

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FAN ZHANG, Individually and on Behalf of) No.
All Others Similarly Situated,)
)
Plaintiff,)

vs.)

GROUPON, INC., ANDREW D. MASON,)
JASON E. CHILD, JOSEPH M. DEL PRETO,)
ERIC P. LEFKOFSKY, THEODORE J.)
LEONISIS, PETER J. BARRIS, KEVIN J.)
EFRUSY, MELLODY HOBSON, BRADLEY)
A. KEYWELL, HOWARD SCHULTZ,)
MORGAN STANLEY & CO. LLC,)
GOLDMAN, SACHS & CO., CREDIT)
SUISSE SECURITIES (USA) LLC, ALLEN &)
COMPANY LLC, MERRILL LYNCH,)
PIERCE, FENNER & SMITH)
INCORPORATED, BARCLAYS CAPITAL)
INC., CITIGROUP GLOBAL MARKETS)
INC., DEUTSCHE BANK SECURITIES)
INC., J.P. MORGAN SECURITIES LLC,)
WELLS FARGO SECURITIES, LLC,)

DEMAND FOR JURY TRIAL

[Caption continued on following page.]

PLAINTIFF'S CLASS ACTION COMPLAINT FOR VIOLATION
OF THE FEDERAL SECURITIES LAWS

WILLIAM BLAIR & COMPANY L.L.C.,)
LOOP CAPITAL MARKETS, INC., RBC)
CAPITAL MARKETS LLC and THE)
WILLIAMS CAPITAL GROUP, L.P.,)
)
Defendants.)
)

Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included a review of United States Securities and Exchange Commission ("SEC") filings by Groupon, Inc. ("Groupon" or the "Company"), as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Groupon between November 4, 2011 and March 30, 2012, inclusive (the "Class Period"), and/or who acquired shares of Groupon common stock pursuant or traceable to the Company's false and misleading Registration Statement and Prospectus issued in connection with its November 4, 2011 initial public offering ("IPO"), seeking to pursue remedies under the Securities Act of 1933 ("1933 Act") and the Securities Exchange Act of 1934 ("1934 Act").

2. Groupon is a local e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company's business practices and financial results. Specifically, defendants failed to disclose negative trends in Groupon's business and made false statements as to Groupon's financial results. As a result of these false statements, defendants were able to successfully accomplish Groupon's IPO at \$20.00 per share, and subsequently Groupon's stock traded at artificially inflated prices during the Class Period, reaching a high of \$26.19 per share on November 18, 2011.

4. On November 3, 2011, Groupon announced the pricing of its IPO of 35 million shares of common stock at \$20 per share (not including an overallotment option granted to the underwriters

to purchase up to an additional 5.25 million shares), for net proceeds of \$658 million, pursuant to the IPO.

5. As part of the Prospectus and Registration Statement issued in connection with the IPO and during the Class Period, defendants represented that the Company had competitive advantages which would benefit its business and reported financial results which showed dramatic growth.

6. On March 30, 2012, after the market closed, Groupon issued a press release announcing a revision to its fourth quarter and full year 2011 financial results. The Company reported a reduction in its fourth quarter 2011 revenue of \$14.3 million after initially reporting sales of \$506.5 million. This resulted in an increase to Groupon's fourth quarter 2011 operating expenses that reduced operating income by \$30 million, net income by \$22.6 million, and earnings per share ("EPS") by \$0.04. Groupon attributed the revisions to a shift in the Company's fourth quarter deal mix and higher price point offers, which resulted in higher refund rates.

7. On this news, Groupon's stock dropped \$3.10 per share to close at \$15.28 per share on April 2, 2012, a decline of 17% on volume of 10 million shares.

8. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Groupon's financial results were materially false and misleading in violation of Generally Accepted Accounting Principles ("GAAP");

(b) Groupon's revenues were overstated in violation of GAAP;

(c) Groupon's business was not growing to the extent represented by defendants and was not nearly as resistant to competition as suggested by defendants;

(d) The IPO Registration Statement and Prospectus concealed that Groupon was not in compliance with the laws and regulations of some of the countries in which it operated, including the United Kingdom; and

(e) Groupon's internal controls were so poor and inadequate that Groupon's reported results were not reliable.

9. As a result of defendants' false statements, Groupon's stock traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down 41% from their Class Period high.

JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to §§11 and 15 of the 1933 Act [15 U.S.C. §§77k and 77o], and §§10(b) and 20(a) of the 1934 Act [15 U.S.C. §§78j(b) and 78t(a)] and SEC Rule 10b-5 [17 C.F.R. §240.10b-5]. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331, §27 of the 1934 Act and §22 of the 1933 Act.

11. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), because defendants maintain an office in this District and many of the acts and practices complained of herein occurred in substantial part in this District. Groupon has offices located at 600 W. Chicago Avenue, Suite 620, Chicago, Illinois 60654.

12. In connection with the acts and conduct alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails and interstate wire and telephone communications.

PARTIES

13. Plaintiff Fan Zhang, as set forth in the accompanying certification and incorporated by reference herein, purchased the common stock of Groupon during the Class Period and has been damaged thereby.

14. Defendant Groupon operates an e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount in North America and internationally. Groupon is headquartered in Chicago, Illinois. Its stock trades in an efficient market on the NASDAQ.

15. Defendant Andrew D. Mason (“Mason”) co-founded the Company and serves as Chief Executive Officer (“CEO”) and a director of Groupon. Defendant Mason signed or authorized the signing of the false and misleading Registration Statement.

16. Defendant Jason E. Child (“Child”) serves as Chief Financial Officer (“CFO”) of Groupon. Defendant Child signed or authorized the signing of the false and misleading Registration Statement.

17. Defendant Joseph M. Del Preto (“Del Preto”) serves as Chief Accounting Officer of Groupon. Defendant Del Preto signed or authorized the signing of the false and misleading Registration Statement.

18. Defendant Eric P. Lefkofsky (“Lefkofsky”) co-founded the Company and serves as Executive Chairman of the Board. Defendant Lefkofsky signed or authorized the signing of the false and misleading Registration Statement.

19. Defendant Theodore J. Leonsis (“Leonsis”) serves as a director of Groupon. Defendant Leonsis signed or authorized the signing of the false and misleading Registration Statement.

20. Defendant Peter J. Barris (“Barris”) serves as a director of Groupon. Defendant Barris signed or authorized the signing of the false and misleading Registration Statement.

21. Defendant Kevin J. Efrusy (“Efrusy”) serves as a director of Groupon. Defendant Efrusy signed or authorized the signing of the false and misleading Registration Statement.

22. Defendant Mellody Hobson (“Hobson”) serves as a director of Groupon. Defendant Hobson signed or authorized the signing of the false and misleading Registration Statement.

23. Defendant Bradley A. Keywell (“Keywell”) co-founded the Company and serves as a director of Groupon. Defendant Keywell signed or authorized the signing of the false and misleading Registration Statement.

24. Defendant Howard Schultz (“Schultz”) serves as a director of Groupon. Defendant Schultz signed or authorized the signing of the false and misleading Registration Statement.

25. The defendants referenced above in ¶¶15-17 are referred to herein as the “Officer Defendants.”

26. The defendants referenced above in ¶¶15 and 18-24 are referred to herein as the “Director Defendants” and are named as defendants solely for violations of the 1933 Act.

27. Defendant Morgan Stanley & Co. LLC (“Morgan Stanley”) is an investment banking firm that offers financial advisory and security brokerage services. The firm was formerly known as Morgan Stanley & Co. Incorporated and changed its name to Morgan Stanley & Co. LLC in June 2011. Morgan Stanley acted as lead book-running manager and underwriter for Groupon’s IPO, helping to draft and disseminate the offering documents.

28. Defendant Goldman, Sachs & Co. (“Goldman”) provides investment banking, securities and investment management services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Goldman

acted as lead book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

29. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") operates as an investment bank in the United States. Its businesses include securities underwriting, sales and trading, investment banking, private equity, alternative assets, financial advisory services, investment research, and asset management. Credit Suisse acted as lead book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

30. Defendant Allen & Company LLC ("Allen & Company") is a boutique investment banking firm that offers financial advisory services. Allen & Company acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

31. Defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") is the marketing name for the global banking and global markets businesses of Bank of America Corporation. Merrill Lynch offers trading and brokerage services; debt and securities underwriting; debt and equity research; and advice on public offerings, leveraged buyouts, and mergers and acquisitions. Merrill Lynch acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

32. Defendant Barclays Capital Inc. ("Barclays") provides securities brokerage and financial advisory services. Barclays acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

33. Defendant Citigroup Global Markets, Inc. ("Citigroup") is a large integrated financial services institution that through subsidiaries and divisions provides commercial and investment banking services, commercial loans to corporate entities, and acts as underwriter in the sale of

corporate securities. Citigroup acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

34. Defendant Deutsche Bank Securities Inc. ("Deutsche") is the U.S. investment banking and securities arm of Deutsche Bank AG. Deutsche provides investment banking products and services. Deutsche acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

35. Defendant J.P. Morgan Securities LLC ("JP Morgan") is the U.S. investment banking arm of financial services giant JPMorgan Chase & Co. JP Morgan provides debt and equity underwriting, M&A and corporate restructuring advisory, securities dealing and brokerage, and trade execution services for large-market companies and institutional investors. JP Morgan acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

36. Defendant Wells Fargo Securities, LLC ("Wells Fargo") is the full service investment banking arm of Wells Fargo & Co. Wells Fargo provides investment banking services in the United States and offers capital markets access through public offerings, private placements, and debt offerings, which include new issue underwriting of high yield bonds and 144A private placements, as well as market making, research, and equity trading. It also provides advisory services for mergers and acquisitions. Wells Fargo acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

37. Defendant William Blair & Company L.L.C. ("William Blair") is an employee-owned financial services firm that offers investment banking, equity research, institutional and private brokerage, and asset management to individual, institutional, and issuing clients. The firm's services include portfolio management, sales and trading, investment banking services, mutual

funds, and venture capital financing. William Blair acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents

38. Defendant Loop Capital Markets, Inc. ("Loop Capital") is a boutique investment banking and brokerage firm. The firm offers corporate and public finance, financial advisory, municipal finance, equity research, and securities sales and trading services. Loop Capital acted as co-manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

39. Defendant RBC Capital Markets LLC ("RBC") offers corporate and investment banking services to corporations, governments, and institutions. The firm's services include public and private placement of debt and equity securities, strategic alliances, mergers and acquisitions advice, corporate finance, equity and debt underwriting, and structured and project finance. RBC acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

40. Defendant The Williams Capital Group, L.P. ("Williams") is an investment bank which provides equities, fixed income, corporate finance, investment management, and private equity products and services for corporate, governmental, municipal, individual, and institutional investors. Williams acted as book-running manager and underwriter for Groupon's IPO, helping to draft and disseminate the offering documents.

41. The defendants named in ¶¶27-40 are referred to herein as the "Underwriter Defendants."

42. Defendant Groupon and the Officer Defendants and the Director Defendants who signed the Registration Statement are strictly liable for the false and misleading statements incorporated into the Registration Statement. The Underwriter Defendants drafted and disseminated the offering documents and were paid more than \$42 million in connection therewith. The

Underwriter Defendants' failure to conduct an adequate due diligence investigation was a substantial factor leading to the harm complained of herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

43. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Groupon. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Groupon common stock was a success, as it: (i) deceived the investing public regarding Groupon's prospects and business; (ii) artificially inflated the price of Groupon common stock; and (iii) caused plaintiff and other members of the Class to purchase Groupon common stock at inflated prices.

BACKGROUND

44. Groupon operates an e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount in North America and internationally. It offers deals in 140 various types of businesses, including health and beauty, food and drink, activities, events, services, and retail. The Company sends daily emails to its subscribers regarding discounted offers for goods and services that are targeted by location and personal preferences. Consumers can also access its deals directly through the Company's Website and mobile application. The Company was founded in 2008.

45. Prior to the IPO, Groupon emphasized its similarities to Amazon.com. During an IPO roadshow, one Groupon executive, Jeff Holden, stated that the "parallels between Amazon and Groupon are amazing," referring to his prior experience working for Amazon.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS MADE IN CONNECTION WITH THE IPO

46. Beginning in June 2011, the Company filed a Form S-1 Registration Statement and Amendments thereto (collectively the "Registration Statement") in connection with its IPO, which Registration Statement was declared effective by the SEC on November 3, 2011.

47. On November 3, 2011, the Company filed a Form S-1/A Registration Statement with the SEC to facilitate the offering of 35 million shares of Groupon common stock to the public.

48. The Prospectus for the IPO, which was part of the Registration Statement, made the following statements about Groupon's competitive advantages:

Our Advantage

Customer experience and relevance of deals. We are committed to providing a great customer experience and maintaining the trust of our customers. We use our technology and scale to target relevant deals based on individual subscriber preferences. As we increase the volume of transactions through our marketplace, we increase the amount of data that we have about deal performance and customer interests. This data allows us to continue to improve our ability to help merchants design the most effective deals and deliver deals to customers that better match their interests.

Merchant scale and quality. In the nine months ended September 30, 2011, we featured deals from over 190,000 merchants worldwide across over 190 categories of goods and services. Our salesforce of over 4,800 sales representatives enables us to work with local merchants in 175 North American markets and 45 countries. We draw on the experience we have gained in working with merchants to evaluate prospective merchants based on quality, location and relevance to our subscribers. We maintain a large base of prospective merchants interested in our marketplace, which enables us to be more selective and offer our subscribers higher quality deals. Increasing our merchant base also increases the number and variety of deals that we offer to consumers, which we believe drives higher subscriber and user traffic, and in turn promotes greater merchant interest in our marketplace.

Brand. We believe we have built a trusted and recognizable brand by delivering a compelling value proposition to consumers and merchants. A benefit of our well recognized brand is that a substantial portion of our subscribers in our established markets is acquired through word-of-mouth. We believe our brand is trusted due to our dedication to our customers and our significant investment in customer satisfaction.

49. The Prospectus for the IPO made the following representations concerning Groupon's financial results:

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

We present below our summary consolidated financial and other data for the periods indicated. Financial information for periods prior to 2008 has not been provided because we began operations in 2008. The summary consolidated statements of operations data for the years ended December 31, 2008, 2009 and 2010

and the balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. . . . The summary consolidated statements of operations data for the periods ended September 30, 2010 and 2011 and the balance sheet data as of September 30, 2011 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. ***The unaudited information was prepared on a basis consistent with that used to prepare our audited financial statements and includes all adjustments, consisting of normal and recurring items, that we consider necessary for a fair presentation of the unaudited period.***

* * *

Revenue Recognition

The Company recognizes revenue from Groupons when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, the Groupon has been electronically delivered to the purchaser and a listing of Groupons sold has been made available to the merchant. At that time, the Company's obligations to the merchant, for which it is serving as an agent, are substantially complete. The Company's remaining obligations, which are limited to remitting payment to the merchant and continuing to make available on the Company's website the listing of Groupons previously provided to the merchant, are inconsequential or perfunctory. The Company records the net amount it retains from the sale of Groupons after paying an agreed upon percentage of the purchase price to the featured merchant excluding any applicable taxes. Revenue is recorded on a net basis because the Company is acting as an agent of the merchant in the transaction.

50. The Prospectus for the IPO also included a letter by Groupon's CEO, which, despite a provision that it should not be relied upon, represented the following:

Dear Groupon,

This weekend, I did a Google News search on our company—my first in awhile. The first story that popped up was called *The Fall of Groupon: Is the Daily Deals Site Running Out of Cash?* I laughed when I read the headline (in the car by myself, weirdly). First – with this article, the degree to which we're getting the s*** kicked out of us in the press had finally crossed the threshold from "annoying" to "hilarious." Second, I was struck by the irony—I had just finished a board meeting last Wednesday saying this to myself: I've never been more confident and excited about the future of our business.

* * *

I'm going to spend the rest of this email explaining why I'm so excited. You need some ammo to argue back against your blog-reading "friends" (silently argue in

your mind, that is—you can't actually say any of this yet), and I've been told that the "what have you ever done with your life that's so great?" rebuttal isn't working as well for you guys as it has for me. While we've bitten our tongues and allowed insane accusations (like in the article above) to go unchallenged publicly, it's important to me that you have the context necessary to brush this stuff off.

I'll summarize my excitement with four points: 1) Growth in our core business is strong 2) Our investments in the future – businesses like Getaways & NOW—look great, 3) We are pulling away from competition, and 4) We've built a great team that I would pit against anyone. In other words, all the stuff that one would want to look good? It looks good. Many of the long-term unknowns of our business are becoming known, and we like the answers. I will now elaborate in a level of financial detail that will give Jason Child a stomach ulcer.

1. GROWTH IN THE CORE BUSINESS

* * *

1. We are currently spending more than just about any company ever on marketing – in Q2, we spent nearly 20% of our net revenue on marketing, while a typical company spends less than 5%. Why do we spend so much? The simple answer is "because it works." But that's only part of what makes our situation special.

2. Our marketing – at least the customer acquisition marketing that we remove from ACSOI – is designed to add people to our own long-term marketing channel – daily email list. Once we have a customer's email, we can continually market to them at no additional cost. Compare this to Johnson and Johnson, McDonald's, or most other companies. If I'm a Johnson, and I'm trying to sell you a box of Band Aids, I have to keep spending money on commercials and magazine ads and stuff to remind you about how sweet Band Aids are, even after you've bought your first box. With Groupon, we just spend money one time to get you on our email list, and then every day we email you a reminder of the sweetness of our metaphorical Band Aid. There is no cost of reacquisition – it's unusual (and we created ACSOI to point that out). If Johnson wanted to follow the Groupon strategy, he would have to start a free daily newspaper about bandages and then run Band Aid ads in it every day.

3. Eventually, we'll ramp down marketing just as fast as we ramped it up, reducing the customer acquisition part of our marketing expenses (the piece that we remove in ACSOI) to nominal levels. We are spending a ton now because we're acquiring as many subscribers as we can as quickly as we can. We aren't paying attention to marketing budget (just marketing ROI) in the way a normal company would, because we know that even if we wanted to continue to spend at these levels, we would eventually run out of new subscribers to acquire. So our customer acquisition spend drops severely to reflect the fact that eventually we'll run out of people we can add to our email list. We view this internally as a very large one-time expense and then our job forever after will be to continually convert these

subscribers into customers and to make sure our customers keep buying from us. Ongoing, the normal marketing dollars we spend are not something we would remove from our internal calculation of ACSOI.

* * *

Anyway, there's a reason that I just went on about ACSOI. One of the questions that skeptics ask is, "when you ramp down marketing, won't revenues stop growing as well? Aren't you just buying growth?" Over the past several months we've been consistently reducing our marketing spend and yet revenues are still increasing at a significant pace. In Q1 of this year, marketing represented 32.3% of our net revenues. By the end of Q2 it had fallen to 19.4%. And it has continued to fall over the past several months all because we've been investing in our own long-term marketing channel – our email list.

Internationally we see the same trends – marketing is down, but revenues are up – every country is either losing less or making more. Even in young markets like Korea, where we're still making massive investments, we're seeing unprecedented growth. We started building our Korean team this January, despite the presence of two competitors that were larger than any we'd previously battled from behind. Thanks to the brilliant execution of the Korean team, we are set to be the market leader within months. We've never had a country grow as fast as Korea!

* * *

2. NEW BUSINESS LINES ARE BOOMING

Travel and Product are enormous opportunities. After only a few months, they're already making up 20% of revenue in some countries. We sold \$2M worth of mattresses in the UK – in one day! Groupon Getaways will do \$10M in its first calendar month – which you might think is awesome, but we're actually disappointed with those results because we know how much better we'll be doing soon.

While there's still a ton of work to do, Groupon Now! continues to see weekly double digit growth. The model works and I believe it will play a major part in the future of our global business as more merchants and customers join the marketplace.

3. WE ARE PULLING AWAY FROM COMPETITION

If there's a question I've received from Groupon skeptics more than any other, it's, "how will you fend off the competition – especially massive companies like Google and Facebook?" I could give a dozen reasons to bet on Groupon, but it's impossible to predict the future or the actions of others. Well, now the sleeping giants have woken up – and the numbers are showing that what was proven true with literally thousands of other competitors is just as true with the incumbents of the Internet: it's kind of hard to build a Groupon. And since anyone with an Internet connection can track the performance of our competitors, I can be more specific:

- Google Offers is small and not growing. In the three markets where we compete, we are 450% of their size.
- Yelp is small and not growing. In the 15 markets where we compete, our daily deals are 500% of their size.
- Living Social's U.S. local business is about 1/3rd our size in revenue (and smaller in GP) and has shrunk relative to us in the last several months. This, in part, appears to be driving them toward short-sighted tactics to buy revenue, like buying gift certificates from national retailers at full price and then paying out of their own pocket to give the appearance of a 50% off deal. Our marketing team has tested this tactic enough to know that it's generally a bad idea, and not a profitable form of customer acquisition.
- Facebook sales are harder to track, but are even less significant at present.

My point is not that our competitors will fail – some may actually develop sustainable businesses, or even grow – after all, local commerce is an enormous market. *The real point is that our business is a lot harder to build than people realize and our scale creates competitive advantages that even the largest technology companies are having trouble penetrating. And with the launch of NOW, I suspect our competition will have an even harder time in light of the natural barriers to entry that are needed to build a real-time local deals marketplace.*

* * *

FINAL THOUGHTS

I wrote this email because when I read some of the press this weekend, I realized a rational person could read this stuff and wrongly conclude that we're in trouble. The irony is hopefully clear: *We've never been stronger.*

And while we've refrained from defending ourselves publicly, you've continued to create our best defense, with every department innovating new practices that are taking our business to the next level. Thanks for staying tough, determined, and agile throughout this process. For now we must patiently and silently endure a bit more public criticism as we prepare to birth this IPO baby – a breed for which there are no epidurals. If there's a silver lining, it's that we're almost on the other side, and the negativity leaves us well-positioned to exceed expectations with an IPO baby that, having seen the ultrasound, I can promise you is not one of those uglies.

I've been as candid as possible – hope this sheds some light on things. Reply with your questions if anything remains unclear. Amidst all this, I hope you remember what we're doing here – we are making history together. I guess you don't get to build something that reshapes the local commerce ecosystem without getting a

few bruises. I'm so proud of the work we're doing, and I feel extraordinarily lucky to work on what I think is the best thing that's happened to small businesses since the telephone. We've invented something that is catalyzing millions of dollars of local commerce every single day in 45 countries and fills the lives of millions of customers with unforgettable experience – it's pretty remarkable.

Looking forward to getting this behind us!

Andrew

P.S.: I almost forgot to address the nonsense about us running out of money in the article above. If you apply the same logic used in the article, you'd have concluded long ago that companies like *Amazon* and *Wal-Mart* were running out of cash too. Both have often had payables far in excess of their cash. Finance geeks call this a working capital deficit. It's normal, manageable and a lot of folks actually believe it's good thing and would kill to get paid from their customers long before they have to pay their suppliers. We are generating cash, not losing it – we generated \$25M in cash last quarter alone, adding to the \$200M we had before. *In other words, we're doing the opposite of running out of money.*

51. On November 3, 2011, Groupon issued a press release announcing the pricing of the IPO, which stated in part:

Groupon, Inc. today announced the initial public offering of 35,000,000 shares of its Class A common stock at a price of \$20 per share. In addition, Groupon has granted the underwriters a 30-day option to purchase up to an additional 5,250,000 shares of Class A common stock to cover over-allotments, if any. All of the shares of Class A common stock are being offered by Groupon. The company's shares are expected to begin trading on The NASDAQ Global Select Market on November 4, 2011 under the ticker symbol "GRPN."

The lead book-running managers of the offering are Morgan Stanley & Co. LLC, Goldman, Sachs & Co., and Credit Suisse Securities (USA) LLC. Additional book-running managers are Allen & Company LLC, BofA Merrill Lynch, Barclays Capital Inc., Citigroup Global Markets, Inc., Deutsche Bank Securities, Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, LLC and William Blair & Company, LLC. Co-managers are Loop Capital Markets, RBC Capital Markets LLC, and The Williams Capital Group, L.P.

52. On December 2, 2011, Advertising Standards Authority Ltd. published an article entitled "ASA refers complaints about Groupon to OFT," which stated in part:

Following repeated breaches of the Advertising Code by MyCityDeal Ltd t/a Groupon, the Advertising Standards Authority is now referring complaints that we receive about Groupon's ads to the Office of Fair Trading (OFT). We are referring complaints that specifically concern Groupon's:

- Failure to conduct promotions fairly, such as not making clear significant terms and conditions
- Failure to provide evidence that offers are available
- Exaggeration of savings claims

We are taking this approach because, given Groupon's track record, we have serious concerns about its ability to adhere to the Advertising Code. It is in the public interest that we refer the matter to the OFT, the OFT being better placed to address any underlying issues concerning Groupon's trading practices generally.

In 2011, the ASA has formally investigated and upheld complaints against Groupon's advertising on 11 occasions. We have also informally resolved 37 cases. We will continue working closely with the OFT on these issues to ensure consumers are protected.

53. On February 8, 2012, Groupon issued a press release announcing its fourth quarter and full year 2011 financial results. The Company reported a net loss of (\$42.7 million), or (\$0.08) diluted EPS, and revenue of \$506.5 million for the fourth quarter of 2011. The Company additionally reported a net loss of (\$350.8) million, or (\$0.97) diluted EPS, and revenue for the 2011 full year of \$1.6 billion. Further, the Company provided its first quarter 2012 guidance, with income from operations expected to be between \$15 million and \$35 million and revenue expected to be between \$510 million and \$550 million. The release stated in part:

Revenue increased 194% to \$506.5 million in the fourth quarter 2011, compared to \$172.2 million in the fourth quarter 2010. The unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter was \$3.5 million. Gross billings, which reflects the gross amounts collected from customers for Groupons sold, excluding any applicable taxes and net of estimated refunds, increased 201% to \$1.25 billion in the fourth quarter 2011, compared with \$415.3 million in the fourth quarter 2010.

"Groupon had a strong fourth quarter and we finished 2011 having helped 250,000 local merchants across 47 countries grow their businesses while saving Groupon customers billions of dollars," said Andrew Mason, CEO and Co-Founder of Groupon. "We will continue to invest in new services and tools that help our merchant partners be more successful and drive local commerce around the world."

54. On this news, Groupon's stock declined to \$21.17 per share, but continued to trade at artificially inflated levels as defendants concealed Groupon's improper accounting and overstated revenues.

55. Then, on March 30, 2012, after the market closed, Groupon issued a press release announcing a revision to its fourth quarter and full year 2011 results. The Company reported a reduction in its fourth quarter 2011 revenue of \$14.3 million after initially reporting sales of \$506.5 million. This resulted in an increase to Groupon's fourth quarter 2011 operating expenses that reduced operating income by \$30 million, net income by \$22.6 million, and EPS by \$0.04. Groupon attributed the revisions to a shift in the Company's fourth quarter deal mix and higher price point offers, which resulted in higher refund rates. The release stated in part:

Groupon, Inc. today announced a revision of its reported financial results for its fourth quarter and year ended December 31, 2011. Groupon also affirmed its guidance for the first quarter of 2012.

The revisions resulted in a reduction to fourth quarter 2011 revenue of \$14.3 million. The revisions also resulted in an increase to fourth quarter operating expenses that reduced operating income by \$30.0 million, net income by \$22.6 million, and earnings per share by \$0.04. Financial results for prior periods, including as of and for the nine months ended September 30, 2011, were not affected by the revisions.

There is no change to Groupon's previously reported operating cash flow of \$169.1 million for the fourth quarter 2011 and \$290.5 million for the full year 2011. There is also no change to Groupon's previously reported free cash flow, which is a non-GAAP financial measure that reflects cash flow from operations less purchases of property and equipment, of \$155.1 million for the fourth quarter 2011 and \$246.6 million for the full year 2011.

The revisions are primarily related to an increase to the Company's refund reserve accrual to reflect a shift in the Company's fourth quarter deal mix and higher price point offers, which have higher refund rates. The revisions have an impact on both revenue and cost of revenue. A more detailed explanation of the refund reserve is included in the Critical Accounting Policies and Estimates section of Groupon's Annual Report on Form 10-K for the year ended December 31, 2011, filed today with the Securities and Exchange Commission (SEC).

"We remain confident in the fundamentals of our business, as our performance continues to highlight the value that we provide to customers and

merchants,” said Jason Child, Groupon CFO. Groupon affirmed its guidance contained in its February 8, 2012 press release regarding expectations for first quarter 2012 revenue of \$510 million to \$550 million and income from operations of \$15 million to \$35 million. This guidance includes approximately \$35 million for stock-based compensation and acquisition-related expense, and it assumes no material business acquisitions or investments and no further revisions to stock-based compensation estimates.

56. On March 30, 2012, *The Financial Times* published an article entitled “Groupon restates 2011 results,” which stated in part:

Groupon has revealed an accounting restatement that had the effect of wiping out its operating profit for the final months of last year, extending the series of financial hiccups that have bedeviled the fast-growing online coupons company.

The news late on Friday included an admission of “material weakness” in its internal controls and comes just six months after its initial public offering. It triggered a 7 per cent drop in its shares in after-hours trading.

Groupon blamed the restatement on its failure to account properly for its move into new markets where there is a higher chance that consumers will demand a refund.

Customers who buy coupons that give a discount on high-value services, such as laser eye surgery or hair removal, are more likely to ask for their money back, according to the company, forcing it to withhold more of its money in a refund reserve. The expansion into higher-risk categories like this only took place late last year, Groupon said, leading to a restatement just of the final quarter’s figures.

The accounting change reduced the company’s reported operating income for the period by \$30m – more than wiping out the \$15m it had previously reported for the period. It had less impact on revenues, shaving \$14.3m from the \$506m that had been reported before.

57. Also on March 30, 2012, *Seeking Alpha* published an article entitled “Brace For More Surprises: Groupon Restates Earnings, Reveals Weakness in Financial Controls,” which stated in part:

After traders packed up for the weekend, Groupon (GRPN) issued two warnings during the evening of March 30th.

First, Groupon discovered it under-estimated its refund rate for the previous quarter. As a result, the company revised downward its revenue and earnings numbers:

“The revisions resulted in a reduction to fourth quarter 2011 revenue of \$14.3 million. The revisions also resulted in an increase to fourth quarter operating expenses that reduced operating income by \$30.0 million, net income by \$22.6 million, and earnings per share by \$0.04.”

This means GRPN actually had a greater loss for the last quarter. GRPN claims in its 10K filing released in parallel with the restatement that it has fixed its refund model to include a change in deal mix and higher priced offers. GRPN does not indicate whether these shifts represent a one-time change or an on-going, dynamic change. GRPN is holding firm on its guidance for the current quarter, so the company is implying the shift could be temporary and/or seasonal/cyclical. It is of course possible GRPN got blindsided with a higher number of low-quality merchants. For now, I expect overall refund rates to trend upward, and I expect analysts to ask a lot of questions about this during the next conference call. Refund dynamics will get the spotlight as a source of potential uncertainty in GRPN’s revenues and profits.

Second, GRPN warned that it “..identified a material weakness in [its] internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.” The details are included in the company’s 10K filing. GRPN is now expanding the scope of a review of its internal controls mandated by its IPO filing so that it can understand the source of the weakness and fix it. The 10K makes it clear that the conclusion of this review could uncover more financial surprises at an as yet undetermined time:

“Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take, and our initiatives may not prove to be successful in remediating this material weakness. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results.”

Until this issue is resolved, the implied risk premium for GRPN grows larger. GRPN’s stock dropped as much as 10% in after-hours trading. Curiously, GRPN’s stock rallied into these revelations.

58. On this news, Groupon’s stock dropped \$3.10 per share to close at \$15.28 per share on April 2, 2012, a decline of 17% on volume of 10 million shares.

59. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) Groupon's financial results were materially false and misleading in violation of GAAP;

(b) Groupon's revenues were overstated in violation of GAAP;

(c) Groupon's business was not growing to the extent represented by defendants and was not nearly as resistant to competition as suggested by defendants;

(d) The IPO Registration Statement and Prospectus concealed that Groupon was not in compliance with the laws and regulations of some of the countries in which it operated, including the United Kingdom; and

(e) Groupon's internal controls were so poor and inadequate that Groupon's reported results were not reliable.

60. The market for Groupon common stock was open, well-developed and efficient at all relevant times. As a result of defendants' materially false and misleading statements and failures to disclose, Groupon common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Groupon common stock relying upon the integrity of the market price of Groupon common stock and market information relating to Groupon, and have been damaged thereby.

61. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Groupon's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

62. At all relevant times, the material misrepresentations and omissions particularized in this complaint directly or proximately caused, or were a substantial contributing cause of, the

damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Groupon's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Groupon and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

63. As a result of defendants' false statements, Groupon's stock traded at inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down 41% from their Class Period high.

ADDITIONAL SCIENTER ALLEGATIONS

64. As alleged herein, Groupon, the Officer Defendants and Director Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, these defendants, by virtue of their receipt of information reflecting the true facts regarding Groupon, their control over, and/or receipt and/or modification of Groupon's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Groupon, participated in the fraudulent scheme alleged herein.

LOSS CAUSATION/ECONOMIC LOSS

65. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Groupon common stock and operated as a fraud or deceit on Class Period purchasers of Groupon common stock by misrepresenting the Company's business and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Groupon common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Groupon common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

66. Groupon's "Safe Harbor" warnings accompanying its reportedly forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability. To the extent that projected revenues and earnings were included in the Company's financial reports prepared in accordance with GAAP, including those filed with the SEC on Form 8 K, they are excluded from the protection of the statutory Safe Harbor. 15 U.S.C. §78u-5(b)(2)(A).

67. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Groupon who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

CLASS ACTION ALLEGATIONS

68. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased or otherwise acquired shares of Groupon common stock during the Class Period and/or pursuant or traceable to the Company's false and misleading Registration Statement for its IPO (the "Class"), and who were damaged thereby. Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

69. The members of the Class are so numerous that joinder of all members is impracticable. Groupon stock was actively traded on the NASDAQ. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Groupon or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions. Groupon has more than 642 million shares of stock outstanding.

70. Plaintiff's claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

71. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether the 1933 Act and 1934 Act were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period and in the Registration Statement misrepresented material facts about the business, operations and management of Groupon; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD ON THE MARKET DOCTRINE**

74. At all relevant times, the market for Groupon's common stock was an efficient market for the following reasons, among others:

(a) Groupon common stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) as a regulated issuer, Groupon filed periodic public reports with the SEC and the NASDAQ;

(c) Groupon regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the

national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Groupon was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

75. As a result of the foregoing, the market for Groupon common stock promptly digested current information regarding Groupon from all publicly available sources and reflected such information in the prices of the stock. Under these circumstances, all purchasers of Groupon common stock during the Class Period suffered similar injury through their purchase of Groupon common stock at artificially inflated prices and a presumption of reliance applies.

COUNT I

For Violation of Section 11 of the 1933 Act Against All Defendants

76. Plaintiff incorporates ¶¶1-42, 44-63 and 68-75 by reference.

77. This Count is brought pursuant to §11 of the 1933 Act, 15 U.S.C. §77k, on behalf of the Class, against all defendants.

78. This Count does not sound in fraud. All of the preceding allegations of fraud or fraudulent conduct and/or motive are specifically excluded from this Count. Plaintiff does not allege that the Officer Defendants, Director Defendants or the Underwriter Defendants had scienter or fraudulent intent, which are not elements of a §11 claim.

79. The Registration Statement for the IPO was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary in order to make the statements made not misleading, and omitted to state material facts required to be stated therein.

80. Groupon is the registrant for the IPO. The defendants named herein were responsible for the contents and dissemination of the Registration Statement.

81. As issuer of the shares, Groupon is strictly liable to plaintiff and the Class for any misstatements and omissions.

82. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

83. By reason of the conduct herein alleged, each defendant violated, and/or controlled a person who violated, §11 of the 1933 Act.

84. Plaintiff acquired Groupon shares pursuant and/or traceable to the Registration Statement for the IPO.

85. Plaintiff and the Class have sustained damages. The value of Groupon common stock has declined substantially subsequent to and due to defendants' violations.

86. At the time of their purchases of Groupon shares, plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to March 30, 2012. Less than one year has elapsed from the time that plaintiff discovered or reasonably could have discovered the facts upon which this complaint is based to the time that plaintiff filed this complaint. Less than three years has elapsed between the time that the securities upon which this Count is brought were offered to the public and the time plaintiff filed this complaint.

COUNT II

For Violation of Section 15 of the 1933 Act Against Groupon, the Officer Defendants and the Director Defendants

87. Plaintiff repeats and realleges ¶¶1-42, 44-63 and 68-86, by reference.

88. This Count is brought pursuant to §15 of the 1933 Act against Groupon, the Officer Defendants and the Director Defendants.

89. The Officer Defendants and the Director Defendants each were control persons of Groupon by virtue of their positions as directors and/or senior officers of Groupon. The Officer Defendants and the Director Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major shareholders of Groupon. Groupon controlled the Officer Defendants, the Director Defendants and all of Groupon's employees.

90. Defendants each were culpable participants in the violations of §11 of the 1933 Act alleged in the Count above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the IPO to be successfully completed.

COUNT III

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against Groupon and the Officer Defendants

91. Plaintiff incorporates ¶¶1-90 by reference.

92. During the Class Period, Groupon and the Officer Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

93. Groupon and the Officer Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Groupon common stock during the Class Period.

94. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Groupon common stock. Plaintiff and the Class would not have purchased Groupon common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by Groupon's and the Officer Defendants' misleading statements.

COUNT IV

For Violation of §20(a) of the 1934 Act Against Groupon and the Officer Defendants

95. Plaintiff incorporates ¶¶1-94 by reference.

96. Groupon and the Officer Defendants acted as controlling persons of Groupon within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Groupon stock, the Officer Defendants had the power and authority to cause Groupon to engage in the wrongful conduct complained of herein. Groupon controlled the Officer Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages and interest;

- C. Awarding plaintiff's reasonable costs, including attorneys' fees;
- D. Awarding rescission or a rescissory measure of damages; and
- E. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: April 3, 2012

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