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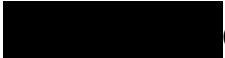
**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

 Individually and on behalf of  
all others similarly situated,  
  
Plaintiff,  
  
v.  
  
QUINSTREET, INC., DOUGLAS VALENTI,  
and GREGORY WONG,  
  
Defendants.

**Case No:**

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

**JURY TRIAL DEMANDED**

Plaintiff  (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, inter alia, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding QuinStreet, Inc. (“QuinStreet” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

1 **NATURE OF THE ACTION**

2 1. This is a federal securities class action on behalf of a class consisting of all persons  
3 and entities other than Defendants who purchased or otherwise acquired the publicly traded  
4 securities of QuinStreet between February 10, 2016 and April 10, 2018, both dates inclusive (the  
5 “Class Period”). Plaintiff seeks to recover compensable damages caused by Defendants’ violations  
6 of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the  
7 Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.  
8

9 **JURISDICTION AND VENUE**

10 2. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the  
11 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC  
12 (17 C.F.R. §240.10b-5).

13 3. This Court has jurisdiction over the subject matter of this action under 28 U.S.C.  
14 §1331 and §27 of the Exchange Act.

15 4. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act (15  
16 U.S.C. §78aa) and 28 U.S.C. §1391(b) as Defendants conduct business and the Company is  
17 headquartered in this Judicial District.

18 5. In connection with the acts, conduct and other wrongs alleged in this Complaint,  
19 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,  
20 including but not limited to, the United States mail, interstate telephone communications and the  
21 facilities of the national securities exchange.  
22

23 **PARTIES**

24 6. Plaintiff, as set forth in the accompanying Certification, purchased QuinStreet  
25 securities at artificially inflated prices during the Class Period and was damaged upon the revelation  
26 of the alleged corrective disclosure.

27 7. Defendant QuinStreet is an internet performance marketing and media company that  
28 provides customer acquisition services. The Company is incorporated in Delaware and its principal

1 executive offices are located at 950 Tower Lane, 6th Floor, Foster City, California 94404.  
2 QuinStreet’s securities are traded on the NASDAQ Global Select Market (“NASDAQ”) under the  
3 ticker symbol “QNST.”

4 8. Defendant Douglas Valenti (“Valenti”) has been the Chairman and Chief Executive  
5 Officer (“CEO”) of QuinStreet throughout the Class Period.

6 9. Defendant Gregory Wong (“Wong”) has been the Chief Financial Officer (“CFO”)  
7 of QuinStreet throughout the Class Period.

8 10. Defendants Valenti and Wong are sometimes referred to herein as the “Individual  
9 Defendants.”

10 11. Each of the Individual Defendants:

- 11 (a) directly participated in the management of the Company;  
12 (b) was directly involved in the day-to-day operations of the Company at the highest  
13 levels;  
14 (c) was privy to confidential proprietary information concerning the Company and its  
15 business and operations;  
16 (d) was directly or indirectly involved in drafting, producing, reviewing and/or  
17 disseminating the false and misleading statements and information alleged herein;  
18 (e) was directly or indirectly involved in the oversight or implementation of the  
19 Company’s internal controls;  
20 (f) was aware of or recklessly disregarded the fact that the false and misleading  
21 statements were being issued concerning the Company; and/or  
22 (g) approved or ratified these statements in violation of the federal securities laws.

23 12. The Company is liable for the acts of the Individual Defendants and its employees  
24 under the doctrine of *respondeat superior* and common law principles of agency because all of the  
25 wrongful acts complained of herein were carried out within the scope of their employment.

26 13. The scienter of the Individual Defendants and other employees and agents of the  
27 Company is similarly imputed to the Company under *respondeat superior* and agency principles.  
28



1           17.     The 2Q16 10-Q discussed QuinStreet’s business to generate high-quality results for  
2 its clients, stating in relevant part:

3                     Our financial services client vertical has been challenged by a number of  
4 factors over the past several years, including the limited availability of  
5 high quality media at acceptable margins caused by changes in search  
6 engine algorithms, acquisition of media sources by competitors and  
7 increased competition for quality media. These effects may continue to  
8 impact our business in the near future. To offset this impact, we have  
9 broadened our product set with enhanced click, lead, call and policy  
products that have enabled better monetization to provide greater access to  
high quality media sources. Moreover, we have entered into strategic  
partnerships to increase and diversify our access to quality media and  
client budgets.

10           18.     On August 19, 2016, QuinStreet filed its annual report on Form 10-K for the year  
11 ended June 30, 2016 (“2016 10-K”) with the SEC which provided the Company’s annual financial  
12 results and position. The 2016 10-K was signed by Defendants Valenti and Wong. The 2016 10-K  
13 contained signed SOX certifications by Defendants Valenti and Wong attesting to the accuracy of  
14 financial reporting, the disclosure of any material changes to the Company’s internal control over  
15 financial reporting and the disclosure of all fraud.

16           19.     The 2016 10-K included a risk factor regarding fraudulent clicks, stating in relevant  
17 part:

18                     **We could lose clients if we fail to detect click-through or other fraud  
19 on advertisements in a manner that is acceptable to our clients.**

20                     We are exposed to the risk of fraudulent clicks or actions on our websites  
21 or our third-party publishers’ websites, which could lead our clients to  
22 become dissatisfied with our campaigns, and in turn, lead to loss of clients  
23 and related revenue. Click-through fraud occurs when an individual clicks  
24 on an ad displayed on a website, or an automated system is used to create  
25 such clicks, with the intent of generating the revenue-share payment to the  
26 publisher rather than viewing the underlying content. Action fraud occurs  
27 when online lead forms are completed with false or fictitious information  
28 in an effort to increase a publisher’s compensable actions. From time to  
time, we have experienced fraudulent clicks or actions. We do not charge  
our clients for fraudulent clicks or actions when they are detected, and  
such fraudulent activities could negatively affect our profitability or harm  
our reputation. If fraudulent clicks or actions are not detected, the affected  
clients may experience a reduced return on their investment in our

1 marketing programs, which could lead the clients to become dissatisfied  
2 with our campaigns, and in turn, lead to loss of clients and related revenue.  
3 Additionally, from time to time, we have had to, and in the future may  
4 have to, terminate relationships with publishers whom we believed to have  
5 engaged in fraud. Termination of such relationships entails a loss of  
6 revenue associated with the legitimate actions or clicks generated by such  
7 publishers.

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20. The 2016 10-K discussed QuinStreet's business to generate high-quality results for  
its clients, stating in relevant part:

Our goal is to continue to be one of the largest and most successful  
performance marketing companies on the Internet, and eventually in other  
digitized media forms. We believe that we are in the early stages of a very  
large and long-term market opportunity. Our strategy for pursuing this  
opportunity includes the following key components:

- \* \* \*
- ***build, buy and partner with vertical content websites that provide the most relevant and highest quality visitor experiences in the client and media verticals we serve;***

\* \* \*

We compete both for clients and for limited high-quality media

\* \* \*

Our financial services client vertical has been challenged by a number of  
factors over the past several years, including the limited availability of  
high quality media at acceptable margins caused by changes in search  
engine algorithms, acquisition of media sources by competitors and  
increased competition for quality media. These effects may continue to  
impact our business in the near future. ***To offset this impact, we have broadened our product set with enhanced click, lead, call and policy products that have enabled better monetization to provide greater access to high quality media sources. Moreover, we have entered into strategic partnerships to increase and diversify our access to quality media and client budgets.***

(Emphasis added).

21. On September 8, 2017, QuinStreet filed its annual report on Form 10-K for the year  
ended June 30, 2017 ("2017 10-K") with the SEC which provided the Company's annual financial  
results and position. The 2017 10-K was signed by Defendants Valenti and Wong. The 2017 10-K

1 contained signed SOX certifications by Defendants Valenti and Wong attesting to the accuracy of  
2 financial reporting, the disclosure of any material changes to the Company's internal control over  
3 financial reporting and the disclosure of all fraud.

4 22. The 2017 10-K included a risk factor regarding fraudulent clicks, stating in relevant  
5 part:

6 ***We could lose clients if we fail to detect click-through or other fraud on***  
7 ***advertisements in a manner that is acceptable to our clients.***

8 We are exposed to the risk of fraudulent clicks or actions on our websites  
9 or our third-party publishers' websites, which could lead our clients to  
10 become dissatisfied with our campaigns, and in turn, lead to loss of clients  
11 and related revenue. Click-through fraud occurs when an individual clicks  
12 on an ad displayed on a website, or an automated system is used to create  
13 such clicks, with the intent of generating the revenue-share payment to the  
14 publisher rather than viewing the underlying content. Action fraud occurs  
15 when online lead forms are completed with false or fictitious information  
16 in an effort to increase a publisher's compensable actions. From time to  
17 time, we have experienced fraudulent clicks or actions. We do not charge  
18 our clients for fraudulent clicks or actions when they are detected, and  
19 such fraudulent activities could negatively affect our profitability or harm  
20 our reputation. If fraudulent clicks or actions are not detected, the affected  
21 clients may experience a reduced return on their investment in our  
22 marketing programs, which could lead the clients to become dissatisfied  
23 with our campaigns, and in turn, lead to loss of clients and related revenue.  
24 Additionally, from time to time, we have had to, and in the future may  
25 have to, terminate relationships with publishers whom we believed to have  
26 engaged in fraud. Termination of such relationships entails a loss of  
27 revenue associated with the legitimate actions or clicks generated by such  
28 publishers.

21 23. The 2017 10-K discussed QuinStreet's business to generate high-quality results for  
22 its clients, stating in relevant part:

23 Our goal is to continue to be one of the largest and most successful  
24 performance marketing companies on the Internet, and eventually in other  
25 digitized media forms. We believe that we are in the early stages of a very  
26 large and long-term market opportunity. Our strategy for pursuing this  
27 opportunity includes the following key components:

- 26 • ***focus on generating sustainable revenues by providing measurable value***  
27 ***to our clients;***
- 28 • ***build QuinStreet and our industry sustainably by behaving ethically in***  
***all we do and by providing quality content*** and website experiences to  
Internet visitors;

\* \* \*

We compete both for clients and for high-quality media.

\* \* \*

One of the primary challenges of our business is finding or creating media that is high quality and targeted enough to attract prospects for our clients at costs that provide a sound financial outcome for us. In order to grow our business, we must be able to find, develop and retain quality targeted media on a cost-effective basis.

(Emphasis added).

24. QuinStreet’s website, under the heading “Redefining Vertical Marketing and Media Online” ([https://quinstreet.com/how\\_we\\_do\\_it](https://quinstreet.com/how_we_do_it)), states in relevant part:

*We work with you to establish pricing and goals, then create a comprehensive marketing and media program of the highest integrity.*

(Emphasis added).

25. The statements referenced in ¶¶15-24 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company’s business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) QuinStreet recklessly disregarded the occurrence of click-through fraud; (2) QuinStreet-owned websites experienced phony, low quality traffic for its clients; (3) QuinStreet practices were not geared toward providing its clients with valuable customers or high-quality leads or clicks; and (4) as a result, Defendants’ public statements were materially false and misleading at all relevant times.

### **The Truth Emerges**

26. On April 11, 2018, as the market opened, Kerrisdale Capital published a report entitled “QuinStreet, Inc. (QNST) Leading Nowhere” which discussed QuinStreet’s operations (the “Kerrisdale Report”). The Kerrisdale Report discussed QuinStreet’s involvement and awareness in generating fake web traffic and poor-quality clicks for its customers, stating in relevant part:

Unlike, say, insurance.com – a consumer-facing site – Nextinsure.com largely operates behind the scenes. Clicks originating on QuinStreet affiliates’ sites or







1 don't have ZIP codes), SimilarWeb indicates that 36% of its recent traffic has  
2 come from Brazil.

3 • USInsuranceOnline.com: a relatively high-traffic All Web Leads site, again  
4 monetized via QuinStreet and Nextinsure. The fourth and fifth largest sources  
5 of referrals to the site are amarktflow.com and poll.surveyvoicesresearch.com.  
6 The former site hosts no content but is associated with misleading mobile pop-  
7 ups, as described on reportscam.com:

8 \* \* \*

9 *Thus, across QuinStreet affiliates like Insurance Branch and US  
10 InsuranceOnline as well as QuinStreet-owned sites like Guide to Lenders  
11 and Insure.com, we find evidence of phony, low quality, and suspicious  
12 traffic.*

13 \* \* \*

14 *How much can advertisers trust QuinStreet's quality control when real  
15 customers are mixed in with Swagbucks seekers and people falling prey to  
16 malware pop-up ads?*

17 \* \* \*

18 *It's no wonder, then, that a recurrent theme in our conversations with  
19 former QuinStreet employees was distaste for the way the company does  
20 business. One said that QuinStreet "does a lot of stuff that I think is kind of  
21 borderline unethical for clients," including knowingly selling them bad  
22 leads or turning a blind eye to questionable affiliates, and described the  
23 company as operating "in the gray area of the internet." Another narrated  
24 the evolution of his perception of the company as follows:*

25 *At one point, before I went there, the only way I knew QuinStreet  
26 is that they said, "Oh, they're really high-quality leads. They  
27 don't generate a lot of volume, but what they do is good quality."  
28 And that was my opinion before going there. But then when  
going there, just like every other company, you see that they're  
not too different from everybody else. Everyone's drinking from  
the same river, so, you know, we're all getting the same – we're  
all working off of the same Internet, with the same customers,  
responding to the same SEO, SEM, and the same click traffic. So  
it's really not too different from anybody else out there, to kind of  
tell you the truth. ...*

A third former employee said that he left the company because he "wanted to  
get out of lead generation. *It's just not the cleanest style of online marketing.*



1           32. Plaintiff will fairly and adequately protect the interests of the members of the Class  
2 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has  
3 no interests antagonistic to or in conflict with those of the Class.

4           33. Common questions of law and fact exist as to all members of the Class and  
5 predominate over any questions solely affecting individual members of the Class. Among the  
6 questions of law and fact common to the Class are:

- 7           • whether the federal securities laws were violated by Defendants' acts as alleged  
8           herein;
- 9           • whether statements made by Defendants to the investing public during the Class  
10          Period misrepresented material facts about the financial condition, business,  
11          operations, and management of the Company;
- 12          • whether Defendants' public statements to the investing public during the Class  
13          Period omitted material facts necessary to make the statements made, in light of the  
14          circumstances under which they were made, not misleading;
- 15          • whether the Individual Defendants caused the Company to issue false and misleading  
16          SEC filings and public statements during the Class Period;
- 17          • whether Defendants acted knowingly or recklessly in issuing false and misleading  
18          SEC filings and public statements during the Class Period;
- 19          • whether the prices of QuinStreet securities during the Class Period were artificially  
20          inflated because of the Defendants' conduct complained of herein; and
- 21          • whether the members of the Class have sustained damages and, if so, what is the  
22          proper measure of damages.

23           34. A class action is superior to all other available methods for the fair and efficient  
24 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
25 damages suffered by individual Class members may be relatively small, the expense and burden of  
26 individual litigation make it impossible for members of the Class to individually redress the wrongs  
27 done to them. There will be no difficulty in the management of this action as a class action.

28



1           40.     During the Class Period, the Company and the Individual Defendants, individually  
2 and in concert, directly or indirectly, disseminated or approved the false statements specified above,  
3 which they knew or deliberately disregarded were misleading in that they contained  
4 misrepresentations and failed to disclose material facts necessary in order to make the statements  
5 made, in light of the circumstances under which they were made, not misleading.

6           41.     The Company and the Individual Defendants violated §10(b) of the 1934 Act and  
7 Rule 10b-5 in that they:

- 8           •     employed devices, schemes and artifices to defraud;
- 9           •     made untrue statements of material facts or omitted to state material facts necessary  
10           in order to make the statements made, in light of the circumstances under which they  
11           were made, not misleading; or
- 12           •     engaged in acts, practices and a course of business that operated as a fraud or deceit  
13           upon plaintiff and others similarly situated in connection with their purchases of  
14           QuinStreet securities during the Class Period.

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

25           43.     Individual Defendants, who are the senior officers and/or directors of the Company,  
26 had actual knowledge of the material omissions and/or the falsity of the material statements set forth  
27 above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative,  
28 acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in

1 the statements made by them or other personnel of the Company to members of the investing  
2 public, including Plaintiff and the Class.

3 44. As a result of the foregoing, the market price of QuinStreet securities was artificially  
4 inflated during the Class Period. In ignorance of the falsity of the Company's and the Individual  
5 Defendants' statements, Plaintiff and the other members of the Class relied on the statements  
6 described above and/or the integrity of the market price of QuinStreet securities during the Class  
7 Period in purchasing QuinStreet securities at prices that were artificially inflated as a result of the  
8 Company's and the Individual Defendants' false and misleading statements.

9 45. Had Plaintiff and the other members of the Class been aware that the market price of  
10 QuinStreet securities had been artificially and falsely inflated by the Company's and the Individual  
11 Defendants' misleading statements and by the material adverse information which the Company's  
12 and the Individual Defendants did not disclose, they would not have purchased QuinStreet securities  
13 at the artificially inflated prices that they did, or at all.

14 46. As a result of the wrongful conduct alleged herein, Plaintiff and other members of  
15 the Class have suffered damages in an amount to be established at trial.

16 47. By reason of the foregoing, the Company and the Individual Defendants have  
17 violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the  
18 Plaintiff and the other members of the Class for substantial damages which they suffered in  
19 connection with their purchases of QuinStreet securities during the Class Period.

20 **COUNT II**

21 **Violation of Section 20(a) of The Exchange Act**  
22 **Against The Individual Defendants**

23 48. Plaintiff repeats and realleges each and every allegation contained in the foregoing  
24 paragraphs as if fully set forth herein.

25 49. During the Class Period, the Individual Defendants participated in the operation and  
26 management of the Company, and conducted and participated, directly and indirectly, in the  
27 conduct of the Company's business affairs. Because of their senior positions, they knew the adverse  
28 non-public information regarding the Company's business practices.





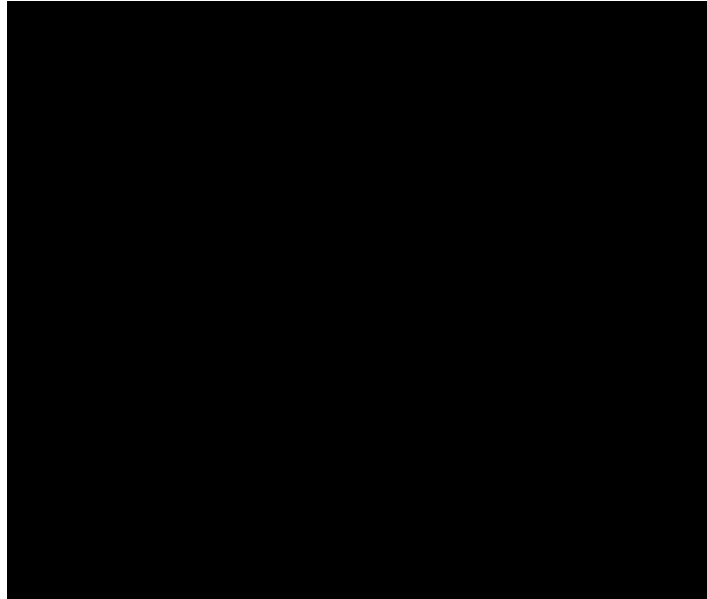
1 C. Awarding Plaintiff and the other members of the Class pre-judgment and post-  
2 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

3 D. Awarding such other and further relief as this Court may deem just and proper.

4 **DEMAND FOR TRIAL BY JURY**

5 Plaintiff hereby demands a trial by jury.

6  
7 Dated: April 27, 2018



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