
additional 12-month periods unless terminated sooner, a base salary of \$600,000, a target bonus of 60% of base salary, and an initial longterm incentive grants with a value of \$930,000.

28. Defendant Vadon has been the Chairman of the Board since October 2009. Vadon owns 34,567,895 shares of Zulily Class A and Class B stock and will be entitled to over \$648 million (\$324 million of which is in cash) for his shares alone if the Proposed Transaction is completed. Vadon will join Liberty's Board of Directors following the consummation of the Proposed Transaction.

29. Defendant W. Eric Carlborg ("Carlborg") has been a member of the Board since October 2011. Carlborg is also the Chairman of the Audit Committee.

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Carlborg served as Chair of the Transaction Committee and was beholden to the Controlling Stockholders at all relevant times hereto.

30. Defendant John Geschke ("Geschke") has been a member of the Board since February 21, 2014. Geschke is also the Chairman of the Nominating & Corporate Governance Committee. Geschke served as a member of the Transaction Committee and was beholden to the Controlling Stockholders at all relevant times hereto.

31. Defendant Michael Gupta ("Gupta") has been a member of the Board since January 21, 2015. Gupta is also a member of the Audit Committee and the Compensation Committee. Gupta served as a member of the Transaction Committee and was beholden to the Controlling Stockholders at all relevant times hereto.

32. Defendant Youngme Moon ("Moon") has been a member of the Board since July 2013. Moon is also a member of the Audit Committee and the Nominating & Corporate Governance Committee.

33. Defendant Michael Potter ("Potter") has been a member of the Board since March 2011. Potter is also a member of the Compensation Committee and the Nominating & Corporate Governance Committee. Potter was previously the Company's Chief Operating Officer from October 2011 to March 2012.

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34. Defendant Spencer Rascoff ("Rascoff") has been a member of the Board since June 2013. Rascoff is also the Chairman of the Compensation Committee. Rascoff has significant ties to Gregory Maffei ("Maffei"), President and CEO of Liberty. Specifically, Rascoff is CEO and a member of the board of directors of Zillow, Inc., where Maffei serves as a Board member. Further, Rascoff serves on the board of directors of TripAdvisor, Inc., where Maffei serves as Chairman and has a significant voting stake. In light of these relationships with Liberty and Maffei, Rascoff recused himself from discussions and the vote on the Proposed Transaction.

35. The defendants identified in paragraphs 27 through 34 are collectively referred to herein as the "Individual Defendants." By virtue of their positions as directors and/or officers of Zulily, the Individual Defendants are in a fiduciary relationship with Plaintiff and the other public stockholders of Zulily.

36. Each of the Individual Defendants at all relevant times had the power to control and direct Zulily to engage in the misconduct alleged herein. The Individual Defendants' fiduciary obligations required them to act in the best interest of Plaintiff and all Zulily stockholders.

37. Each of the Individual Defendants owes fiduciary duties of loyalty, good faith, due care, and full and fair disclosure to Plaintiff and the other members of the Class. They are acting in concert with one another in violating their

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fiduciary duties as alleged herein, and, specifically, in connection with the Proposed Transaction.

38. Plaintiff alleges herein that the Individual Defendants, separately and together, in connection with the Proposed Transaction, violated and are continuing to violate the fiduciary duties they owe to Plaintiff and the Company's other public stockholders, due to the fact that they have engaged in all or part of the unlawful acts, plans, schemes, or transactions complained of herein.

39. Defendant Liberty is a corporation organized and existing under the laws of Delaware, with principal executive offices located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Liberty operates and owns interests in a broad range of digital commerce businesses. Those businesses are currently attributed to two tracking stock offerings: the QVC Group and the Liberty Ventures Group. The businesses and assets attributable to the QVC Group (Nasdaq: QVCA, QVCB) consist of Liberty Interactive's subsidiary, QVC, and its interest in HSN, Inc., and the businesses and assets attributed to the Liberty Ventures Group (Nasdaq: LVNTA, LVNTB) consist of all of Liberty Interactive Corporation's businesses and assets other than those attributed to the QVC Group, including its interest in Expedia, Interval Leisure Group and FTD, its subsidiaries Bodybuilding.com, CommerceHub, LMC Right Start and Evite, and minority interests in Time Warner, r i r , c s h t s , I n t e r y a l B , s h t d , W a r n e r s e n v c s

2014, non-GAAP adjusted EBITDA increased to \$0.07 million compared to \$0.05 million in the second quarter of 2014, an increase of 40% year over year.

while non-GAAP diluted net income per share was \$0.09 compared to non-GAAP diluted net income per share of \$0.05 for the second quarter 2013.

51. The third quarter of 2014 was equally as successful. Third quarter 2014 net sales increased to \$285.8 million, up 72% year over year. Non-GAAP adjusted EBITDA for the third quarter 2014 increased to \$6.4 million, up 257% year over year, while non-GAAP diluted net income per share was \$0.02 compared to non-GAAP diluted net income per share of \$0.0 for the third quarter 2013.

52. Defendant Cavens again commented positively on the results:

This was a strong quarter where we hit several key milestones — the business reached a billion dollars in revenue on a trailing 12 month basis and the majority of our North American orders now come from mobile. We've grown adjusted EBITDA and free cash flow while making upgrades to our technology and infrastructure for scale. Our obsession with offering up great products every day at a great value continues to resonate with our customers, and I'm excited to see what we can do here.

the meeting, the Board authorized the Company to enter into a confidentiality agreement with Liberty. The Board also established the Transaction Committee to assist the Board in pursuing a sale of the Company. The Board appointed Carlborg, Gupta, and Geschke to the Transaction Committee (with Carlborg serving as Chair thereof).

61. The Board delegated to the Transaction Committee limited authority to, among other things, identify, consider, evaluate, and make recommendations to the Board regarding proposals for a potential sale transaction involving the Company. Notably, the Transaction Committee was not given the absolute authority to approve or veto sale transactions or other alternatives. Further, notwithstanding the Transaction Committee's purported authority to "approve the retention of investment bankers," the Board (rather than the Transaction Committee) determined that it was "appropriate and advisable for the Transaction Committee to engage Goldman Sachs" as its financial advisor in connection with a potential sales transaction, despite Goldman Sachs' significant conflict of interest.

62. From April 27, 2015 through May 15, 2015, representatives of Goldman Sachs contacted Strategic Parties 2 through 6 to gauge their interest in a potential sale transaction with the Company.

63. On May 1, 2015, representatives from Liberty met with members of Company management (including Vadon, Cavens, Spieth, and Twomey) and representatives of Goldman Sachs at the Company's headquarters to discuss a potential strategic combination. Notably, each of Vadon, Cavens, Spieth, and Twomey has secured post-merger employment with the Company. The 14D-9 fails to disclose whether potential post-merger employment discussions took place at this meeting. At the conclusion of that meeting, Liberty requested that the

Company provide Liberty with financial projections, which the Company began to prepare.

64. Also on May 1, 2015, Strategic Party 1 contacted Vadon to further discuss Strategic Party 1's continuing interest in acquiring shares of common stock of the Company from Vadon and Cavens, and Vadon again rebuffed Strategic Party 1 to prevent the diminution of control by Vadon and Cavens, and because Vadon and Cavens were already committed to doing a deal with Liberty at this point.

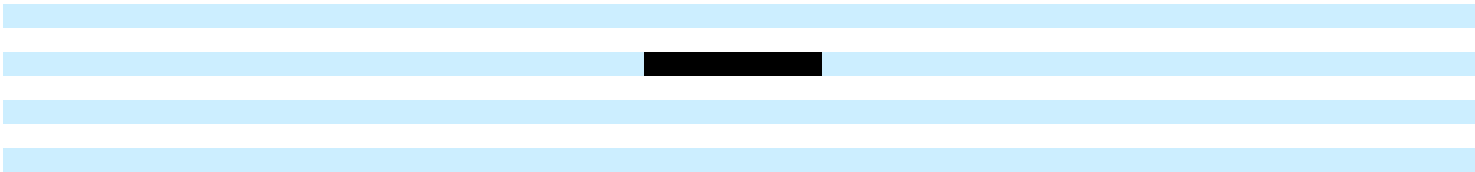
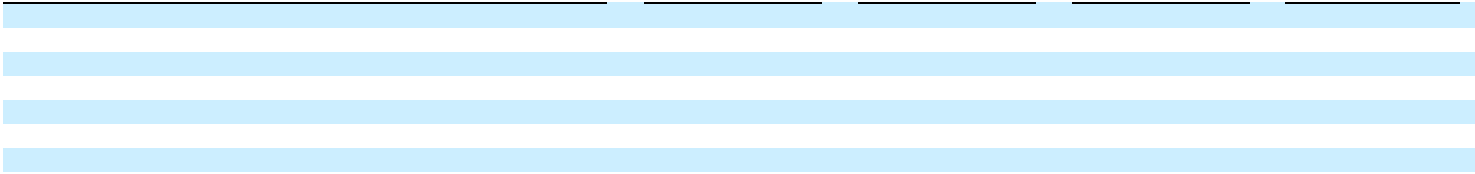
65. On May 10, 2015, the Transaction Committee met and the Company's management presented to the Transaction Committee financial projections for fiscal years 2015 through 2020 (the "Initial Forecasts") and discussed with the Transaction Committee the manner in which the Initial Forecasts were prepared and the material assumptions underlying the Initial Forecasts. The Transaction Committee then authorized the rty at th

72. From July 24, 2015 through July 26, 2015, representatives from the Company held preliminary discussions with Strategic Party 1 regarding a potential commercial relationship between the two parties. In connection with these discussions, Vadon and Cavens asked Strategic Party 1 whether it would be interested in acquiring the Company. Strategic Party 1 indicated that it would not be interested in acquiring 100% of the Company, but that it was considering the possibility of a transaction involving the purchase of some shares of the Company from Vadon and Cavens and some shares of the Company from the public stockholders, with Vadon and Cavens retaining voting control of the Company, and might be willing to offer \$19.00 per share. Any discussions with Strategic Party 1, however, were mere window dressing, as the Controlling Stockholders were committed to selling the entire Company to their favored bidder, Liberty, because the Controlling Stockholders would receive substantial, unique benefits only from a transaction with Liberty.

73. On July 28, 2015, the Board met and Vadon reviewed with the Board (rather than the Transaction Committee) the Reduced Forecasts, and discussed with the Board the key differences between the Reduced Forecasts, which included adjustments that reflected a lower growth rate and EBITDA margin during fiscal years 2016 through 2020, and the Initial Forecasts.

74. In late July and early August 2015, Strategic Party 1 again reiterated to the Company the terms of a possible transaction previously discussed with Vadon and Cavens in July. Despite this repeated interest demonstrated by Strategic Party 1, Vadon and Cavens refused to seriously consider this potential transaction as an option because they did not want to lose control of the Company and give up lucrative post-merger positions with its favored bidder, Liberty.

75. On August 6, 2015, the Transaction Committee met, during which Company management noted that Liberty "might insist on entering into exclusive discussions with the Company." The 14D-9 does not indicate when Liberty indicated this request for exclusivity to Company management. Follow up discussions with Liberty on August 6, 2015, tying which o



The Merger Agreement Unfairly Deters Competitive Offers and is Unduly Beneficial to Liberty

99. The Proposed Transaction is also unfair because, as part of the Merger Agreement, defendants agreed to certain onerous and preclusive deal protection devices that operate conjunctively to make the Proposed Transaction a

124. The 14D-9 indicates that, on May 10, 2015, the Transac

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