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CGC-23-610300

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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA

12 FOR THE COUNTY OF SAN FRANCISCO

13
14 NEXTDOOR , INC., a Delaware Corporation,

Case No. _____

15 Plaintiff,

COMPLAINT FOR:

16 vs.

- 1. Breach of Fiduciary Duty – Failure to Disclose Nature of Commission
- 2. Breach of Fiduciary Duty – Failure to Perform Expressly Assumed Duty
- 3. Constructive Fraud
- 4. Unfair Competition (Cal. Bus. & Prof. Code §§ 17200, *et seq.*)

17 JONES LANG LASALLE BROKERAGE,
INC., a Texas corporation, DEREK
18 JOHNSON, a natural person, and DOES 1–50,

19 Defendants.

JURY TRIAL DEMANDED

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1 Plaintiff, Nextdoor, Inc. (“Plaintiff” or “Nextdoor”), by and through its undersigned counsel,
2 alleges as follows:

3 **INTRODUCTION**

4 1. Under California law, licensed real estate brokers and their associated, licensed
5 salespersons are fiduciaries who owe their principals a duty of unfaltering loyalty and honesty,
6 including the duty to disclose fully all material facts concerning real estate transactions in which
7 they represent their principals. This duty obligates a real estate broker to act at all times solely in
8 the best interests of his principal to the exclusion of all other interests, including the broker’s own
9 self-interest. A corollary of this duty of loyalty is a duty to fully disclose any conflicts of interest
10 that might compromise or dilute the broker’s undivided loyalty to the principal’s interests.

11 2. This case is about serious derelictions of professional responsibilities, violations of
12 the California Business and Professions Code, and breaches of fiduciary duties committed by
13 Defendant Jones Lang LaSalle Brokerage, Inc. (“JLL”), a broker licensed by California Department
14 of Real Estate (License No. 01856260), and Defendant Derek Johnson, a salesperson employed by
15 JLL who is also licensed by the California Department of Real Estate (License No. 01512762),
16 (collectively, “Defendants”), to the detriment of their principal, Plaintiff Nextdoor, Inc. (“Plaintiff”
17 or “Nextdoor”).

18 3. In May of 2019, Nextdoor engaged JLL as its real estate broker, and Johnson as its
19 agent, for the purpose of procuring office space for Nextdoor’s new corporate headquarters in San
20 Francisco, California. Johnson, an executive managing director with JLL, led a team of JLL
21 salespersons who represented Nextdoor in this quest to find new office space.

22 4. Both during the due diligence concerning the potential leasing of an office building
23 located at 420 Taylor Street in San Francisco (the “Premises”) and after Nextdoor executed a lease
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1 for that building, JLL and Johnson breached their fiduciary duties and violated their professional
2 obligations to Nextdoor in multiple respects.

3 5. First, JLL and Johnson violated their fiduciary duties and professional obligations to
4 Nextdoor by failing to disclose to Nextdoor a commission agreement Defendants reached with the
5 landlord of the Premises (the “Landlord”) that improperly elevated the interests of JLL, Johnson,
6 and the Landlord over the interests of Nextdoor. Defendants violated their duties as licensed real
7 estate professionals by entering into a secret agreement with the Landlord in which JLL and Johnson
8 would receive a larger commission from the Landlord contingent upon their delivery of a lease
9 agreement (the “Lease”) executed by Nextdoor that mirrored the Landlord’s preferred terms, as set
10 forth in a non-binding letter of intent (the “LOI”). Those terms included a false rentable square
11 footage (“RSF”) figure for the Premises which would require Nextdoor to pay the Landlord
12 substantially more rent each month for space that did not exist. Defendants’ acceptance of the
13 contingent commission agreement without first disclosing it and obtaining Nextdoor’s advance
14 consent to its terms created a conflict of interest in which Defendants were doing the Landlord’s
15 bidding without Nextdoor’s knowledge or consent. Defendants’ clandestine commission agreement
16 also violated California’s Unfair Competition Law, Sections 17200, *et seq.*, and Section 10176(g)
17 of the Business and Professions Code. Section 10176(g) prohibits a real estate licensee from
18 “claiming or taking . . . any secret or undisclosed amount of compensation, commission, or profit.”
19 Johnson personally signed the undisclosed commission agreement on JLL’s behalf.

20 6. Second, JLL and Johnson breached their fiduciary duties to Nextdoor by expressly
21 assuming responsibility to obtain and to attempt to verify the Landlord’s measurement methodology
22 for the Premises, set forth in a report prepared by Stevenson Systems, Inc. (so-called the “Stevenson
23 Report”), and then failing to do either. Instead, after assuming responsibility for that key piece of
24 due diligence, JLL and Johnson agreed to accept a secret commission from the Landlord and then
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1 abruptly stopped asking the Landlord for the Stevenson Report. Before Nextdoor executed the
2 Lease, Defendants compounded their dereliction by misrepresenting to Nextdoor that the Landlord’s
3 measurement methodology substantiated the false RSF figure in the LOI, even though Defendants
4 had not received the Stevenson Report or attempted to verify the measurement methodology.

5 7. Because the Landlord stood to gain more than \$20 million over the term of the Lease
6 if Nextdoor was bound by the false RSF figure, the Landlord was apparently willing to pay
7 Defendants hundreds of thousands of dollars more as a bonus to do its bidding. Unaware that the
8 Landlord had falsified the RSF of the Premises and also unaware that JLL’s divided loyalties had
9 enticed JLL to abort its attempts to obtain and to verify the Landlord’s measurement methodology,
10 Nextdoor accepted Defendants’ assurances and signed the Lease under false pretenses. Despite
11 falling short of its fiduciary duties and professional obligations to Nextdoor, JLL “earned” a
12 commission of nearly \$2 million (\$1,852,256.00) from the Landlord.

13 **PARTIES**

14 8. Plaintiff Nextdoor, Inc. is now, and at all times mentioned in this Complaint was, a
15 corporation duly organized and validly existing under the laws of the State of Delaware, with its
16 principal place of business in San Francisco, California. Nextdoor, Inc. is a wholly-owned
17 subsidiary of Nextdoor Holdings, Inc., also a Delaware corporation.

18 9. Defendant Jones Lang LaSalle Brokerage, Inc. is now, and at all times mentioned in
19 this complaint was, a Texas corporation doing business in the State of California, with its principal
20 place of business in Chicago, Illinois. JLL is now, and at all times mentioned in the complaint was,
21 a real estate broker licensed by the California Department of Real Estate (Lic. No. 01856260).

22 10. Defendant Derek Johnson is now, and at all times mentioned in the complaint was,
23 an adult individual residing in the state of California. Johnson is now, and at all times mentioned in
24 the complaint was, a salesperson licensed by the California Department of Real Estate (Lic. No.
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1 01512762). Johnson is an executive managing director of JLL, and JLL is now, and at all times
2 mentioned herein was, the responsible broker for Johnson. Johnson’s representations and conduct,
3 as described herein, were made within the course and scope of his employment with JLL.

4 11. Plaintiff is unaware of the true names and capacities, whether individual, corporate,
5 or otherwise, of other defendants sued herein as Does 1–50 (“Doe Defendants”) but is informed and
6 believes, and thereon alleges, that they are in some matter, individually or collectively, responsible
7 for the events, happenings, harm and damages alleged herein and accordingly sues those defendants
8 under fictitious names. Plaintiff will seek leave of the court to amend this complaint to state the
9 true names and capacities of the Doe Defendants when their identities have been ascertained.

10 **JURISDICTION & VENUE**

11 12. This Court has personal jurisdiction over JLL because it has systematically and
12 continuously done business in the State of California, namely, among other things, by obtaining a
13 California broker’s license and acting as Nextdoor’s real estate broker in California, including with
14 respect to the Premises located within the City and County of San Francisco, California.

15 13. This Court has personal jurisdiction over Johnson because he is a resident of
16 California.

17 14. This Court has unlimited jurisdiction over the Complaint under Sections 86 and 88
18 of the California Code of Civil Procedure because the amount in controversy exceeds \$25,000.

19 15. Venue is proper in the Superior Court for the County of San Francisco because it is
20 the county where Nextdoor engaged JLL to be its real estate broker and Johnson to be its agent, it
21 is where the Premises is located, and it is where most, if not all, of Defendants’ tortious acts and
22 omissions took place.

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GENERAL ALLEGATIONS

Nextdoor Retains JLL as its Licensed Real Estate Broker And Johnson as its Licensed Agent

16. On or around May 21, 2019, JLL and Nextdoor entered into an agreement that established a fiduciary relationship between them.

17. As set forth in the Scope of Services Agreement attached as **Exhibit A** (the “SSA”), JLL agreed to provide certain “**TRANSACTION SERVICES**” to Nextdoor. JLL’s services included acting as Nextdoor’s broker and agent and “work[ing] with Nextdoor to identify, analyze, negotiate and lease new space.” Ex. A, ¶ 2 at 1.

18. Shortly thereafter, with its existing sublease for office space in San Francisco about to expire, Nextdoor instructed JLL to locate office space in the San Francisco Bay Area suitable to serve as Nextdoor’s new corporate headquarters.

19. Among the office buildings Defendants presented to Nextdoor to consider was class B office space located at 420 Taylor Street in San Francisco, California (the “Premises”).

20. After considering its options, Nextdoor authorized Defendants to submit an offer to lease the Premises.

21. Nextdoor reasonably believed that Defendants were acting solely as its fiduciaries on this transaction from the time Defendants presented the Premises to Nextdoor and beyond.

22. Given the scope of the SSA, Nextdoor continued to rely on Defendants for post-closing advice after issues arose pertaining to the stated area of the Premises and the manner in which its RSF had been calculated.

23. Defendants, however, breached their fiduciary duties to Nextdoor both before and after the deal closed.

The Letter of Intent

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2 24. On August 13, 2019, JLL submitted a draft letter of intent to the Landlord outlining
3 proposed terms for Nextdoor to lease the Premises. In that first draft, JLL wrote that Landlord
4 would pay JLL “a market real estate commission of \$2.00 per square foot per year of the lease term
5 (partial years pro-rated) capped at \$16.00 per square foot within thirty (30) days of lease execution.”¹

6 25. In response, on August 16, 2019, Landlord’s broker, CBRE, countered and proposed
7 capping JLL’s commission at “\$15.00/RSF . . . one-half upon lease execution and the remainder
8 upon Landlord’s First Delivery and Commencement Date.”

9 26. Landlord represented in the listing and in all drafts and the executed version of the
10 letter of intent (the “LOI”) that the Premises was **115,766 RSF, “measured in general accordance**
11 **with BOMA 2017 measurement standards,” with “[b]ackup documentation [] available upon**
12 **request.”** Both statements concerning the area of the Premises and the measurement methodology
13 were **false**.

14 27. Unbeknownst to Nextdoor, at the time of Landlord’s misrepresentation, the only
15 BOMA 2017 measurement report for the Premises in the Landlord’s possession revealed an area of
16 89,549.03 RSF—*25 percent less space than advertised*. Nonetheless, the false RSF figure was
17 included in Landlord’s listing and other marketing materials, misstated in the LOI, and repeated in
18 the Lease.

19 28. Because rent under the Lease was calculated on a per-rentable-square-foot basis, the
20 delta between the false RSF and the actual RSF measured according to BOMA 2017 caused
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24 ¹ The Landlord previously designated this document “Confidential” pursuant to a protective order
25 in other litigation. The Landlord subsequently withdrew that designation and other confidentiality
designations to the documents referenced in Paragraph 26 and attached as Exhibit D to this
Complaint.

1 Nextdoor to incur approximately \$20 million in extra rent obligations over the term of the Lease,
2 unless abated, for space that did not exist.

3 29. For the next five weeks, JLL and the Landlord's broker, CBRE, exchanged emails
4 proposing differing commission amounts for Defendants. After several rounds, Landlord and
5 Nextdoor executed a final version of the LOI on September 24, 2019, which read: "Subject to a
6 separate written commission agreement, Landlord shall pay a procuring brokerage commission of
7 \$2.00/RSF/year, capped at \$16.00/RSF, to [JLL] as Tenant's representative, one-half upon lease
8 execution and the remainder upon the respective Delivery and Commencement Dates."

9 **Defendants Promise to Obtain and to Attempt to Validate**

10 **the Landlord's Measurement Methodology**

11 30. Between the signing of the LOI on September 24, 2019 and the signing of the Lease
12 on November 12, 2019, the parties and their brokers continued to negotiate the terms of the Lease
13 and ostensibly conducted due diligence concerning the Premises.

14 31. After reviewing the Landlord's initial draft of the Lease, on October 1, 2019, and
15 before he secretly agreed to a bonus contingency on Defendants' behalf with the Landlord, Johnson
16 specifically recommended to Nextdoor: "[W]e should request measurement methodology." **Exhibit**
17 **B** at JLL0001509.

18 32. Defendants knew that Nextdoor was looking to expand its office space to
19 accommodate its rapidly growing workforce. Defendants were also aware that rent for the Premises
20 was determined on a rentable square foot basis, so any overstatement of the area would cause
21 Nextdoor to overpay rent. In short, Defendants were well aware that confirming the area of the
22 Premises was especially important to their principal, Nextdoor.

1 33. In response to Johnson’s recommendation to request the measurement methodology,
2 Nextdoor’s outside leasing counsel wrote: “Questioning the methodology of the Landlord’s
3 measurement of the Premises is a good idea.” *Id.* at JLL0001506.

4 34. In reply, Johnson expressly confirmed: **“WE WILL REQUEST THE**
5 **METHODOLOGY AND ATTEMPT TO VALIDATE THE MEASUREMENT.”** But that is
6 not what either Johnson or his employer-broker, JLL, did.

7 35. Five days later, on October 10, 2019, Johnson asked Robert Kraynak, a licensed
8 salesperson affiliated with the Landlord’s licensed broker, CBRE, to “send over the measurement
9 methodology for 420 Taylor.” The following day, Kraynak responded that he would send it the
10 following Monday, October 14.

11 36. But after Defendants did not obtain the measurement report as promised, on October
12 14, 2019, Johnson sent Kraynak a “reminder that we still need measurement methodology....” Four
13 days later, on October 18, 2019, Kraynak told Johnson that the plans are “stale” and Landlord would
14 share them when they were complete.

15 37. After another three days elapsed without the Landlord sending Defendants the
16 measurement methodology, which Landlord had represented in the LOI was “available upon
17 request,” Johnson sent another email reminder on October 21, 2019 to Kraynak: “Following back-
18 up to see if you have received ... Measurement methodology from Stevenson.”

19 38. Stevenson Systems, Inc. (“Stevenson”) is a building measurement firm that,
20 according to the Landlord, had purportedly verified the Landlord’s RSF representations in a written
21 report (the so-called “Stevenson Report”).

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1 **Defendants Secretly Agree to an Undisclosed, Contingent Commission**

2 **Deal with the Landlord**

3 39. Unbeknownst to Nextdoor, during the critical due diligence period, Landlord,
4 through its broker, CBRE, continued to negotiate JLL’s commission. Ultimately, Landlord and
5 Defendants agreed that Defendants would receive the amount Defendants sought (an extra dollar
6 per RSF relative to what the Landlord initially proposed) but only if Defendants delivered an
7 executed Lease that conformed in all respects to the final LOI.

8 40. In other words, if Defendants agreed to help Landlord finalize the Lease on the
9 Landlord’s preferred terms, then Landlord would agree to pay JLL a bonus for its divided loyalty.

10 41. Knowing that Nextdoor was the only party that stood to lose from this cozy
11 arrangement, Defendants accepted the proposal. This was tantamount to dual agency. And while
12 such arrangements are not *per se* illegal, real estate brokers must fully disclose the nature and
13 amount of their commissions to their principals and obtain their principals’ prior approval before
14 closing the transaction. But Defendants nevertheless failed to disclose to Nextdoor their contingent
15 commission arrangement with the Landlord.

16 42. On October 21, 2019, the same day JLL “was following back-up” about the
17 Stevenson Report, JLL Managing Director Travis James sent Kraynak a draft commission
18 agreement that called for a commission capped at \$15 per RSF. Shortly thereafter, James sent
19 another draft agreement indicating “a typo” had been fixed to reflect a commission cap of \$16 per
20 RSF.

21 43. The following day, on the heels of Defendants’ third request for the Stevenson
22 Report—a document that would expose the misstatements in the LOI including the false RSF—
23 CBRE offered Landlord the following idea: **“Let’s change payment schedule [for JLL] to reflect
24 LOI and put in \$15 with an extra \$1 if deal terms remain same.” Exhibit C.**

1 44. Fully aware that it was incentivizing Nextdoor’s fiduciaries, JLL and Johnson, to
2 deliver an executed Lease with a fraudulent RSF that would grossly inflate Nextdoor’s rent,
3 Landlord directed CBRE to extend the proposal to JLL.

4 45. The final commission agreement, both as proposed and executed, provided:
5 “Landlord hereby agrees to pay a real estate commission directly to [JLL] . . . capped at \$15.00 per
6 rentable square foot . . . In the event **all terms outlined in the Letter of Intent between Nextdoor
7 and Landlord dated September 24, 2019 remain the same, Broker shall qualify for an
8 additional \$1.00 per rentable square foot.” Exhibit D.**

9 46. Johnson signed the agreement on behalf of JLL.

10 **Defendants’ Conflict of Interest Corrupts the Diligence Process**

11 47. Because of its undisclosed financial incentive to leave undisturbed the false RSF
12 figure represented in the LOI and repeated in the Lease, Defendants stopped asking for a copy of
13 the Stevenson Report—a report that might jeopardize their secret bonus.

14 48. Instead, Defendants accepted the Landlord’s representations about the RSF of the
15 Premises at face value and told Nextdoor that the Landlord’s RSF had been confirmed.

16 49. It is no coincidence that on October 22, 2019—the same day the Landlord came up
17 with the idea of awarding JLL a bonus commission for delivering a Lease that conformed to the
18 Landlord’s preferred terms—Defendants ceased all efforts to obtain or to verify the Stevenson
19 Report. Now financially incentivized not to rock the boat, Defendants abandoned their efforts to
20 obtain and to validate the Landlord’s measurement methodology, even though Defendants knew the
21 materiality of that issue.

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1 **Relying on Defendants’ Representations and Advice, Nextdoor Signs the Lease**

2 50. Nextdoor relied on Defendants, as its fiduciaries, to obtain and to attempt to verify
3 the Premises’ measurement methodology. But Defendants never did either. Instead Defendants
4 misrepresented to Nextdoor that the RSF had been verified.

5 51. Had Defendants disclosed their contingent commission incentive agreement to
6 Nextdoor, alarm bells would have undoubtedly sounded. With knowledge of Defendants’ divided
7 loyalties, Nextdoor would not have agreed to allow Defendants to play an integral role in assessing
8 the validity of the misrepresented RSF.

9 52. Relying on Defendants’ ostensible due diligence and assurances, on November 12,
10 2019, Nextdoor agreed to a long-term lease of the Premises. Under the Lease, Nextdoor’s monthly
11 rent was calculated based on the erroneous and grossly inflated RSF. Had rent actually been based
12 on an RSF “measured in general accordance with BOMA 2017 measurement standards,” as
13 Landlord had falsely claimed, Nextdoor would not have been obliged to pay over \$20 million over
14 the term of the Lease for non-existent space. But in that scenario, JLL would have received
15 approximately \$500,000 less in commission.

16 53. If Defendants had conducted the due diligence obligations they expressly assumed
17 and obtained the original Stevenson BOMA 2017 measurement report as well as faithfully
18 discharged their fiduciary duties to Nextdoor by insisting that the Lease be modified to reflect the
19 true RSF of the Premises, JLL still would have earned a substantial pay day. Indeed, JLL would
20 have earned over \$1.3 million, even assuming its commission would have been calculated at the
21 true RSF and capped at \$15 per RSF.

22 54. Whether Defendants were aware they were aiding and abetting a fraud, or whether
23 Defendants simply found it easier to withhold from Nextdoor the fact that they had agreed to a
24 commission structure in which they stood to profit by no longer acting solely in Nextdoor’s best
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1 interests, is irrelevant. Either way, Defendants breached their duties of absolute loyalty and full
2 disclosure to its principal, by: (i) failing to obtain Nextdoor's pre-approval of the contingent terms
3 of JLL's bonus commission; (ii) abandoning their expressly assumed obligations to obtain and to
4 verify the Landlord's measurement methodology following their acceptance of an undisclosed,
5 contingent bonus for maintaining the *status quo*; and (iii) failing to disclose they were relying solely
6 upon the Landlord's word when Defendants told Nextdoor that they had confirmed the area of the
7 space and that Stevenson was a reputable space measurement firm.

8 **JLL Invoices the Landlord for its Secret, Contingent Commission**

9 55. Three weeks after the Lease was executed, on December 4, 2019, CBRE directed
10 JLL to send an invoice to Ray Falack, the Landlord's designated principal, for its commission. Mr.
11 Falack echoed the request and expressed his appreciation for Defendants' divided loyalty, writing:
12 "I need invoice with wire instructions etc so I can process. **Thanks guys, great work!**"

13 56. By cover email and attached invoice dated the same day, JLL demanded from
14 Landlord the first installment in the amount of \$926,128 on a total commission of \$1,852,256.

15 **Exhibit E.**

16 57. The \$1,852,256 commission was calculated by multiplying \$16.00 by 115,766
17 rentable square feet. The \$16.00 commission included the extra dollar per RSF for delivering the
18 Lease which mirrored the terms in the LOI, including the false RSF figure which carried over to the
19 Lease. The false RSF figure of 115,766 was inflated by over 25 percent when the office space was
20 measured in actual conformance with BOMA 2017.

1 64. As soon as they received the Stevenson Report, Defendants should have immediately
2 informed Nextdoor that Premises did not, in fact, contain 115,766 RSF when measured in
3 accordance with BOMA 2017.

4 65. Defendants should have also immediately disclosed to Nextdoor how JLL’s secret
5 commission deal blurred Defendants’ judgment and divided their loyalty, but Defendants did not.
6 Instead, Defendants doubled down and compounded their breaches of fiduciary duties.

7 66. Less than a week later, after learning that its architect had measured the Premises as
8 only 73,516 usable square feet, and still unaware of Defendants’ self-dealing, Nextdoor turned to
9 Defendants for answers concerning the massive discrepancy in measurements.

10 67. By email dated December 17, 2019, Nextdoor, asked Defendants: “How should we
11 be thinking about this? This came as a big surprise to us.”

12 68. The following day, now, fully aware of the Landlord’s misrepresentations
13 concerning the true area of the Premises and how it was measured, but apparently unwilling to risk
14 their commission, Defendants once again breached their fiduciary duty by leading Nextdoor astray.
15 Defendants wrote to Nextdoor: “Based on the Stevenson report, **it appears that LL is not pulling**
16 **a fast one** . . . and their measurement methodology is in line with SF industry standards....
17 Unfortunately, due to some of the unique aspects of the building that make it a cool building (atrium
18 space, large deck, mezz space), the building is measured in a manner where the resulting square
19 footage is to your detriment....”

20 69. Defendants’ statements were false. “[P]ulling a fast one” was precisely what
21 Landlord was doing, and JLL was now complicit. “Cool building” features have nothing to do with
22 how RSF is calculated under either BOMA 2017 or BOMA 2009. Even if every square inch to the
23 outside of the drip line of the Premises’ footprint is counted, the Landlord’s RSF figure was
24 overstated by over 25 percent.

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1 76. Defendants belatedly revealed that they had accepted Landlord’s representations
2 about the RSF without actually reviewing the Stevenson Report, writing: “The Landlord broker
3 confirmed prior to Lease execution that the Landlord had recently completed a Stevenson report
4 which confirmed the BOMA calculations listed in the LOI and Lease.”

5 77. By no later than December 12, 2019, Defendants knew that the Premises did not
6 contain 115,766 as measured in general accordance with BOMA 2017 but failed to inform Nextdoor.
7 Worse yet, Defendants failed to disclose that they had received a bonus for doing the Landlord’s
8 bidding.

9 78. Approximately one year later, in January of 2021, Defendants had yet another chance
10 to come clean to Nextdoor but, once again, opted to obfuscate.

11 79. To assess a claim against the Landlord, Nextdoor asked Defendants to provide their
12 communications with Landlord or CBRE bearing on the phony RSF and Defendants’ efforts to
13 obtain the Stevenson Report.

14 80. JLL provided, among others, three emails it sent to CBRE requesting a copy of the
15 Stevenson Report, but it failed to disclose contemporaneous communications about its contingent
16 commission agreement with the Landlord.

17 81. On August 18, 2021, Nextdoor terminated its relationship with JLL under the SSA.

18 **Nextdoor Sues the Landlord and Discovers JLL’s**

19 **Undisclosed, Contingent Commission Agreement**

20 82. On March 11, 2021, Nextdoor sued the Landlord for fraud, among other claims.

21 83. Documents produced in September of 2021 during the discovery phase of Nextdoor’s
22 case against the Landlord revealed to Nextdoor that Defendants had entered into their clandestine,
23 contingent commission agreement with the Landlord.

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1 **FIRST CAUSE OF ACTION**

2 **Breach of Fiduciary Duty – Failure to Disclose Nature of Commission**

3 *(Against All Defendants)*

4 84. Nextdoor re-alleges and incorporates by reference the above allegations.

5 85. As Nextdoor’s real estate broker, JLL owed fiduciary duties to Nextdoor. Such
6 duties included a duty to disclose material information to Nextdoor and a duty to act solely in
7 Nextdoor’s best interest.

8 86. As a licensed real estate salesperson affiliated with JLL and an agent acting on
9 Nextdoor’s behalf, Johnson also owed Nextdoor a duty to disclose material information and a duty
10 to act solely in Nextdoor’s best interest.

11 87. JLL and Johnson were obliged to disclose fully to Nextdoor the nature and amount
12 of the commission they agreed to accept from Landlord, including the contingent bonus commission
13 JLL would receive from the Landlord if they delivered a Lease which matched, rather than re-
14 negotiated, the Landlord’s preferred terms, including the false RSF figure in the LOI.

15 88. JLL and Johnson failed to disclose to, and to seek pre-approval from, Nextdoor that
16 the Defendants would receive a contingent commission bonus from the Landlord if they delivered
17 a Lease with terms that mirrored the LOI.

18 89. By accepting an undisclosed financial incentive from the Landlord to secure certain
19 terms in the Lease, JLL and Johnson knowingly ceased acting solely in Nextdoor’s best interests in
20 connection with the Lease transaction for the Premises.

21 90. Nextdoor never consented to the secret commission agreement that JLL entered into
22 with the Landlord and did not discover it until September 2021.

1 91. JLL and Johnson’s divided loyalties, ethical lapses, and professional shortcomings
2 resulted in JLL and Johnson wrongfully earning, and, on information and belief, sharing, a
3 commission in the amount of \$1,852,256.

4 92. Had Nextdoor known that Defendants had accepted a financial incentive from the
5 Landlord to secure certain terms in the Lease, it would not have relied on Defendants to conduct
6 critical due diligence for the deal.

7 93. JLL and Johnson’s failure to disclose their contingent commission agreement to
8 Nextdoor, despite the obvious conflict of interest it created, was willful, deliberate, despicable, and
9 malicious. JLL and Johnson accepted the undisclosed commission in disregard of Nextdoor’s rights
10 and with intent to compromise their duty of absolute loyalty to Nextdoor. Because JLL and Johnson
11 acted maliciously to oppress and to mislead Nextdoor, Nextdoor is entitled to punitive and
12 exemplary damages in an amount to be determined at trial.

13 **SECOND CAUSE OF ACTION**

14 **Breach of Fiduciary Duty – Failure to Perform Expressly Assumed Duty**

15 *(Against All Defendants)*

16 94. Nextdoor re-alleges and incorporates by reference the above allegations.

17 95. As Nextdoor’s real estate broker, JLL owed fiduciary duties to Nextdoor, including
18 a duty to perform all expressly assumed duties with reasonable care.

19 96. As a licensed real estate salesperson affiliated with JLL and an agent acting on
20 Nextdoor’s behalf, Johnson also owed Nextdoor a duty to perform all expressly assumed duties with
21 reasonable care.

22 97. JLL and Johnson knew, or should have known, that verifying the Premises’
23 measurement methodology, and the Landlord’s stated RSF, was material to Nextdoor given that
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1 Nextdoor's attorney had asked JLL to obtain the measurement methodology so that Nextdoor could
2 evaluate whether the Premises could accommodate its growing office headcount.

3 98. Further, JLL and Johnson knew, or should have known, that any overstatement of
4 the RSF of the Premises would have directly caused Nextdoor to overpay rent. They knew Nextdoor
5 considered the amount of rent a material factor when deciding whether to lease the Premises.

6 99. JLL and Johnson expressly promised Nextdoor that they would request the
7 measurement methodology for the Premises and attempt to verify whether it matched the Landlord's
8 representations in the LOI and the draft lease.

9 100. Despite this promise, JLL and Johnson did not obtain the measurement methodology
10 for the Premises, and they did not attempt to verify it before the Lease was signed.

11 101. Even though they did not obtain the Premises' measurement methodology and did
12 not attempt to verify it, JLL and Johnson nonetheless represented to Nextdoor that the Landlord's
13 representations about the Premises' RSF had been confirmed and that Stevenson was a reputable
14 space measurement firm.

15 102. Before the Lease was signed, JLL and Johnson did not disclose to Nextdoor that they
16 had not obtained the Stevenson report and hence had not attempted to verify that the measurement
17 methodology actually supported the Landlord's represented RSF.

18 103. In reality, the Stevenson Report did not support the Landlord's representations about
19 either the Premises' RSF or the measurement methodology from which it purportedly derived. And,
20 in fact, the Landlord had overstated the Premises' rentable area under BOMA 2017 standards by
21 over 25 percent.

22 104. As a result of JLL and Johnson's failures to obtain and to attempt to verify the
23 Premises' measurement methodology, JLL and Johnson wrongfully earned, and, on information and
24 belief, shared, a commission in the amount of \$1,852,256.

25

1 Nextdoor's attorney had asked JLL to obtain the measurement methodology so that Nextdoor could
2 evaluate whether the Premises could accommodate its growing office headcount.

3 112. Further, JLL and Johnson knew, or should have known, that any overstatement of
4 the RSF of the Premises would have directly caused Nextdoor to overpay rent. They knew Nextdoor
5 considered the amount of rent a material factor when deciding whether to lease the Premises.

6 113. Before the Lease was signed, JLL and Johnson represented to Nextdoor that the
7 Landlord's stated RSF had been confirmed and that Stevenson was a reputable space measurement
8 firm.

9 114. Before the Lease was signed, JLL and Johnson neither obtained nor attempted to
10 verify the Premises' measurement methodology as prepared by Stevenson.

11 115. JLL and Johnson misled Nextdoor by failing to inform Nextdoor that they had not
12 obtained or attempted to verify the Premises' measurement methodology before representing to
13 Nextdoor that the Landlord's representation about the Premises' RSF had been confirmed.

14 116. In reality, the measurement methodology prepared by Stevenson did not support the
15 Landlord's representations about the Premises' RSF, and the Landlord had overstated the Premises'
16 rentable area under BOMA 2017 standards by over 25 percent.

17 117. As a result of their conduct, JLL and Johnson wrongfully earned, and, on information
18 and belief, shared, a commission in the amount of \$1,852,256.

19 118. Had Nextdoor known that JLL did not obtain or attempt to verify the Premises'
20 measurement methodology before the Lease was signed, it would not have relied on JLL's
21 representation that the Landlord's representations about the Premises' RSF had been confirmed.

22 119. Defendants' representations to Nextdoor that the Landlord's stated RSF had been
23 confirmed and that Stevenson was a reputable space measurement firm were substantial factors in
24 Nextdoor's decision to lease the Premises.

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1 127. To accept an undisclosed, contingent commission bonus from a counterparty in a real
2 estate transaction breaches a real estate broker's duty of loyalty to its client because it creates a
3 financial incentive for the broker to act against the client's best interests.

4 128. JLL asserted that its receipt of the undisclosed, contingent commission bonus from
5 the Landlord is consistent with its "standard practice" in the San Francisco commercial real estate
6 market.

7 129. Members of the public are likely to be deceived by JLL's practice of obtaining
8 undisclosed, contingent commissions in exchange for securing certain terms for counterparties in
9 real estate transactions, given that a real estate broker is supposed to be a fiduciary that acts with the
10 highest duty of loyalty to its client.

11 130. In fact, Nextdoor was deceived by JLL's decision not to disclose the contingent
12 commission it earned from Landlord in exchange for delivering a Lease that conformed to the
13 Landlord's preferred terms, including the Landlord's false RSF figure.

14 131. As a result of its divided loyalties, JLL wrongfully earned a commission in the
15 amount of \$1,852,256.

16 132. Had Nextdoor known that JLL had accepted a financial incentive from the Landlord
17 to secure certain terms in the Lease, it would not have relied on JLL to conduct due diligence for
18 the deal.

19 133. To prevent future harm to the public, JLL should be enjoined from accepting any
20 commission payments that are contingent, in whole or in part, upon securing certain terms for a
21 party other than its client in a real estate transaction, unless JLL expressly and fully discloses to its
22 client in writing, before the transaction is complete, the nature and amount of the contingent
23 commission.

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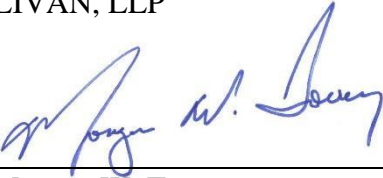
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DEMAND FOR JURY TRIAL

Plaintiff demands a jury trial under California Code of Civil Procedure Section 631 on all issues so triable.

DATED: November 8, 2023

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By 

Morgan W. Tovey
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