which Defendants had repeatedly touted as the Company’s
17 largest competitive advantage.

18 90. The December 21, 2020 Registration Statement also misled investors about the
19 source of the Company’s financial success—attributing it to the AI-powered algorithm and
20 failing to disclose the human-driven process that drove the Company’s contribution margin
21 success. Specifically, the December 21, 2020 Registration Statement claimed that: “*Our*
22 *proprietary, machine learning-based pricing models are key to our ability to acquire and*
23 *resell thousands of homes per month accurately, profitably, and with increasing levels of*
24 *automation.*”

25 91. This statement was false and misleading because the Company’s profitability
26 was not driven by the algorithm, but rather, deceptive consumer practices such as lowering
27 the algorithm’s offer before submitting it to the seller and charging the seller for repairs that
28 Opendoor did not make. *See* Section V(C)-(D), *supra*. Thus, Defendants had overstated the

1 purported benefits and competitive advantages of the algorithm and failed to disclose the
2 known risk that the Company was susceptible to changing housing markets and economic
3 conditions just like other iBuying businesses and traditional home flippers.

4 **G. Defendants Mislead Investors About the Company's Competitive**
5 **Advantages**

6 92. During most of the Class Period, Opendoor's main iBuying competitors in the
7 United States were Zillow, Offerpad, and Redfin. By early 2021, Zillow was the Company's
8 largest competitor, as it was the second largest iBuyer in terms of revenue after Opendoor.
9 But unlike Opendoor, Zillow's core business was not iBuying. Rather, Zillow is best known
10 for operating the real estate website Zillow.com (as well as other websites such as StreetEasy).
11 As such, Zillow generated a large portion of its revenue from advertising on its websites and
12 earning referral fees when matching prospective buyers and sellers with traditional real estate
13 agents and brokers.

14 93. As explained above, the most important aspect of each iBuyer's business was
15 its ability to accurately predict home values using their respective algorithms. Thus, investors
16 cared deeply about each company's algorithm and repeatedly asked questions to determine
17 which company had the best and most accurate algorithm. As Wedbush explained in a
18 November 1, 2021 analyst report, "One of the most common questions we get from investors
19 is what advantage Opendoor may have in pricing relative to its competitors and what data
20 inputs it uses."

21 94. As such, Opendoor and Defendants routinely publicly discussed the Company's
22 algorithm and its ability to accurately predict home values. For example, in the Company's
23 2020 Annual Report, which was filed on March 4, 2021, Defendants touted the Company's
24 algorithm, stating that Opendoor had "built world-class data science capabilities and
25 systematized tooling to gather, aggregate and synthesize an expanding catalog of proprietary,
26 hyperlocal data in order to improve and automate pricing decisions." Specifically, the 2020
27 Annual Report claimed that Opendoor's "*systems can dynamically adjust to leading market*
28 *indicators and react to real-time macro- and micro-economic conditions. Our pricing*

1 *algorithms are designed to dynamically adjust to leading indicators and market conditions*
2 *so that the business can react to real-time economic conditions.”*

3 95. In other words, Defendants told investors that their pricing algorithm was highly
4 responsive and would work in any market condition or economic cycle. During the early part
5 of the Class Period, the housing market was hot—as home prices skyrocketed and interest
6 rates were low—and Opendoor banked easy profits. However, Defendants unequivocally told
7 investors that their algorithm worked in all market conditions. For example, during the
8 Company’s earnings call on August 11, 2021, Defendant Wheeler acknowledged that home
9 prices were elevated but told investors that their strong results were not driven by the hot
10 housing market, but rather “the key macro driver behind our results is the massive secular
11 shift in consumer demand for integrated digital-first solution to buy and sell home[s].”

12 96. Based on these and similar representations, the investing public was led to
13 believe that Opendoor’s algorithm worked in all market conditions and that it was what set
14 Opendoor apart from competitors like Zillow in the iBuying business.

15 97. For example, on August 12, 2021, Wedbush issued an analyst report adding
16 Opendoor to the “Wedbush Best Ideas List after another strong quarter.” In the report,
17 Wedbush noted that Opendoor’s “pricing capabilities let it optimize acquisition and resale
18 across all market conditions. Opendoor’s pricing capabilities have been best in class, and we
19 believe its vast data is a significant asset.”

20 98. Similarly, on August 2, 2021, InvestorPlace published an article titled
21 “Opendoor Is a Real Estate Disruptor,” which explained that they believed Opendoor’s
22 algorithm was what drove the Company’s success. Specifically, the article stated:

23 One of the main reasons for Opendoor’s success is its robust pricing
24 algorithm. It’s not looking to buy at very low prices and sell at very
25 high prices, but instead seeks to identify the highest price that it can
26 pay for a home and still generate a profit. Because its competitors —
27 Zillow (NASDAQ:Z) and Offerpad — do not possess such pricing
28 engines, they have been forced to charge more than Opendoor for their
homes to make the same profit on them.

1 99. A month later, on September 8, 2021, *Seeking Alpha* published an article titled
2 “Opendoor: The Mythology of Disruption,” which explained that “Opendoor’s pricing
3 algorithm, or AVM, is the secret sauce; the performant soul of iBuying.” The article went on
4 to posit that “Opendoor’s [algorithm] is the best in the business – a first of its kind machine-
5 learning platform that actively ingests historical pricing information alongside hundreds of
6 datapoints per home, customized within each market to arrive at a fair price.”

7 **H. Defendants Continue Misleading Investors About Opendoor’s Pricing**
8 **Algorithm After Zillow Announces its Failed iBuying Venture**

9 100. On October 17, 2021, Bloomberg reported that Zillow would pause its Zillow
10 Offers business, through at least year-end, due to capacity constraints. The article quoted a
11 Zillow spokesperson as saying: “We are beyond operational capacity in our Zillow Offers
12 business and are not taking on additional contracts to purchase homes at this time We
13 continue to process the purchase of homes from sellers who are already under contract, as
14 quickly as possible.” The following day, on October 18, 2021, Zillow confirmed the reports
15 in a press release, disclosing that: “[d]ue to a backlog in renovations and operational capacity
16 constraints,” Zillow Offers “will not sign any new, additional contracts to buy homes through
17 the end of the year.”

18 101. Then, just two weeks later, on November 1, 2021, media outlets reported that
19 most of the homes in the Zillow Offers inventory were now worth less than the Company paid
20 for them. A day later, on November 2, 2021, Zillow announced that it was shutting down
21 Zillow Offers because Zillow’s algorithm had not been able to accurately forecast home
22 prices. For example, during the earnings call, Zillow’s CEO, Rich Barton, acknowledged that
23 Zillow’s ability to execute in the iBuying business was “underpinned by the need to forecast
24 the price of homes accurately 3 to 6 months into the future,” but admitted that Zillow “ha[d]
25 been unable to accurately forecast future home prices.” Ultimately, Barton explained that the
26 Company’s inability to accurately forecast home prices created too much risk to continue:
27 “fundamentally, we have been unable to predict future pricing of homes to a level of accuracy
28 that makes this a safe business to be in.” In other words, “[w]hat it boils down to is our

1 inability to have confidence in pricing in the future, enough confidence to put our own capital
2 at risk that we don't have to.”

3 102. Given this news, the market started to question whether iBuying could work as
4 a scalable business—since Zillow was the second largest iBuyer and had significant
5 competitive advantages (including the fact that its websites drove traffic to Zillow's iBuying
6 business). Given this uncertainty, Opendoor investors reacted swiftly. On this news, the price
7 of Opendoor's stock fell by more than 14.5% on November 2, 2021.

8 103. Over the next few days, many articles were published questioning the iBuying
9 business and whether Opendoor's algorithm was better than its competitors. For example, on
10 November 9, 2021, *The Washington Post* published an article titled, “Zillow sent its algorithm
11 to take on the housing market. The housing market won.” In the article, author Megan
12 McArdle stated:

13 Zillow, and its fellow competitors in the “iBuying” business —
14 including Opendoor, Offerpad and Redfin — brought speed and
15 efficiency to a slow and capricious housing market. That market is
16 now one competitor down, **with lingering questions about whether
anyone will ever rationalize it.**

17 104. Given the uncertainty about the iBuying business model, investors were eager
18 to hear what Opendoor had to say at their next earnings call on November 10, 2021. On that
19 day, after the market closed, the Company issued a press release announcing strong third
20 quarter 2021 earnings and providing fourth quarter guidance ahead of analysts' expectations.
21 Specifically, Opendoor announced its contribution margin for the third quarter 2021 was 7.5%
22 (versus 10.8% in the second quarter 2021), which was ahead of industry expectations.

23 105. Then, during the Company's earnings call on November 10, 2021, Defendants
24 restored confidence in their business by overstating the purported benefits and competitive
25 advantages of the algorithm and misleading investors about the algorithm's ability to work in
26 any market.

27 106. During Defendant Wheeler's opening remarks, she touted the Company's
28 contribution margin—explaining that Opendoor had experienced 20 consecutive quarters of

1 positive contribution margins and that the Company expected that it would move to 7% to 9%
2 over the long term. Defendant Wheeler then addressed the Zillow news by reassuring
3 investors that Opendoor was focused on pricing accuracy and would remain disciplined in its
4 growth strategy. Specifically, Defendant Wheeler stated:

5 One additional note on unit margins given the news of the last few
6 weeks. We understand the importance of one, forecasting and two,
7 managing seasonal and macro market changes. We have prioritized
8 our investments and our pricing capabilities across acquisition
9 valuation, forecasting and resell systems since our inception. These
investments pair with a strong risk management DNA that's
embedded in our pricing or operations, and our finance teams.

10 Our philosophy for growth has always been and will continue to be
11 anchored in disciplined unit economics. I'd note that Q4 of 2021 will
mark our 20th consecutive quarter of positive contribution margins.

12 107. After Defendant Wheeler's opening remarks, the very first question was about
13 Opendoor's pricing algorithm and whether it could withstand volatility in home prices—i.e.,
14 whether it could work in any housing market. Specifically, the analyst asked:

15 Great. Thanks for taking the questions. I guess, maybe two. One, can
16 you touch on housing pricing volatility and how you feel your model
17 is kind of positioned to withstand that, and kind of detected given
18 some of the turnover. And then if let's say, prices you could press a
19 little bit, how much contribution margin compression can we expect
and how much can the kind of model withstand given some of the
other kind of headlines and outline over the last two weeks? Thanks.

20 108. Defendant Wheeler responded by touting Opendoor's algorithm and reassuring
21 investors that, unlike Zillow, Opendoor's algorithm quickly adapts to changing market
22 conditions and works in any housing market, which allowed the Company to maintain a
23 contribution margin range of 4% to 6%. Specifically, Defendant Wheeler responded:

24 Embedding your question is how do we price for homes and how do
25 we think about forecasting. ***A couple of comments; one, we're very
good at this. This is core to what we do.*** We have built over the last
26 seven years, very robust pricing systems. We have seven years of
27 investment in the data, in the modeling and in our team that allows us
continuously improve how we model and approach home price
28 valuations. We operate our business with a tight discipline.

1 As Eric said, we are rigorously back testing our models every day.
2 *They're highly responsive. They have fast feedback loops and we can*
3 *react to changing market conditions. Our forecasting accuracy was*
4 *what allows us to manage the business within a reasonable range of*
5 *outcomes and deliver margins within that 4% to 6% contribution*
6 *margin range that we've guided to.* Ultimately, the proof of our ability
7 to do that is in our results. I just want to mention again, Q4 will mark
8 our 20th consecutive quarter of positive CM.

9 So that's housing and – so the housing and forecasting question in total.
10 And [] part two of your question was around contribution margins, and
11 how they may fluctuate with changes in HPA. *Important is that our*
12 *model really works in upmarkets, it's going to work in flat markets,*
13 *it's going to work in downmarkets.* We've talked about this before.
14 But we are a market maker. Like define that, that means we provided
15 putting in the customers, we're pricing a certainty and we're taking a
16 spread. We're getting paid for that. *And we're managing [] our*
17 *business to that 4[-]6% range I just indicated if HPA were to go*
18 *down, we would look to fluctuate increase our spreads to manage to*
19 *that target margin range.* So, I would not marry HPA trend and
20 contribution margin trends together. We're driving for consistency
21 within that range of outcomes.

22 109. However, this was false and misleading because the algorithm could not react
23 to changing market conditions or maintain contribution margins between 4% to 6% in all
24 markets. Moreover, Defendant Wheeler's statements were false and misleading because they
25 led investors to believe that the accuracy of Opendoor's algorithm allowed the Company to
26 maintain positive contribution margins in any environment—thus shielding the Company
27 from the risk of changing market conditions and economic cycles—while concealing the
28 broader, human-driven process that drove the Company's pricing decisions and put Opendoor
29 at an increased risk of sustaining significant and repeated losses due to residential real estate
30 pricing fluctuations. These misrepresentations were highly material to investors, especially
31 considering that Zillow had just exited the iBuying business for its failure to accurately price
32 homes, which sparked investor concern over whether other iBuyers, like Opendoor, had a
33 viable business model.

34 110. Similarly, later during the November 10, 2021 earnings call, Defendant Wu
35 responded to a question about the Company's pricing models by claiming that pricing was

1 “something that we treat [a]s proprietary and a large competitive mode that compounds as we
2 get to scale overtime. And so I would just say that since we started Opendoor, this has been
3 core and foundational to the business.”

4 111. Based on Defendants’ statements, investors were reassured and believed that
5 Opendoor’s algorithm was superior to other iBuyers and allowed the Company to deliver 4%
6 to 6% contribution margin in any market. Therefore, the very next day, November 11, 2021,
7 Opendoor’s common stock increased by **more than 15.5%**—demonstrating investors relied
8 on Defendants’ false reassurances about the Company’s pricing capabilities.

9 112. Following Defendants’ false and misleading statements on November 10, 2021,
10 analysts issued reports praising Opendoor for its supposedly superior pricing algorithm. For
11 example, on November 11, 2021, Oppenheimer concluded that Opendoor was the clear leader
12 in the iBuying space and raised its price “target to \$28 from \$25 after OPEN reported better
13 3Q21 results/Q4 outlook and is clearly positioned to be the vertical leader in the transition of
14 home transacting online.”

15 **I. Defendant Wu Sells \$57.6 Million in Stock Directly After Defendants**
16 **Falsely Reassured Investors that Opendoor was Different Than Zillow**

17 113. Knowing all along that Opendoor’s pricing decisions were based on a human-
18 driven process and that the Company’s success was driven by a hot housing market and
19 deceptive consumer practices, Defendant Wu enriched himself at the expense of Opendoor
20 investors.

21 114. Just three trading days after Defendants falsely reassured investors that
22 Opendoor’s pricing algorithm was superior and worked in all markets—thus shielding the
23 Company from a fate similar to Zillow—Defendant Wu took advantage of the Company’s
24 artificially inflated stock price. On November 16, 2021, Defendant Wu sold 1,613,498 shares
25 of his Opendoor stock, reaping proceeds of more than \$35 million on a single transaction.
26 Then, over the next two trading days, Defendant Wu made two additional open market sales.
27 On November 17, 2021, Wu sold an additional 628,348 shares, reaping proceeds of more than
28 \$13 million; and on November 18, 2021, he sold an additional 443,182 shares, reaping

1 proceeds of over \$9 million. In total, Defendant Wu sold over 2.6 million shares of Opendoor
2 stock just days after the November 10, 2021 misstatements, **reaping proceeds of over \$57.6**
3 **million dollars in a span of three days.**

4 115. Notably, these transactions were by far Defendant Wu's largest sales of
5 Opendoor stock historically, and were not executed pursuant to any Rule 10b5-1 trading plan,
6 as indicated on Defendant Wu's SEC Form 4 dated November 18, 2021.

7 116. Unfortunately for investors, they did not possess the same inside information as
8 Defendant Wu. Although Defendants claimed Opendoor's success was the result of its
9 superior pricing algorithm—which they claimed worked in any housing market—in reality,
10 humans drove the Company's pricing decisions and the Company's success was driven by a
11 hot housing market and deceptive consumer practices that boosted the Company's
12 profitability. As a result, Opendoor failed to disclose the known risk that it was susceptible
13 to changing housing markets and economic conditions just like other iBuying businesses,
14 including Zillow.

15 117. Based on Defendants' false and misleading representations, investors (wrongly)
16 believed that Opendoor was not susceptible to the changing housing market in 2022. As the
17 housing market started changing in 2022, investors continued to rely on Defendants' false and
18 misleading representations about Opendoor's ability to quickly adapt to those changing
19 market conditions and maintain 4% to 6% contribution margins using its AI-powered
20 algorithm. But unbeknownst to investors, the algorithm could not adjust to the changing
21 housing environment in 2022.

22 **J. Former Employees Reveal that Opendoor's Algorithm Could Not Adjust**
23 **to the Changing Housing Environment in 2022**

24 118. Former employees have explained that Opendoor's algorithm failed to adapt to
25 changing market conditions in 2022, leading to excess inventory as the housing market cooled
26 off. These former employees also demonstrate that Defendants Wu and Wheeler closely
27 monitored this issue, which caused Opendoor to issue incentives and credits to buyers and use
28

1 a third-party brokerage to move excess inventory, all of which contributed to the Company's
2 declining contribution margins.

3 119. CW 4 stated that sometime in the second half of 2021, there was discussion on
4 an MBR (Monthly Business Review) call that Opendoor's homes were staying on the market
5 longer in some "problematic" states and that their selling prices were going down. CW 4
6 recalled that one of the problematic states was one of her regions—Arizona. CW 4 advised
7 that MBR calls were monthly calls to update the Home Loans department of Opendoor and
8 were led by Product Managers and Program Managers. CW 4 recalled that by the end of
9 2022, homes in all of her markets that she handled were staying on the market longer and that
10 this was occurring because of the dramatic increase in interest rates, which she advised
11 nobody was expecting.

12 120. In 2022, CW 1 was asked by the National Head of Brokerage, Chelsea Goyer,
13 to review the Opendoor properties in the San Francisco and Southern California markets to
14 determine why the Company was having a difficult time selling its homes there. CW 1 was
15 asked to do so because of her experience in California markets, specifically in the San
16 Francisco area. CW 1 started her review in July 2022, and after reviewing over one hundred
17 properties in the San Francisco Bay area and Southern California markets, CW 1 concluded
18 that Opendoor "did not know" the market and was overpricing its homes, which caused
19 Opendoor to hold onto those properties longer than they should have otherwise been.
20 Opendoor also did not even do basic real estate marketing, which is saying that you did repairs
21 or upgrades to explain the higher price, from when they purchased the property which CW 1
22 pointed out to them. Opendoor also put pictures in the marketing that were not ideal, such as
23 backyard pictures with piles of weeds. Opendoor's marketing remarks did not match the
24 house they were trying to sell either.

25 121. According to CW 1, the reason the houses were being priced too high was due
26 to Opendoor's algorithm, which was not accounting for changes in the real estate market that
27 were happening at that time. CW 1 told an Opendoor General Manager of Reselling that the
28 algorithm was not accounting for the changing housing market conditions and was therefore

1 inaccurate, and that Opendoor needed to put the houses up for sale at prices that were lower,
2 more realistic, and more aligned with the current market values as of July 2022. However,
3 the GM of Reselling told CW 1 that “this is how Opendoor does it,” and did not indicate that
4 changes were going to be made. Opendoor priced high and would just do price reductions
5 every week to two weeks, CW 1 told them this was not good, because buyers would just sit
6 and watch and wait for the price to get lower and lower and this was not good marketing
7 strategy. CW 1 told this to the general manager, and was told this was how they did their
8 pricing and they didn’t care if this was not the best way to do it or that it was not the typical
9 real estate way to do it.

10 122. Defendants knew that Opendoor’s homes were staying on the market too long.
11 For example, Defendants Wu and Wheeler participated in company-wide conferences where
12 they expressed concern over the levels of inventory and directed Opendoor employees to give
13 concessions—which would eat into the Company’s contribution margins—in order to get rid
14 of the property.

15 123. CW 7 explained that the Company regularly held company-wide video
16 conferences, either on Zoom or Google, that were led by Defendants Wu and Wheeler. CW
17 7 recalled these video conferences as being like internal earnings calls and that they were held
18 monthly. According to CW 7, Wu and Wheeler’s demeanor changed on these calls from
19 positive attitudes to “long faces” sometime in mid-2022. CW 7 recalled that during a video
20 call around July 2022, Wu and Wheeler stated that the Company needed to “quickly unload”
21 properties because they were spending too much on inventory. Indeed, according to CW 7,
22 Wheeler stated, “We’ll take anything right now,” which CW 7 explained meant that any offer
23 would be taken.

24 124. CW 8 recalled that in July or August 2022, during an all-hands conference call,
25 Defendant Wheeler announced that the new priority for the Company was “to lower the DIP,”
26 which CW 8 stated was an acronym for “Days In Possession.” CW 8 recalled that after the
27 announcement, Defendant Wheeler and Andrew Low Ah Kee worked closely with Daniel
28 Murillo to adjust models in order to sell properties more quickly.

1 125. Similarly, CW 3 recalled a meeting in mid-2022 during which leadership talked
2 about its extensive inventory. CW 3 noted, “The longer we held the inventory, the more
3 money we lost, and less profit we made when we could turn around and sell those homes
4 again.” CW 3 recalled that Defendant Wheeler, Vice President of Sales & Support Shannon
5 Hodges, President Andrew Low Ah Kee, and Sales Director Michelle Meyers led and spoke
6 at this meeting. CW 3 explained that these four regularly hosted the Sales & Support
7 meetings.

8 126. CW 7 also recalled that during an August 2022 video call, Wheeler gave the
9 directive to provide credits and incentives to “outside assets,” which she described as real
10 estate agents and home mortgage companies, to help move the Company’s inventory of
11 properties. According to CW 7 it was also in July 2022, when she and her RedDoor legacy
12 colleagues⁷ began writing loans for Opendoor, that CW 7 witnessed many credits and
13 incentives identified in the loan paperwork to close a deal. CW 7 recalled some examples as
14 being an additional 1% being given to outside real estate brokers who presented home buyers
15 that led to a sale, as well as a \$2,000 lender credit and free appraisals. CW 7 advised that the
16 amount of these credits and incentives were “uncommon” and that the properties whose
17 portfolios she handled were depreciated assets with no repairs being done.

18 127. CW 7 went on to recall that when she was given loans to work on for the first
19 time by Opendoor in July 2022, that she first worked on loans from California, and that she
20 was then also working on loans from Texas and Arizona. According to CW 7, she witnessed
21 Opendoor properties selling for less than what they were purchased for, with incentives and
22 credits being given to unload the property, and without repairs being done, in all three states.

23 128. In addition to providing these credits and incentives, Opendoor had to pay
24 outside brokers to help move their properties since the algorithm could not accurately price
25 the homes, which also cut into the Company’s contribution margins. For example, according
26 to CW 1, for the properties in the San Francisco Bay area that she reviewed that had been

27 ⁷ Opendoor acquired RedDoor for \$15 million on November 3, 2021. Opendoor
28 described RedDoor as “a digital-first mortgage brokerage” and acquired RedDoor to integrate
with Opendoor Home Loans.

1 unsold for a long period of time, Opendoor paid outside brokers to sell and list them properly,
2 with accurate descriptions and better pictures. CW 1 explained that Opendoor would have
3 had to pay a fee of around 2% to list the house with an outside broker.

4 129. These issues continued throughout the summer of 2022, as Opendoor
5 employees told Wu and Wheeler during a company-wide meeting that the Company was not
6 accurately pricing its offers. For example, in September 2022, CW 7 recalled that there was
7 a video call that she attended where Wheeler said that she's "seeing depreciated assets" and a
8 lot of inventory on the books, and to "move the properties." CW 7 recalled complaints from
9 some of the attendees on that call that the Company was overpaying for houses and no repairs
10 were being done.

11 **K. The Truth Begins to Emerge as Defendants Continue Misleading Investors**
12 **About Opendoor's Pricing Algorithm**

13 130. Investors began to learn the relevant truth concealed by Defendants' false and
14 misleading statements starting on February 24, 2022. On that day, Opendoor announced
15 massive losses, which started to reveal to investors that the Company's algorithm failed to
16 live up to the representations Defendants made throughout the Class Period. After the market
17 closed that day, Opendoor issued a press release and a shareholder letter announcing its
18 financial results for the fourth quarter and year ended December 31, 2021. The press release
19 revealed that the Company's fourth quarter 2021 contribution margin—a key profitability
20 metric—was 4.0%, which was a significant decline from the Company's fourth quarter 2020
21 contribution margin of 12.6%.

22 131. On this news, the price of Opendoor common stock plummeted by more than
23 23% the next day, closing at \$8.44 per share on February 25, 2022 on unusually heavy volume,
24 as investors started understanding that the Company's algorithm could not maintain the
25 contribution margins it had seen during the hot housing market of the previous year.

26 132. According to an article published by *The Real Deal* on February 25, 2022, this
27 "selloff was widely attributed to a drop in Opendoor's contribution margin, a key profitability
28 metric that factors in the costs of carrying and selling home inventory. It declined to 4 percent

1 in the fourth quarter from 13 percent a year ago.” Therefore, the stock price drop was
2 attributable to the Company’s failure to price homes at profitable levels.

3 133. However, Defendants continued misleading investors about the Company’s
4 algorithm and its ability to maintain the Company’s contribution margin within the 4% to 6%
5 range in any housing market and economic condition.

6 134. On March 4, 2022, Defendant Wheeler attended the Wedbush Real Estate
7 Technology Conference, where she answered questions about the Company’s pricing
8 algorithm and contribution margins. Specifically, the conference’s moderator, an analyst
9 from Wedbush, asked about the Company’s ability to maintain its contribution margins in a
10 flat or declining home price appreciation (“HPA”) environment. Defendant Wheeler
11 responded by claiming that Opendoor’s *“ability to dynamically price homes in response to*
12 *both micro and macro factors [] allows us to manage . . . within that 4% to 6%, annual*
13 *margin range, and regardless of the home cycle we’re operating in that’s really important*
14 *part of our business model.”*

15 135. However, this statement was false and misleading because Defendants knew
16 that Opendoor’s algorithm could not price homes in response to changing macro- and micro-
17 economic conditions and could not maintain contribution margins of 4% to 6% regardless of
18 the home price environment. As explained above, because it relied primarily on human
19 judgment, the algorithm failed to adjust to the changing housing market in 2022, leading to a
20 significant amount of unsold inventory causing Opendoor to resort to giving significant
21 concessions and paying outside brokers to sell off the inventory.

22 136. Defendant Wheeler’s statement in ¶ 134 was false and misleading for the
23 additional reason that Defendant Wheeler led investors to believe that the Company’s
24 success—i.e., its strong contribution margins—was the result of the algorithm and its ability
25 to accurately adapt to changing market conditions, without disclosing that much of the
26 Company’s success was driven by deceptive consumer practices that contributed to the
27 Company’s profitability, such as charging sellers for repairs that Opendoor never made and
28 pocketed as profit.

1 137. Then on March 8, 2022, Defendant Wheeler attended the Morgan Stanley
2 Technology, Media and Telecom Conference. During that conference, one participant asked
3 about the Company’s strategy for maintaining margins as the housing market started slowing
4 down. In response, Defendant Wu claimed that the Company could maintain its margins in a
5 down market, no matter how bad the economy was doing. Specifically, Defendant Wu
6 claimed that “*if you run the business model through the worst recession in U.S. history, we*
7 *would still have positive contribution margin.*”

8 138. However, Defendant Wu’s statement was false and misleading because it led
9 investors to believe that the Company’s model worked in any housing market, including the
10 worst possible markets, when in reality, there was nothing about Opendoor’s algorithm that
11 made it any less susceptible to changes in the real estate market because, like its competitors,
12 its pricing models were primarily human-driven.

13 **L. The FTC Announces Settlement with Opendoor Over Deceptive Consumer**
14 **Practices**

15 139. On August 1, 2022, the Federal Trade Commission (“FTC”) issued a press
16 release announcing a \$62 million settlement with Opendoor relating to claims that Opendoor
17 engaged in deceptive consumer practices and required the Company to change its business
18 practices moving forward.

19 140. The FTC’s related blog post stated that Opendoor advertised its iBuying
20 business to consumers with the pitch that “Opendoor’s cutting-edge technology would save
21 sellers money by providing ‘market value’ offers and reducing transaction costs.” However,
22 according to the FTC, “[i]n fact, the vast majority of consumers who sold to Opendoor lost
23 thousands compared to what they would have realized in net proceeds from selling on the
24 market because Opendoor’s offers have been below market value on average and its costs
25 have been significantly higher than what consumers typically pay.”

26 141. The FTC’s blog post stated:

27 The complaint alleges that Opendoor engaged in practices that both
28 increased the costs to customers and reduced offers to below market
 value. Opendoor’s approach to home repairs is one example. The

1 company told prospective customers that after an in-person
2 assessment of the property, it may require them to make or pay for
3 certain repairs. However, Opendoor also said that it ‘ask[s] for the
4 repairs we anticipate the next buyer of the home will ask for’ – fixes
5 that customers would have to address before a traditional sale, too.
6 Opendoor further claimed that consumers may even save money on
7 repairs if they sell to Opendoor because ‘we do our best to pass
8 wholesale savings on to you from our partnerships with local
9 vendors.’ But according to the FTC, Opendoor’s required repairs
10 often cost thousands more than what people would have to pay before
11 a traditional sale.

12 142. In connection with the settlement announcement, the FTC released their
13 complaint against Opendoor. The Complaint—which was based on an over two-year long
14 investigation—offered significant details about the FTC’s allegation that Opendoor cheated
15 home sellers by tricking them into thinking that they could make more money selling their
16 home to Opendoor than on the open market using the traditional sales process.

17 143. The FTC complaint corroborated the CW allegations in Section V(C) that
18 humans, not the algorithm, drove pricing decisions since before the Class Period.

19 144. For example, the FTC complaint alleged that although Opendoor claimed that
20 its algorithm generated “market based” offers, “[i]n many instances, **Opendoor’s employees**
21 **have manually adjusted these values** before presenting them to consumers as offers.”
22 Indeed, the FTC complaint found—based on documents produced by Opendoor during the
23 FTC’s investigation—that “**Opendoor’s internal analyses** showed that these manually
24 adjusted offers were **several percentage points below Opendoor’s assessment of market**
25 **value**” and explained that “[b]eginning no later than 2019, **Opendoor instituted a policy** to
26 reduce its manually adjusted offers to [redacted] below what Opendoor assessed as market
27 value.” Similarly, the FTC reviewed an “internal communication [which] stated bluntly, ‘We
28 don’t offer a fair market value to our customers.’”

145. The FTC complaint also corroborated the CW allegations in Section V(D) that
Opendoor made money by charging sellers for repairs that they did not end up making.

1 146. For example, the FTC complaint alleged that “Opendoor has sent customers a
2 list of required repairs with the cost it would charge consumers if they agree to deduct the
3 costs from their sales proceeds. The list of repairs has been typically well beyond what
4 consumers would be responsible for in a market sale.” According to the FTC, many of these
5 repairs were unnecessary: “Opendoor has routinely requested upgrades to, or replacement of,
6 functional heating and cooling systems, flooring, and roofs. It has also frequently demanded
7 cosmetic changes such as repainting and replacement of items that could be repaired at far
8 lower cost.”

9 147. The FTC complaint alleged that since Opendoor takes up to 18 days after their
10 initial offer to provide the seller with a list of repairs, sellers could not walk away because
11 they had already placed deposits on new homes. Notably, the FTC alleged that “Opendoor’s
12 **internal communications** have described the lag between the initial offer and the later,
13 significantly lower offer as a ‘bait-and-switch’ operation.”

14 148. Finally, the FTC complaint confirmed the CW allegations in Section V(D) that
15 Opendoor often pocketed the repairs costs as extra profit. Specifically, the FTC complaint
16 alleged that:

17 If the consumer decides to authorize Opendoor to complete the repairs
18 and deduct the estimated costs from the sale proceeds, Opendoor
19 completes the repairs after it acquires the property. **If the repairs cost**
20 **less than the amount deducted, Opendoor retains the excess as**
21 **profit**, including the undisclosed Estimated Repair Credit that
22 Opendoor deducted from its original offer.

23 149. Notably, the FTC investigation confirmed that the Exchange Act Defendants
24 knew or were reckless in not knowing about this deceptive consumer practice. According to
25 the FTC, “[o]ne **internal study** found that for [redacted] of Opendoor’s purchases, its
26 deductions for repair costs were greater than Opendoor’s actual costs, thereby ‘taking away
27 [redacted] of seller equity’ in each of those sales.”

28 150. The FTC complaint also found that Opendoor made money by buying low and
selling high. The FTC complaint stated:

1 Opendoor claimed that it did not make money from ‘buying low and
2 selling high,’ but from ‘charging a fee for [its] service.’ **But gains
3 from selling homes for more than its offer price are a key
4 contributor to its revenue.** A 2019 financial analysis broke down
5 revenue from Opendoor's fee and from ‘net resale gain’ and reported
6 over [redacted] in resale gains in 2018 and [redacted] in project resale
7 gains in 2019. Presentations to investors touted ‘resale gain’ as a
8 significant contributor to Opendoor’s revenue per home.

9 * * *

10 **Data from Opendoor’s real estate transactions confirm that
11 Opendoor makes money not just from its fees, but also from
12 buying homes low and selling them high.** After purchasing homes,
13 it lists them on the open market for resale. From 2016 through
14 February 2020, Opendoor sold [redacted] percent of its homes for
15 more than what it offered consumers. The average gain on these
16 homes was [redacted], or [redacted] percent of the homes’ average
17 offer price of [redacted].

18 151. In connection with the settlement agreement, Opendoor agreed to pay \$62
19 million and stop the deceptive consumer practices. The Director of the FTC’s Bureau of
20 Consumer Protection, Samuel Levine, stated in the FTC’s press release announcing the
21 settlement that, “Opendoor promised to revolutionize the real estate market but built its
22 business using old-fashioned deception about how much consumers could earn from selling
23 their homes on the platform. There is nothing innovative about cheating consumers.”

24 152. Following the FTC’s announcement, which was released during trading hours
25 on August 1, 2022, the Company’s stock price fell by 2.44% by the close of trading on that
26 day.

27 153. Despite the settlement and the FTC’s findings, Defendants continued to mislead
28 investors. For example, after the market closed on August 1, 2022, Opendoor issued a press
release “strongly disagree[ing]” with the FTC’s findings. Specifically, the August 1, 2022
press release stated:

While we strongly disagree with the FTC’s allegations, our decision
to settle with the Commission will allow us to resolve the matter and

1 focus on helping consumers buy, sell and move with simplicity,
2 certainty and speed.

3 Importantly, *the allegations raised by the FTC are related to activity*
4 *that occurred between 2017 and 2019 and target marketing*
5 *messages the company modified years ago.* We are pleased to put this
6 matter behind us and look forward to continuing to provide consumers
7 with a modern real estate experience.

8 154. However, this statement was false and misleading because it led investors to
9 believe that the conduct alleged in the FTC complaint had not occurred during the Class
10 Period, when in reality, Opendoor had continued its deceptive consumer practices throughout
11 the entire Class Period. Specifically, as alleged by multiple former employees, throughout
12 the Class Period, Opendoor continued manually adjusting the offer price and charging sellers
13 for repairs that did not get done in order to pocket the extra money as profit. *See Section*
14 *V(C)-(D), supra.*

15 155. Following the Company's false and misleading press release, Opendoor's stock
16 rebounded the next day, closing up 1.25% on August 2, 2022, as Defendants' reassurances
17 led investors to believe that the conduct alleged in the FTC complaint was limited to 2017 to
18 2019 when in reality Defendants continued engaging in the same fraudulent conduct at issue
19 in the FTC complaint during the Class Period.

20 **M. Defendants Continue Misleading Investors as Housing Market Continues**
21 **Declining**

22 156. Then, on August 4, 2022, the Company held an earnings call discussing their
23 second quarter 2022 financial results. During the earnings call, Defendant Wu acknowledged
24 that the housing market had slowed significantly, however, Defendant Wheeler reassured
25 investors that the Company's algorithm would work in the current, extremely volatile housing
26 market. Specifically, Defendant Wheeler responded by reassuring "*our systems are doing*
27 *exactly what they're designed to do, which is responding very, very quickly, adjusting prices*
28 *to market* within recent spreads and new acquisitions."

1 157. The next day, August 5, 2022, as a result of Defendants' false and misleading
2 representations regarding the algorithm's ability to navigate the recently observed housing
3 market volatility, the Company's stock price jumped 21.7% to close at \$5.72 per share.

4 **N. The Truth Emerges as Investors Learn that Opendoor's Algorithm Did**
5 **Not Work in any Market**

6 158. Contrary to Defendants' repeated representations that Opendoor's algorithm
7 was responsive to changes in macro- and micro-economic conditions, the algorithm was
8 wildly inaccurate and unable to accurately predict changing economic conditions, causing the
9 Company to sustain massive losses once the housing market cooled and median home prices
10 began to decline.

11 159. On September 19, 2022, citing a review of industry data, Bloomberg reported
12 that the Company lost money on 42 percent of its transactions in August 2022 (as measured
13 by the prices at which it bought and sold properties), stating, in relevant part:

14 [Opendoor], which sells thousands of homes in a typical month, lost
15 money on 42% of its transactions in August, according to research
16 from YipitData. Opendoor's performance — as measured by the
17 prices at which it bought and sold properties — was even worse in
18 key markets such as Los Angeles, where the company lost money on
19 55% of sales, and Phoenix, where the share was 76%.

20 The losses, which don't include fees charged to customers or expenses
21 incurred in renovating and marketing homes, have been looming since
22 the housing market turned suddenly in recent months.

23 * * *

24 'Opendoor's metrics are in the danger zone,' DelPrete said in an
25 interview. 'They are very close to where Zillow was in its worst
26 moments.'

27 The iBuying model relies on acquiring homes, making light repairs
28 and reselling the properties — often within a few months of the initial
purchase. When home prices were skyrocketing earlier in the year,
Opendoor banked easy profits. Then dwindling affordability and
mortgage rates soaring toward 6% this spring finally pushed would-
be buyers to the sidelines.

By June, median home prices had begun to decline in some areas,
especially the Sun Belt markets that had been frothiest in the
pandemic boom days. The shift caught Opendoor by surprise, leaving
it to offload thousands of properties it had agreed to purchase when
prices were rising.

1 * * *

2 The shares slid 4.7% to \$3.87 at 3:28 p.m. New York time Monday.
3 They were down 72% this year through the close on Sept. 16.

4 160. Following the September 19, 2022 Bloomberg report, Opendoor’s stock price
5 fell \$0.50 per share, or 12.32 percent, over the following two trading sessions, to close at
6 \$3.56 per share on September 20, 2022.

7 161. However, investors did not know the full truth. For example, on September 30,
8 2022, Motley Fool published an article entitled, “First Zillow, Now OpenDoor? Is iBuying
9 Doomed?” In the article, Motley Fool questioned whether Opendoor could withstand a
10 housing market correction and stated that Opendoor was “on a similar trajectory as Zillow
11 before its full retreat from the iBuying business.”

12 162. Investors learned the full truth on November 3, 2022, when Defendants
13 reported the Company’s financial results for the third quarter ended September 30, 2022. On
14 that day, Opendoor revealed that its contribution margin was **negative 0.7%**—well below the
15 Company’s 4% to 6% contribution margin range—which revealed for the first time that,
16 contrary to Defendants’ repeated representations, Opendoor’s pricing algorithm could not
17 protect the Company from changing market conditions and could not deliver a 4% to 6%
18 contribution range in any market.

19 163. On this news, Opendoor’s stock fell more than 25% over the next two trading
20 days, closing at \$1.74 per share on November 7, 2022, as investors finally understood that
21 Opendoor’s pricing algorithm did not work in any market, and as a result, the Company could
22 not deliver 4% to 6% contribution margins in any economic environment.

23 164. For example, on November 23, 2022, *Seeking Alpha* posted an article titled
24 “Opendoor Must Adapt Its Business Model To Improve Flexibility – Or Continue Value
25 Freefall.” The article explained that Opendoor’s algorithm could not adjust to changing
26 economic cycles, and opined that the Company’s pricing problem went beyond elevated
27 interest rates and inflation. Specifically, the article stated:
28

1 Of the 3 iBuying platforms that remain in operation, Opendoor
2 recorded the largest losses, despite owning the largest market share.
3 Profit margins tell a similar story, as all three of the remaining iBuyers
4 struggle to achieve profitability even before accounting for any
expenses besides COGS.

5 . . .

6 While these declines may be largely attributed to elevated inflation
7 levels and spikes in interest rates (discussed further in next section),
8 **the fact that these macroeconomic changes can wreak such havoc**
9 **on the profitability of this business model illustrates the**
10 **inflexibility of these businesses to respond to changing**
11 **circumstances and reveals concerning underlying problems that**
perhaps go deeper than interest rates. Additionally, while Redfin
has other aspects of their business which provide a more diverse
revenue stream, Opendoor and Offerpad do not have other sources of
revenue that can help sustain the business in times of trouble.

12 165. Finally, on February 23, 2023, Opendoor reported financial results for its fourth
13 quarter and year ended December 31, 2022, which revealed to investors that the Company's
14 annual contribution margin for 2022 was 3.4%—below the annual contribution margin of 4%
15 to 6% that Defendants repeatedly claimed was the range of outcomes because of the
16 Company's supposedly superior pricing algorithm.

17 **VI. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS** 18 **AND OMISSIONS**

19 166. Plaintiffs allege that the statements highlighted in bold and italics within this
20 section were knowingly and materially false and misleading and/or omitted to disclose
21 material information of which Exchange Act Defendants were aware of or were reckless in
22 not knowing. As alleged herein, such statements artificially inflated or maintained the price
23 of Opendoor's publicly traded common stock and operated as a fraud or deceit on all persons
24 and entities that purchased common stock during the Class Period.

25 167. Throughout the Class Period, Defendants made a series of false and misleading
26 statements regarding Opendoor's pricing algorithm in which they overstated the purported
27 benefits and competitive advantages of the algorithm by claiming that it could adapt in real
28 time to changing market conditions and economic cycles and ensure that the Company's

1 contribution margins stayed within a 4% to 6% range. Defendants also falsely told investors
2 that their pricing decisions were based on the algorithm's fully automated process, while at
3 the same time concealing the broader, more complicated human-driven process that drove the
4 Company's pricing decisions which made Opendoor just as susceptible to changing housing
5 markets as any other iBuying businesses and real estate company.

6 **A. The December 21, 2020 Registration Statement**

7 168. The Class Period begins on December 21, 2020, when Opendoor's post-Merger
8 common stock began publicly trading on the NASDAQ. Before the market opened on that
9 day, the Company filed a registration statement on Form S-1 with the SEC (the "December
10 21, 2020 Registration Statement"). The December 21, 2020 Registration Statement, which
11 was signed by Defendants Wu and Wheeler, contained several false and misleading
12 statements about the Company's business and the purported benefits of Opendoor's AI-
13 powered algorithm.

14 169. The December 21, 2020 Registration Statement contained the following false
15 and misleading information about the Company's proprietary data and pricing algorithm:

16 *Proprietary offline data.* We have conducted over 150,000 home
17 assessments during which we collect over 100 data points on each
18 home and its surroundings. We have invested in building custom
19 inspection and operator tooling to systematically source and translate
20 home features into a robust data library. Once we have purchased a
21 home, we can collect additional proprietary home-level data through
22 visitor feedback, visitor traffic and duration of visits. These
23 proprietary data points have led us to make over one billion
24 annotations and corrections to Multiple Listing Services ("MLS") and
25 tax assessor data, as well as build out new, non-traditional geospatial
26 data assets, such as power line proximity and road noise level. The
27 additional home level data we collect from local vendors provides
28 structured feedback on each home and further strengthens our data
moat.

Pricing accuracy. Our unique data works in concert with our pricing
algorithms. ***These algorithms use machine learning to drive pricing
decisions through demand forecasting, outlier detection, risk
pricing, and inventory management.*** Over time, we have improved
the pricing accuracy of our models as we add new data inputs and
refine model logic, improvements that compound with experience and

1 scale. As we have continued to demonstrate improving accuracy, we
2 have also been able to increase our number of fully automated home
valuations.

3 Advancements in model sophistication have accelerated our feedback
4 loops, such that *our systems can dynamically adjust to leading*
5 *market indicators and react to real-time macro- and micro-*
6 *economic conditions. Our pricing algorithms are designed to*
7 *dynamically adjust to leading indicators and market conditions so*
8 *that the business can react to real-time economic conditions.* This
responsiveness is critical to pricing accurately and maintaining
margins, especially in periods of volatility.

9 170. The statement in ¶ 169 was false and misleading because as described in Section
10 V(c) above, Opendoor's pricing decisions were driven by humans, not the algorithm. As
11 explained by multiple former employees, Opendoor's algorithm was largely inaccurate and,
12 as a result, the Company relied heavily on humans to price Opendoor's offers. For example,
13 CW 2, who worked as a Pricing Analyst at Opendoor during the Class Period, explained that
14 she adjusted the prices downward because the system was consistently overpricing the homes.
15 Indeed, CW 2 said that about 90 percent of the final offers she submitted for approximately
16 4,000 homes she priced were below the number generated by the system.

17 171. The statement in ¶ 169 was also false and misleading because Defendants failed
18 to disclose the broader, more complicated human-driven process that drove the Company's
19 pricing decisions. As such, Defendants overstated the purported benefits and competitive
20 advantages of the algorithm, and failed to disclose the known risk that the Company was just
21 as susceptible to changing housing markets and economic conditions as other iBuying
22 businesses and traditional home flippers, and thus was at an increased risk of sustaining
23 significant and repeated losses due to residential real estate pricing fluctuations.

24 172. The statement in ¶ 169 was also false and misleading because Opendoor's
25 algorithm could not adjust to leading market indicators or react to real-time macro- and micro-
26 economic conditions. As explained above, the algorithm failed to adjust to the changing
27 housing market, which started in early 2022 when interest rates started increasing and home
28 prices stopped appreciating as they had been in late 2020 and throughout 2021. Therefore,

1 contrary to Defendants’ representations, the algorithm could not “dynamically adjust to
2 leading indicators and market conditions so that the business can react to real-time economic
3 conditions.”

4 173. The December 21, 2020 Registration Statement also falsely claimed that the
5 Company’s pricing algorithm drove the Company’s profitability:

6 **Pricing accuracy and automation.** We have invested significant
7 engineering, data science, and operations resources in our pricing
8 infrastructure. *Our proprietary, machine learning-based pricing*
9 *models are key to our ability to acquire and resell thousands of*
10 *homes per month accurately, profitably, and with increasing levels*
11 *of automation.* Based on our historical results, we believe pricing
12 performance will continue to improve with operating experience and
13 scale.

14 174. The statement in ¶ 173 was materially false and misleading because the
15 Company’s profitability was not driven by the algorithm, but rather, deceptive consumer
16 practices such as lowering the algorithm’s offer before submitting it to the seller and charging
17 the seller for repairs that Opendoor did not make. *See* Sections V(C)-(D), *supra*.

18 175. The December 21, 2020 Registration Statement also misled investors about how
19 the Company generated its revenue. Specifically, the December 21, 2020 Registration
20 Statement stated:

21 In order to finalize our offer, we conduct a free assessment to confirm
22 all of the home details and identify any repairs that may need to be
23 performed. We have developed purpose-built software to guide home
24 assessment workflows and collect over 100 unique data points
25 regarding a home’s condition and quality, which we incorporate as
26 structured data into our underlying pricing models. Once completed,
27 we finalize our offer, taking into consideration any necessary repairs,
28 and produce the purchase agreement for the seller. Our objective is to
provide a competitive cash offer to sellers and we believe this
approach builds trust with our potential customers. *Our business
model is designed to generate margins from our service charge to
sellers and ancillary products and services associated with a
transaction, and not from the spread between acquisition price and
resale price.*

1
2 176. The statement in ¶ 175 was materially false and misleading when made because
3 the contrary to Defendants’ statements, the Company’s business model was in reality designed
4 to generate margins from the spread between acquisition price and resale price, i.e., from
5 buying low and selling high. As the FTC found during its over two-year long investigation,
6 although “Opendoor claimed that it did not make money from ‘buying low and selling high,’
7 . . . gains from selling homes for more than its offer price are a *key contributor* to
8 [Opendoor’s] revenue.” See ¶ 150, *supra*.

9 **B. March 4, 2021 – 2020 Annual Report**

10 177. On March 4, 2021, Opendoor filed its Form 10-K for Fiscal year 2020 (the
11 “2020 Annual Report”). The 2020 Annual Report, which was signed by Defendants Wu and
12 Wheeler, contained false and misleading statements about the algorithm’s ability to accurately
13 adjust to changing market conditions and economic cycles. Specifically, Exchange Act
14 Defendants mislead investors by stating that:

15 *Pricing accuracy.* Our unique data works in concert with our pricing
16 algorithms. *These algorithms use machine learning to drive pricing*
17 *decisions through demand forecasting, outlier detection, risk*
18 *pricing, and inventory management.* Over time, we have improved
19 the pricing accuracy of our models as we add new data inputs and
20 refine model logic, improvements that compound with experience and
scale. As we have continued to demonstrate improving accuracy, we
have also been able to increase our number of fully automated home
valuations.

21 Advancements in model sophistication have accelerated our feedback
22 loops, *such that our systems can dynamically adjust to leading*
23 *market indicators and react to real-time macro- and micro-*
24 *economic conditions.* Our pricing algorithms are designed to
25 dynamically adjust to leading indicators and market conditions so that
26 the business can react to real-time economic conditions. This
27 responsiveness is critical to pricing accurately and maintaining
28 margins, especially in periods of volatility.

178. This statement was false and misleading for the same reasons discussed in ¶¶
170-72, *supra*.

1 179. The 2020 Annual Report also misled investors about how the Company
2 generated its revenue. Specifically, the 2020 Annual Report stated:

3 In order to finalize our offer, we conduct a free assessment to confirm
4 all of the home details and identify any repairs that may need to be
5 performed. We have developed purpose-built software to guide home
6 assessment workflows and collect over 100 unique data points
7 regarding a home's condition and quality, which we incorporate as
8 structured data into our underlying pricing models. Once completed,
9 we finalize our offer, taking into consideration any necessary repairs,
10 and produce the purchase agreement for the seller. Our objective is to
11 provide a competitive cash offer to sellers and we believe this
12 approach builds trust with our potential customers. ***Our business
model is designed to generate margins from our service charge to
sellers and adjacent products and services associated with a
transaction, and not from the spread between acquisition price and
resale price.***

13 180. This statement was false and misleading for the same reasons discussed in ¶
14 176, *supra*.

15 **C. November 10, 2021 – Earnings Call**

16 181. On November 10, 2021—just over one week after Zillow announced that it was
17 winding down Zillow Offers, its iBuying business, because its algorithm could not accurately
18 price offers—Opendoor held an earnings call discussing the Company's third quarter 2019
19 financial results (the "November 10, 2021 Earnings Call"). During the earnings call,
20 Exchange Act Defendants falsely reassured the market that Opendoor was different and would
21 not face the same fate as Zillow because of Opendoor's superior pricing algorithm. In
22 response to an analyst question about housing pricing volatility and how that would affect the
23 Company's contribution margin, Defendant Wheeler falsely assured the market that
24 Opendoor's pricing algorithm would work in ***all*** housing markets and economic conditions:

25 **Nicholas Jones**
26 *Citi*

27 Great. Thanks for taking the questions. I guess, maybe two. One, can
28 you touch on housing pricing volatility and how you feel your model

1 is kind of positioned to withstand that, and kind of detected given
2 some of the turnover. And then if let's say, prices you could press a
3 little bit, how much contribution margin compression can we expect
4 and how much can the kind of model withstand given some of the
5 other kind of headlines and outline over the last two weeks? Thanks.

6 **Carrie Wheeler**
7 *Chief Financial Officer*

8 Thanks, Eric. Hey, Nick. Embedding your question is how do we price
9 for homes and how do we think about forecasting. A couple of
10 comments; one, we're very good at this. This is core to what we do.
11 We have built over the last seven years, very robust pricing systems.
12 We have seven years of investment in the data, in the modeling and in
13 our team that allows us continuously improve how we model and
14 approach home price valuations. We operate our business with a tight
15 discipline.

16 As Eric said, we are rigorously back testing our models every day.
17 *They're highly responsive. They have fast feedback loops and we
18 can react to changing market conditions. Our forecasting accuracy
19 was what allows us to manage the business within a reasonable
20 range of outcomes and deliver margins within that 4% to 6%
21 contribution margin range that we've guided to.* Ultimately, the
22 proof of our ability to do that is in our results. I just want to mention
23 again, Q4 will mark our 20th consecutive quarter of positive
24 [contribution margin].

25 So that's housing and – so the housing and forecasting question in
26 total. And the part two of your question was around contribution
27 margins, and how they may fluctuate with changes in HPA. *Important
28 is that our model really works in upmarkets, it's going to work in
flat markets, it's going to work in downmarkets.* We've talked about
this before. But we are a market maker. Like define that, that means
we provided putting in the customers, we're pricing a certainty and
we're taking a spread. We're getting paid for that. And we're managing
that our business to that 46% range I just indicated if HPA were to go
down, we would look to fluctuate increase our spreads to manage to
that target margin range. So, I would not marry HPA trend and
contribution margin trends together. We're driving for consistency
within that range of outcomes

182. Defendant Wheeler's statement was false and misleading because the algorithm
could not react to changing market conditions or maintain contribution margins between 4%

1 to 6% in all markets. Indeed, despite Defendant Wheeler’s unequivocal claim that the
2 Company’s model worked in all markets, including down markets, the Company’s model did
3 *not* work in a down market in 2022, causing the Company to lose money on most of its
4 properties in key markets and deliver negative contribution margins for the third quarter 2022.
5 Moreover, Defendant Wheeler’s statements were false and misleading because they led
6 investors to believe that the accuracy of Opendoor’s algorithm allowed the Company to
7 maintain positive contribution margins in any environment—thus shielding the Company
8 from the risk of changing market conditions and economic cycles—while concealing the
9 broader, more complicated human-driven process that drove the Company’s pricing decisions
10 and put Opendoor at an increased risk of sustaining significant and repeated losses due to
11 residential real estate pricing fluctuations. These misrepresentations were highly material to
12 investors, especially considering that Zillow had just exited the iBuying business for its failure
13 to accurately price its homes, which sparked investor concern over whether other iBuyers,
14 like Opendoor, could work as a business model.

15 **VII. THE TRUTH GRADUALLY EMERGES AS DEFENDANTS CONTINUE** 16 **MAKING MATERIALLY FALSE AND MISLEADING STATEMENTS**

17 **A. February 24, 2022 – First Partial Corrective Disclosure/Materialization of** 18 **the Risk**

19 183. The truth and foreseeable risks concealed by Defendants’ misconduct,
20 misleading statements, and omissions during the Class Period were partially revealed and/or
21 partially materialized on February 24, 2022, when Opendoor announced its fourth quarter and
22 full year 2021 financial results and revealed massive losses. Specifically, the Company
23 announced that its fourth quarter 2021 contribution margin was just 4%, a steep decline from
24 a 12.6% contribution margin in the fourth quarter of 2020.

25 184. On this news, the Company’s stock price tanked, dropping more than 23% the
26 very next day to close at \$8.44 per share on February 25, 2022.

27 185. According to an article published by *The Real Deal* on February 25, 2022, “[t]he
28 selloff was widely attributed to a drop in Opendoor’s contribution margin, a key profitability
metric that factors in the costs of carrying and selling home inventory.”

1 **B. March 4, 2022 – False and Misleading Statements During the Wedbush**
2 **Real Estate Technology Conference**

3 186. Following the partial corrective disclosure/materialization of the risk on
4 February 24, 2022, Defendants continued misleading investors about the purported strengths
5 and benefits of Company’s algorithm. Specifically, on March 4, 2022 Defendant Wheeler
6 attended the Wedbush Real Estate Technology Conference, where she answered questions
7 about the Company’s pricing algorithm and contribution margins. Specifically, the
8 conference’s moderator, an analyst from Wedbush, asked the following question about the
9 Company’s ability to maintain its contribution margins in a flat or declining home price
10 appreciation (“HPA”) environment:

11 **Ygal Arounian**
12 **Moderator**

13 So going from 4Q to 1Q that the guide implies better our margins in
14 1Q. So, what's the bridge to get from where we were – see
15 improvements in 1Q? And then, how do we think about the
16 sustainability of your margins moving forward, when you’ve given
17 the guideposts of that kind of 4% to 6% contribution margin, but
18 maybe it’s something that often comes up as how to think about that
19 in a flat or declining HPA environment angle. Saw a couple quarters
20 of flat HPA, it seems like it’s sticking back up here again a little bit,
21 but what about in a declining environment as well?

22 **Carrie Wheeler**
23 **Chief Financial Officer**

24 So, our Q1 guide as you mentioned, it does imply a sequential increase
25 in contribution margins to around 5%, and as we indicated on the call
26 and we are at a point where walking into Q1 in a real position of
27 strength, very healthy inventories we indicated on our call. We right
28 size our operational capacity and we're seeing strong demand for
homes. So we feel good about our setup for Q1.

More broadly, you’re [sic] bigger question about how do you manage
margins over time relative to different HPA environments. ***Our
business model is really designed to ensure that we can meet our
annual margin target at 4% to 6% contribution margin, regardless
of the home price environment we’re operating in, and the way we
do that is just how we price our homes.*** We are earning a return for
providing liquidity and delivering a superior experience with

1 certainty, and that return of the spread we need to earn is incorporated
2 into every offer price that spray gets dynamically adjusted for every
3 single home and it reflects the level of certainty we have for each
4 home offer, certainly for us can it be impacted by factors like, what's
5 the macro? What is the home price environment we're selling into?
6 What's the rate of resale? As well as, a myriad of specific home
7 conditions, age of digital home, death of (inaudible), a number of
8 things.

9 If the level of certainty we have is lower, we are going to be more
10 conservative on our offer price, and obviously the inverse can hold
11 too. If we have a high degree of confidence in the offer price, we can
12 be at the higher end of the range, when we submit an offer to the
13 customer. ***But it's really, this ability to dynamically price homes in
14 response to both micro and macro factors that allows us to manage
15 first of all, within that 4% to 6%, annual margin range, and
16 regardless of the home cycle we're operating in that's really
17 important part of our business model.***

18 187. However, Defendant Wheeler's statement in ¶ 186 was false and misleading
19 because Opendoor's algorithm could not price homes in response to changing macro- and
20 micro-economic conditions and could not maintain contribution margins of 4% to 6%
21 regardless of the home price environment. As explained above, the algorithm failed to adjust
22 to the changing home price environment in 2022, when interest rates started increasing and
23 home prices stopped appreciating as they had been in late 2020 and throughout 2021, leading
24 the Company to post a negative contribution margin for the third quarter 2022 and a 3.4%
25 contribution margin for the full year 2022. *See* Sections V(J)-(N).

26 188. Defendant Wheeler's statement in ¶ 186 was false and misleading for the
27 additional reason that Defendant Wheeler led investors to believe that the Company's
28 success—i.e., its strong contribution margins—was the result of the algorithm and its ability
to accurately adapt to changing market conditions, without disclosing that much of the
Company's success was driven by deceptive consumer practices that contributed to the
Company's profitability, such as charging sellers for repairs that Opendoor never made and
pocketed as profit. *See* Sections V(C)-(D), *supra*.

1 **C. March 8, 2022 – False and Misleading Statements During the Morgan**
2 **Stanley Technology, Media and Telecom Conference**

3 189. On March 8, 2022, Defendant Wu continued misleading investors at the Morgan
4 Stanley Technology, Media and Telecom Conference. During the conference, one participant
5 asked about the Company’s strategy for maintaining margins as the housing market started
6 slowing down. In response, Defendant Wu relieved any investor concerns of the Company’s
7 ability to maintain its margins in a down market, stating:

8 **Unidentified Participant**

9 One of the other common discussions is around just the macro housing
10 market. Housing market has been somewhat white hot for the last,
11 let’s call it, 12 months. Talk to us about how you think about
12 philosophically, investing for growth as the housing market slows in
13 the next couple of years as well as keeping safeguards in place to
14 minimize balance sheet risk and have the- right checks and balances
15 in place.

16 **Eric Wu**

17 **Chief Executive Officer**

18 Yes. It’s [not] . . . something that falls straight off. And so I would say
19 a couple of things about risk. Obviously, this is something we study
20 very closely and something we’re very good at. There’s four key
21 points I want to make. One is that our homes are liquid listed assets,
22 which is very different than a homebuilder or a REIT. And we hold
23 homes for about 100 days, of which 50 days of that is under resale
24 contract. That means we have a buyer, a deposit and a contract in
25 place, right. So 50 days of that is on a resale contract. The other half
26 is what you might call a listing exposure, right. And the second thing
27 is that if you study the worst U.S. housing recession in history, which
28 is the GFC or subprime crisis, the market moved much slower than
 people perceive. And so nationwide in the worst part of the recession,
 the prices moved a negative 2.8%. And obviously, our exposure is 50
 days, but that’s well within our margin of error vis-a-vis our
 contribution margin of 4% to 6%. ***And so if you run the business
 model through the worst recession in U.S. history, we would still
 have positive contribution margin.*** The third piece of that – that’s
 assuming we don’t know that there’s a recession. So the third piece of
 that we’ve invested heavily in the data collection here. ***So we’re
 tracking in real-time demand signals, both of our homes, visits, as
 well as market homes, clearance rates and what’s happening in
 market, mortgage applications, all of the demand signals, then the***

1 *form of pricing. So there's never a disconnect between what we view*
2 *with supply side pricing and demand side.* And so we're tracking the
3 data very closely, and we're updating prices in real time. And then the
4 fourth is really the debt structure. We have \$11 billion of borrowing
5 capacity, committed nonrecourse. If there's a dislocation, this gives
6 us a tremendous amount of dry powder to actually capitalize on a
7 dislocation.

8 190. Defendant Wu's statement in ¶ 189 was false and misleading because it led
9 investors to believe that the Company's model worked in any housing market, including the
10 "worst recession in U.S. history," which was false because, as explained above, the
11 Company's model did not work in 2022's housing market, which was not the worst recession
12 in U.S. history. Moreover, Defendant Wu's statement in ¶ 189 was also false and misleading
13 because it overstated the purported benefits of the algorithm—namely that it collected data
14 such as demand signals so that "there's *never* a disconnect between what we view with supply
15 side pricing and demand side"—when, in reality, the algorithm could not forecast demand
16 trends to price homes accurately. As explained by multiple former employees, the algorithm
17 did not accurately price homes in late 2021/early 2022, leading to excess inventory that forced
18 Opendoor to issue concessions and hire outside brokers, which cut into the Company's
19 contribution margin. *See* Section V(J), *supra*.

20 191. Later during the same conference, one participant expressed skepticism about
21 whether the Company could maintain positive contribution margins in a down market and, as
22 evidence of that, noted that the Company's contribution margin slowed in the fourth quarter
23 of 2021 as the housing market cooled off. The same participant asked whether Opendoor
24 could scale the business, and cited Opendoor's competitors, including Zillow, as evidence
25 that iBuyers have not been able to scale. Specifically, the participant asked:

26 Thanks. Eric, [] relative to a lot of stocks in the market, the stocks
27 underperformed a lot despite really positive revisions to revenue. You
28 guys have been beating your numbers on revenue and gross margins.
 And what I hear most often a skepticism about the model itself. And
 I wanted to just kind of throw three [bear] cases [at] you in here, to
 get your response. The first is that . . . home price appreciation is the
 reason or kind of the necessary condition for you to have the types of
 gross margins that you did and that is home price appreciation

1 plateaued in the back half [of 2021]. We saw that with lower
2 contribution margin in the fourth quarter [of 2021]. That's one. The
3 second is that the business, it's a good business at small scale, but it
4 just can't scale to the volumes that you guys have talked about over
5 time. So Zillow started to grow big and they kind of got out of control
6 and they're like, yes, let's get out of this. The other guys that are
7 doing, iBuying are doing it at much smaller size. So the question is,
8 can you guys do, can you scale the 50,000 homes or 75,000 homes or
9 100,000. Is that possible? And the third is that the adjusted gross profit
10 that you report and adjusted EBITDA that you report isn't a really
11 good representation of the economic value that you're creating and
12 that, in particular, there's financing costs, you have cost of debt and
13 mezzanine financing. And so whatever adjusted gross margin you're
14 showing us or contribution margin, that's not really durable economic
15 value. And I guess the question there is, do you have the ability to
16 finance it and kind of generate working capital to create sustainable
17 economics? Those are three.

18 192. In response to the participant's question about Opendoor's ability to maintain
19 its contribution margins in a declining market, Defendant Wu reiterated that the Company's
20 algorithm would work in any market, including the worst housing market in the history of the
21 United States. Specifically, Defendant Wu answered the question as follows:

22 Yes, yes, what I would say is that the whole pricing function is to price
23 the home with as much precision as possible given the risk in the
24 system. And so we've already demonstrated that we can operate in a
25 flat market. The company didn't benefit from 7% quarter-on-quarter
26 appreciation when we started the company. And so I would say that I
27 would point at the results over the past seven years in a less hot
28 market. The other bear case literally two years ago was that we can
 operate in a hot market. And so now that we've demonstrated that we
 can actually make more margin in a hot market, there's more demand
 for the product, then there are many bear cases, can you operate in a
 declining HPA market. *We have empirical evidence that, obviously,
 not all zip codes, not all cities, not all states have all gone up at the
 same velocity. So we have good evidence that we can operate in
 declining market. And outside of like inducing a recession, I can't
 give you more confidence outside of that. What I can say is that,
 again, if you apply the business to the subprime crisis and do the
 analysis, the business actually is quite healthy.* And then the bull case
 is that demand flock to the site.

1 193. Defendant Wu’s statement was false and misleading because it led investors to
2 believe that the Company’s model worked in any housing market—including the subprime
3 crisis, which was one of the worst recessions in U.S. history—which was false because, as
4 explained above, the Company’s model did not work in 2022’s housing market, which to date
5 has not been as harmful to the U.S. economy or housing market.

6 **D. August 1, 2022 – False and Misleading Press Release**

7 194. On August 1, 2022, the FTC announced the settlement with Opendoor over
8 claims that Opendoor engaged in deceptive consumer practices. In connection with the
9 settlement, the FTC released their complaint against Opendoor, which offered details about
10 the FTC’s investigation and findings. *See* Section V(L), *supra*.

11 195. Following the FTC’s announcement, which was released during trading hours
12 on August 1, 2022, the Company’s stock price fell by 2.44% by the close of trading on that
13 day.

14 196. However, after the market closed on the same day, Opendoor issued a false and
15 misleading press release “strongly disagree[ing]” with the FTC’s findings and claiming that
16 the conduct only occurred between 2017 and 2019. Specifically, the August 1, 2022 press
17 release stated:

18 While we strongly disagree with the FTC’s allegations, our decision
19 to settle with the Commission will allow us to resolve the matter and
20 focus on helping consumers buy, sell and move with simplicity,
certainty and speed.

21 Importantly, *the allegations raised by the FTC are related to activity*
22 *that occurred between 2017 and 2019 and target marketing*
23 *messages the company modified years ago.* We are pleased to put this
24 matter behind us and look forward to continuing to provide consumers
with a modern real estate experience.

25 197. However, the statement in ¶ 196 was false and misleading because it led
26 investors to believe that the conduct alleged in the FTC complaint had not occurred during
27 the Class Period, when in reality, Opendoor had continued its deceptive consumer practices
28

1 throughout the entire Class Period. Specifically, as alleged by multiple former employees,
2 throughout the Class Period, Opendoor continued manually adjusting the offer price and
3 charging sellers for repairs that did not get done in order to pocket the extra money as profit.
4 *See* Section V(C)-(D), *supra*.

5 198. Following the Company's false and misleading press release, Opendoor's stock
6 rebounded the next day, closing up 1.25% on August 2, 2022, as Defendants' reassurances
7 led investors to believe that the conduct alleged in the FTC complaint was limited to 2017 to
8 2019 when in reality Defendants continued engaging in the same fraudulent conduct at issue
9 in the FTC complaint during the Class Period.

10 **E. August 4, 2022 – False and Misleading Statements During the Company's**
11 **Earnings Call**

12 199. On August 4, 2022, the Company held an earnings call discussing their second
13 quarter 2022 financial results. During the call, Defendant Wheeler reassured investors that
14 the Company's algorithm would work in the current, extremely volatile housing market.
15 Specifically, Defendant Wheeler responded by reassuring investors that, "***our systems are***
16 ***doing exactly what they're designed to do, which is responding very, very quickly, adjusting***
17 ***prices to market*** within recent spreads and new acquisitions."

18 200. Defendant Wheeler's statement in ¶ 199 was false and misleading because the
19 Company's systems were not responding quickly or adjusting to the housing market. Indeed,
20 the algorithm did not adapt to the changing housing market or demand, resulting in high levels
21 of inventory throughout 2022. *See* Section V(J), *supra*. Things had gotten so bad by mid-
22 2022 that Defendants Wu and Wheeler stated at a company-wide meeting in July 2022 that
23 the Company needed to "quickly unload" properties because they were spending too much on
24 inventory, and Defendant Wheeler stated, "We'll take anything right now."

25 201. Although Defendant Wheeler claimed in August 2022 that the algorithm was
26 adjusting to the current market and doing exactly what it was designed to do, in reality, that
27 month Opendoor was losing money on 42% of all transactions and over 50% in key markets
28 and such as Los Angeles and Phoenix. *See* ¶ 159.

1 **F. September 19, 2022 – Second Partial Corrective Disclosure/Materialization**
2 **of the Risk**

3 202. The truth and foreseeable risks concealed by Defendants’ misconduct,
4 misleading statements, and omissions during the Class Period were partially revealed and/or
5 partially materialized on September 19, 2022, when Bloomberg published an article revealing
6 for the first time that Opendoor lost money on 42 percent of its transactions in August 2022
7 (as measured by the prices at which it bought and sold properties). Specifically, the
8 Bloomberg article stated:

9 [Opendoor], which sells thousands of homes in a typical month, lost
10 money on 42% of its transactions in August, according to research
11 from YipitData. Opendoor’s performance — as measured by the
12 prices at which it bought and sold properties — was even worse in
13 key markets such as Los Angeles, where the company lost money on
14 55% of sales, and Phoenix, where the share was 76%.

15 The losses, which don’t include fees charged to customers or expenses
16 incurred in renovating and marketing homes, have been looming since
17 the housing market turned suddenly in recent months.

18 * * *

19 The company’s rocky summer is reminiscent of the pricing problems
20 that doomed Zillow Group Inc.’s iBuying business last year,
21 according to a research note from Mike DelPrete, a scholar-in-
22 residence at the University of Colorado Boulder. That doesn’t mean
23 Opendoor is going to shut down the business, but it demonstrates the
24 depth of the losses — and September is likely to be even worse than
25 August, DelPrete’s analysis shows.

26 Opendoor’s metrics are in the danger zone,” DelPrete said in an
27 interview. “They are very close to where Zillow was in its worst
28 moments.”

 The iBuying model relies on acquiring homes, making light repairs
and reselling the properties — often within a few months of the initial
purchase. When home prices were skyrocketing earlier in the year,
Opendoor banked easy profits. Then dwindling affordability and
mortgage rates soaring toward 6% this spring finally pushed would-
be buyers to the sidelines.

1 By June, median home prices had begun to decline in some areas,
2 especially the Sun Belt markets that had been frothiest in the
3 pandemic boom days. The shift caught Opendoor by surprise, leaving
4 it to offload thousands of properties it had agreed to purchase when
5 prices were rising.

6 * * *

7 The shares slid 4.7% to \$3.87 at 3:28 p.m. New York time Monday.
8 They were down 72% this year through the close on Sept. 16.

9 203. Following the September 19, 2022 Bloomberg report, Opendoor's stock price
10 fell \$0.50 per share, or 12.32%, over the following two trading sessions, to close at \$3.56 per
11 share on September 20, 2022.

12 204. Bloomberg's findings further revealed the truth about the Company's
13 algorithm—namely that it could not adjust to changing market conditions. However,
14 investors did not know the full truth about the Company's algorithm and still had questions
15 about its ability to price homes in a down market. For example, on October 1, 2022, Motley
16 Fool published an article stating that “given the recent Bloomberg coverage, investors should
17 ask whether Opendoor will suffer a fate similar to (or worse than) Zillow's iBuying business
18 or if there is hope for long-term success.” While the article noted the differences between
19 Zillow and Opendoor—mainly that Zillow failed in an up-market—it explained that: “Rapidly
20 decreasing home prices mean Opendoor is likely struggling to sell homes fast enough to offset
21 the decline in value between the time they buy a house and resell it. Investors will find out
22 more when the company reports third-quarter earnings.” In other words, investors were
23 focused on the Company's third quarter earnings report to answer questions about whether
24 Opendoor's pricing algorithm worked in a declining HPA environment.

25 **VIII. THE FULL TRUTH IS REVEALED AS DEFENDANTS DISCLOSE
26 NEGATIVE CONTRIBUTION MARGIN**

27 205. Investors learned the full truth about the Company's algorithm on November 3,
28 2022, when the truth and foreseeable risks concealed by Defendants' misconduct, misleading
statements, and omissions during the Class Period were fully revealed and/or fully

1 materialized. After the market closed that day, the full truth was revealed to investors about
2 the algorithm's failure to adjust to changes in macro- and micro-economic conditions and the
3 Company's inability to deliver 4% to 6% contribution margins in any housing market.

4 206. On November 3, 2022, Opendoor reported its financial results for the third
5 quarter ended September 30, 2022, which revealed that Opendoor's contribution margin for
6 the third quarter 2022 was **negative 0.7%**—well below the Company's 4% to 6% contribution
7 margin range and well below the Company's contribution margin of 7.5% from the third
8 quarter of 2021.

9 207. This information revealed to investors for the first time that, contrary to
10 Defendants' repeated representations, Opendoor's pricing algorithm could not deliver 4% to
11 6% contribution margins in any market. Investors finally understood that Opendoor's pricing
12 algorithm did not work in any market and could not protect the Company from changing
13 market conditions.

14 208. On this news, Opendoor's stock fell more than 25% over the next two trading
15 days, closing at \$1.74 per share on November 7, 2022.

16 209. On November 23, 2022, *Seeking Alpha* posted an article titled "Opendoor Must
17 Adapt Its Business Model To Improve Flexibility – Or Continue Value Freefall." The article
18 explained that Opendoor's algorithm could not adjust to changing economic cycles, and
19 opined that the Company's pricing problem went beyond elevated interest rates and inflation.
20 Specifically, the article stated:

21
22 Of the 3 iBuying platforms that remain in operation, Opendoor
23 recorded the largest losses, despite owning the largest market share.
24 Profit margins tell a similar story, as all three of the remaining iBuyers
struggle to achieve profitability even before accounting for any
expenses besides COGS.

25 ***

26 While these declines may be largely attributed to elevated inflation
27 levels and spikes in interest rates (discussed further in next section),
28 **the fact that these macroeconomic changes can wreak such havoc
on the profitability of this business model illustrates the**

1 **inflexibility of these businesses to respond to changing**
2 **circumstances and reveals concerning underlying problems that**
3 **perhaps go deeper than interest rates.** Additionally, while Redfin
4 has other aspects of their business which provide a more diverse
 revenue stream, Opendoor and Offerpad do not have other sources of
 revenue that can help sustain the business in times of trouble.

5 **IX. LOSS CAUSATION/ECONOMIC LOSS**

6 210. During the Class Period, as detailed herein, Defendants engaged in a course of
7 conduct that artificially inflated and/or artificially maintained the price of Opendoor common
8 stock and operated as a fraud or deceit on the Class Period purchasers of Opendoor common
9 stock by making the materially false and misleading statements recited above and failing to
10 disclose and misrepresenting the adverse facts and material risks detailed herein.

11 211. Exchange Act Class members unknowingly and in reliance upon Defendants'
12 materially false or misleading statements and/or omissions purchased Opendoor common
13 stock at artificially inflated prices. But for Defendants' misrepresentations, omissions, and
14 fraudulent scheme, Plaintiffs and other Exchange Act Class members would not have
15 purchased Opendoor stock at the artificially inflated prices at which it traded during the Class
16 Period.

17 212. The relevant truth regarding Defendants' fraud was disclosed through a series
18 of corrective disclosures and/or materializations of undisclosed risks beginning on September
19 19, 2022. During this period, Opendoor's stock fell precipitously as the artificial inflation
20 caused by Defendants' unlawful conduct exited Opendoor's stock price. It was not until the
21 final corrective disclosure and/or materialization of concealed risk on November 3, 2022 that
22 the full truth was known to the market, such that there was no longer any artificial inflation
23 in Opendoor's stock price attributable to the fraud.

24 213. The declines in Opendoor's stock price during this period, including the
25 declines summarized below, are directly attributable to the market absorbing information that
26 corrected and/or reflected the materialization of risks concealed by Defendants' material
27 misrepresentations or omissions.

1 214. As a result of their purchases of Opendoor common stock during the Class
2 Period, Plaintiffs and the other Exchange Act Class members suffered economic loss (i.e.,
3 damages) under the federal securities laws. Defendants' materially false and misleading
4 statements had the intended effect and caused Opendoor common stock to trade at artificially
5 inflated levels throughout the Class Period, reaching as high as approximately \$39.24 per
6 share on February 11, 2021.

7 215. By concealing from investors the adverse facts detailed herein, Defendants
8 presented a misleading picture of Opendoor's business. As the truth about the Company and
9 the extent of the fraud was revealed to the market, the price of Opendoor common stock fell
10 significantly. These declines removed the inflation from the price of Opendoor common
11 stock, causing real economic loss to investors who had purchased Opendoor common stock
12 during the Class Period.

13 216. Each decline in the price of Opendoor common stock, as detailed below, was a
14 direct or proximate result of the nature and extent of Defendants' fraudulent
15 misrepresentations and/or omissions being revealed to investors and the market.

16 217. The economic loss (i.e., damages) suffered by Plaintiffs and the other Exchange
17 Act Class members was a direct result of Defendants' fraudulent scheme to artificially inflate
18 the price of Opendoor common stock and the subsequent significant decline in the value of
19 Opendoor common stock when Defendants' prior misrepresentations and other fraudulent
20 conduct were revealed.

21 218. The market for Opendoor common stock was open, well-developed, and
22 efficient at all relevant times, with average daily trading volume of approximately 14,338,159
23 shares during the Class Period. As a result of Defendants' misstatements and material
24 omissions, as alleged herein, Opendoor's common stock traded at artificially inflated prices.
25 Plaintiffs and other Exchange Act Class members purchased Opendoor common stock relying
26 upon the integrity of the market relating to Opendoor common stock and suffered economic
27 losses as a result thereof.

28

1 219. The declines in Opendoor common stock price on February 25, 2022,
2 September 19, 2022, September 20, 2022, November 4, 2022, and November 7, 2022, were a
3 direct result of the nature and extent of Defendants' prior misstatements and omissions being
4 revealed to investors after the market closed on September 19, 2022 and November 3, 2022.
5 The timing and magnitude of the declines in Opendoor common stock evidence the impact
6 Defendants' statements had on the Company's stock price during the Class Period and negate
7 any inference that the loss suffered by Plaintiffs and other Exchange Act Class members was
8 caused by changed market conditions or macroeconomic, industry, or Company-specific
9 factors unrelated to Defendants' fraudulent conduct.

10 **A. February 24, 2022 – First Partial Corrective Disclosure/Materialization of**
11 **the Risk**

12 220. On February 24, 2022, after the market closed, the relevant truth and foreseeable
13 risks concealed by Defendants' misconduct and false representations and omissions during
14 the Class Period were partially revealed and/or materialized in connection with the
15 Company's announcement of its fourth quarter and full year 2021 financial results, which
16 started to reveal that Defendants had overstated the purported benefits and competitive
17 advantages of the algorithm and that the Company was equally susceptible to the same market
18 fluctuations as every other iBuying and real estate Company in the world.

19 221. On that day, the Company announced that its fourth quarter 2021 contribution
20 margin was just 4%, a steep decline from a 12.6% contribution margin in the fourth quarter
21 of 2020.

22 222. As a direct and proximate result of this corrective disclosure and/or
23 materialization of foreseeable risk concealed by Defendants' fraud, Opendoor's stock price
24 fell by \$2.54 per share, or 23.13%, to close at \$8.44 per share on February 25, 2022.

25 223. Analysts attributed the drop in stock price to the revelation of the new
26 information and/or materialization of undisclosed risks. For example, according to an article
27 published by *The Real Deal* on February 25, 2022, "[t]he selloff was widely attributed to a
28

1 drop in Opendoor’s contribution margin, a key profitability metric that factors in the costs of
2 carrying and selling home inventory.”

3 224. However, despite this disclosure, which removed some of the artificial inflation
4 from Opendoor’s stock price, its stock remained artificially inflated as Defendants knew but
5 failed to disclose, or deliberately disregarded, that the Company’s pricing decisions were
6 based on a complicated, human-driven process and its results had been driven by a hot housing
7 market and deceptive consumer practices and not the Company’s purportedly superior pricing
8 algorithm.

9 **B. September 19, 2022 – Second Corrective Disclosure/Materialization of the**
10 **Risk**

11 225. On September 19, 2022, during the trading day, the relevant truth and
12 foreseeable risks concealed by Defendants’ misconduct and false representations and
13 omissions during the Class Period were partially revealed and/or materialized.

14 226. On September 19, 2022, Bloomberg published an article revealing for the first
15 time that Opendoor lost money on 42 percent of its transactions in August 2022 (as measured
16 by the prices at which it bought and sold properties). Specifically, the Bloomberg article
17 stated:

18 [Opendoor], which sells thousands of homes in a typical month, lost
19 money on 42% of its transactions in August, according to research
20 from YipitData. Opendoor’s performance — as measured by the
21 prices at which it bought and sold properties — was even worse in
22 key markets such as Los Angeles, where the company lost money on
23 55% of sales, and Phoenix, where the share was 76%.

24 The losses, which don’t include fees charged to customers or expenses
25 incurred in renovating and marketing homes, have been looming since
26 the housing market turned suddenly in recent months.

27 * * *

28 The company’s rocky summer is reminiscent of the pricing problems
that doomed Zillow Group Inc.’s iBuying business last year,
according to a research note from Mike DelPrete, a scholar-in-
residence at the University of Colorado Boulder. That doesn’t mean

1 Opendoor is going to shut down the business, but it demonstrates the
2 depth of the losses — and September is likely to be even worse than
3 August, DelPrete’s analysis shows.

4 Opendoor’s metrics are in the danger zone,” DelPrete said in an
5 interview. “They are very close to where Zillow was in its worst
6 moments.”

7 The iBuying model relies on acquiring homes, making light repairs
8 and reselling the properties — often within a few months of the initial
9 purchase. When home prices were skyrocketing earlier in the year,
10 Opendoor banked easy profits. Then dwindling affordability and
11 mortgage rates soaring toward 6% this spring finally pushed would-
12 be buyers to the sidelines.

13 By June, median home prices had begun to decline in some areas,
14 especially the Sun Belt markets that had been frothiest in the
15 pandemic boom days. The shift caught Opendoor by surprise, leaving
16 it to offload thousands of properties it had agreed to purchase when
17 prices were rising.

18 * * *

19 The shares slid 4.7% to \$3.87 at 3:28 p.m. New York time Monday.
20 They were down 72% this year through the close on Sept. 16.

21 227. The Bloomberg report and the news related thereto was a foreseeable
22 consequence of, and within the zone of risk concealed by, Defendants’ representation and
23 omissions concerning the Company’s algorithm and its ability to react adjust to macro- and
24 micro-economic changes and deliver contribution margins within a range of 4% to 6%.

25 228. Moreover, the Bloomberg report revealed new information that Defendants’
26 misstatements, omissions, and fraudulent course of conduct previously concealed and/or was
27 obscured by Defendants’ prior misstatements and omissions regarding the Company’s
28 competitive advantage over its peers as a result of its pricing algorithm. This disclosure
revealed the relevant truth concealed and/or obscured by Defendants’ prior misstatements and
omissions touting the Company’s algorithm.

29 229. As a direct and proximate result of this corrective disclosure and/or
30 materialization of foreseeable risk concealed by Defendants’ fraud, Opendoor’s stock price

1 fell \$0.50 per share, or 12.32%, over the following two trading sessions, to close at \$3.56 per
2 share on September 20, 2022.

3 230. However, despite this disclosure, which removed some of the artificial inflation
4 in Opendoor's stock price, its stock price remained artificially inflated after this
5 announcement as Defendants knew but failed to disclose, or deliberately disregarded, that
6 they had overstated the purported benefits and competitive advantages of the algorithm and
7 that the Company was at an increased risk of sustaining significant and repeated losses due to
8 residential real estate pricing fluctuations. Moreover, new information and/or foreseeable
9 events related to the Company's misstatements had yet to occur.

10 **C. November 3, 2022 – Third Corrective Disclosure/Materialization of the**
11 **Risk**

12 231. On November 3, 2022, after the market closed, the relevant truth and
13 foreseeable risks concealed by Defendants' misconduct and false representations and
14 omissions during the Class Period were fully revealed and/or fully materialized.

15 232. On that day, Opendoor reported its financial results for the third quarter ended
16 September 30, 2022, which revealed that Opendoor's contribution margin for the third quarter
17 2022 was *negative 0.7%*—well below the Company's 4% to 6% contribution margin range
18 and well below the Company's contribution margin of 7.5% from the third quarter of 2021.

19 233. This disclosure and the news related thereto was a foreseeable consequence of,
20 and within the zone of risk concealed by, Defendants' representation and omissions
21 concerning the Company's algorithm and its ability to adjust to macro- and micro-economic
22 changes and deliver contribution margins within a range of 4% to 6%.

23 234. Moreover, this disclosure revealed new information that Defendants'
24 misstatements, omissions, and fraudulent course of conduct previously concealed and/or was
25 obscured by Defendants' prior misstatements and omissions regarding the Company's
26 competitive advantage over its peers as a result of its pricing algorithm. This disclosure
27 revealed the relevant truth concealed and/or obscured by Defendants' prior misstatements and
28 omissions—namely that Opendoor's pricing algorithm could not adjust to changing housing

1 markets or economic conditions and could not deliver 4% to 6% contribution margins in any
2 market. Investors finally understood that Opendoor's pricing algorithm did not work in any
3 market and could not protect the Company from changing market conditions.

4 235. As a direct and proximate result of this corrective disclosure and/or
5 materialization of foreseeable risk concealed by Defendants' fraud, Opendoor's stock price
6 fell \$0.32 per share, or 13.68%, to close at \$2.02 per share on November 4, 2022. The next
7 trading day, November 7, 2022, Opendoor's stock price fell an additional \$0.29 per share, or
8 14.11%, to close at \$1.74 per share—resulting in a decline of over 25% over the two trading
9 days following the November 3, 2022 corrective disclosure and/or materialization of
10 foreseeable risk concealed by Defendants' fraud.

11 236. On November 23, 2022, *Seeking Alpha* posted an article titled "Opendoor Must
12 Adapt Its Business Model To Improve Flexibility – Or Continue Value Freefall." The article
13 explained that Opendoor's algorithm could not adjust to changing economic cycles, and
14 opined that the Company's pricing problem went beyond elevated interest rates and inflation.
15 Specifically, the article stated:

16
17 Of the 3 iBuying platforms that remain in operation, Opendoor
18 recorded the largest losses, despite owning the largest market share.
19 Profit margins tell a similar story, as all three of the remaining iBuyers
20 struggle to achieve profitability even before accounting for any
21 expenses besides COGS.

22 * * *

23 While these declines may be largely attributed to elevated inflation
24 levels and spikes in interest rates (discussed further in next section),
25 **the fact that these macroeconomic changes can wreak such havoc**
26 **on the profitability of this business model illustrates the**
27 **inflexibility of these businesses to respond to changing**
28 **circumstances and reveals concerning underlying problems that**
perhaps go deeper than interest rates. Additionally, while Redfin
has other aspects of their business which provide a more diverse
revenue stream, Opendoor and Offerpad do not have other sources of
revenue that can help sustain the business in times of trouble.

1 **X. ADDITIONAL ALLEGATIONS OF SCIENTER**

2 237. As detailed above, the Exchange Act Individual Defendants acted with scienter
3 in that the Exchange Act Individual Defendants knew or were reckless as to whether the public
4 documents and statements issued or disseminated in the name of the Company during the
5 Class Period were materially false and misleading; knew or were reckless as to whether such
6 statements or documents would be issued or disseminated to the investing public; and
7 knowingly and substantially participated or acquiesced in the issuance or dissemination of
8 such statements or documents as primary violations of the federal securities laws.

9 238. In addition to the facts alleged in Section V above, regarding Opendoor's and
10 the Exchange Act Individual Defendants' personal knowledge and/or reckless disregard of
11 the materially false misrepresentations and omissions, Opendoor's and the Exchange Act
12 Individual Defendants' scienter is evidenced by the specific facts discussed below.

13 **A. Defendant Wu's Class Period Sales and Insider Trading Are Indicative of**
14 **Scienter**

15 239. Knowing all along that Opendoor's pricing decisions were based on a human-
16 driven process and that the Company's success was driven by a hot housing market and
17 deceptive consumer practices, Defendant Wu enriched himself at the expense of Opendoor
18 investors. As explained above, while Defendants touted the algorithm as core to the
19 Company's business and profitability, throughout the Class Period, Defendants concealed the
20 broader, more complicated human-driven process as well as deceptive consumer practices,
21 such as over-charging sellers for repairs that Opendoor never completed, that contributed to
22 the Company's success during the Class Period. Armed with the knowledge that Opendoor's
23 stock price was artificially inflated as a result of Defendants' false and misleading statements
24 and omissions, Defendant Wu sold **over 6 million** shares in open market transactions, reaping
25 almost **\$112 million** in proceeds, at key, suspiciously timed points in the Class Period.

26 240. One such critical point occurred after Defendants falsely told investors that the
27 Company's algorithm would work in any market, after concerns arose following Zillow's exit
28 of the iBuying market. Specifically, as explained above, Zillow announced their exit from

1 the iBuying business on November 2, 2021. The market, fearing the long-term viability of
2 the iBuying business in general, reacted swiftly and indisputably. On that day, Opendoor's
3 stock price plummeted by **over 14%** as investors questioned whether Opendoor might face
4 the same fate as Zillow.

5 241. However, just over a week later, on November 10, 2021, Defendants assuaged
6 any concerns over the similarity between Zillow Offers and Opendoor. Specifically,
7 Defendants falsely told investors that Opendoor was different than Zillow because of its
8 superior pricing algorithm, which they claimed would work in any market or economic
9 condition. During the earnings call held on that day, Defendant Wheeler touted to the power
10 of Opendoor's algorithm models as being "*highly responsive . . . [that] can react to changing*
11 *market conditions*" and that the Company's "*forecasting accuracy was what allows us to*
12 *manage the business within a reasonable range of outcomes and deliver margins within*
13 *that 4% to 6% contribution margin range that we've guided to.*" Defendant Wheeler went
14 on to claim that Opendoor's "*model really works in upmarkets, it's going to work in flat*
15 *markets, it's going to work in downmarkets.*"

16 242. The market relied on Defendants' misrepresentations about its supposedly
17 superior pricing algorithm, as Opendoor's stock price shot back up **by over 15%** the very
18 next trading day.

19 243. Then, on November 16, 2021—merely three trading days after the November
20 10, 2021 false and misleading statements—Defendant Wu took advantage of the Company's
21 artificially inflated stock. On that day, Defendant Wu sold 1,613,498 shares of his Opendoor
22 stock, reaping proceeds of more than \$35 million on a single transaction. Then, over the next
23 two trading days, Defendant Wu made two additional open market sales. On November 17,
24 2021, Wu sold an additional 628,348 shares, reaping proceeds of more than \$13 million; and
25 on November 18, 2021, he sold an additional 443,182 shares, reaping proceeds of over \$9
26 million. In total, Defendant Wu sold over 2.6 million shares of Opendoor stock just days after
27 the November 10, 2021 misstatements, **reaping proceeds of over \$57.6 million dollars in a**
28 **span of three days.**

1 244. Notably, although there was a Rule 10b5-1 trading plan in place, Defendant Wu
2 made these sales outside of the plan's parameters. As indicated on Defendant Wu's SEC
3 Form 4 dated November 18, 2021, the three sales on November 16, 2021 and November 17,
4 2021 were not executed pursuant to any Rule 10b5-1 trading plan. Moreover, these
5 transactions were by far Defendant Wu's largest sales of Opendoor stock historically.

6 245. In addition to his suspiciously-timed open market transactions, Defendant Wu
7 made thirteen other sales throughout the Class Period.⁸ Although these thirteen sales were
8 made pursuant to a Rule 10b5-1 trading plan,⁹ Defendant Wu knew that Opendoor's pricing
9 decisions were based on a human-driven process, that the Company's success was driven by
10 a hot housing market and deceptive consumer practices since well before the Class Period,
11 and that the Company's profitability was therefore susceptible to changing market conditions.

12 246. In total, during the Class Period, Defendant Wu sold 6,064,444 shares, reaping
13 over **\$112 million in proceeds**. To put this considerable number into perspective, while
14 Defendant Wu has turned himself into an extremely wealthy individual, **making \$112 million**
15 **in approximately 1.5 years**, the Company's stock price has plummeted to next to nothing—
16 Opendoor's stock closed at \$31.25 on the first day its shares traded on NASDAQ, and closed
17 at \$2.02 per share the day after the fraud was fully revealed, meaning there has been a **94**
18 **percent decline in the value of Opendoor stock as a direct result of Defendants' fraud**.
19 Simply put, shareholders have lost billions of dollars in value while Defendants' fraud has
20 made Defendant Wu extremely wealthy.

21 247. Accordingly, Defendant Wu's massive insider stock sales during the Class
22 Period, which provided him with a motive to keep Opendoor's stock price artificially inflated
23 in order to enrich himself, supports a strong inference of scienter.

24
25 ⁸ Defendants Wu's 13 sales of Opendoor common stock pursuant to a 10b5-1 trading plan
26 were made on the following dates: July 16, 2021, August 5, 2021, August 16, 2021, October
27 14, 2021, October 15, 2021, October 18, 2021, November 17, 2021, January 19, 2022,
28 February 16, 2022, April 18, 2022, May 17, 2022, July 18, 2022, and August 17, 2022.

⁹ According to the Form 4s filed with the SEC in connection with Defendant Wu's trades,
Wu made the thirteen other sales pursuant to a Rule 10b5-1 trading plan, however, no plan
adoption date was included in the filings.

1 **B. Core Operations: iBuying is Opendoor’s Entire Business, and its Pricing**
2 **Algorithm was Core to the Company’s Success**

3 248. Opendoor’s entire business is iBuying. Unlike Zillow—which generated a large
4 portion of its revenue from other parts of its business, like its websites—Opendoor’s core
5 business was iBuying.

6 249. Indeed, Defendants admitted that pricing was core to what they do. For
7 example, Defendant Wheeler explained during the Class Period, “pricing is absolutely core
8 to what we do. It is something that Opendoor[] has been investing in religiously from day one
9 as a core capability in eight years of investment and that’s not going to abate.” Similarly,
10 Defendant Wu stated during the Class Period that pricing was “something that we treat [a]s
11 proprietary and a large competitive mode that compounds as we get to scale overtime. And
12 so I would just say that since we started Opendoor, this has been core and foundational to the
13 business.”

14 250. Similarly, the Company’s 2021 Annual Report, which was filed with the SEC
15 on February 24, 2022, stated that “[o]ur ability to price homes competitively is fundamental
16 to our business model.”

17 251. Investors understood that iBuying was Opendoor’s core business. For example,
18 on June 3, 2021, Wedbush issued an analyst report explaining that “[w]ith iBuying its core
19 business, relative to Zillow which also has its Premier Agent business, Opendoor is incited
20 to keep making purchases in order to push its business forward.”

21 252. Moreover, critical to the success of the Company’s core iBuying business was
22 its pricing algorithm. This fact was evidenced by Zillow’s failure, as they had to exit the
23 iBuying market because their algorithm could not accurately price homes. As Real Estate
24 Tech Strategist Mike DelPrete wrote in a December 16, 2021 article: “being able to accurately
25 predict house prices – not only today, but into the future – is a non-negotiable prerequisite for
26 iBuyers.” DelPrete went on to state, “[a]s the Zillow Offers collapse has demonstrated,
27 pricing is a true potential competitive advantage for iBuyers. Getting it right is a prerequisite
28 for success, while getting it wrong can lead to catastrophic failures.”

1 253. Investors understood the importance of pricing to Opendoor’s iBuying business,
2 and based on Defendants’ misrepresentations, believed that Opendoor’s pricing algorithm
3 was what set it apart from its iBuying competitors. For example, on August 12, 2021,
4 Wedbush issued an analyst report stating, “Opendoor expects to be a market maker in any
5 market condition, and that its pricing capabilities let it optimize acquisition and resale across
6 all market conditions. Opendoor’s pricing capabilities have been best in class, and we believe
7 its vast data is a significant asset” Similarly, on August 9, 2021, *Seeking Alpha* published
8 an article stating that “Opendoor’s pricing algorithm . . . is the secret sauce; the performant
9 soul of iBuying.”

10 **C. Defendants’ Statements Themselves Support Scienter**

11 254. As discussed above, Defendants spoke at length during the Class Period about
12 Opendoor’s pricing algorithm, claiming it was “highly responsive” and could “adjust to
13 leading indicators and market conditions so that the business can react to real-time economic
14 conditions.” Defendants admitted that “[t]his responsiveness is critical to pricing accurately
15 and maintaining margins, especially in periods of volatility.”

16 255. Defendants repeatedly told the market that the algorithm’s responsiveness to
17 changing market conditions allowed the Company to maintain healthy contribution margins,
18 which is a key profitability metric for Opendoor. Specifically, Defendants told investors that
19 the algorithm’s “forecasting accuracy was what allows us to manage the business within a
20 reasonable range of outcomes and deliver margins within that 4% to 6% contribution margin
21 range.” As Defendant Wheeler explained, Opendoor’s “business model is really designed to
22 ensure that we can meet our annual margin target at 4% to 6% contribution margin, regardless
23 of the home price environment we’re operating in, and the way we do that is just how we
24 price our homes.”

25 256. Defendants also spoke at length about the algorithm’s ability to accurately price
26 homes **in any market**. For example, during the third quarter 2021 earnings call, Defendant
27 Wheeler touted Opendoor’s algorithm and reassured investors that it would work **in any**
28 **market**. Specifically, Defendant Wheeler told investors that what is “[i]mportant is that our

1 *model really works in upmarkets, it's going to work in flat markets, it's going to work in*
2 *downmarkets.”* Further, during the March 4, 2022 Wedbush Real Estate Technology
3 Conference, Defendant Wheeler further misrepresented the algorithm’s abilities to drive
4 consistent contribution margins: “*Our business model is really designed to ensure that we*
5 *can meet our annual margin target at 4% to 6% contribution margin, regardless of the*
6 *home price environment we’re operating in, and the way we do that is just how we price*
7 *our homes.”*

8 257. Defendants also assured investors that the algorithm was back tested. For
9 example, Defendant Wheeler stated on November 10, 2021 that the Company was “rigorously
10 back testing our models every day.” Indeed, Defendant Wu went so far as to assure investors
11 that “*if you run the business model through the worst recession in U.S. history, [Opendoor]*
12 *would still have positive contribution margin.”*

13 258. Indeed, Defendants repeatedly answered questions from analysts about the
14 Company’s algorithm and its ability to work in any housing market. For example, during the
15 November 10, 2021 Earnings Call, an analyst from Citi asked Defendant Wheeler if she could
16 “touch on housing pricing volatility and how you feel your model is kind of positioned to
17 withstand that, and kind of detected given some of the turnover[?]” Defendant Wheeler
18 responded by touting the Company’s pricing algorithm and its forecasting abilities, stating:

19 . . . Embedding your question is how do we price for homes and how
20 do we think about forecasting. *A couple of comments; one, we’re very*
21 *good at this. This is core to what we do.* We have built over the last
22 seven years, very robust pricing systems. We have seven years of
23 investment in the data, in the modeling and in our team that allows us
continuously improve how we model and approach home price
valuations. We operate our business with a tight discipline.

24 As Eric said, we are rigorously back testing our models every day.
25 They’re highly responsive. They have fast feedback loops and we can
26 react to changing market conditions. Our forecasting accuracy was
27 what allows us to manage the business within a reasonable range of
outcomes and deliver margins within that 4% to 6% contribution
margin range that we’ve guided to. Ultimately, the proof of our ability
28

1 to do that is in our results. I just want to mention again, Q4 will mark
2 our 20th consecutive quarter of positive CM.

3 So that's housing and – so the housing and forecasting question in
4 total. And [] part two of your question was around contribution
5 margins, and how they may fluctuate with changes in HPA. **Important**
6 **is that our model really works in upmarkets, it's going to work in**
7 **flat markets, it's going to work in downmarkets.** We've talked about
8 this before. But we are a market maker. Like define that, that means
9 we provided putting in the customers, we're pricing a certainty and
10 we're taking a spread. We're getting paid for that. **And we're**
11 **managing [] our business to that 4[-]6% range I just indicated if**
12 **HPA were to go down, we would look to fluctuate increase our**
13 **spreads to manage to that target margin range.** So, I would not marry
14 HPA trend and contribution margin trends together. We're driving for
15 consistency within that range of outcomes.

16 259. Similarly, during the March 4, 2022 Wedbush Real Estate Technology
17 Conference, moderator Ygal Arounian asked Defendant Wheeler, “maybe you could just help
18 share with investors a little bit more about the pricing algorithm, the model, why you've been
19 successful there,” to which Defendant Wheeler responded by reiterating the algorithm's
20 dynamic pricing capabilities and impeccable responsiveness:

21 I can confirm for you that [] for us pricing is absolutely core to what
22 we do. It is something that Opendoor's has been investing in
23 religiously from day one as a core capability in eight years of
24 investment and that's not going to abate. . . [W]e're like working on
25 how do we accelerate our feedback loops all the time, because . . .
26 being good at pricing is being dynamic about it, like we always want
27 to be able to react every day to changes in macro and micro condition,
28 and that responsiveness is critical to having quality pricing and
certainly how do we manage our margins especially in periods of
volatility.

29 260. Additionally, during the March 8, 2022 Morgan Stanley Technology, Media
30 and Telecom Conference, an analyst asked Defendant Wu: “How do you think about the
31 difference in your model versus any of the competitors? And how do you continue to drive
32 the differentiation for sellers and buyers?” Once again, Defendant Wu responded by touting
33 Opendoor's algorithm as the key differentiator among competitors:

1 We have expertise in pricing, both off-line data collection and piping
2 that into our models. We've built the lowest cost platform. We're 18
3 times more efficient at transacting than a realtor. And that's because
4 we centralized, we've automated almost every step we possibly could
and really invested heavily behind the scenes in that platform.

5 261. These false and misleading statements, and others like these, provide a strong
6 inference that Defendants were aware or, at the very least, were reckless in not knowing, that
7 the algorithm could not accurately adjust to changing house prices across all market
8 conditions and economic cycles and as a result, Defendants had overstated the purported
9 benefits and competitive advantages of the algorithm and put the Company at increased risk
10 of significant and repeated losses due to residential real estate pricing fluctuations.

11 262. The market relied on these misrepresentations when reporting on the
12 Company's success. For example, on March 4, 2021, Oppenheimer issued an analyst reported
13 stating "[w]e believe the margin differential highlights the benefits of OPEN's advanced
14 pricing technology and early success in the adoption of adjacent services." Similarly, on
15 November 11, 2021, Wedbush issued an analyst report stating, "Management is confident it
16 can reach 4-6% contribution margins in all markets and that it has a proprietary pricing model
17 that is a clear competitive advantage."

18 263. By repeatedly touting the Company's algorithm and its ability to adjust to
19 changing market conditions and drive consistent contribution margins of 4% to 6%, Opendoor
20 and Defendants either: (1) knew that Opendoor's pricing algorithm could not accurately adjust
21 to changing house prices across all market conditions and economic cycles; or (2) were
22 reckless in not knowing that this was the case. Under any of these scenarios, there is a strong
23 inference that Opendoor and Defendants made these statements with scienter.

24 **D. The FTC Investigation and Findings Are Indicative of Scienter**

25 264. Since before the Class Period, Defendants knew or were reckless in not knowing
26 about an FTC investigation relating to similar misconduct—that Opendoor manually adjusted
27 its algorithm's offer and used deceptive consumer practices, such as charging for repairs that
28 were never done—that contributed to the Company's success and profitability.

1 265. On August 18, 2019, the FTC issued a Civil Investigative Demand (“CID”) to
2 Opendoor Labs, Inc. asking for information as part of its non-public investigation looking
3 into “whether [Opendoor] . . . has deceptively marketed home-buying services in violation of
4 Section 5 of the FTC Act, 15 U.S.C. § 45, and whether Commission action to obtain monetary
5 relief would be in the public interest.”

6 266. According to the CID, Opendoor was required to contact the FTC “as soon as
7 possible to schedule a meeting (telephonic or in person) to be held within fourteen (14) days”
8 of receiving the CID. The CID contained several interrogatories requesting information about
9 the Company’s repair practices, including: “Describe the Company’s method for determining
10 what repairs it requires for the homes on which it had made an offer” and “Describe the
11 Company’s method for calculating the repair costs deducted from the price of a home it
12 purchases.”

13 267. The CID also contained several document requests, including “Documents
14 sufficient to show each materially different version of the Company’s policies regarding: (i)
15 calculating offers to purchase homes; . . . [and] (c) assessing repairs that the Company will
16 require homeowners to make or pay for as a condition of the Company purchasing their
17 homes.”

18 268. Finally, the CID required that the Company “designate and make available one
19 or more officers, directors, or managing agents, or others who consent, to testify on its behalf.”
20 According to the CID, that person must be prepared to discuss, among other things, “[t]he
21 Company’s compliance with consumer protection laws and policies, practices, and procedures
22 concerning compliance.”

23 269. Then, on December 23, 2020, the FTC staff notified Opendoor that they
24 intended to pursue an enforcement action against the Company and certain of its officers if
25 the FTC was unable to reach a settlement with Opendoor. The parties thereafter engaged in
26 settlement negotiations and nearly two years later, on August 1, 2022, the FTC announced the
27 \$62 million settlement with Opendoor.

28

1 270. According to the FTC’s complaint, which was released to the public on August
2 1, 2022, the FTC found that since at least 2019, Opendoor had instituted a policy of **manually**
3 **lowering the price of its offers without disclosing that they were less than market value.**
4 The FTC found that although Opendoor’s algorithm automatically generates offers, “[i]n
5 many instances, **Opendoor’s employees have manually adjusted these values** before
6 presenting them to consumers as offers.” Thus, since before the Class Period, Defendants
7 knew that their offers were adjusted by humans, meaning Defendants knew that their Class
8 Period statements that their offers “do not require any human intervention” were false and
9 misleading when made.

10 271. The FTC complaint also found that Opendoor charged sellers for repairs that
11 they did not make and that the Company pocketed the extra money as profit. Notably,
12 according to the FTC, “[o]ne **internal study** found that for [redacted] of Opendoor’s
13 purchases, its deductions for repair costs were greater than Opendoor’s actual costs, thereby
14 ‘taking away [redacted] of seller equity’ in each of those sales.” The FTC found that
15 “Opendoor’s **internal communications**” described this process “as a ‘bait-and-switch’
16 operation.”

17 272. The FTC’s findings, which were based on interviews and Opendoor’s responses
18 to interrogatories and document requests, support a strong inference that Defendants knew—
19 since before the Class Period—that the Company’s pricing algorithm relied on human
20 intervention and that its success was at least in part attributable to deceptive consumer
21 practices. Specifically, since before the Class Period, Defendants knew that Opendoor’s
22 success was driven by humans manually adjusting the algorithm’s offer and deceptive
23 consumer practices such as charging for “necessary” repairs that Opendoor did not complete
24 before reselling the house.

25 **E. Zillow’s Failure Supports Scierter**

26 273. Zillow’s exit from the iBuying business because of its failure to accurately price
27 homes supports an inference of scierter. Zillow was the second largest iBuyer at the time of
28 its failure, and its inability to accurately forecast home prices was a warning sign for all

1 iBuyers about the importance of accurately pricing its offers. Indeed, Zillow’s CEO explained
2 that Zillow’s inability to accurately forecast home prices created too much risk to continue:
3 “fundamentally, we have been unable to predict future pricing of homes to a level of accuracy
4 that makes this a safe business to be in.”

5 274. Thus, Defendants knew, or were reckless in not knowing, that their algorithm
6 was not able to accurately price homes in any environment. Indeed, Defendants knew, or
7 should have known, that Opendoor’s human-driven process for pricing homes made
8 Opendoor just as susceptible to changing housing markets and economic conditions as other
9 iBuying businesses like Zillow. This inference is further supported by the fact that Defendants
10 answered direct questions from analysts about the Company’s pricing algorithm and how it
11 was different than Zillow. In response to these questions, Defendant Wheeler falsely stated
12 that Opendoor’s algorithm worked in any housing market, thus leading investors to believe
13 that Opendoor’s AI was better and more reliable than Zillow’s. Either Defendant Wheeler
14 knew that was false or did not know and recklessly assured investors that Opendoor’s
15 algorithm shielded the Company from a fate like Zillow’s. Either prong supports an inference
16 of scienter.

17 275. Moreover, Defendant Wu’s massive insider sales—just three trading days after
18 Defendant Wheeler led investors to believe that Opendoor’s algorithm made it a better and
19 more sustainable business than Zillow Offers—supports an inference that he knew the
20 statements were false and misleading.

21 **F. Defendants’ Access to Data Such as Home Appreciation and Interest Rate**
22 **Trends Supports an Inference of Scienter**

23 276. Defendants had access to the Company’s “dashboard,” which provided data
24 such as mortgage rates and appreciation and depreciation trends. Defendants tracked these
25 metrics frequently in order to set the strategic direction of the Company.

26 277. CW 8 stated that Defendant Wheeler, along with President Andrew Low Ah
27 Kee and Chief Investment Officer Daniel Murillo, accessed the Company’s internal
28 dashboard every day, and that the dashboard provided current information on tons of metrics.

1 CW 8 added that she knew that Defendant Wheeler and Low Ah Kee accessed this
2 information because Murillo had this access, and CW 8 knew this because she recalled
3 Murillo often asking CW 8 for advice on what certain information from the dashboard meant.

4 278. CW 8 added that the key executives needed that information in order to set the
5 strategic direction of the Company. CW 8's understanding was that the "executive team was
6 plugged in from the AI perspective," and that the executive team looked at key metrics on the
7 dashboard "every day," and that she was aware that they were also constantly tracking non-
8 Opendoor data on a daily basis such as mortgage rates along with appreciation and
9 depreciation rates.

10 279. Moreover, CW 8 explained that Wheeler and Low Ah Kee were normally
11 focused on the buy side and that Murillo led and focused on the sales side except for when
12 the Company entered "turbulent times" in mid-2022, and that Wheeler and Low Ah Kee also
13 got involved on overarching strategic decisions on the sales side with Murillo. Indeed, after
14 Defendant Wheeler's "lower the DIP" announcement in July or August 2022, Defendant
15 Wheeler started attending bi-weekly sales side meetings led by Murillo, which CW 8 also
16 attended.

17 280. Defendants' close monitoring of the financial data showing rising interest rates
18 and falling home prices in 2022, paired with the fact that Defendants knew that Opendoor's
19 inventory levels were extremely high and that its contribution margin was declining at that
20 same time, supports an inference that Defendants knew the algorithm could not quickly adapt
21 to changing housing markets.

22 281. Defendant Wheeler's close involvement in the day-to-day operations of the
23 sales side, and later the buy side, supports an inference that she knew about the Company's
24 human-driven process for pricing homes.

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1 **G. The Scier of the Exchange Act Individual Defendants Is Imputed to**
2 **Opendoor**

3 282. The scier of the Exchange Act Individual Defendants is imputed to Opendoor
4 given that they were high managerial agents of Opendoor who reviewed, prepared, approved,
5 furnished information for, ratified, and/or tolerated the misrepresentations and omissions.

6 283. The Exchange Act Individual Defendants knowingly and/or with deliberate
7 recklessness made, controlled, or had ultimate authority over the materially false and/or
8 misleading statements and omissions alleged herein based on the fact that the Exchange Act
9 Individual Defendants knew and/or were deliberately reckless in not knowing or disregarding
10 that the Company's statements set forth in Sections VI and VII(B)-(E) were materially false
11 and/or misleading, and/or omitted material facts at the times that such statements were made.
12 Each of the Exchange Act Individual Defendants were among the most senior employees of
13 the Company throughout the Class Period, were acting within the scope of their authority, and
14 were members of the Company's senior management. Their scier may therefore be
15 imputed to the Company.

16 284. Further, the scier of other senior-level executives, may be imputed to
17 Opendoor under agency principles. Finally, the scier of any other employees who ordered
18 or approved the misstatements or their making or issuance, or who furnished information or
19 language for inclusion therein, or the like, may be imputed to the Company.

20 **XI. CONTROL PERSON ALLEGATIONS**

21 285. The Exchange Act Individual Defendants, by virtue of their high-level and
22 controlling positions at Opendoor, directly participated in the management of the Company,
23 were directly involved in the day-to-day operations of the Company at the highest levels and
24 were privy to confidential proprietary information about the Company, its business,
25 operations, internal controls, growth, financial statements, and financial condition as alleged
26 herein. As set forth below, the materially misstated information conveyed to the public was
27 the result of the collective actions of these individuals.
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1 286. Defendants Wheeler and Wu, as senior executives and directors of Opendoor—
2 a publicly-held company whose common stock was, and is, traded on the NASDAQ, and
3 governed by the federal securities laws—had a duty to disseminate prompt, accurate, and
4 truthful information with respect to the Company’s business, operations, internal controls,
5 growth, financial statements, and financial condition, and to correct any previously issued
6 statements that had become materially misleading or untrue, so that the market price of
7 Opendoor’s publicly traded common stock would be based on accurate information. Each of
8 the Exchange Act Individual Defendants violated these requirements and obligations during
9 the Class Period.

10 287. Defendants Wheeler and Wu, because of their positions of control and authority
11 as senior executive officers and directors of Opendoor, were able to and did control the content
12 of Opendoor’s SEC filings, press releases, and other public statements issued by or on behalf
13 of Opendoor during the Class Period. Each would have been provided with copies of the
14 statements made in the SEC filings at issue in this action before they were issued to the public
15 and would have had the ability to prevent their issuance or cause them to be corrected.
16 Accordingly, the Exchange Act Individual Defendants were responsible for the accuracy of
17 the public statements alleged herein.

18 288. The Exchange Act Individual Defendants are liable as participants in a
19 fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of
20 Opendoor common stock by disseminating materially false and misleading information and
21 concealing and omitting material adverse facts. The scheme deceived the investing public
22 regarding Opendoor’s business, operations, and management, and the intrinsic value of
23 Opendoor’s common stock, and caused Plaintiffs and members of the Class to purchase
24 Opendoor common stock at artificially inflated prices.

25 **XII. CLASS ACTION ALLEGATIONS**

26 289. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil
27 Procedure 23(a) and (b)(3) on behalf of a class of all persons and entities who or which, during
28 the period from December 21, 2020 through November 3, 2022, inclusive, purchased the

1 publicly traded common stock of Opendoor on the NASDAQ or any U.S.-based trading
2 platform during the Class Period and were damaged thereby. Excluded from the Exchange
3 Act Class are: (i) Exchange Act Defendants; (ii) Securities Act Defendants; (iii) members of
4 the immediate family of any Defendant who is an individual; (iv) any person who was an
5 officer, director, and/or control person of Opendoor during the Class Period; (v) any firm,
6 trust, corporation, or other entity in which any Defendant (or members of the immediate
7 family of any Defendant) has or had a controlling interest; (vi) Opendoor's employee
8 retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made
9 purchases through such plan(s); and (vii) the legal representatives, affiliates, heirs, successors-
10 in-interest, or assigns of any such excluded person, in their capacity as such.

11 290. The members of the Exchange Act Class are so numerous that joinder of all
12 members is impracticable. Throughout the Class Period, Opendoor common stock actively
13 traded on the NASDAQ. While the exact number of Exchange Act Class members is
14 unknown to Plaintiffs at this time and can be ascertained only through appropriate discovery,
15 Plaintiffs believe that there are hundreds or thousands of members in the proposed Exchange
16 Act Class. Record owners and other members of the Exchange Act Class may be identified
17 from records maintained by Opendoor or its transfer agent and may be notified of the
18 pendency of this action by mail, using the form of notice similar to that customarily used in
19 securities class actions.

20 291. Plaintiffs' claims are typical of the claims of the members of the Exchange Act
21 Class as all members of the Exchange Act Class are similarly affected by Defendants'
22 wrongful conduct in violation of federal law that is complained of herein.

23 292. Plaintiffs will fairly and adequately protect the interests of the members of the
24 Exchange Act Class and have retained counsel competent and experienced in class and
25 securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the
26 Exchange Act Class.

27 293. Common questions of law and fact exist as to all members of the Exchange Act
28 Class and predominate over any questions solely affecting individual members of the

1 Exchange Act Class. Among the questions of law and fact common to the Exchange Act Class
2 are:

- 3 (a) Whether Defendants violated the federal securities laws by their acts and
4 omissions alleged herein;
- 5 (b) Whether statements Defendants made to the investing public during the
6 Class Period contained material misrepresentations or omitted to state
7 material information;
- 8 (c) Whether, and to what extent, the market price of Opendoor common
9 stock was artificially inflated during the Class Period because of the
10 material misstatements alleged herein;
- 11 (d) Whether Defendants acted with the requisite level of scienter;
- 12 (e) Whether the Exchange Act Individual Defendants were controlling
13 persons of Opendoor; and
- 14 (f) Whether the members of the Exchange Act Class have sustained
15 damages as a result of the conduct complained of herein and, if so, the
16 proper measure of such damages.

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

23 **XIII. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-**
24 **MARKET DOCTRINE**

25 295. To the extent that Plaintiffs allege that Defendants made affirmative
26 misstatements, Plaintiffs will rely upon the presumption of reliance established by the fraud-
27 on-the-market doctrine in that, among other things:
28

- 1 (a) Defendants made public misrepresentations or failed to disclose material
2 facts during the Class Period;
- 3 (b) The omissions and misrepresentations were material;
- 4 (c) Opendoor common stock is traded in an efficient market;
- 5 (d) The misrepresentations alleged would tend to induce a reasonable
6 investor misjudge the value of the Company's common stock;
- 7 (e) Plaintiffs and members of the Class purchased, acquired and/or sold
8 Opendoor common stock between the time the Defendants failed to
9 disclose or misrepresented material facts and the time the true facts were
10 disclosed, without knowledge of the omitted or misrepresented facts;
- 11 (f) Opendoor's common stock met the requirements for listing and was
12 listed and actively traded on the NASDAQ, a highly efficient and
13 automated market;
- 14 (g) As a regulated issuer, Opendoor filed periodic public reports with the
15 SEC and NASDAQ;
- 16 (h) Opendoor regularly communicated with public investors via established
17 market mechanisms, including regular dissemination of press releases on
18 the national circuits of major newswire services and other wide-ranging
19 public disclosures, such as communications with the financial press and
20 other similar reporting services; and
- 21 (i) Opendoor was followed by numerous securities analysts employed by
22 major brokerage firms including, but not limited to, Credit Suisse,
23 Oppenheimer, Wedbush, and Truist Securities, all of which wrote reports
24 that were distributed to the sales force and certain customers of their
25 respective brokerage firm(s) and that were publicly available and entered
26 the public marketplace.

27 296. As a result of the foregoing, the market for Opendoor common stock promptly
28 digested current information regarding Opendoor from publicly available sources and

1 reflected such information in Opendoor's common stock price(s). Under these circumstances,
2 all purchasers of Opendoor common stock during the Class Period suffered similar injury
3 through their purchase of Opendoor common stock at artificially inflated prices and the
4 presumption of reliance applies.

5 297. The material misrepresentations and omissions alleged herein would induce a
6 reasonable investor to misjudge the value of Opendoor's common stock.

7 298. Without knowledge of the misrepresented or omitted material facts alleged
8 herein, Plaintiffs and other members of the Exchange Act Class purchased shares of Opendoor
9 common stock between the time Defendants misrepresented or failed to disclose material facts
10 and the time the true facts were disclosed.

11 299. To the extent that the Defendants concealed or improperly failed to disclose
12 material facts with respect to Opendoor's business, Plaintiffs are entitled to a presumption of
13 reliance in accordance with *Affiliated Ute Citizens of the State of Utah v. United States*, 406
14 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements
15 in violation of a duty to disclose such information, as detailed above.

16 **XIV. NO SAFE HARBOR**

17 300. The statutory safe harbor provided for forward-looking statements under certain
18 circumstances does not apply to any of the materially false and misleading statements alleged
19 in this pleading. First, many of the statements alleged to be false and misleading relate to
20 historical facts or existing conditions. Second, to the extent any of the allegedly false and
21 misleading statements may be characterized as forward-looking, they were not adequately
22 identified as "forward-looking" statements when made. Third, any purported forward-
23 looking statements were not accompanied by meaningful cautionary language because,
24 among other reasons, the risks that Defendants warned of had already come to pass.

25 301. To the extent any statements alleged to be false and misleading may be
26 construed to discuss future intent, they are mixed statements of present or historical facts and
27 future intent and are not entitled to PSLRA safe-harbor protection—at least with respect to
28 the part of the statement that refers to the present.

1 302. In addition, the PSLRA imposes an additional burden on oral forward-looking
2 statements, requiring the Exchange Act to include a cautionary statement that the particular
3 oral statement is a forward-looking statement, and that “actual results might differ materially
4 from those projected in the forward-looking statement.” 15 U.S.C. § 78u-5(c)(2)(A)(i)-(ii).
5 Defendants failed to both identify certain oral statements as forward-looking and include the
6 cautionary language required by the PSLRA.

7 303. Furthermore, Defendants did not accompany their statements with meaningful
8 cautionary language identifying important factors that could cause actual results to differ
9 materially from any results projected. To the extent Defendants included any cautionary
10 language, that language was not meaningful because, among other reasons, any potential risks
11 identified by Defendants had already passed or manifested. As detailed herein, Defendants
12 failed to disclose to the market that, throughout the Class Period, Opendoor’s iBuying
13 algorithm could not accurately adjust to changing house prices across different market
14 conditions and economic cycles and as a result, Defendants overstated purported benefits and
15 competitive advantages of the algorithm putting the Company at increased risk of significant
16 and repeated losses due to residential real estate pricing fluctuations.

17 304. In the alternative, to the extent that the statutory safe harbor is determined to
18 apply to any forward-looking statements pleaded herein, Defendants are liable for those
19 forward-looking statements because at the time each of those forward-looking statements
20 were made, the speaker had actual knowledge that the forward-looking statement was
21 materially false or misleading, or the forward-looking statement was authorized or approved
22 by an executive officer of Opendoor who knew that the statement was false when made.

23 **XV. CAUSES OF ACTION**

24 **COUNT I**

25 **FOR VIOLATIONS OF SECTION 10(b) OF THE** 26 **EXCHANGE ACT AND RULE 10b-5 PROMULGATED** 27 **THEREUNDER AGAINST THE EXCHANGE ACT DEFENDANTS**

28 305. Plaintiffs repeat and incorporate each and every allegation contained above as
if fully set forth herein.

1 306. This Count is asserted against the Exchange Act Defendants and is based upon
2 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated
3 thereunder by the SEC.

4 307. During the Class Period, the Exchange Act Defendants engaged in a plan,
5 scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly
6 engaged in acts, transactions, practices and courses of business which operated as a fraud and
7 deceit upon Plaintiffs and the other members of the Exchange Act Class; made various untrue
8 statements of material facts and omitted to state material facts necessary in order to make the
9 statements made, in light of the circumstances under which they were made, not misleading;
10 and employed devices, schemes and artifices to defraud in connection with the purchase and
11 sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i)
12 deceive the investing public, including Plaintiffs and other Exchange Act Class members, as
13 alleged herein; (ii) artificially inflate and maintain the market price of Opendoor common
14 stock; and (iii) cause Plaintiffs and other members of the Exchange Act Class to purchase or
15 otherwise acquire Opendoor common stock and options at artificially inflated prices. In
16 furtherance of this unlawful scheme, plan and course of conduct, the Exchange Act
17 Defendants, and each of them, took the actions set forth herein.

18 308. Pursuant to the above plan, scheme, conspiracy, and course of conduct, each of
19 the Exchange Act Defendants participated directly or indirectly in the preparation and/or
20 issuance of the quarterly and annual reports, SEC filings, press releases and other statements
21 and documents described above, including statements made to securities analysts and the
22 media that were designed to influence the market for Opendoor common stock. Such reports,
23 filings, releases and statements were materially false and misleading in that they failed to
24 disclose material adverse information and misrepresented the truth about Opendoor's finances
25 and business prospects.

26 309. By virtue of their positions at Opendoor, the Exchange Act Defendants had
27 actual knowledge of the materially false and misleading statements and material omissions
28 alleged herein and intended thereby to deceive Plaintiffs and the other members of the

1 Exchange Act Class, or, in the alternative, the Exchange Act Defendants acted with reckless
2 disregard for the truth in that they failed or refused to ascertain and disclose such facts as
3 would reveal the materially false and misleading nature of the statements made, although such
4 facts were readily available to the Exchange Act Defendants. Said acts and omissions of the
5 Exchange Act Defendants were committed willfully or with reckless disregard for the truth.
6 In addition, each of the Exchange Act Defendants knew or recklessly disregarded that material
7 facts were being misrepresented or omitted as described above.

8 310. Information showing that the Exchange Act Defendants acted knowingly or
9 with reckless disregard for the truth is peculiarly within the Exchange Act Defendants'
10 knowledge and control. As the senior managers and/or directors of Opendoor, the Exchange
11 Act Individual Defendants had knowledge of the details of Opendoor's internal affairs.

12 311. The Exchange Act Individual Defendants are liable both directly and indirectly
13 for the wrongs complained of herein. Because of their positions of control and authority, the
14 Exchange Act Individual Defendants were able to and did, directly or indirectly, control the
15 content of the statements of Opendoor. As officers and/or directors of a publicly held
16 company, the Exchange Act Individual Defendants had a duty to disseminate timely, accurate,
17 and truthful information with respect to Opendoor's businesses, operations, future financial
18 condition, and future prospects. As a result of the dissemination of the aforementioned false
19 and misleading reports, releases and public statements, the market price of Opendoor common
20 stock was artificially inflated throughout the Class Period. In ignorance of the adverse facts
21 concerning Opendoor's business and financial condition which were concealed by the
22 Exchange Act Defendants, Plaintiffs and the other members of the Exchange Act Class
23 purchased or otherwise acquired Opendoor common stock at artificially inflated prices and
24 relied upon the price of the common stock, the integrity of the market for the common stock
25 and/or upon statements disseminated by the Exchange Act Defendants, and were damaged
26 thereby.

27 312. During the Class Period, Opendoor common stock was traded on an active and
28 efficient market. Plaintiffs and the other members of the Exchange Act Class, relying on the

1 materially false and misleading statements described herein, which the Exchange Act
2 Defendants made, issued or caused to be disseminated, or relying upon the integrity of the
3 market, purchased or otherwise acquired shares of Opendoor common stock at prices
4 artificially inflated by the Exchange Act Defendants' wrongful conduct. Had Plaintiffs and
5 the other members of the Exchange Act Class known the truth, they would not have purchased
6 or otherwise acquired said common stock, or would not have purchased or otherwise acquired
7 them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by
8 Plaintiffs and the Exchange Act Class, the true value of Opendoor common stock was
9 substantially lower than the prices paid by Plaintiffs and the other members of the Exchange
10 Act Class. The market price of Opendoor common stock declined sharply upon public
11 disclosure of the facts alleged herein to the injury of Plaintiffs and Exchange Act Class
12 members.

13 313. By reason of the conduct alleged herein, the Exchange Act Defendants
14 knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange
15 Act and Rule 10b-5 promulgated thereunder.

16 314. As a direct and proximate result of the Exchange Act Defendants' wrongful
17 conduct, Plaintiffs and the other members of the Exchange Act Class suffered damages in
18 connection with their respective purchases, acquisitions, and sales of the Company's common
19 stock during the Class Period, upon the disclosure that the Company had been disseminating
20 misrepresented financial statements to the investing public.

21
22 **COUNT II**

23 **FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE ACT**
24 **AGAINST THE EXCHANGE ACT INDIVIDUAL DEFENDANTS**

25 315. Plaintiffs repeat and incorporate each and every allegation contained in the
26 foregoing paragraphs as if fully set forth herein.

27 316. This Count is asserted pursuant to Section 20(a) of the Exchange Act against
28 the Exchange Act Individual Defendants.

1 317. The Exchange Act Individual Defendants had control over Opendoor and made
2 the materially false and misleading statements and omissions on behalf of Opendoor within
3 the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their
4 executive leadership positions, as alleged above, the Exchange Act Individual Defendants had
5 the power to influence and control and did, directly or indirectly, influence and control the
6 decision making of the Company, including the content and dissemination of the various
7 statements which Plaintiffs contend were false and misleading. The Exchange Act Individual
8 Defendants were provided with or had unlimited access to the Company's internal reports,
9 press releases, public filings, and other statements alleged by Plaintiff to be misleading prior
10 to or shortly after these statements were issued, and had the ability to prevent the issuance of
11 the statements or cause them to be corrected.

12 318. In particular, the Exchange Act Individual Defendants had direct involvement
13 in and responsibility over the day-to-day operations of the Company and, therefore, are
14 presumed to have had the power to control or influence the particular transactions giving rise
15 to the securities violations as alleged herein.

16 319. By virtue of such wrongful conduct, the Exchange Act Individual Defendants
17 are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of
18 the Exchange Act Individual Defendants' wrongful conduct, Plaintiffs and the other members
19 of the Exchange Act Class suffered damages in connection with their purchases of the
20 Company's shares during the Class Period.

21 **XVI. PRAYER FOR RELIEF**

22 **WHEREFORE**, Plaintiffs demand judgment against Defendants as follows:

23 A. Determining that the instant action may be maintained as a class action under
24 Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiffs as the Exchange Act
25 Class representatives;

26 B. Requiring Defendants to pay damages sustained by Plaintiffs and the Exchange
27 Act Class by reason of the acts and transactions alleged herein;

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1 C. Awarding Plaintiffs and the other members of the Exchange Act Class
2 pre-judgment and post-judgment interest, as well as their reasonable attorneys' fees, expert
3 fees and other costs; and

4 D. Awarding such other and further relief as this Court may deem just and proper.
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XVII. VIOLATIONS OF SECTIONS 11 AND 15 OF THE SECURITIES ACT

320. The claims set forth below in Counts III through IV allege violations of §§11 and 15 of the Securities Act (“Securities Act Claims”). Plaintiffs bring these claims individually and on behalf of the class consisting of all persons and entities who or which purchased or otherwise acquired Opendoor common stock pursuant and/or traceable to the Offering Materials issued in connection with the de-SPAC Merger on or about December 21, 2020 (the “December 2020 Offering”) and/or the Offering Materials issued in connection with Opendoor’s secondary public offering on or about February 4, 2021 (the “February 2021 SPO”) (the “Securities Act Class”).¹⁰ The Securities Act Claims solely allege strict liability and negligence causes of action, and do not sound in fraud. Accordingly, for the purpose of these Securities Act Claims, Plaintiffs expressly exclude and disclaim any allegation that could be construed as alleging fraud, intentional misconduct, or deliberately reckless misconduct.

XVIII. BACKGROUND FOR THE SECURITIES ACT CLAIMS

321. Opendoor Technologies, Inc. (“Opendoor” or the “Company”) operates a digital platform for buying and selling residential real estate in the United States, using a featured technology called “iBuying.”

322. Founded in 2014 by Ian Wong and Defendant Eric Wu, Opendoor was previously known as Opendoor Labs Inc. (“Legacy Opendoor”) and operated as a private company for several years. Since its founding, Opendoor’s self-professed goal has been to “redefine residential real estate.” Opendoor uses artificial intelligence (“AI”) to buy and resell homes quickly using its “proprietary” pricing algorithm. Opendoor claims to use its algorithm

¹⁰ The following are excluded from the Securities Act Class: (i) Exchange Act Defendants; (ii) Securities Act Defendants; (iii) members of the immediate family of any Defendant who is an individual; (iv) any person who was an officer, director, and/or control person of Opendoor during the Class Period; (v) any firm, trust, corporation, or other entity in which any Defendant (or members of the immediate family of any Defendant) has or had a controlling interest; (vi) Opendoor’s employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vii) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person, in their capacity as such.

1 to make instant cash offers to buy homes, often within 24 hours, based on the values indicated
2 by their pricing algorithms.

3 323. As an iBuyer, Opendoor’s AI-powered pricing algorithm was critical to its
4 success and a key differentiating factor. Opendoor claimed that unlike the traditional real
5 estate industry—which does not have the data necessary to accurately price homes—
6 Opendoor “ha[s] built world-class data science capabilities and systematized tooling to gather,
7 aggregate and synthesize an expanding catalog of proprietary, hyperlocal data in order to
8 improve and automate pricing decisions.” Similarly, Opendoor claimed that its machine-
9 learning pricing algorithm was critical to the Company’s profitability—specifically the
10 Company’s contribution margin, which is a key profitability metric for Opendoor.¹¹

11 324. In 2020, after several years operating as a private company, Legacy Opendoor
12 decided to go public via a reverse merger with a Special Purpose Acquisition Company
13 (“SPAC”) known as Social Capital Hedosophia Holdings Corp. II (“SCH”) (the “de-SPAC
14 Merger” or “Merger”). This allowed the equity of Legacy Opendoor to become publicly
15 traded in an expedited manner without much of the traditional regulatory scrutiny.

16 325. In connection with the de-SPAC Merger, Legacy Opendoor merged with and
17 into SCH, with the surviving entity changing its name to Opendoor Technologies Inc.
18 (“Opendoor” or the “Company”). On December 21, 2020, newly issued shares of Opendoor’s
19 common stock began publicly trading on NASDAQ under the ticker symbol “OPEN” and
20 Opendoor’s warrants traded under the ticker symbol “OPENW.” This offering was conducted
21 pursuant December 2020 Offering Documents (defined below), which registered the issuance
22 of shares of Opendoor common stock issued in connection with the de-SPAC merger.

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25 ¹¹ Contribution margin is generally defined as a cost-accounting calculation that measures
26 the profitability of a specific product or the revenue that is left after covering costs for that
27 product. Here, the relevant product is the home that Opendoor buys and sells. Contribution
28 margin shows you the aggregate amount of revenue available after variable costs to cover
fixed expenses and provide profit to the company. Companies look to their contribution
margin to understand how a specific product—here, the home that Opendoor buys and sells—
contributes to the Company’s profit (as opposed to profit margin, which measures the total
amount by which revenue from sales exceeds costs).

1 326. The December 2020 Offering Documents included false information about the
2 Company’s business model and the purported benefits of the Company’s AI-powered pricing
3 algorithm. For example, the December 2020 Offering Documents falsely claimed that
4 Opendoor’s pricing algorithm drove pricing decisions and that the algorithm was what set
5 Opendoor apart from its competitors because it allowed the Company to quickly adapt
6 changing market conditions—thus shielding the Company from the risk of changing housing
7 markets and economic cycles. These statements were false because humans—not the
8 algorithm—drove the Company’s pricing decisions, and as such, Opendoor was just as
9 susceptible to changing housing markets and economic conditions as any other iBuying
10 businesses and traditional home flippers.

11 327. Shortly after going public, the Company conducted a secondary offering on
12 February 9, 2021 (the “February 2021 SPO”), which generated approximately \$886 million
13 in gross proceeds. Pursuant to the February 2021 SPO Documents (defined herein), the
14 Company received proceeds from the February 2021 SPO of approximately \$859.5 million.
15 The February 2021 SPO Documents included the same false statements as the December 2020
16 Offering Documents about the Company’s business model and the purported benefits of the
17 Company’s AI-powered pricing algorithm.

18 **A. Opendoor Goes Public Through a SPAC Called SCH**

19 328. Rather than go public through a traditional IPO, Opendoor went public through
20 being acquired by a SPAC, specifically through a reverse merger with a SPAC known as
21 SCH. SPACs, also known as “blank check” companies, are publicly traded holding
22 companies created for the sole purpose of acquiring a privately held business in order to take
23 that business public. SPACs raise funds in an initial public offering (“IPO”) by issuing shares
24 in the SPAC. The SPAC then places those funds in “trust” for those investors while the SPAC
25 seeks an acquisition target. The SPAC will then have a “completion window”—generally
26 two years—to identify and execute a business combination. If the SPAC fails to do so during
27 the completion window, then it must return the funds in trust to its public stockholders, and
28 then the SPAC dissolves.

1 329. Once a SPAC identifies a target company and agrees to terms, the parties effect
2 a business combination through a reverse Merger (also referred to as a de-SPAC merger).
3 This transaction structure allows the target, a privately held company, to become publicly
4 traded by merging with the SPAC (or a subsidiary of the SPAC). This allows the target to
5 bypass the traditional IPO process while allowing their equity to become publicly traded in
6 an expedited manner without much of the traditional regulatory scrutiny.

7 330. In this way, a SPAC merger fulfills the primary functions of a traditional IPO—
8 the SPAC provides cash for growth and the formerly private company can issue registered
9 shares that are freely tradeable. For these reasons, SPACs are now a major route to taking
10 businesses public.

11 331. SCH was structured in this way. On April 30, 2020, SCH completed its IPO,
12 generating approximately \$414.0 million in capital, through issuing 41.4 million shares of
13 new stock at a price of \$10.00 to public investors. These SCH shares were redeemable when
14 SCH proposed a merger, meaning that SCH shareholders could, at that time, elect to have
15 their initial investment (of \$10 per share) returned, plus interest, rather than remain as
16 shareholders and have their shares converted into shares of the post-merger company.

17 332. Moreover, in a typical SPAC, founders receive, for a nominal price, “founder
18 shares,” amounting to a substantial portion of the SPAC’s total equity. As Andrew Ross
19 Sorkin of the New York Times wrote: “This is not pay for performance. It is pay before
20 performance.” Once the SPAC finds a business combination to effectively take a company
21 public, these founder shares convert into regular, common stock of the post-Merger company,
22 which is often valued at significantly higher than the nominal amount that the founders paid,
23 but also higher than the IPO price. However, if the SPAC fails to find and acquire a target
24 within the completion window, the founder shares are forfeited and the SPAC liquidates,
25 meaning the sponsors are left with nothing to show for their efforts. Thus, the SPAC founders
26 are incentivized to complete a business combination even if it is not necessarily in the best
27 interest of the SPAC’s shareholders.

28

1 333. SCH’s sponsors, SCH Sponsor II LLC,¹² purchased 8,625,000 shares of the
 2 Company’s common stock (“Founder Shares”) for an aggregate price of \$25,000.¹³
 3 Importantly, the Founder Shares were deemed to be indirectly owned by Defendants
 4 Palihapitiya and Osborne. Thus, the Founder Shares created enormous wealth for Defendants
 5 Palihapitiya and Osborne—for just a \$25,000 investment, they received 10,350,000 shares of
 6 SCH stock, which would be worth over \$100 million after the SPAC’s IPO (at a \$10.00/share
 7 value), and would be worth nearly 4 times that amount (approximately \$403 million) during
 8 Opendoor’s Class Period high of around \$39. In other words, once the Founder Shares were
 9 released from their lock up, Defendants Palihapitiya and Osborne could turn their \$25,000
 10 initial investment into hundreds of millions of dollars.

11 **B. Summary of the December 2020 Offering**

12 334. On September 15, 2020, SCH announced that it found its acquisition target—
 13 Legacy Opendoor—and had entered into an Agreement and Plan of Merger (the “Merger
 14 Agreement”), whereby SCH and Legacy Opendoor would merge, with the surviving company
 15 being renamed “Opendoor Technologies Inc.”¹⁴

16 _____
 17 ¹² Defendants Palihapitiya and Osborne were deemed to beneficially own shares held by
 18 SCH’s sponsor by virtue of their shared control over the sponsor.

19 ¹³ In March 2020, the Sponsor transferred 100,000 Founder Shares to both Defendants
 20 David Spillane and Cipora Herman (two of SCH’s independent directors) at their original per-
 21 share purchase price. On April 27, 2020, SCH effected a pro rata share capitalization resulting
 22 in an increase in the total number of Founder Shares outstanding from 8,625,000 to
 23 10,350,000 in order to maintain the ownership of Founder Shares at 20% of the issued and
 24 outstanding ordinary shares of SCH upon consummation of its initial public offering. In
 25 connection with the merger with Opendoor Labs Inc., the Founder Shares automatically
 26 converted, on a one-for-one basis, into a share of Opendoor Technologies common stock. The
 27 Sponsor agreed not to transfer, assign, or sell any of its Class B ordinary shares or Class A
 28 ordinary shares until the earlier of: (A) one year after the completion of a Business
 Combination and (B) subsequent to a Business Combination, (x) if the last reported sale price
 of the Class A ordinary shares equals or exceeds \$12.00 per share (as adjusted for share splits,
 share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like)
 for any 20 trading days within any 30-trading day period commencing at least 150 days after
 a Business Combination, or (y) the date on which the Company completes a liquidation,
 merger, amalgamation, share exchange, reorganization or other similar transaction that results
 in all of the Company’s shareholders having the right to exchange their Class A ordinary
 shares for cash, securities or other property.

¹⁴ Specifically, the Merger Agreement was by and among SCH’s merger sub, Hestia
 Merger Sub Inc., a Delaware corporation and a direct wholly owned subsidiary of SCH
 (“Merger Sub”), and Opendoor Labs Inc. (“Legacy Opendoor”). Pursuant to the Merger

Footnote continued on next page

1 335. According to the joint press release filed on September 15, 2020, the merger
2 transaction valued Opendoor at an enterprise value of \$4.8 billion, and was expected to raise
3 up to \$1.0 billion in cash proceeds, including a fully committed PIPE investment of \$600
4 million¹⁵ and up to \$414 million of cash held in the trust account of SCH. Following the
5 closing of the de-SPAC transaction, one hundred percent of the cash proceeds would be
6 retained by Opendoor.

7 336. In connection with the merger, the Company filed the December 2020 Offering
8 Documents (defined below), which registered the issuance of 546,189,092 newly issued
9 shares of Opendoor common stock.

10 337. The 546,189,092 newly issued shares of Opendoor common stock included the
11 registration of 41,400,000 Class A ordinary shares of SCH which would automatically convert
12 into shares of Opendoor common stock in connection with the Merger. Specifically, the
13 December 2020 Offering Documents stated:

14 As a result of and upon the effective time of the Domestication, among
15 other things, (1) each of the then issued and outstanding Class A
16 ordinary shares, par value \$0.0001 per share, of SCH (the “SCH Class
17 A ordinary shares”), will convert automatically, on a one-for-one
18 basis, into a share of common stock, par value \$0.0001 per share, of
19 Opendoor Technologies (the “Opendoor Technologies common
stock”); (2) each then issued and outstanding redeemable warrant of
SCH (the “SCH warrants”) will convert automatically into a

20 Agreement—which was subject to approval by SCH’s shareholders—among other things: (i)
21 SCH would deregister as a Cayman Islands corporation and domesticate as a Delaware
22 corporation (the “Domestication”); (ii) the Merger Sub would merge with and into Legacy
23 Opendoor, with Legacy Opendoor as the surviving corporation and a wholly owner subsidiary
24 of SCH (the “Merger”); and (iii) upon the consummation of the Merger, SCH shall
25 immediately be renamed “Opendoor Technologies Inc.”

26 ¹⁵ On September 15, 2020, concurrently with the execution of the Merger Agreement,
27 SCH also announced that it entered into subscription agreements (the “Subscription
28 Agreements”) with certain investors (collectively, the “PIPE Investors”) pursuant to, and on
the terms and subject to the conditions of which, the PIPE Investors have collectively
subscribed for 60 million shares of SCH Common Stock for an aggregate purchase price equal
to \$600 million (the “PIPE Investment”), a portion of which is expected to be funded by one
or more affiliates of current Opendoor stockholders and of SCH Sponsor II LLC, SCH’s
sponsor (the “Sponsor”), respectively. The PIPE Investment will be consummated
substantially concurrently with the closing of the transactions contemplated by the Merger
Agreement, subject to the terms and conditions contemplated by the Subscription
Agreements.

1 redeemable warrant to acquire one share of Opendoor Technologies
2 common stock (the “Opendoor Technologies warrants”); and (3) each
3 of the then issued and outstanding units of SCH that have not been
4 previously separated into the underlying SCH Class A ordinary shares
5 and underlying SCH warrants upon the request of the holder thereof
6 (the “SCH units”), will be cancelled and will entitle the holder thereof
7 to one share of Opendoor Technologies common stock and one-third
8 of one Opendoor Technologies warrant. Accordingly, this proxy
statement/prospectus covers (1) 41,400,000 shares of Opendoor
Technologies common stock to be issued in the Domestication and (2)
13,799,962 Opendoor Technologies warrants to be issued in the
Domestication.

9
10 338. The 546,189,092 newly issued shares of Opendoor common stock also
11 included 504,789,092 additional shares of Opendoor common stock issued in connection with
12 the Merger. Specifically, the December 2020 Offering Documents stated:

13 As a result of and upon the Closing (as defined below), among other
14 things, all outstanding shares of Opendoor common stock (after
15 giving effect to Opendoor Preferred Conversion, Opendoor Warrant
16 Settlement and the Convertible Note Exchange (each as defined
17 below), as more fully described elsewhere in this proxy
18 statement/prospectus) as of immediately prior to the effective time of
19 the Merger, and, together with shares of Opendoor common stock
20 reserved in respect of Opendoor Awards (as defined below and as
21 described further in the immediately succeeding paragraph)
22 outstanding as of immediately prior to the Closing that will be
23 converted into awards based on Opendoor Technologies common
24 stock, will be cancelled in exchange for the right to receive, or the
25 reservation of, an aggregate of 500,000,000 shares of Opendoor
26 Technologies common stock (at a deemed value of \$10.00 per share)
27 or, as applicable, shares underlying awards based on Opendoor
28 Technologies common stock, representing a pre-transaction equity
value of Opendoor of \$5.0 billion (the “Aggregate Merger
Consideration”) [T]his proxy statement/prospectus also relates
to the issuance by Opendoor Technologies of 504,789,092 shares of
Opendoor Technologies common stock issued in connection with the
Merger described herein. In addition, this proxy statement/prospectus
relates to the resale of such shares of Opendoor Technologies
common stock. The holders of these shares may from time to time
sell, transfer or otherwise dispose of any or all of these shares in a

1 number of different ways and at varying prices, and we will not
2 receive any proceeds from such transactions.

3 339. Importantly, the December 2020 Offering Documents explained that the newly
4 issued shares of Opendoor common stock would be listed on the NASDAQ under the symbol
5 “OPEN” and the newly issued warrants of Opendoor would be separately listed on the
6 NASDAQ under the symbol “OPEN.W.” Specifically, the December 2020 Offering
7 Documents stated:

8 The SCH units, SCH Class A ordinary shares and SCH warrants are
9 currently listed on the New York Stock Exchange (“NYSE”) under
10 the symbols “IPOB,” “IPOB.U” and “IPOB.WS,” respectively. SCH
11 will apply for listing, to be effective at the time of the Business
12 Combination, of Opendoor Technologies common stock and
13 Opendoor Technologies warrants on The Nasdaq Global Select
14 Market (“Nasdaq”) under the proposed symbols “OPEN” and
15 “OPEN[W]” respectively.

16 340. On December 17, 2020, in connection with the Extraordinary General Meeting
17 held on December 17, 2020, shareholders of SCH approved the merger.

18 341. Then, on December 21, 2020, pursuant to the December 2020 Offering
19 Documents, Opendoor’s common stock and warrants began trading on NASDAQ under the
20 symbols “OPEN” and “OPENW”, respectively.

21 342. Because the de-SPAC merger here involved a registration statement on Form
22 S-4 issuing registered Opendoor securities, Defendants are liable under Section 11 of the
23 Securities Act for the materially false statements contained in the registration statement.¹⁶ As
24 the former Acting Director of the SEC’s Division of Corporate Finance, John Coates, stated,

25 ¹⁶ See, e.g., Adam Brenneman, et al., *Rising Threat of Securities Liability for SPAC*
26 *Sponsors*, HARV. LAW SCHOOL FORUM ON CORP. GOVERNANCE, Nov. 9, 2020,
27 [https://corpgov.law.harvard.edu/2020/11/09/rising-threat-of-securities-liability-for-spac-](https://corpgov.law.harvard.edu/2020/11/09/rising-threat-of-securities-liability-for-spac-sponsors/)
28 [sponsors/](https://corpgov.law.harvard.edu/2020/11/09/rising-threat-of-securities-liability-for-spac-sponsors/) (“[t]he de-SPAC also often involves a registered offering of the SPAC’s shares, so
there could also be claims under Section 11 of the Securities Act of 1933 (the ‘Securities Act’) against the issuer and its officers and directors”); see also Andrew F. Touch & Joel Seligman, *The Further Erosion of Investor Protection: Expanded Exemptions, SPAC Mergers, and Direct Listings*, 108 Iowa L. Rev. 303, 330 (2022) (“conventionally structured SPAC mergers may be required to use registration statements For any of these companies, Section 11 liability will arise . . .”).

1 “any material misstatement in or omission from an effective Securities Act registration
2 statement as part of a de-SPAC business combination is subject to Securities Act Section
3 11.”¹⁷

4 C. Summary of the February 2021 Secondary Public Offering

5 343. On February 9, 2021, Opendoor completed a secondary public offering (the
6 “February 2020 SPO”). On that day, the Company sold an additional 32,817,421 shares of
7 its common stock at a public offering price of \$27.00 per share. Through sales of common
8 stock, the February 2021 SPO generated approximately \$886 million in gross proceeds, and
9 the Company received proceeds from the February 2021 SPO of approximately \$859.5
10 million (net of underwriting discounts and commissions).¹⁸

11 344. In connection with the February 2021 SPO, the Company filed a registration
12 statement on Form S-1 which was declared effective by the SEC on February 4, 2021 (the
13 “February 2021 Registration Statement”). The Company also filed with the SEC a prospectus
14 related to the offering on Form 424B4 on February 8, 2021 (with the February 2021
15 Registration Statement, the “February 2021 SPO Documents”).

16 345. The December 2020 Offering Documents and the February 2021 SPO
17 Documents are sometimes collectively referred to herein as the “Offering Documents.”

18 346. The Offering Documents contained false statements of material fact and were
19 not prepared in accordance with the rules and regulations governing their preparation.

21 ¹⁷ See John Coates, *SPACs, IPOs and Liability Risk under the Securities Laws*, SEC
22 (Apr. 8, 2021), <https://www.sec.gov/news/public-statement/spacs-ipos-liability-risk-under-securities-laws>.

23 ¹⁸ Specifically, on February 9, 2021, Opendoor completed the secondary public offering
24 of 28,536,888 (the “Firm Shares”) of its common stock at an offering price of \$27.00 per
25 share. Pursuant to the Underwriting Agreement, on February 9, 2021, Citigroup Global
26 Markets Inc. and Goldman Sachs & Co. LLC, as representatives (the “Representatives”) of
27 the several underwriters named therein, exercised in full the option granted to them in the
28 Underwriting Agreement to purchase up to 4,280,533 additional shares (the “Option Shares”)
of Common Stock, and the sale of the Option Shares was completed on February 11, 2021. In
total, including the Firm Shares and the Option Shares, the Company sold 32,817,421 shares
of its Common Stock at a public offering price of \$27.00 per share. Through sales of common
stock, the February 2021 SPO generated approximately \$886 million in gross proceeds, and
the Company received proceeds from the February 2021 SPO of approximately \$859.5
million (net of underwriting discounts and commissions).

1 Specifically, the Offering Documents contained false statements regarding, *inter alia*,
2 Opendoor's business model and the purported benefits and competitive advantages of the
3 algorithm.

4 **D. Opendoor's Stock Plummet as it is Gradually Revealed that Opendoor's**
5 **Algorithm Could Not Maintain Contribution Margins in any Market**

6 347. Following the Offerings, a series of disclosures revealed declining contribution
7 margins and profitability as a result of a changing housing market, which is something that
8 the Offering Documents had claimed Opendoor was not susceptible to given its accurate AI-
9 based pricing algorithm.

10 348. First, on February 24, 2022, Opendoor issued a press release and a shareholder
11 letter announcing its financial results for the fourth quarter and year ended December 31,
12 2021. The press release revealed that the Company's fourth quarter 2021 contribution
13 margin—a key profitability metric—was 4.0%, which was a significant decline from the
14 Company's fourth quarter 2020 contribution margin of 12.6%.

15 349. Then, on September 19, 2022, citing a review of industry data, Bloomberg
16 reported that the Company appeared to have lost money on 42 percent of its transactions in
17 August 2022 (as measured by the prices at which it bought and sold properties). Bloomberg
18 further reported that the data was even worse in key markets such as Los Angeles, California,
19 where Opendoor lost money on 55 percent of sales, and Phoenix, Arizona, where it lost money
20 on 76 percent of sales. Worse, a global real estate tech strategist interviewed by Bloomberg,
21 Mike DelPrete, predicted that, based on his analyses, September would likely be even worse
22 for Opendoor than August.

23 350. Finally, on November 3, 2022, Opendoor revealed that its contribution margin
24 for the third quarter 2022 was **negative 0.7%**—well below the Company's 4% to 6%
25 contribution margin range and well below the Company's contribution margin of 7.5% from
26 the third quarter of 2021.

27 351. Following the November 3, 2022 earnings announcement, Opendoor's stock
28 price fell by \$0.60 per share, or 25.85% over the next two trading days, to close at \$1.74 per

1 share on November 7, 2022—a **94.43% decline** from the Company’s post-Merger closing
2 stock price of \$31.25 per share on December 21, 2020 (the “Initial Closing Price”).

3 **XIX. JURISDICTION**

4 352. These claims arise under Sections 11 and 15 of the Securities Act (15 U.S.C. §§
5 77k and 77o).

6 353. This Court has jurisdiction over the subject matter of this action pursuant to
7 Section 22 of the Securities Act (15 U.S.C. § 77v).

8 354. Venue is proper in this Judicial District pursuant to Section 22 of the Securities
9 Act. Substantial acts related to the Offering occurred in this Judicial District. Defendants
10 made materially false representations to investors that were disseminated to investors in this
11 District.

12 355. In connection with the acts, transactions, and conduct alleged herein,
13 Defendants, directly and indirectly, used the means and instrumentalities of interstate
14 commerce, including the United States mail, interstate telephone communications, or the
15 facilities of a national securities exchange.

16 **XX. THE SECURITIES ACT PARTIES**

17 **A. Plaintiffs**

18 356. On February 1, 2023, the Court appointed Indiana Public Retirement System
19 (“Indiana”), Oakland County Employees’ Retirement System (“Oakland County ERS”), and
20 Oakland County Voluntary Employees’ Beneficiary Association (“Oakland County VEBA”)
21 (together, “Lead Plaintiffs”) to serve as Lead Plaintiffs pursuant to the Private Litigation
22 Reform Act of 1995 (“PSLRA”).

23 357. Plaintiffs Oakland County ERS and Oakland County VEBA (together,
24 “Oakland County Funds”), provide retirement services and are headquartered in Michigan.
25 The Oakland County Funds managed approximately \$2.4 billion in net assets on behalf of
26 thousands of members and their beneficiaries. As set forth in Lead Plaintiffs’ attached
27 certifications, Plaintiff Oakland County Funds purchased Opendoor securities pursuant to
28 and/or traceable to the Offering Materials at artificially inflated prices and have been damaged

1 thereby. Specifically, Oakland County Funds purchased Opendoor common stock on
2 February 5, 2021 at \$27.00 per share from Citigroup, an underwriter of the February 2021
3 SPO.

4 358. Additional Plaintiff Stuart Graham Hereford (“Additional Plaintiff” and
5 together with Lead Plaintiffs, “Plaintiffs”). Additional Plaintiff purchased Opendoor and/or
6 SCH common stock at a time when only shares registered in the December 2020 Offering
7 were in the market. Specifically, as set forth in Additional Plaintiff’s attached certification,
8 Additional Plaintiff purchased shares pursuant and/or traceable to the December 2020
9 Offering Documents on December 18, 2020, December 28, 2020, and December 31, 2020.
10 As described above, the October 5, 2020 registration statement, which was declared effective
11 by the SEC on November 27, 2020, registered 546,189,092 newly issued shares of Opendoor
12 common stock, which included 41,400,000 shares of SCH which automatically converted on
13 a one-to-one basis to Opendoor common stock.

14 **B. Defendants**

15 **1. Corporate Defendants**

16 359. Defendant Opendoor Technologies Inc. is a Delaware corporation with its
17 principal executive offices located at 410 N. Scottsdale Road, Suite 1600, Tempe, Arizona
18 85281. The Company went public via a reverse-merger with Social Capital Hedosophia
19 Holdings Corp. II (“SCH”), a special purpose acquisition company (the “de-SPAC Merger”).
20 Prior to the de-SPAC Merger, SCH’s units, Class A ordinary shares, and warrants traded on
21 the New York Stock Exchange under the ticker symbols “IPOB,” “IPOB.U,” and
22 “IPOB.WS,” respectively. In connection with the de-SPAC Merger, since December 21,
23 2020, the post-merger company’s common stock and warrants have traded on the NASDAQ
24 under the ticker symbols “OPEN” and “OPENW,” respectively.

25 360. Defendant SCH was a blank check company incorporated on October 18, 2019
26 as a Cayman Islands exempted company and incorporated for the purpose of effecting a
27 merger, share exchange, asset acquisition, share purchase, reorganization, or similar business
28 combination with one or more businesses. SCH neither engaged in any operations nor

1 generated any revenue. On April 30, 2020, SCH consummated its initial public offering off
2 its units, with each unit consisting of one SCH Class A ordinary share and one-third of one
3 public warrant. The SCH units, SCH Class A ordinary shares, and SCH warrants were listed
4 on the New York Stock Exchange (“NYSE”) under the symbols “IPOB.U,” “IPOB” and
5 “IPOB.WS,” respectively. Pursuant to the de-SPAC Merger, Hestia Merger Sub Inc., a newly
6 formed subsidiary of SCH (“Merger Sub”), merged with and into Opendoor Labs Inc. Upon
7 the completion of the transactions contemplated by the terms of the Merger Agreement, on
8 December 18, 2020, the separate corporate existence of Merger Sub ceased, and Opendoor
9 Labs Inc. survived the merger and became a wholly owned subsidiary of SCH. On December
10 18, 2020, SCH also filed a notice of deregistration with the Cayman Islands Registrar of
11 Companies, together with the necessary accompanying documents, and filed a certificate of
12 incorporation and a certificate of corporate domestication with the Secretary of State of the
13 State of Delaware, under which SCH was domesticated as a Delaware corporation, changing
14 its name from “Social Capital Hedosophia Holdings Corp. II” to “Opendoor Technologies
15 Inc.” Since December 21, 2020, the post-merger company’s common stock and warrants
16 have traded on the NASDAQ under the ticker symbols “OPEN” and “OPENW,” respectively.

17 361. Defendants Opendoor Technologies Inc. and SCH are collectively referred to
18 as “the Company.”

19 2. Individual Defendants

20 362. Defendant Eric Wu (“Wu”) co-founded Opendoor and served Opendoor’s
21 Chairman of the Board of Directors and Chief Executive Officer (“CEO”) following the
22 consummation of the Merger until December 1, 2022, when he resigned as CEO of Opendoor.
23 Defendant Wu signed or authorized the signing of the February 2021 SPO Documents filed
24 with the SEC.

25 363. Defendant Carrie Wheeler (“Wheeler”) served as Opendoor’s Chief Financial
26 Officer (“CFO”) following the consummation of the Merger until December 1, 2022, when
27 she was appointed as CEO in place of former CEO Defendant Wu. Defendant Wheeler signed
28 or authorized the signing of the February 2021 SPO Documents filed with the SEC.

1 364. Defendant Adam Bain (“Bain”) served as a Director of Opendoor at all relevant
2 times prior to consummation of the Merger and the February 2021 SPO. Bain signed or
3 authorized the signing of the December 2020 Offering Documents and the February 2021
4 SPO Documents filed with the SEC.

5 365. Defendant Cipora Herman (“Herman”) served as a Director of Opendoor at all
6 relevant times prior to consummation of the Merger and the February 2021 SPO. Prior to the
7 Merger, Herman served as a Director of SCH. Herman signed or authorized the signing of
8 the December 2020 Offering Documents and the February 2021 SPO Documents filed with
9 the SEC.

10 366. Defendant Pueo Keffer (“Keffer”) served as a Director of Opendoor at all
11 relevant times prior to consummation of the Merger and the February 2021 SPO. Keffer
12 signed or authorized the signing of the February 2021 SPO Documents.

13 367. Defendant Glenn Solomon (“Solomon”), served as a Director of Opendoor at
14 all relevant times prior to consummation of the Merger and the February 2021 SPO. Solomon
15 signed or authorized the signing of the February 2021 SPO Documents.

16 368. Defendant Jason Kilar (“Kilar”), served as a Director of Opendoor at all relevant
17 times prior to consummation of the Merger and the February 2021 SPO. Kilar signed or
18 authorized the signing of the February 2021 SPO Documents.

19 369. Defendant Jonathan Jaffe (“Jaffe”), served as a Director of Opendoor at all
20 relevant times prior to consummation of the Merger and the February 2021 SPO. Jaffe signed
21 or authorized the signing of the February 2021 SPO Documents.

22 370. Defendant Chamath Palihapitiya (“Palihapitiya”) served as SCH’s CEO and
23 Chairman of the Board of Directors at all relevant times prior to consummation of the Merger.
24 Palihapitiya signed or authorized the signing of the December 2020 Offering Documents filed
25 with the SEC.

26 371. Defendant Steven Trieu (“Trieu”) served as SCH’s CFO at all relevant times
27 prior to consummation of the Merger. Trieu signed or authorized the signing of the December
28 2020 Offering Documents filed with the SEC.

1 372. Defendant Ian Osborne (“Osborne”) served as SCH’s President and a Director
2 at all relevant times prior to consummation of the Merger. Osborne signed or authorized the
3 signing of the December 2020 Offering Documents filed with the SEC.

4 373. Defendant David Spillane (“Spillane”) served as a Director of SCH at all
5 relevant times prior to consummation of the Merger. Spillane signed or authorized the signing
6 of the December 2020 Offering Documents filed with the SEC.

7 374. Defendants identified in paragraphs 362-73, are sometimes referred to herein
8 collectively as the “Securities Act Individual Defendants.”

9 375. As directors, executive officers, and/or major shareholders of the Company the
10 Securities Act Individual Defendants participated in the solicitation of Opendoor common
11 stock in the Merger and the SPO for their own benefit and the benefit of the Company. Many
12 of the Securities Act Individual Defendants were key members of the Merger working group
13 and executives of the Company who pitched investors to approve the Merger and the shares
14 acquired in the Merger and/or promoted the shares issued in the SPO to investors.

15 **3. Underwriter Defendants**

16 376. Defendant Citigroup Global Markets Inc. is a financial services company
17 incorporated in the state of New York and performs significant business in this District,
18 including acting as an underwriter on the February 2021 SPO.

19 377. Defendant Goldman Sachs & Co. LLC is a financial services company
20 incorporated in the state of New York and performs significant business in this District,
21 including acting as an underwriter on the February 2021 SPO.

22 378. Defendant Barclays Capital Inc. is a financial services company incorporated in
23 the state of Connecticut and performs significant business in this District, including acting as
24 an underwriter on the February 2021 SPO.

25 379. Defendant Deutsche Bank Securities Inc. is a financial services company
26 incorporated in the state of Delaware and performs significant business in this District,
27 including acting as an underwriter on the February 2021 SPO.

1 380. Defendant Oppenheimer & Co. Inc. is a financial services company
2 incorporated in the state of New York and performs significant business in this District,
3 including acting as an underwriter on the February 2021 SPO.

4 381. Defendant BTIG, LLC is a financial services company incorporated in the state
5 of Delaware and performs significant business in this District, including acting as an
6 underwriter on the February 2021 SPO.

7 382. Defendant KeyBanc Capital Markets Inc. is a financial services company
8 incorporated in the state of Ohio and performs significant business in this District, including
9 acting as an underwriter on the February 2021 SPO.

10 383. Defendant Wedbush Securities Inc. is a financial services company
11 incorporated in the state of California and performs significant business in this District,
12 including acting as an underwriter on the February 2021 SPO.

13 384. Defendant TD Securities (USA) LLC is a financial services company
14 incorporated in the state of Delaware and performs significant business in this District,
15 including acting as an underwriter on the February 2021 SPO.

16 385. Defendant Zelman Partners LLC is a financial services company incorporated
17 in the state of Delaware and performs significant business in this District, including acting as
18 an underwriter on the February 2021 SPO.

19 386. Defendant Academy Securities, Inc. is a financial services company
20 incorporated in the state of Delaware and performs significant business in this District,
21 including acting as an underwriter on the February 2021 SPO.

22 387. Defendant Loop Capital Markets LLC is a financial services company
23 incorporated in the state of Delaware and performs significant business in this District,
24 including acting as an underwriter on the February 2021 SPO.

25 388. Defendant Samuel A. Ramirez & Company, Inc. is a financial services company
26 incorporated in the state of New York and performs significant business in this District,
27 including acting as an underwriter on the February 2021 SPO.

28

1 389. Defendant Siebert Williams Shank & Co., LLC is a financial services company
2 incorporated in the state of Delaware and performs significant business in this District,
3 including acting as an underwriter on the February 2021 SPO.

4 390. The defendants identified in paragraphs 376-89 (collectively, the “Underwriter
5 Defendants”) served as the underwriters for the February 2021 SPO. Each of the Underwriter
6 Defendants served as an underwriter for the February 2021 SPO. The Underwriter
7 Defendants’ failure to conduct adequate due diligence in connection with the February 2021
8 SPO and the preparation of the February 2021 SPO Documents was a substantial factor
9 leading to the harm complained of herein.

10 391. Opendoor, SCH, the Underwriter Defendants, and the Securities Act Individual
11 Defendants are sometimes referred to herein collectively, in whole or in part, as the
12 “Securities Act Defendants.”

13 392. Opendoor, SCH, the Securities Act Individual Defendants, and the Underwriter
14 Individual Defendants are sometimes collectively, in whole or in part, referred to herein as
15 “Defendants.”

16 **C. Relevant Third Parties**

17 393. Confidential Witness (“CW”) 1¹⁹ was employed by Opendoor as Head of
18 Brokerage – Homebase from April 2022 until November 2022. According to CW 1, her
19 responsibilities included brokering Opendoor properties to Real Estate Investment Trust
20 (“REIT”) buyers, adding that she was a “Head of Open Exchange,” and that she lived and
21 worked for Opendoor in the San Francisco Bay area. In 2022, Opendoor’s National Director
22 of Brokerage, Chelsea Goyer, was speaking to CW 1 about inventory that was not selling, and
23 asked CW 1 about the San Francisco Area. At that point CW 1 volunteered to take a look at
24 the current inventory of Opendoor properties in San Francisco and Southern California to see
25 if she could provide insight into why it was not selling.

26 394. CW 2 was a Pricing Analyst at Opendoor from July 2021 to July 2022. CW 2
27 was based in Phoenix and priced homes in several cities in the Western United States,

28 ¹⁹ All CWs are described in the feminine to protect their identity.

1 including Phoenix, Tucson, Prescott, Los Angeles, San Bernadino County, San Diego, San
2 Francisco, Sacramento, Portland, Boise, Albuquerque, Las Vegas, and Reno. CW 2 reported
3 to the Pricing Escalation Manager for the Western United States. As a Pricing Analyst, CW
4 2 played a vital role in setting Opendoor's final offer price for homes.

5 395. CW 3 was a customer experience partner at Opendoor from March 2021 to
6 November 2022. CW 3 initially worked with sellers throughout the nation, but later in her
7 tenure she was regionalized to mostly working with sellers on the east coast. As a customer
8 experience partner, CW 3 worked with customers through the process of obtaining an offer
9 from Opendoor, and if accepted, selling their home to the company. CW 3 explained that she
10 was the first and primary representative of the Company that customers interacted with during
11 the process of selling their home.

12 396. CW 4 was an associate at Opendoor Home Loans during the period of
13 December 21, 2020 through November 3, 2022 (the "Relevant Period"). According to CW
14 4, her responsibilities included working with the finance department. CW 4's geographic
15 areas of responsibility included the southeast and parts of the east coast.

16 397. CW 5 was an Acquisition Associate at Opendoor from approximately
17 November 2018 through March 2020. CW 5 described her job duties as pricing offers on
18 properties that came in to Opendoor which could not be "taken on," or priced automatically,
19 by the Company's underwriting and appraisal software or algorithm.

20 398. CW 6 was employed at Opendoor from approximately 2018 through November
21 2022. CW 6's most recent position was a Data Scientist. In that role, CW 6 reported to a
22 Staff Research Scientist at Opendoor, who in turn reported to the Vice President of Investment
23 Operations, Portfolio Management, and Strategy. CW 6 started at Opendoor working in
24 Business Operations. CW 6 then moved into Data Science operations, initially for the
25 Consumer team, then ultimately on the Pricing team. CW 6 explained the basic role of the
26 Pricing Team was to analyze how much the company could list for homes to sell.

27 399. CW 7 was employed by Opendoor from November 2021 to September 2022 as
28 a Senior Loan Officer, and she held the same title at RedDoor from April 2021 to November

1 2021, when she then transitioned over to Opendoor when Opendoor acquired RedDoor. CW
2 7's job responsibilities included originating home loans. In her final reporting structure, CW
3 7 reported someone she described as like a Head of Loans Operations, who reported to Head
4 of Finance, who CW 7 believes reported to Defendant Wu.

5 400. CW 8 was employed by Opendoor from mid-2021 through the end of the
6 Relevant Period as a staff research scientist. CW 8 was three levels removed from CEO Eric
7 Wu. As a staff research scientist, CW 8 worked with Opendoor's algorithm on the sales side,
8 including working closely with the Company's executives and senior level executives on
9 adjusting the various algorithms that made up Opendoor's "valuation model" for pricing the
10 sales of Opendoor properties, based on those executives' decisions and feedback.

11 **XXI. THE MATERIALLY FALSE STATEMENTS IN THE OFFERING**
12 **MATERIALS**

13 **A. Materially False Statements Contained in the December 2020 Offering**
14 **Documents**

15 401. October 5, 2020, the Company filed a registration statement on Form S-4 with
16 the SEC in connection with the Merger, which, after several amendments, was declared
17 effective by the SEC on November 27, 2020 (the "November 2020 Registration Statement").
18 On November 30, 2020, the Company filed the Proxy on Form 424B3 with the SEC in
19 connection with the Merger, which formed part of the November 2020 Registration Statement
20 (the "Proxy Statement/Prospectus" and, together with the November 2020 Registration
21 Statement, the "December 2020 Offering Documents"). On December 21, 2020, Opendoor's
22 post-merger common stock began publicly trading on the NASDAQ pursuant to the materially
23 false statements and omissions contained in the December 2020 Offering Documents.

24 402. The December 2020 Offering Documents, which were signed by Defendants
25 Palihapitiya, Trieu, Osborne, Bain, Spillane, and Herman, contained materially false
26 statements about the Company's business and the purported benefits of the AI-powered
27 algorithm. Specifically, the December 2020 Offering Documents claimed that Opendoor's
28 algorithm is what drove pricing decisions and it could adjust to changing market conditions
in order to maintain margins. Specifically, the 2020 Offering Documents stated:

1
2 *Pricing Accuracy.* Our unique data works in concert with our pricing
3 algorithms. *These algorithms use machine learning to drive pricing*
4 *decisions through demand forecasting, outlier detection, risk*
5 *pricing, and inventory management.* Over time, we have improved
6 the pricing accuracy of our models as we add new data inputs and
7 refine model logic, improvements that compound with experience and
8 scale. As we have continued to demonstrate improving accuracy, we
9 have also been able to increase our number of fully automated home
10 valuations.

11 Advancements in model sophistication have accelerated our feedback
12 loops, such that *our systems can dynamically adjust to leading*
13 *market indicators and react to real-time macro- and micro-*
14 *economic conditions.* Our pricing algorithms are designed to
15 dynamically adjust to leading indicators and market conditions so that
16 the business can react to real-time economic conditions. This
17 responsiveness is critical to pricing accurately and maintaining
18 margins, especially in periods of volatility.

19 403. These statements in ¶ 402 were materially false when made because Opendoor's
20 pricing decisions were driven by humans, not the algorithm. As explained by multiple former
21 employees, Opendoor's offers were generated largely by humans—specifically, the
22 Company's pricing analysts. For example, CW 2, a Pricing Analyst at Opendoor, stated that
23 what she and other pricing analysts were doing to price homes was no different than what any
24 real estate agent would do to price a home for the market. Similarly, CW 5 stated that
25 approximately 50% of the properties had to be sent to human beings for review. Moreover,
26 the FTC's findings demonstrate that Opendoor relied on humans to drive its pricing decisions
27 since before the December 2020 Offering Documents. Specifically, the FTC found that
28 around 2018 Opendoor instituted a policy of manually lowering the price of its offers without
disclosing that they were less than market value.

404. Moreover, the statement in ¶ 402 was also materially false when made because
Opendoor's algorithm could not adjust to leading market indicators or react to real-time
macro- and micro-economic conditions. As explained below, the algorithm failed to adjust
to the changing housing market in early 2022 when interest rates started increasing and home

1 prices stopped appreciating as they had been in late 2020 and throughout 2021. Therefore,
2 contrary to the Exchange Act Defendants' representations, the algorithm could not
3 "dynamically adjust to leading indicators and market conditions so that the business can react
4 to real-time economic conditions."

5 405. The December 2020 Offering Materials also falsely stated that the Company's
6 pricing algorithm drove the Company's profitability:

7 **Pricing accuracy and automation.** We have invested significant
8 engineering, data science, and operations resources in our pricing
9 infrastructure. *Our proprietary, machine learning-based pricing*
10 *models are key to our ability to acquire and resell thousands of*
11 *homes per month accurately, profitably, and with increasing levels*
12 *of automation.* Based on our historical results, we believe pricing
performance will continue to improve with operating experience and
scale.

13 406. This statement in ¶ 405 was materially false when made because the Company's
14 profitability was not driven by the algorithm, but rather, deceptive consumer practices such
15 as lowering the algorithm's offer before submitting it to the seller and charging the seller for
16 repairs that Opendoor did not make. According to the FTC, Opendoor engaged in this conduct
17 before the December 2020 Offering Materials, *see* Section XXI(C)(2), *infra*, and according
18 to multiple CWs, Defendants continued the misconduct throughout the Relevant Period. *See*
19 Section XXI(C)(3) *infra*.

20 407. The December 2020 Offering Materials also contained false statements about
21 how the Company generated its revenue. For example, the 2020 Offering Materials stated:

22 In order to finalize our offer, we conduct a free assessment to confirm
23 all of the home details and identify any repairs that may need to be
24 performed. We have developed purpose-built software to guide home
25 assessment workflows and collect over 100 unique data points
26 regarding a home's condition and quality, which we incorporate as
27 structured data into our underlying pricing models. Once completed,
28 we finalize our offer, *taking into consideration any necessary*
repairs, and produce the purchase agreement for the seller. Our
objective is to provide a competitive cash offer to sellers and we
believe this approach builds trust with our potential customers. *Our*

1 *business model is designed to generate margins from our service*
2 *charge to sellers and ancillary products and services associated with*
3 *a transaction, and not from the spread between acquisition price and*
4 *resale price.*

5 408. The statement in ¶ 407 was materially false when made because contrary to
6 Defendants' statements, the Company's business model was in reality designed to generate
7 margins from the spread between acquisition price and resale price, i.e., from buying low and
8 selling high. As the FTC found during its over two-year long investigation, although
9 "Opendoor claimed that it did not make money from 'buying low and selling high,' . . . gains
10 from selling homes for more than its offer price are a *key contributor* to [Opendoor's]
11 revenue." See ¶ 436, *infra*.

12 **B. Materially False Statements Contained in the February 2021 SPO**
13 **Documents**

14 409. On February 24, 2021, the Company filed with the SEC the February 2021 SPO
15 Documents. The February 2021 SPO Documents contained substantively the same statements
16 as referenced in paragraphs 402, 405, and 407, *supra*, regarding Opendoor's proprietary
17 algorithm, the algorithm's purported pricing accuracy, and the algorithm's purported ability
18 to adjust to macro- and micro-economic conditions.

19 410. Specifically, the February 2021 SPO Documents, which were signed by
20 Defendants Wu, Wheeler, Bain, Herman, Jaffe, Keffer, Kilar, and Solomon, falsely stated that
21 Opendoor's algorithm is what drove pricing decisions and it could adjust to changing market
22 conditions in order to maintain margins. Specifically, the February 2021 SPO Documents
23 stated:

24 *Pricing Accuracy.* Our unique data works in concert with our pricing
25 algorithms. *These algorithms use machine learning to drive pricing*
26 *decisions through demand forecasting, outlier detection, risk*
27 *pricing, and inventory management.* Over time, we have improved
28 the pricing accuracy of our models as we add new data inputs and
refine model logic, improvements that compound with experience and
scale. As we have continued to demonstrate improving accuracy, we

1 have also been able to increase our number of fully automated home
2 valuations.

3 Advancements in model sophistication have accelerated our feedback
4 loops, such that *our systems can dynamically adjust to leading*
5 *market indicators and react to real-time macro- and micro-*
6 *economic conditions*. Our pricing algorithms are designed to
7 dynamically adjust to leading indicators and market conditions so that
8 the business can react to real-time economic conditions. This
9 responsiveness is critical to pricing accurately and maintaining
10 margins, especially in periods of volatility.

11 411. These statement in ¶ 410 was materially false when made for the reasons
12 identified in ¶¶ 403-04, *supra*.

13 412. The February 2021 SPO Documents also falsely stated that the Company's
14 pricing algorithm drove the Company's profitability:

15 **Pricing accuracy and automation.** We have invested significant
16 engineering, data science, and operations resources in our pricing
17 infrastructure. *Our proprietary, machine learning-based pricing*
18 *models are key to our ability to acquire and resell thousands of*
19 *homes per month accurately, profitably, and with increasing levels*
20 *of automation*. Based on our historical results, we believe pricing
21 performance will continue to improve with operating experience and
22 scale.

23 413. This statement in ¶ 412 was materially false when made for the reasons
24 identified in ¶ 406, *supra*.

25 414. The February 2021 SPO Documents also contained false statements about how
26 the Company generated its revenue. For example, the February 2021 SPO Documents stated:

27 In order to finalize our offer, we conduct a free assessment to confirm
28 all of the home details and identify any repairs that may need to be
performed. We have developed purpose-built software to guide home
assessment workflows and collect over 100 unique data points
regarding a home's condition and quality, which we incorporate as
structured data into our underlying pricing models. Once completed,
we finalize our offer, *taking into consideration any necessary*
repairs, and produce the purchase agreement for the seller. Our

1 objective is to provide a competitive cash offer to sellers and we
2 believe this approach builds trust with our potential customers. ***Our***
3 ***business model is designed to generate margins from our service***
4 ***charge to sellers and ancillary products and services associated with***
5 ***a transaction, and not from the spread between acquisition price and***
6 ***resale price.***

7 415. The statement in ¶ 414 was materially false when made for the reasons
8 identified in ¶ 408, *supra*.

9 **C. Statements in the Offering Documents Were Materially False**

10 **1. Former Opendoor Employees Reveal that the Pricing Algorithm**
11 **Was Largely Inaccurate and Humans Drove Pricing Decisions**

12 416. Former employees reveal that humans played a large role in pricing Opendoor's
13 offers, which made Opendoor susceptible to the same market fluctuations as every other
14 iBuying and real estate company in the world.

15 417. CW 5 was an Acquisition Associate at Opendoor from approximately
16 November 2018 through March 2020. CW 5 was brought in to price the initial offers sent to
17 customers. CW 5 described her job duties as pricing any property that could not be priced
18 automatically by the Company's underwriting and appraisal software or algorithm. CW 5
19 stated that management flagged certain properties that could not be processed through the
20 algorithm to generate an offer. According to CW 5, approximately 50% of the properties had
21 to be sent to human beings for review.

22 418. Similarly, according to CW 6, who worked at Opendoor from approximately
23 2018 through November 2022, the algorithm's initial offer price was reviewed by the human
24 pricing analysts and portfolio managers. CW 6 added that the analysts and portfolio managers
25 could use certain data to adjust the initial offer price based on specific details of the home in
26 question and other market variables.

27 419. Other former employees reveal that humans, and not the algorithm, continued
28 to drive Opendoor's pricing decisions after the December 2020 and February 2021 offerings.

1 420. For example, CW 2, who worked as a Pricing Analyst at Opendoor during the
2 Relevant Period, CW 2 said the algorithm often priced homes incorrectly. “The automated
3 system was never accurate,” CW 2 said. “It had a lot of flaws. A lot.”

4 421. Indeed, CW 2 explained that Pricing Analysts and their managers did not trust
5 the pricing algorithm to generate an accurate final offer. CW 2 stated that both her
6 managers—who were the Pricing Escalation Managers for the Western U.S.—continuously
7 told her and other pricing analysts not to depend on the automatically generated number from
8 the algorithm. When CW 2 first started at Opendoor, her manager told the team, “Don’t look
9 at what the system is coming in at.” According to CW 2, the managers thought if analysts
10 looked at the automatically generated number, the analyst’s opinion would be biased about
11 what the actual price should be. CW 2 recalled that her managers instructed her team: “What
12 the automated system gave out, don’t anchor to it because it’s not going to be correct.” CW
13 2’s manager instructed pricing analysts to use their own best judgment to determine the
14 correct final offer.

15 422. CW 2 explained that when pricing analysts got an automatically generated final
16 offer price from the pricing algorithm, they could adjust it to better reflect what they thought
17 the price should be or in response to guidance from their managers.

18 423. For example, in the spring and early summer of 2022, CW 2 said pricing
19 analysts were instructed to go into the pricing system and adjust the pricings being generated
20 by the algorithm in the Las Vegas market. According to CW 2, the Company’s algorithm was
21 dramatically overpricing homes in Las Vegas. CW 2 said “[t]he automated system offers
22 were just insane offers that any seller would say yes, I’ll take it right away.”

23 424. CW 2 said that most of the final offers CW 2 submitted were lower than the
24 algorithm-generated price. CW 2 said she adjusted the prices downward because the system
25 was consistently overpricing the homes. Indeed, CW 2 said that about 90 percent of the final
26 offers she submitted for approximately 4,000 homes she priced were below the number
27 generated by the system.

28

1 425. CW 2 also explained that some markets had pricing caps, which meant if the
2 algorithm generated a final offer higher than the cap, the pricing analyst had to adjust the price
3 below the cap.

4 426. CW 2 said that Opendoor did not typically use its fully automated pricing
5 algorithm to generate final offer prices for homes. Mostly, the Company used pricing analysts
6 to participate in the process and inject subjective, human judgment into determining the final
7 offer price. CW 2 said the only time the Company “turned on” the algorithm and let it
8 generate final offers without any human input was when the queue of homes needing a final
9 offer was overloaded. For example, if the queue was backed up with more than 1,000 homes,
10 the Company would turn on the system and let the algorithm run independently and generate
11 final offers for homes until the queue cleared out, CW 2 said. CW 2 said the fully automated
12 system was only turned on three to four times a month and was on “just to help us clear out”
13 the queue. According to CW 2, “The vast majority (of final offers) were human-made offers.”

14 427. Ultimately, according to CW 2, what she and other pricing analysts were doing
15 to price homes was no different than what any real estate agent would do to price a home for
16 the market.

17 **2. The FTC Investigation Reveals Human Involvement and Deceptive**
18 **Practices Designed to Drive Contribution Margin**

19 428. On August 1, 2022, the United States Federal Trade Commission (“FTC”)
20 issued a press release announcing a settlement with Opendoor and releasing its complaint
21 against the Company.

22 429. The Complaint—which was based on an over two-year long investigation—
23 offered significant details about the FTC’s over two-year long investigation and corroborates
24 the former employees’ allegations that Opendoor’s pricing decisions were driven by humans
25 and that much of the Company’s contribution margin success was the result of human-driven
26 deceptive consumer practices, such as charging sellers for unnecessary repairs in order to keep
27 the extra money as profit.
28

1 430. The FTC complaint found that Opendoor offered below market value for
2 homes. The FTC complaint explained that Opendoor had an internal policy of **manually**
3 adjusting the price that was supposedly generated solely by the Company’s algorithm.
4 Specifically, the FTC complaint explained that “Opendoor took various steps to reduce offers
5 below what their internal valuation system deemed to be a home’s market value.” The FTC
6 complaint found that around August 2018, Opendoor instituted a policy of manually lowering
7 the price of its offers without disclosing that they were less than market value. The FTC
8 complaint explained that although Opendoor’s algorithm automatically generates offers, “[i]n
9 many instances, **Opendoor’s employees have manually adjusted these values** before
10 presenting them to consumers as offers.”

11 431. The FTC found, based on their review of internal Opendoor documents, that
12 Opendoor conducted internal analyses regarding their manual adjustments. Specifically, the
13 FTC Complaint alleged: “**Opendoor’s internal analyses** showed that these manually
14 adjusted offers were several percentage points below Opendoor’s assessment of market value”
15 and explained that “[b]eginning no later than 2019, **Opendoor instituted a policy** to reduce
16 its manually adjusted offers to [redacted] below what Opendoor assessed as market value.”
17 Similarly, the FTC reviewed an “internal communication [which] stated bluntly, ‘We don’t
18 offer a fair market value to our customers.’”

19 432. The FTC complaint also confirmed that Opendoor made money by charging
20 sellers for repairs that they did not end up making. For example, the FTC complaint alleged
21 that “Opendoor has sent consumers a list of required repairs with the cost it would charge
22 consumers if they agree to deduct the costs from their sales proceeds. The list of repairs has
23 been typically well beyond what consumers would be responsible for in a market sale.”
24 According to the FTC, many of these repairs were unnecessary: “Opendoor has routinely
25 requested upgrades to, or replacement of, functional heating and cooling systems, flooring,
26 and roofs. It has also frequently demanded cosmetic changes such as repainting and
27 replacement of items that could be repaired at far lower cost.”

28

1 433. The FTC complaint alleged that since Opendoor takes up to 18 days after their
2 initial offer to provide the seller with a list of repairs, sellers could not walk away because
3 they had already placed deposits on new homes. Notably, the FTC alleged that “Opendoor’s
4 **internal communications** have described the lag between the initial offer and the later,
5 significantly lower offer as a ‘bait-and-switch’ operation.”

6 434. Finally, the FTC complaint confirmed that Opendoor often pocketed the repair
7 costs as extra profit. Specifically, the FTC complaint alleged that:

8 If the consumer decides to authorize Opendoor to complete the repairs
9 and deduct the estimated costs from the sale proceeds, Opendoor
10 completes the repairs after it acquires the property. **If the repairs cost**
11 **less than the amount deducted, Opendoor retains the excess as**
12 **profit**, including the undisclosed Estimated Repair Credit that
13 Opendoor deducted from its original offer.

14 435. According to the FTC, “[o]ne **internal study** found that for [redacted] of
15 Opendoor’s purchases, its deductions for repair costs were greater than Opendoor’s actual
16 costs, thereby ‘taking away [redacted] of seller equity’ in each of those sales.”

17 436. The FTC complaint also found that Opendoor made money by buying low and
18 selling high. The FTC complaint stated:

19 Opendoor claimed that it did not make money from ‘buying low and
20 selling high,’ but from ‘charging a fee for [its] service.’ **But gains**
21 **from selling homes for more than its offer price are a key**
22 **contributor to its revenue.** A 2019 financial analysis broke down
23 revenue from Opendoor's fee and from ‘net resale gain’ and reported
24 over [redacted] in resale gains in 2018 and [redacted] in project resale
25 gains in 2019. Presentations to investors touted ‘resale gain’ as a
26 significant contributor to Opendoor’s revenue per home.

27 * * *

28 **Data from Opendoor’s real estate transactions confirm that**
29 **Opendoor makes money not just from its fees, but also from**
30 **buying homes low and selling them high.** After purchasing homes,
31 it lists them on the open market for resale. From 2016 through
32 February 2020, Opendoor sold [redacted] percent of its homes for
33 more than what it offered consumers. The average gain on these

1 homes was [redacted], or [redacted] percent of the homes' average
2 offer price of [redacted].

3 437. In connection with the settlement agreement, Opendoor agreed to pay \$62
4 million. The Director of the FTC's Bureau of Consumer Protection, Samuel Levine, stated in
5 the FTC's press release announcing the settlement that, "Opendoor promised to revolutionize
6 the real estate market but built its business using old-fashioned deception about how much
7 consumers could earn from selling their homes on the platform. There is nothing innovative
8 about cheating consumers."

9 438. The FTC findings demonstrate the falsity of the statements in the Offering
10 Documents. Although the Offering Documents claimed that the Company's pricing decisions
11 were driven by the Company's "proprietary, machine learning-based pricing models," in
12 reality, the Company's pricing decisions were based on an undisclosed human-driven process
13 and deceptive consumer practices. Moreover, although the Offering Documents claimed that
14 the Company's business model was not designed to generate margins "*from the spread*
15 *between acquisition price and resale price*," in reality, the FTC found that "gains from selling
16 homes for more than its offer price are a **key contributor to its revenue**."

17 **3. Former Employees Reveal that Opendoor Charged Sellers for**
18 **Unnecessary Repairs and Pocketed the Extra Money as Profit**

19 439. Former employees reveal that the Company continued its deceptive consumer
20 practices after the Offerings in order to drive contribution margins. These former employees
21 also reveal that Opendoor continued making money by buying low and selling high. For
22 example, Opendoor regularly charged sellers for repairs in order to lower the final offer and
23 then failed to perform those repairs—keeping the extra money as additional profit. Indeed,
24 as the housing market changed in 2022, and Opendoor's algorithm was unable to adapt to the
25 new market, Defendants doubled down and expanded their deceptive consumer practices in
26 an attempt to remain profitable.

27 440. CW 4 recalled that in 2019, it was Opendoor's policy or practice to get the
28 property repairs done as soon as possible either before or right after the Company took

1 possession of the property, and before it was put up for sale. However, according to CW 4,
2 at some point in 2020, the Company changed the policy or practice of doing the repairs
3 upfront, or just doing minimal repairs, and then waiting until the house was put up for sale
4 and for a list of repairs by the outside appraiser or buyer to be provided. CW 4 recalled that
5 this change was made because homes were typically on the market for 30 – 90 days, and that
6 the decision was made to hold onto the funds for as long as possible.

7 441. Other former employees confirm that Opendoor changed its policy of doing all
8 the repairs they charged the seller for. For example, CW 3—who worked directly with
9 customers after an offer was made, including discussing the repairs that Opendoor assessed
10 were needed—stated, “We didn’t do every single repair we accounted for.” CW 3 learned
11 from the home team, the team that assessed repairs and subsequently managed the repair
12 work, that it was common for Opendoor not to do all of the repairs.

13 442. CW 3 explained that after a potential seller requested an offer from the company
14 via its online platform, CW 3 would reach out to set up a Zoom interview with the seller at
15 their home. During the Zoom interview, CW 3 asked questions about “their situation,” such
16 as why they were selling, their financial needs, and what they expected to get out of the house.
17 CW 3 then had the owners give her a video tour through the entire house, which was recorded
18 and sent on to another department, the home team, that assessed the home’s condition prior
19 to Opendoor making a final purchase price offer to the sellers. According to CW 3, the home
20 team also conducted an in-person visit to assess the exterior of the house and the
21 neighborhood, and Opendoor’s pricing team also got involved during this time period as well.
22 CW 3 did not know how the pricing team made their decisions, but she understood they more
23 closely looked at the home’s attributes and problems, such as being located next to a school
24 or large power transformers. CW 3 explained that Opendoor then made a final offer from
25 which the repair costs were subtracted. After a final offer was made, CW 3 discussed it with
26 the customer, including the list of repairs that Opendoor assessed were needed.

27 443. CW 3 stated that the Company instructed her and people in her position not to
28 send sellers the itemized repair list that also included itemized costs. Instead of sending the

1 actual itemized list, which showed the amount the seller was charged for each repair, the
2 Company told customer experience partners (like CW 3) to summarize the repairs verbally
3 for the seller and not to itemize any costs for repair. So, instead of telling the seller they were
4 being charged \$200 for paint, \$5,000 for new floors, \$100 for new bath fixtures, CW 3 talked
5 the seller through the full list of repairs needed, then at the end she told them how much
6 Opendoor would take off the purchase price to cover the costs of all the repairs. CW 3 said
7 she was instructed by her manager not to send the list, but CW 3 is confident the instruction
8 came from her manager's supervisors.

9 444. CW 3 received a call from a seller who was upset by what she had learned from
10 a friend who had toured the seller's former home once it was placed back on the market.
11 During the tour, the friend saw that the repairs Opendoor charged the seller for had not been
12 done, CW 3 recalled. CW 3 then went to the manager of the "home team," which was the
13 group that assessed the property via the Zoom video recording and created the list of repairs
14 needed for which the seller would be charged. CW 3 was told that Opendoor assesses repairs
15 based on what they expect buyers will ask for, but if the sellers don't ask for and/or the
16 company doesn't do the repairs, Opendoor "pockets the money" the seller was charged for
17 those repairs.

18 445. CW 3 explained that if the home's AC unit is approaching the end of its
19 expected lifespan, Opendoor would tell the owner the home needs a new AC unit, for which
20 the seller would be charged \$7,000. (An amount subtracted from the purchase price.) But if
21 the next buyer does not request a new AC unit before purchasing the home, Opendoor would
22 not replace the unit, CW 3 said. "They would pocket that \$7,000 if the buyer didn't ask for
23 it," CW 3 said, noting, "That's definitely another source of income" for Opendoor. From
24 what CW 3 learned from the home team that assessed repairs and subsequently managed the
25 repair work, it was common for Opendoor not to do all of the repairs.

26 446. CW 3 explained that when she first started at the Company, in March 2021, an
27 average repair charge for a transaction was about \$5,000, but by the end of her employment,
28

1 in November 2022, the amount Opendoor was charging sellers had increased dramatically, to
2 “\$15,000, \$25,00, \$30,000, big numbers.”

3 447. CW 3 recalled the co-workers shared their shock and exclaimed something
4 along the lines of: “Oh my gosh! These repair charges! There had not been a single one under
5 20 grand! What is going on?” CW 3 recalled that toward the end of her tenure the home team
6 seemed to be determining that almost every home needed painting, even homes that CW 3
7 knew did not need it. According to CW 3, “I think there was logic behind it. (Paint) is
8 something that is going to be on any home—let’s just pump it up a threshold, and it still rings
9 true.” So, for instance, according to CW 3, \$25 paint charges would get bumped up to a \$100.

10 448. CW 3 recalled a specific example of a seller who had freshly painted their home
11 in anticipation of selling it, but when the final offer came back, Opendoor said the house
12 needed to be painted. CW 3 knew that repair was not needed, so she went to the home team
13 and challenged them. CW 3 said that she would regularly feel the need to go back to the home
14 team to challenge repair charges she did not agree with. CW 3 explained that she went back
15 to the home team “probably once or twice a day.”

16 **4. Former Employees Reveal that the Algorithm Could Not Adapt to**
17 **the Changing Housing Market in 2022**

18 449. Former employees also reveal that Opendoor’s algorithm could not adapt to
19 changing market conditions, leading to excess inventory in 2022 as the housing market cooled
20 off.

21 450. CW 4 stated that sometime in the second half of 2021, there was discussion on
22 an MBR (Monthly Business Review) call that Opendoor’s homes were staying on the market
23 longer in some “problematic” states and that their selling prices were going down. CW 4
24 recalled that one of the problematic states was one of her regions—Arizona. CW 4 advised
25 that MBR calls were monthly calls to update the Home Loans department of Opendoor and
26 were led by Product Managers and Program Managers. CW 4 recalled that by the end of
27 2022, homes in all of her markets that she handled were staying on the market longer and that
28

1 this was occurring because of the dramatic increase in interest rates, which she advised
2 nobody was expecting.

3 451. In 2022, CW 1 was asked by the National Head of Brokerage, Chelsea Goyer,
4 to review the Opendoor properties in the San Francisco and Southern California markets to
5 determine why the Company was having a difficult time selling its homes there. CW 1 was
6 asked to do so because of her experience in California markets, specifically in the San
7 Francisco area. CW 1 started her review in July 2022, and after reviewing over one hundred
8 properties in the San Francisco Bay area and Southern California markets, CW 1 concluded
9 that Opendoor “did not know” the market and was overpricing its homes, which caused
10 Opendoor to hold onto those properties longer than they should have otherwise been.
11 Opendoor also did not even do basic real estate marketing, which is saying that you did repairs
12 or upgrades to explain the higher price, from when they purchased the property which CW 1
13 pointed out to them. Opendoor also put pictures in the marketing that were not ideal, such as
14 backyard pictures with piles of weeds. Opendoor’s marketing remarks did not match the
15 house they were trying to sell either.

16 452. According to CW 1, the reason the houses were being priced too high was due
17 to Opendoor’s algorithm, which was not accounting for changes in the real estate market that
18 were happening at that time. CW 1 told an Opendoor General Manager of Reselling that the
19 algorithm was not accounting for the changing housing market conditions and was therefore
20 inaccurate, and that Opendoor needed to put the houses up for sale at prices that were lower,
21 more realistic, and more aligned with the current market values as of July 2022. However,
22 the GM of Reselling told CW 1 that “this is how Opendoor does it,” and did not indicate that
23 changes were going to be made. Opendoor priced high and would just do price reductions
24 every week to two weeks, CW 1 told them this was not good, because buyers would just sit
25 and watch and wait for the price to get lower and lower and this was not good marketing
26 strategy. CW 1 told this to the general manager, and was told this was how they did their
27 pricing and they didn’t care if this was not the best way to do it or that it was not the typical
28 real estate way to do it.

1 453. The Exchange Act Defendants clearly knew that Opendoor’s homes were
2 staying on the market too long. For example, Defendants Wu and Wheeler participated in
3 company-wide conferences where they expressed concern over the levels of inventory and
4 directed Opendoor employees to give concessions—which would eat into the Company’s
5 contribution margins—in order to get rid of the property.

6 454. CW 7 explained that the Company regularly held company-wide video
7 conferences, either on Zoom or Google, that were led by Defendants Wu and Wheeler.
8 According to CW 7, Wu and Wheeler’s demeanor changed on these calls from positive
9 attitudes to “long faces” sometime in mid-2022. CW 7 recalled that during a video call around
10 July 2022, Wu and Wheeler stated that the Company needed to “quickly unload” properties
11 because they were spending too much on inventory. Indeed, according to CW 7, Wheeler
12 stated, “We’ll take anything right now,” which CW 7 explained meant that any offer would
13 be taken.

14 455. CW 8 recalled that in July or August 2022, during an all-hands conference call,
15 Defendant Wheeler announced that the new priority for the Company was “to lower the DIP,”
16 which CW 8 stated was an acronym for “Days In Possession.” CW 8 recalled that after the
17 announcement, Defendant Wheeler and Andrew Low Ah Kee worked closely with Daniel
18 Murillo to adjust models in order to sell properties more quickly.

19 456. Similarly, CW 3 recalled a meeting in mid-2022 during which leadership talked
20 about its extensive inventory. CW 3 noted, “The longer we held the inventory, the more
21 money we lost, and less profit we made when we could turn around and sell those homes
22 again.”

23 457. CW 7 also recalled that during an August 2022 video call, Wheeler gave the
24 directive to provide credits and incentives to “outside assets,” which she described as real
25 estate agents and home mortgage companies, to help move the Company’s inventory of
26 properties. According to CW 7 it was also in July 2022, when she and her RedDoor legacy
27 colleagues began writing loans for Opendoor, that CW 7 witnessed many credits and
28 incentives identified in the loan paperwork to close a deal. CW 7 recalled some examples as

1 being an additional 1% being given to outside real estate brokers who presented home buyers
2 that led to a sale, as well as a \$2,000 lender credit and free appraisals. CW 7 advised that the
3 amount of these credits and incentives were “uncommon” and that the properties whose
4 portfolios she handled were depreciated assets with no repairs being done.

5 458. CW 7 went on to recall that when she was given loans to work on for the first
6 time by Opendoor in July 2022, that she first worked on loans from California, and that she
7 was then also working on loans from Texas and Arizona. According to CW 7, she witnessed
8 Opendoor properties selling for less than what they were purchased for, with incentives and
9 credits being given to unload the property, and without repairs being done, in all three states.

10 459. In addition to providing these credits and incentives, Opendoor had to pay
11 outside brokers to help move their properties since the algorithm could not accurately price
12 the homes, which also cut into the Company’s contribution margin. For example, according
13 to CW 1, for the properties in the San Francisco Bay area that she reviewed that had been
14 unsold for a long period of time, Opendoor paid outside brokers to sell and list them properly,
15 with accurate descriptions and better pictures. CW 1 explained that Opendoor would have
16 had to pay a fee of around 2%, to list the house with an outside broker.

17 460. These issues continued throughout the summer of 2022, as Opendoor
18 employees told Wu and Wheeler during a company-wide meeting that the Company was not
19 accurately pricing its offers. For example, in September 2022, CW 7 recalled that there was
20 a video call that she attended where Wheeler said that she’s “seeing depreciated assets” and a
21 lot of inventory on the books, and to “move the properties.” CW 7 recalled complaints from
22 some of the attendees on that call that the Company was overpaying for houses and no repairs
23 were being done.

24 **D. The Underwriter Defendants Failed to Perform Adequate Due Diligence**

25 461. The February 2021 SPO was a firm commitment offering conducted by and
26 through the Underwriter Defendants.

27 462. Defendants Citigroup Global Markets Inc., Goldman Sachs & Co. LLC,
28 Barclays Capital Inc., Deutsche Bank Securities Inc., Oppenheimer & Co. Inc., BTIG, LLC,

1 KeyBanc Capital Markets Inc., Wedbush Securities Inc., TD Securities (USA) LLC, Zelman
2 Partners LLC, Academy Securities, Inc., Loop Capital Markets LLC, Samuel A. Ramirez &
3 Co., LLC, and Siebert Williams Shank & Co., LLC underwrote the Offerings yet failed to
4 perform satisfactory due diligence with respect to the offering and issuance of Opendoor
5 shares in accordance with their responsibilities.

6 463. Underwriters are intended to be gatekeepers and are supposed to serve as
7 independent checks on management and to bring to light critical negative information and
8 risks about the issuer to investors intending on purchasing shares in the offering. During the
9 due diligence process, the underwriter is charged with reviewing all pertinent documents and
10 interviewing all relevant individuals to identify all aspects of the issuer's operations that need
11 to be disclosed. As the treatise "Due Diligence - Periodic Reports and Securities Offerings"
12 describes it, "[t]he underwriter should look upon due diligence primarily as an attempt to find
13 'red flags' which indicate potential danger."

14 464. This process is intended to provide comfort that investors receive full and fair
15 disclosure of all material facts. If, during their due diligence investigation, the underwriters
16 learn of material negative information regarding the issuer, they must insist that such
17 information be disclosed to the investing public or withdraw from the offering. Complete and
18 adequate disclosure is the very purpose of due diligence. Thus, no amount of due diligence
19 or investigation can serve as a defense or an excuse to an underwriter who possesses material
20 negative information about an issuer and fails to disclose such information to the public.

21 465. An underwriter needs to conduct substantial due diligence in connection with
22 each public offering to ensure the timeliness and accuracy of the information as of the date of
23 the offering. Moreover, underwriters must conduct their due diligence with the reasonable
24 care "required of a prudent man in the management of his own property." *See* 15 U.S.C.
25 §77(k)(c).

26 466. Likewise, according to well-regarded treatises covering due diligence,
27 "[m]aterial federal, state and local regulations affecting the target company should be
28 understood and, where appropriate, reviewed with target company or special counsel." *See*

1 Due Diligence in Business Transactions, Lawrence, release 48, 2018, Law Journal Press,
2 §1.05 [h]. Additionally, it may be desirable for a member of the target company's
3 management to assemble a list of material licenses and permits that it possesses in connection
4 with the operation of its business or the ownership of its property." *See id.*

5 467. Critically, in conducting due diligence, an underwriter cannot simply rely on
6 management statements and representations, and instead must conduct a reasonable
7 investigation to independently verify management's statements. Similarly, underwriters may
8 not rely on an accountant's or auditor's report as adequate due diligence for financial
9 statements. Rather, underwriters have a duty to perform their own financial analysis of the
10 issuer and identify for themselves any red flags, inconsistencies, or areas of concern that
11 impact the issuer's business and financial condition, and follow up on any issues that they
12 uncover in their investigation. Underwriters are uniquely positioned to investigate non-
13 audited financial statements and protect investors.

14 468. As discussed above, there were numerous red flags highlighting the falsity of
15 the Offering Documents. For example, starting in 2019, the FTC had been investigating
16 Opendoor for its human-driven process of cheating homeowners out of money, which
17 included manually lowering the algorithm-generated offer and charging sellers for
18 unnecessary repairs in order to boost the Company's contribution margin and profitability.
19 The FTC was also investigating Opendoor for misleading consumers about the fact that
20 Opendoor did not make money by "buying low and selling high," and indeed, the FTC's
21 investigation revealed internal communications showing that Opendoor knew it made money
22 on the spread between what they purchased the home for and what it sold for.

23 469. Here, the Underwriter Defendants failed to perform any such due diligence.
24 Had they done so, they would have uncovered that Opendoor's claims about its algorithm
25 were unsubstantiated and the Company's success was driven by humans and deceptive
26 consumer practices designed to make money on the spread between purchase price and sale
27 price. At a minimum, the Underwriter Defendants were negligent in not knowing, and failing
28 to disclose in connection with the Offerings, the adverse information alleged herein that was

1 contrary to the disclosures in the Offering Documents, the omission of which rendered the
2 Offering Documents false at the time they were made effective.

3 **E. News About Declining Contribution Margins and Profitability Cause**
4 **Opendoor’s Stock to Crash**

5 470. On February 24, 2022, Opendoor announced its fourth quarter and full year
6 2021 financial results and revealed massive losses. Specifically, the Company announced
7 that its fourth quarter 2021 contribution margin was just 4%, a steep decline from a 12.6%
8 contribution margin in the fourth quarter of 2020. According to an article published by *The*
9 *Real Deal* on February 25, 2022, “[t]he selloff was widely attributed to a drop in Opendoor’s
10 contribution margin, a key profitability metric that factors in the costs of carrying and selling
11 home inventory.”²⁰

12 471. Then, September 19, 2022, Bloomberg published an article revealing for the
13 first time that Opendoor lost money on 42 percent of its transactions in August 2022 (as
14 measured by the prices at which it bought and sold properties). Specifically, the Bloomberg
15 article stated:

16 [Opendoor], which sells thousands of homes in a typical month, lost
17 money on 42% of its transactions in August, according to research
18 from YipitData. Opendoor’s performance — as measured by the
19 prices at which it bought and sold properties — was even worse in
20 key markets such as Los Angeles, where the company lost money on
21 55% of sales, and Phoenix, where the share was 76%.

22 The losses, which don’t include fees charged to customers or expenses
23 incurred in renovating and marketing homes, have been looming since
24 the housing market turned suddenly in recent months.

25 * * *

26 The company’s rocky summer is reminiscent of the pricing problems
27 that doomed Zillow Group Inc.’s iBuying business last year,
28 according to a research note from Mike DelPrete, a scholar-in-
residence at the University of Colorado Boulder. That doesn’t mean

²⁰ T.P. Yeats, *Opendoor stock plunges as losses soar along with revenue*, *The Real Deal* (Feb. 25, 2022), <https://therealdeal.com/new-york/2022/02/25/opendoor-stock-plunges-as-losses-soar-along-with-revenue/>.

1 Opendoor is going to shut down the business, but it demonstrates the
2 depth of the losses — and September is likely to be even worse than
3 August, DelPrete’s analysis shows.

4 Opendoor’s metrics are in the danger zone,” DelPrete said in an
5 interview. “They are very close to where Zillow was in its worst
6 moments.”

7 The iBuying model relies on acquiring homes, making light repairs
8 and reselling the properties — often within a few months of the initial
9 purchase. When home prices were skyrocketing earlier in the year,
10 Opendoor banked easy profits. Then dwindling affordability and
11 mortgage rates soaring toward 6% this spring finally pushed would-
12 be buyers to the sidelines.

13 By June, median home prices had begun to decline in some areas,
14 especially the Sun Belt markets that had been frothiest in the
15 pandemic boom days. The shift caught Opendoor by surprise, leaving
16 it to offload thousands of properties it had agreed to purchase when
17 prices were rising.

18 * * *

19 The shares slid 4.7% to \$3.87 at 3:28 p.m. New York time Monday.
20 They were down 72% this year through the close on Sept. 16.

21 472. Finally, on November 3, 2022, Opendoor reported its financial results for the
22 third quarter ended September 30, 2022, which revealed that Opendoor’s contribution margin
23 for the third quarter 2022 was *negative 0.7%*—well below the Company’s 4% to 6%
24 contribution margin range.

25 473. On this news, Opendoor’s stock price fell by \$0.60 per share, or 25.64% over
26 the next two trading days, to close at \$1.74 per share on November 7, 2022—a **94.43%**
27 **decline** from the Initial Closing Price.

28 **XXII. CLASS ALLEGATIONS**

474. Plaintiffs bring this action as a class action pursuant to Rules 23(a) and 23(b)(3)
of the Federal Rules of Civil Procedure on behalf of a class consisting of all persons and
entities who or which purchased or otherwise acquired Opendoor common stock pursuant

1 and/or traceable to the Offering Materials issued in connection with the de-SPAC Merger on
2 or about December 21, 2020 (the “December 2020 Offering”) and/or the Offering Materials
3 issued in connection with Opendoor’s secondary public offering on or about February 4, 2021.
4 Excluded from the Securities Act Class: (i) Exchange Act Defendants; (ii) Securities Act
5 Defendants; (iii) members of the immediate family of any Defendant who is an individual;
6 (iv) any person who was an officer, director, and/or control person of Opendoor during the
7 Class Period; (v) any firm, trust, corporation, or other entity in which any Defendant (or
8 members of the immediate family of any Defendant) has or had a controlling interest; (vi)
9 Opendoor’s employee retirement and benefit plan(s) and their participants or beneficiaries, to
10 the extent they made purchases through such plan(s); and (vii) the legal representatives,
11 affiliates, heirs, successors-in-interest, or assigns of any such excluded person, in their
12 capacity as such.

13 475. The members of the Securities Act Class are so numerous that joinder of all
14 members is impracticable. While the exact number of Securities Act Class members is
15 unknown to Plaintiffs at this time, and can only be ascertained through appropriate discovery,
16 Plaintiffs believes there are at least thousands of members in the proposed Securities Act
17 Class, as the Company registered over 546 million shares in the December 2020 Offering and
18 offered over 28 million shares of common stock in the February 2021 SPO. Record owners
19 and other members of the Securities Act Class may be identified from records maintained by
20 Opendoor or its transfer agent and may be notified of the pendency of this action by mail,
21 using the form of notice similar to that customarily used in securities class actions.

22 476. Plaintiffs’ claims are typical of the claims of the members of the Securities Act
23 Class as all members of the Securities Act Class are similarly affected by Defendants’
24 wrongful conduct in violation of the Securities Act as set forth herein.

25 477. Plaintiffs will fairly and adequately protect the interests of the members of the
26 Securities Act Class and have retained counsel competent and experienced in class and
27 securities litigation. Plaintiffs have no interests antagonistic to or in conflict with those of the
28 Securities Act Class.

1 478. Common questions of law and fact exist as to all members of the Securities Act
2 Class and predominate over any questions solely affecting individual members of the
3 Securities Act Class. Among the questions of law and fact common to the Securities Act
4 Class are:

- 5 (a) Whether Defendants violated the Securities Act;
- 6 (b) Whether the December 2020 Offering Documents and/or the February
7 2021 SPO Documents contained false statements of material fact;
- 8 (c) To what extent the members of the Class have sustained damages and
9 the proper measure of damages.

10 479. A class action is superior to all other available methods for the fair and efficient
11 adjudication of this controversy since joinder of all members is impracticable. Furthermore,
12 as the damages suffered by individual Securities Act Class members may be relatively small,
13 the expense and burden of individual litigation make it impossible for members of the
14 Securities Act Class to individually redress the wrongs done to them. There will be no
15 difficulty in the management of this action as a class action.

16 **XXIII. CAUSES OF ACTION**
17 **COUNT III**

18 **FOR VIOLATIONS OF SECTION 11 OF THE SECURITIES ACT AGAINST**
19 **OPENDOOR, SCH, THE SECURITIES ACT INDIVIDUAL DEFENDANTS, AND**
20 **THE UNDERWRITER DEFENDANTS**

21 480. Plaintiffs repeat and incorporate each and every allegation contained in
22 paragraphs 320 – 479 as if fully set forth herein.

23 481. This cause of action is brought pursuant to Section 11 of the Securities Act, 15
24 U.S.C. § 77k, on behalf all persons and entities who purchased or otherwise acquired
25 Opendoor common stock pursuant and/or traceable to the Offering Documents issued in
26 connection with the December 2020 Offering and the February 2021 SPO.

27 482. This cause of action is predicated upon the Securities Act Defendants' strict
28 liability for making materially false statements in the Offering Documents.

1 483. This cause of action does not sound in fraud. Any proceeding allegations of
2 fraud, fraudulent conduct, or improper motive are specifically excluded from this cause of
3 action. Plaintiffs do not allege for this cause of action that the Securities Act Defendants had
4 scienter or fraudulent intent, which are not elements of this claim. Plaintiffs expressly
5 disclaim any allegations of scienter or fraudulent intent in these non-fraud claims except that
6 any challenged statements of opinion or belief made in connection with the Offerings are
7 alleged to have been materially misstated statements of opinion or belief when made.

8 484. The Registration Statements, which include the Prospectuses, issued in
9 connection with the December 2020 Offering and the February 2021 SPO were inaccurate
10 and contained untrue statements of material facts.

11 485. The Corporate Defendants were the issuers of the common stock purchased by
12 Plaintiffs and the Securities Act Class. As such, the Corporate Defendants are strictly liable
13 for the materially untrue statements contained in the Registration Statements and the failure
14 of the Registration Statements to be complete and accurate. By virtue of the Registration
15 Statements containing material misrepresentations, the Corporate Defendants are liable under
16 Section 11 of the Securities Act to Plaintiffs and the Securities Act Class.

17 486. None of the Defendants named herein made a reasonable investigation or
18 possessed reasonable grounds for the belief that the statements contained in the Registration
19 Statement were true and were not misleading.

20 487. Defendants Palihapitiya, Trieu, Osborne, Bain, Spillane, and Herman signed the
21 December 2020 Offering Documents and caused its issuance, and Defendants Wu, Wheeler,
22 Bain, Herman, Jaffe, Keffer, Kilar, and Solomon signed the February 2021 SPO Documents
23 and caused its issuance. The Securities Act Individual Defendants each had a duty to make a
24 reasonable and diligent investigation of the truthfulness and accuracy of the statements
25 contained in the Registration Statements. They each had a duty to ensure that such statements
26 were true and accurate. By virtue of each of the Securities Act Individual Defendants' failure
27 to exercise reasonable care, the Registration Statements contained misrepresentations of
28

1 material facts. As such, each of the Securities Act Individual Defendants is liable under
2 Section 11 of the Securities Act to Plaintiffs and the Securities Act Class.

3 488. Each of the Underwriter Defendants served as the underwriters for the February
4 2021 SPO and qualify as such according to the definition contained in Section 2(a)(11) of the
5 Securities Act, 15 U.S.C. § 77b(a)(11). As such, they participated in the solicitation, offering,
6 and sale of the common stock to the investing public pursuant to the Offering Documents.
7 Each of the Underwriter Defendants, as an underwriter of the common stock offered in the
8 February 2021 SPO pursuant to the Registration Statement, had a duty to make a reasonable
9 and diligent investigation of the truthfulness and accuracy of the statements contained in the
10 Registration Statement. They each had a duty to ensure that such statements were true and
11 accurate. By virtue of each of the Underwriter Defendants' failure to exercise reasonable
12 care, the Registration Statement contained misrepresentations of material facts. As such, each
13 of the Underwriter Defendants are liable under Section 11 of the Securities Act to Plaintiffs
14 and the Securities Act Class.

15 489. None of the untrue statements in the Registration Statements alleged herein was
16 a forward-looking statement. Rather, each such statement concerned existing facts.
17 Moreover, the Registration Statements did not properly identify any of the untrue statements
18 as forward-looking statements and did not disclose information that undermined the putative
19 validity of those statements.

20 490. Each of the Defendants named in this Count issued, caused to be issued, and
21 participated in the issuance of materially untrue written statements to the investing public that
22 were contained in the Registration Statements, which misrepresented, *inter alia*, the facts set
23 forth above. By reasons of the conduct herein alleged, each such defendant violated Section
24 11 of the Securities Act.

25 491. Plaintiffs and the Securities Act Class have sustained damages. The value of
26 Opendoor common stock has declined substantially subsequent to and due to violations by
27 Defendants named in this Count.

28

1 and/or personal relationships with other directors and/or officers and/or major shareholders
2 of Opendoor.

3 497. Each of the Securities Act Individual Defendants participated in the preparation
4 and dissemination of the Offering Documents, and otherwise participated in the process
5 necessary to conduct the Offerings. Because of their positions of control and authority as
6 senior officers and/or directors each of the Securities Act Individual Defendants were able to,
7 and did, control the contents of the Offering Documents, which contained materially untrue
8 information.

9 498. Opendoor and the Securities Act Individual Defendants each were culpable
10 participants in the violations of Section 11 of the Securities Act as alleged in the first cause
11 of action alleged above, based on their having signed or authorized the signing of the
12 Registration Statements and having otherwise participated in the process which allowed the
13 Offerings to be successfully completing.

14 499. As a direct result of the aforementioned conduct, the Securities Act Class
15 members suffered damages in connection with their purchases of Opendoor common stock.
16 This claim is brought one year after the discovery of the false statements and within three
17 years of the date of the Offerings.

18 **XXIV. PRAYER FOR RELIEF**

19 500. WHEREFORE, Plaintiffs on behalf of itself and the other members of the
20 Securities Act Class, prays for relief and judgment as follows:

21 (a) Determining that this action is a proper class action under Rule 23(a) and
22 (b)(3) of the Federal Rules of Civil Procedure on behalf of the Securities Act Class defined
23 herein;

24 (b) Awarding all damages and other remedies set forth in the Securities Act
25 in favor of Plaintiffs and other Securities Act Class members against all Defendants, jointly
26 and severally, in an amount to be proven at trial, including interest thereon;

1 (c) Awarding Plaintiffs and the Securities Act Class their reasonable costs
2 and expenses incurred in this action, including attorneys' fees, accountants' fees, and expert
3 fees, and other costs and disbursements; and

4 (d) Awarding Plaintiffs and the Securities Act Class such other relief as may
5 be deemed just and proper by the Court.

6 **XXV. JURY TRIAL DEMANDED**

7 501. Plaintiffs hereby demand a trial by jury.

8 Dated: April 17, 2023

LABATON SUCHAROW LLP

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